

HEALTH WEALTH CAREER

MERCER WORKPLACE HEALTH

GROUP RISK CONSULTING

MAKE TOMORROW, TODAY



Mercer believes that investing in wellbeing makes sound business sense. Today's employers are tasked with supporting a diverse workforce of employees, many of whom are living with health risks and most of whom will be working until later in life. As the costs of risk and medical insurance rise, the traditional approach needs to be challenged. Mercer enables employers of all sizes to better understand their employees' health needs and broader risk profile. Our aim is to help you to think differently about employee benefits and to reset the balance towards promoting wellness alongside managing illness and providing protection for if the worst happens. We believe that doing so can improve your bottom line while also creating a happier, healthier workforce.

Managing risk for employee benefits is an area of increasing concern. The unpredictable nature of benefits provided in the event of death in service and prolonged or serious ill health sets them apart from similar offerings. Pension scheme trustees and employers who are responsible for providing these benefits must, therefore, seek professional advice on cash flow and the ultimate cost of these benefit provisions.

Mercer places more insurance of this nature in the Irish market than any other adviser. Our significant portfolio and advanced relationships with insurers give us the technical and market expertise to:

- Develop exclusive market offerings
- Influence insurers' policy decisions
- Ensure you receive the most competitive terms, coverage, claims and administration support
- Objectively benchmark and challenge service levels based on the best offerings available

INCREASING COST OF INSURANCE

We continue to see large increases in risk premiums, in particular for spousal death-in-service pensions and disability benefits. The main economic factor affecting premium rates is the continuing low-interest-rate environment. As insurance companies use bonds to back policy liabilities, any reduction in these assets' prospective rate of return increases the cost of insurance. This is particularly true for dependant pension benefits, which provide an income to the beneficiary for life and can produce a very long duration of payments, the cost of which is very sensitive to interest rate changes. Disability benefits are also affected, though to a lesser degree. Importantly, benefits with escalation are especially sensitive to rate changes and are seeing very large increases.

Scheme-specific factors affecting premium rates include age profile (particularly for closed schemes), claims history and absentee record or the inclusion of seriously ill members. The impact of these issues will depend on the size of the scheme. These factors can be mitigated by a strong absence management policy and active engagement with the insurer. Cost-effective benefit design and regular market reviews will help keep cost increases as small as possible.

COST-EFFECTIVE BENEFIT DESIGN

SOME INITIATIVES BEING USED TO REDUCE COSTS INCLUDE:

DEATH-IN-SERVICE BENEFITS	DISABILITY BENEFITS
Replacing dependants' pensions with an alternative lump sum	Removing/reduce escalation on benefits
Reducing dependants' pension benefits	Extending the insured deferred period
Removing/reducing escalation on dependants' pensions	Self-insuring premium protection
Removing continuation options	Converting to short-term disability benefit
Insuring marital status more accurately	

MARKET REVIEWS

Unit rates are generally guaranteed for three years. Once they have expired, the insurer will issue new rates for acceptance. Before accepting these, trustees and employers should conduct a full market review to identify the most competitive rates, terms and conditions available. A market review facilitates a negotiation process that results in the most competitive premium possible and is important from both a cost management and a due diligence perspective. This is also an opportune time to ensure that the benefits covered reflect those set out in the employment and scheme documentation. A better deal is not always guaranteed but, at the very least, this exercise reveals whether the incumbent's rates remain competitive.

Our specialist team in the management of risk benefits and costs can, following a full review, provide you with an analysis of your existing insurance along with tailored recommendations on cost-saving alternatives.

CHANGE OF INSURER

Where we recommend you change insurer, we analyse your policy conditions carefully to ensure there is no reduction in benefit for members, no break in cover and a seamless transfer of cover to the new insurer.

INSURANCE AND SELF-INSURANCE

We can provide a detailed analysis, tailored to your scheme, setting out the advantages and disadvantages of self-insurance and considering:

- membership size
- scheme age and maturity
- cash flows
- reserves
- the trustees' and company's attitude to risk and fluctuations in cost

In many cases, a combination of insurance and self-insurance is appropriate. We can advise you on such risk-sharing combinations. An example is insuring the sum at risk: in this case, the amount of life assurance is reduced as the reserve held for retirement benefits grows, such that the total (insurance plus reserve) equals the death-in-service benefits provided. This means the amount of insurance needed for each individual member reduces as the member gets older and more expensive to insure.

STATE PENSION AGE CHANGE

The increasing state pension age affects not only pension schemes but also group risk benefits (death and disability). With more employees seeking to work past the standard retirement age of 65, trustees and employers need to consider whether cover can be extended, as well as the underwriting and cost implications of such an approach. Many insurers now allow the ceasing age for life/disability cover to be separated from any specified retirement age in the associated pension scheme.

DISABILITY CLAIMS MANAGEMENT

Effective and efficient claims management, supported by early intervention on the part of the insurer, is key to ensuring claims are assessed and paid in a timely fashion and to managing claims growth. Evidence shows that early intervention, action and treatment reduces the likelihood and term of a claim. A successful claims management approach reduces long-term insurance premiums, minimises internal time costs and promotes strong governance.

We can support you in establishing an integrated claims management service and working effectively with your insurer.

MULTINATIONAL POOLS

Where employees are dispersed across multiple countries, a multinational pooling arrangement may be appropriate. This arrangement combines the insurance contracts of international subsidiaries in an international portfolio. By spreading risk over the total pool, multinational employers can reduce overall charges. Savings in risk margins may also result in an international profit-sharing dividend that is returned to the company.

We can provide access to multinational pools, help you establish new pooling arrangements and advise on successful pooling.

OVERSEAS EMPLOYEES

As workforces become more mobile, employers are increasingly looking at life assurance and disability cover for ex-pat and mobile employees located abroad, often in remote countries, who are not eligible to participate in a local Irish policy and for whom no suitable overseas policy is available.

We can work with both you and overseas insurers to establish suitable global policies for such employees.





FURTHER INFORMATION

To speak to a specialist consultant about your group risk or other workplace health needs, please email us: marketing.ireland@mercer.com

www.mercer.ie

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