



Institute  
and Faculty  
of Actuaries

# Health is everyone's business: Proposals to reduce ill health-related job loss

IFoA response to the Department for Work and  
Pensions

07 October 2019

## **About the Institute and Faculty of Actuaries**

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 32,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers.

We strive to act in the public interest by speaking out on issues where actuaries have the expertise to provide analysis and insight on public policy issues. To fulfil the requirements of our Charter, the IFoA maintains a Public Affairs function, which represents the views of the profession to Government, policymakers, regulators and other stakeholders, in order to shape public policy.

Actuarial science is founded on mathematical and statistical techniques used in insurance, pension fund management and investment. Actuaries provide commercial, financial and prudential advice on the management of assets and liabilities, particularly over the long term, and this long term view is reflected in our approach to analysing policy developments. A rigorous examination system, programme of continuous professional development and a professional code of conduct supports high standards and reflects the significant role of the profession in society.



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07 October 2019

Dear Sir/Madam

**HM Government - Health is everyone's business: Proposals to reduce ill health-related job loss**

1. The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to HM Government. Health and care is a growing area for actuarial work as actuaries collaborate with other health professionals to support individuals and employers to make financial provision for ill health via insurance products.
2. Our general comments on this consultation are related to its lack of consideration of the role insurance can play in helping people to protect themselves from unforeseen events and costs, and the active support it can offer them in improving their health and returning to work. The IFoA and other groups have set out in previous consultation responses the potential for insurance to help the Government meet its aim of reducing ill health-related job loss. We believe that insurance should be considered as one part of the overarching strategy to keep people in work.
3. Various types of income protection (IP) insurance, have traditionally acted to provide a financial benefit if someone is unable to work because of illness or injury. These insurance policies continue to be highly valuable for the workforce. In particular Group Income Protection (GIP) policies, provided by employers, act to protect both employees and businesses when an employee is ill or injured meaning they are unable to work.
4. Modern GIP products are increasingly designed to add value to employers and employees through:
  - **Prevention and wellbeing support**  
GIP policies are increasingly focussed on wellbeing, with insurers working with employers and employees to help prevent ill health occurring in the first place, and in turn helping to reduce absenteeism. Measures include discounted gym membership, free fruit, meditation booths, in house exercise and yoga classes, helping to keep the workforce fit and active both physically and mentally. This in turn helps employers to run their businesses smoothly and ensure their workforce is productive and motivated.

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- **Early intervention including access to treatments to reduce absence**  
 This includes access to Employee Assistance Programmes, which can help support day-to-day management of mental wellbeing, and line manager training on mental health awareness. Such initiatives can also provide employers with an anonymised overall annual health status report on its employees. Through engaging with employers, GIP can help to achieve early notification of claims and to facilitate early treatment, thereby reducing the length of absence from work.
- **Case management and return to work plans**  
 The policies also support people with their return to work after experiencing an associated period of ill health. This includes providing rehabilitation support that can help employees return to work quicker.
- **Financial payments**  
 As well as offering a range of non-financial benefits to employees, GIP products still meet the fundamental objective of covering the cost of ill health to both the employer and employee. This includes employment costs e.g. paying for recruitment of temporary staff, National Insurance and pensions contributions, as well as providing short- or longer-term 'sick pay' to employees. As well as having benefits for employers (in retaining its workforce), GIP can also help employees better achieve financial resilience should they experience prolonged health conditions that affect their ability to work. In particular, it can help individuals with a disability or long-term health condition access a wider range of financial products.

5. There are clear benefits of all of these product features to employers and their businesses, as they help to reduce the financial and non-financial burden of ill health. They are of benefit to employees for the same reasons, giving them financial peace of mind and supporting them to be healthier physically and mentally, and more productive. Maintaining a healthy and productive workforce is clearly also beneficial to wider society. In the long run, it can help to reduce State expenditure, which could mean that State funding can be targeted to those most in need of additional support should their health prevent them from working.
6. GIP policies can also help to level the playing field for small and medium-sized enterprises (SMEs) by offering them the same access to, and benefit from, the occupational health services that larger employers are able to provide because of their scale and operational infrastructure. GIP policies apply equally to SMEs as they do to larger employers, so services could be made available to employees of SMEs via the insurance policy that, because of their relative size, the employer may not have been able to provide through their existing infrastructure.
7. In addition to GIP, individual IP can also be valuable from a societal perspective, particularly for the growing proportion of self-employed people in the population. This is a significant and growing minority, who do not have access to GIP, and the growing market for individual insurance products can play a valuable role in offering income protection for the self-employed, as well as offering access to rehabilitation services to facilitate return to work.
8. Despite the clear benefits to employers, individuals and the Government, take-up of these products remains low. This is because of a lack of awareness amongst employers or employees about the full range of support these products can offer. Because GIP benefits are relatively uncommon, individuals do not generally expect their employer to provide this type of

cover and so it is not a factor when seeking an employment opportunity, or deciding to stay in a particular place of employment.

9. The IFoA believes it is in the Government's interest to increase uptake of GIP products, and motivate employers or employees to take greater responsibility for protecting themselves against the physical, psychological and financial pressures ill health can bring. This could be encouraged alongside public efforts, and as such the consultation's focus on occupational health is welcome. A dual approach, incorporating private insurance, could help to ensure that State resources can be maximised for those most in need.
  
10. In order to do this, the Government must implement an effective communication strategy, and could consider financial incentives to encourage uptake of GIP by employers and individual income protection by the self-employed. Communication should alert individuals to the level of safety net provided by the State and the gap between this and the amount they would need to replace their income from employment. It is also important individuals understand how these products interact with the State benefit system, in particular the means tested Universal Credit system. Whilst the State provides an important safety net, if individuals are unable to work, the safety net is unlikely to be sufficient for them to be able to meet all of their necessary expenditure, without significantly reducing their outgoings or impacting their quality of life. It is vital that individuals understand the gap between State provision and their income needs, if they are going to value an insurance product that would provide them with greater income protection and the aforementioned additional, non-financial benefits income protection products can provide.
  
11. In response to their Work, Health and Disability green paper consultation in 2017, the Department of Health and the Department for Work and Pensions noted that they 'recognise the positive aspects of Group Income Protection (GIP) for helping retain sick employees, in particular access to expert-led health services'.<sup>1</sup> The Government made a commitment to work with the insurance industry to increase provision and take-up of GIP product. As far as IFoA members working in this space are aware, there has yet to be significant movement made on this commitment. The insurance industry needs help to improve uptake of these valuable products. While these products exist, the challenge is in getting individuals and employers to understand the benefits of GIP products in protecting them against unexpected and unavoidable ill health and inability to work. This will be increasingly important as the population ages and individuals are asked to spend more years in employment.

Should you want to discuss any of the points raised please contact Catherine Burtle, Senior Policy Analyst ([catherine.burtle@actuaries.org.uk](mailto:catherine.burtle@actuaries.org.uk) / 0207 632 1471) in the first instance.

Yours sincerely,



Jules Constantinou  
**Immediate Past President, Institute and Faculty of Actuaries**

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<sup>1</sup> Department of Health and Department for Work and Pensions, Improving Lives: The Future of Work, Health and Disability, November 2017, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/663399/improving-lives-the-future-of-work-health-and-disability.PDF](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/663399/improving-lives-the-future-of-work-health-and-disability.PDF)