



# IGP Country Profile **UK**





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# Customary employee benefits

## Death in service benefits

On the death of an employee in service, benefits can be:

- Lump sum death benefit
  - a multiple of the employee's earnings, a lump sum of between two- and four-times salary is typical;
  - a fixed lump sum amount, for example GBP 50,000 per employee
- A death in service pension for the employee's spouse, civil partner, or other financial dependents, ensuring continued income following the death of an employee. Amounts are commonly between 25% salary and 4/9ths salary. The pension can also escalate each year to offset the impact of inflation.

The majority of death in service schemes are registered with HM Revenue & Customs and are set up under a discretionary trust so that they can enjoy certain tax privileges.

There is no maximum benefit, although lump sum benefits from a registered scheme that exceed the lifetime allowance are subject to tax. Lump sum benefits paid via a discretionary trust are not subject to inheritance tax.

Death in service pensions do not count towards the lifetime allowance but are subject to income tax.

An increasing number of schemes are insured as Excepted Group Life Policies. Payments from these do not count against the lifetime allowance. They use a version of a discretionary trust so that benefits are generally not subject to inheritance tax, but charges may occasionally arise.

Benefits for large pension schemes may be self-insured. Benefits can be insured via group plans.

## Disability benefits

Group Income Protection schemes commonly insure 50% - 75% of salary. Some older schemes may deduct an amount equivalent to state incapacity benefits.

Benefits are payable after a deferred period, usually 26 weeks. Over 90% of policies are based on an "Own Occupation" definition of disability. Other deferred periods and disability definitions are also

possible.

Benefits may be payable through to retirement age or limited to a period of 2-5 years. The latest market development is to offer a limited pay period followed by a lump sum.

It is possible to have escalating benefits and insure pension scheme contributions and employers' National Insurance contributions.

## Taxation

- Schemes for employees: Premiums are usually treated as a business expense and benefits paid to employees are subject to income tax and national insurance contributions.
- Schemes for equity partners: Premiums in respect of equity partners are not treated as a business expense. Benefits paid to equity partners are not subject to income tax.

## Critical illness benefits

This is less frequently insured than other types of group risk insurance, though is most commonly found within a flexible benefits program.

Benefits are relatively low, in the region of one or two times salary, or perhaps a fixed amount of around GBP 25,000 per member. There is often a set of around thirteen core critical illnesses to which additional illnesses can be insured at additional cost.

A member's children and spouse can also be insured.

## Medical Benefits

### Health treatment

Insured private medical plans are available to meet the cost of private treatment or to provide a cash benefit. Plans are available in a range of cover levels and at varying premium levels designed to meet the needs of different customers. Organisations can provide their employees with company paid schemes or schemes where employees buy insurance on a voluntary basis at a discounted rate.

Employer contributions are treated as a business expense and are taxed as a benefit in kind for employees – clients should take their own tax advice on this benefit.

### Medical benefits

Ever since the National Health Service (NHS) was created, there has been the facility to enable any individual to pay for private treatment. Private treatment complements the critical work of the NHS and enables patients to have choice about access to treatment. Private medicine operates within and outside the NHS. There are a number of private hospital providers in the UK which members can access, along with the ability to access NHS hospitals throughout the country who provide 'pay beds' or 'amenity beds', for use by private patients, with hospital and specialist fees funded by the individual on a self-pay basis or by their medical scheme insurer / administrator.

Private medical benefits will cover acute medical conditions and are managed in line with a set of rules and benefits. It's important to note that not all conditions and treatments are covered under a private medical benefit scheme e.g. maternity, dental, chronic etc. are some possible exclusions.

The cost of private medical treatment is relatively expensive in the UK, and this led to the rapid growth of medical insurance. In 2021, there were 3 million private medical insurance subscribers (excluding Trusts) - Mintel Report 2022.

The NHS and private healthcare sector were both impacted by the COVID-19 pandemic. In the medium to long term, it is expected that private healthcare provision will become increasingly important as issues of affordability and sustainability of the NHS drive government to transfer more responsibility for the nation's health and wellbeing onto employers and the private sector.

## Dental benefits

22 million adult and child patients in England saw an NHS dentist in the 24 months period ending June 2022, according to the NHS Dental Statistics, representing 39% of the population. The dentistry market in the UK was estimated to reach a value of £9.62 billion in 2022 (UK Dentistry Market Report). According to Laing Buisson, the private sector makes up around 55% of the market, with the remaining 45% being NHS treatment.

The demand for NHS dentistry currently outweighs supply. As with the private medical insurance market, difficulty accessing NHS dentists has meant that more patients are seeking out private treatment.

Dental plans are designed to encourage employees to attend the dentist regularly and give them cover for their routine treatment. With dental cash plans, patients can pay for their treatment up front and claim some or all of their treatment back.



# Legislative news

Over recent years the government has primarily focused on Brexit and reactions to the Covid pandemic. There have been only a few other initiatives.

## UK Spring Budget Announcement

In the March 15, 2023 Spring Budget, the Chancellor announced some incentives for employers to support the health and wellbeing of their employees within the UK. Plans included expanding the scheme to support SMEs to buy Occupational Health services, where businesses play a critical role in supporting the health of their employees and the impact this has on society more broadly. Occupational Health reduces sickness absence and the likelihood of employees dropping out of the workforce for health issues.

An independent report commissioned by AXA Health shows the Private Medical Insurance (PMI) market contributes an estimated £1.3 billion to the UK economy and society, through cost savings on sickness benefits, improved productivity (fewer sick days) and improvements to quality of life.

## New Consumer Duty

From 31 July 2023, Consumer Duty requires that businesses take action to deliver 'good outcomes for customers' throughout the customer journey by understanding their needs, financial objectives and characteristics, including any vulnerabilities. This applies across the customer journey and specifically for the following four outcomes identified by the FCA:

- products and services
- price and value
- consumer understanding
- customer support

Businesses must also satisfy the 'cross-cutting rules' which require them to: act in good faith to deliver good outcomes, help customers to achieve their financial goals and to act to avoid 'foreseeable harm' to customers. All firms also need to show evidence that they are delivering good outcomes for customers in these areas. More information about the new Consumer Duty regulations is available from the FCA.

## Workplace statements

In the UK, employers are not legally required to provide a written contract of employment. But as of April 2021, the information required to be given to an employee or worker has increased.

An employee has the right to understand the terms of their employment, and they must be given a document stating the main conditions of employment when they start work

This is known as a 'written statement of policy particulars' – it is not an employment contract. More information is available [here](#).

Employers can take this opportunity to promote their employee benefits, and the Association of British Insurers has worked with providers and the government to assist with this via their webpage: How to nurture wellbeing at work – from day one. For more information, click [here](#).

# Trends

The UK suffers the same increasing medical costs for the same reasons as the rest of the world. Corporate customer interest is growing in employee mental health and non-indemnity wellness solutions with increasing use of digital.

## Swiss Re survey

Carries out an annual survey of business in the insured Group market. The benefit trends below come from their data.

### Group Life Assurance

Overall, the group life market is growing. On December 31, 2016, just over 9 million people were insured which had risen to 10.6 million by December 31, 2022.

There has been particular growth in the use of Excepted Group Life Policies where coverage has trebled from 644,000 on December 31, 2016, to 2,135,095 by December 31, 2022.

However, the number of people covered for a death in service pension, payable to surviving spouse or partner is reducing.

On December 31, 2016, over 375,000 people were insured for a group life lump sum which had fallen to 126,412 on December 31, 2022.

### Group Income Protection

The Group income protection market has seen steady growth over the last few years, with 2.3 million people insured on December 31, 2016, and 3.1 million insured by December 31, 2022.

An increasingly large number of people are covered by limited term schemes where the benefit may last for a fixed maximum period, often 5 years. In 2012 27% of members had this cover, rising to 35% in 2016 and 54% in 2022.

### Group Critical illness

The Group Critical Illness market is the fastest growing area of the market.

The number of insured lives rose from 586,000 in 2016 to 736,570 at the end of 2022.

Most of the insured cover (approximately 70%) is within flexible benefit schemes where the employee funds their own cover. This business line is not available for pooling.

## Medical plans

Hospital treatment cost increases are linked to economy-wide inflation. Increased usage across the private medical sector is also leading to a rise in costs: insured billing volumes are showing as 19% higher (Jan-Feb 2023 vs. 2022) according to Healthcode, and hospitals are also reporting a significant drop in the proportion of diagnostics leading to further hospital treatment, which could indicate an increase in precautionary diagnostics.

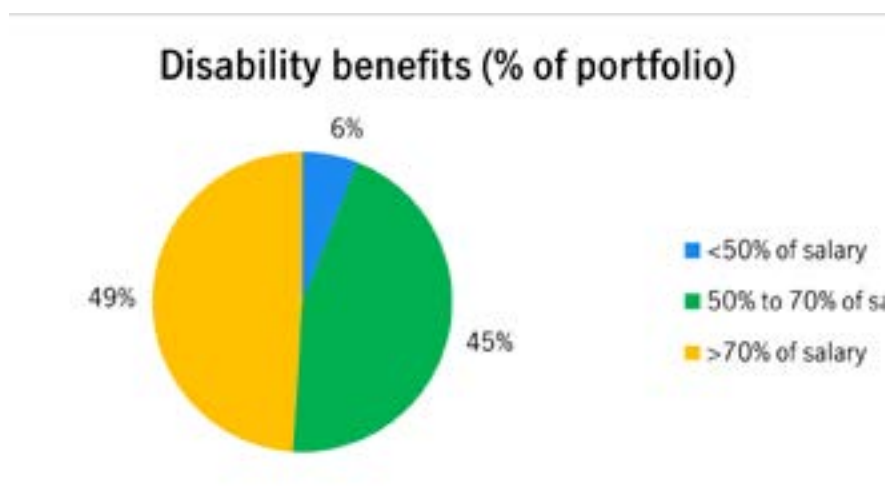
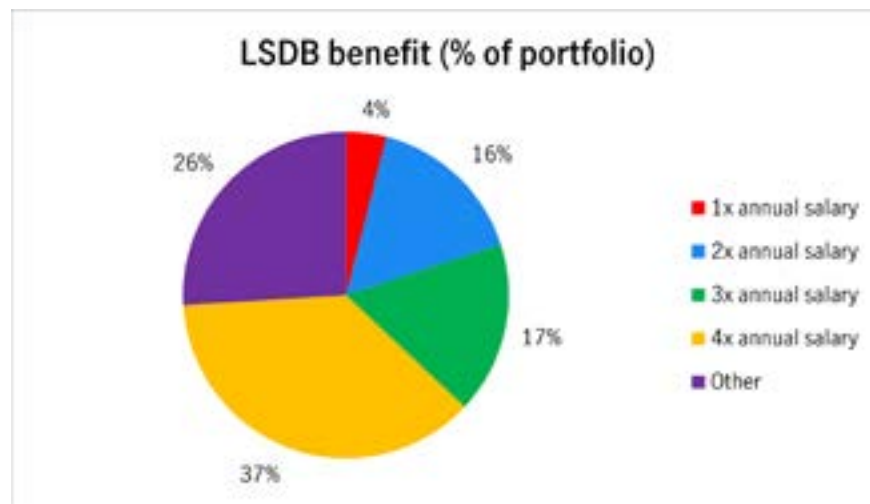
Corporate customer interest is growing where employers are keen to support their employees across a number of areas outside of traditional private medical insurance, including mental health, fertility, chronic conditions and neurodiversity.

AXA Health's research shows that the majority of corporate employees have experienced issues which have negatively impacted their mental health, including 40% who have suffered with work related stress or burnout. Most employees expect their employers to play an active role in supporting mind health and AXA's 2023 Mind Health Study reveals that over 50% of employees feel supported by their large-corporate employers, compared to just 40% the previous year. It also shows that people whose company provides good mental health support are almost twice as likely to be flourishing (27% vs 15%) as those who don't have good mental health support at work. Concerns about confidentiality and hesitancy around seeking help are the main barriers to the use of employer-provided services.

Behavioural shifts are also showing that employees are taking advantage of employer-provided cover and using private healthcare for non-traditional PMI services, in line with societal trends. This is also the case across non-indemnity wellness solutions and supported with increasing use of digital, where people are more familiar and comfortable accessing healthcare in different ways.

# Typical employee benefits plans and benchmarking

## Benchmarking information (based on the IGP Network Partner's portfolio)



## Private medical benefits

Healthcare insurance for corporate businesses can include cover for all permanent and sometimes fixed term contract employees of the employer, or those at an appropriate job level, who are employed and resident in the UK. In addition to this, the employer may offer cover for employees' dependents and partners, either funded by the employer or as a self-pay option for employees.

### **All large corporates have their own benefit structure. This might include:**

- Full refund of in-patient day patient and outpatient treatment & consultations
- Medical history disregarded i.e. previous conditions covered. Increasing schemes have moratoriums or underwriting for dependents
- No annual maximum
- About 55% of AXA Health schemes have an excess, the most common amount being £100 per person per annum
- About 20% of AXA Health schemes have an outpatient limit, the most common amount being £1,500

### **Typical services that might be included under corporate private healthcare include:**

- Cover for muscles, bones and joints support
- Mental health support
- Cancer diagnosis and treatment
- Access on primary healthcare, including a physical GP and/or online GP
- Expert help from nurses e.g. 24/7 helpline

### **More recently the industry has also seen cover for services in line with societal trends:**

- Men's and women's health including fertility, menopause and early parenthood services
- Neurodiversity
- Gender dysphoria

### **Typically there would be no routine cover for:**

- Dental cover
- Maternity cover
- Treatment taking place outside of the UK
- Chronic conditions
- Preventative treatment
- Treatment that is unconventional or unproven e.g. hypnotherapy



# Useful links

## **Demographic information and macro-economic indicators**

[CIA World Factbook](#) (please select the country to review)

[World Bank Group](#) (please select the country to review)

## **Department for work and pensions**

[www.gov.uk](http://www.gov.uk)

## **More information on AXA Health**

**Your Local Link to IGP for group medical coverage in the UK:**

[Go to partner page on www.igpinfo.com](http://www.igpinfo.com)

## **More information on Canada Life**

**Your Local Link to IGP for group medical coverage in the UK:**

[Go to partner page on www.igpinfo.com](http://www.igpinfo.com)





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07/02/2025 - WCAG AA