

Society of
Insurance
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Standards. Professionalism. Trust.



Engaging SMEs in employee wellbeing and protection policies

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Roshani Hewa

Assistant Director, Head of Protection and Health, Association of British Insurers

Christine Husbands

Managing Director, Red Arc Nurses

Alan Knowles,

Chair Protection Distributors Group, Managing Director Cura Financial Services

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Ian McKenna

Executive Director, Financial Protection Review Board

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Author

Kathryn Knowles, Managing Director, Cura Financial Services

Kathryn joined the insurance sector in 2010 after completing her PhD in Business Management. Her roles have included being an administrative manager, compliance director and she now owns Cura Financial Services. Since 2013 she has built Cura to be an award-winning insurance broker that helps people with medical conditions and other risk factors to arrange protection insurance. She has won multiple awards for her work to improve access to insurance as an adviser and marketer, and works alongside both insurers and charities to increase awareness of protection insurance. Kathryn is known for bringing empathy to the insurance journey and going above and beyond to make sure that her clients' voices are heard.

This report has been produced for the Chartered Insurance Institute's New Generation Programme 2018/19. The author is part of the Broking Team and has taken specific focus upon trust within the protection insurance market.

A close-up portrait of Kathryn Knowles, a woman with dark hair pulled back, smiling warmly at the camera. She is wearing a dark purple top. The background is a soft, out-of-focus light blue.

Kathryn is known for bringing empathy to the insurance journey



Trust is something that has to be earned and maintained over time.

Small to medium enterprises (SMEs)

Small to medium enterprises come in all shapes and sizes. They pop up in any industry, in any geographical location and can be anywhere from 2 people right up to 250.¹

¹ <https://www.thefsegroup.com/definition-of-an-sme/>

Small to medium enterprises (SMEs) - continued

What is 'trust'?

Trust is a basic instinct, taking us back to our primal instincts. Do we trust our neighbour to look after us, or will they throw us in front of the lion to escape? Do we trust that our pack is working in the best interests of the group, or are they out for themselves?

These kinds of instincts, networks of trust, are no different in the consumer market. We engage with businesses that have proven themselves to be trusted. This could be through our own experiences or from the recommendation of others. If we see a product, service, brand or industry that seems to be for lack of a better word 'dodgy' then we are unlikely to interact with them, unless we really have to.

Trust is something that has to be earned and maintained over time.

What is trust in insurance?

Insurance is a promise of help when things go wrong. Without trust, this promise is meaningless and insurance markets cannot function. This is the insight that led to the creation of the Chartered Insurance Institute (CII), and the instruction in its charter to 'secure and justify the confidence of the public'.

Trust in the finance sector seems to be at a low point. Lack of trust in any part of financial services affects the whole sector. Banks have been in the firing line due to the payment protection insurance (PPI) scandal, with the insurance sector now at the forefront due to the practice of 'dual pricing'.

The sector has taken various steps to address trust issues through regulation changes, notably the Senior Managers Certification Regime (SM&CR) in 2015 and the introduction of the Insurance Distribution Directive (IDD) in 2018.

The CII have published various reports on trust within the insurance sector including:

- Building trust through ethical culture: A guide for SME firms
- Public Trust Index 2018
- Trust Index 2019

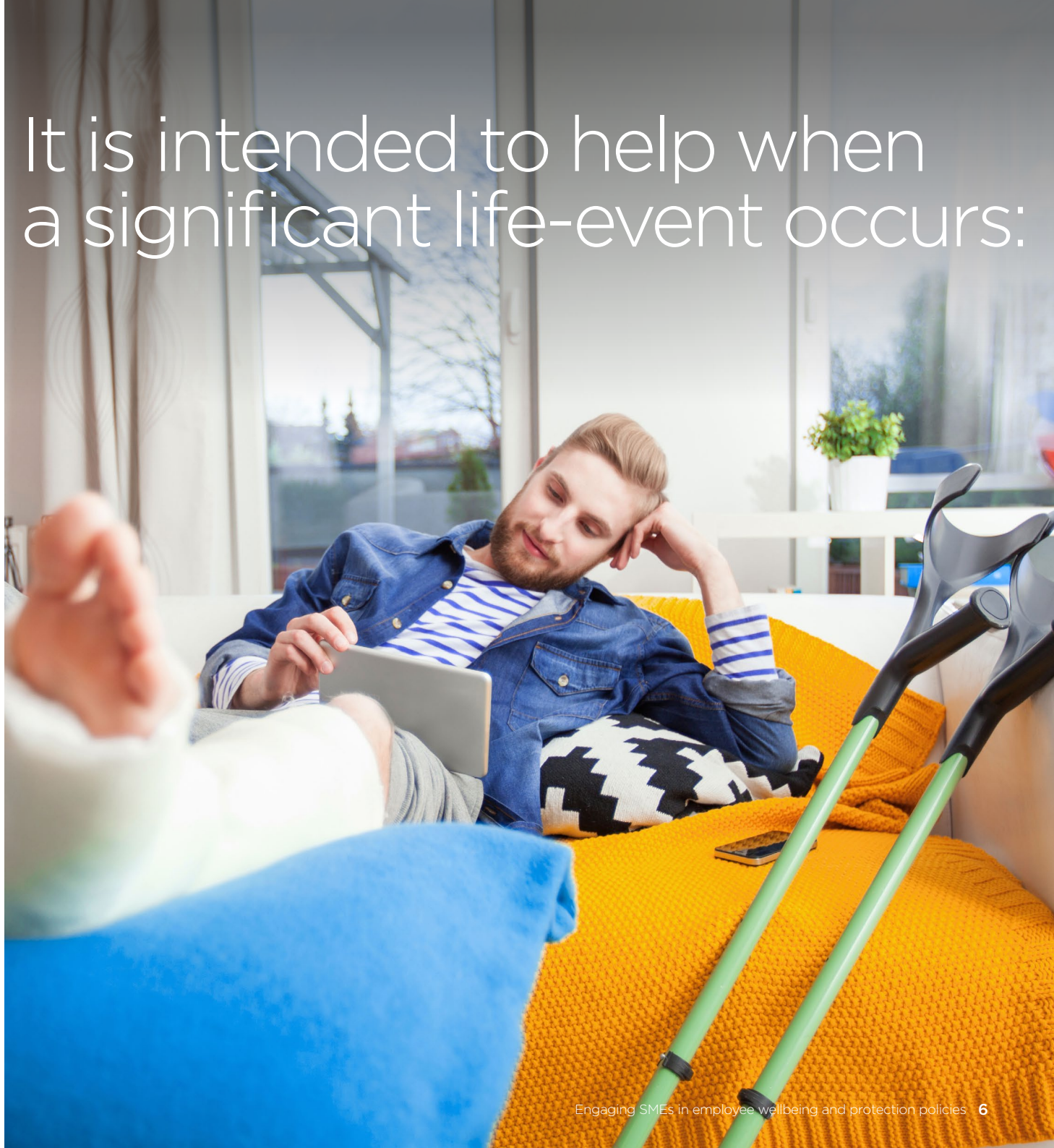
We will be focusing on the SME marketplace, but the reports do provide a range of data for both the SME and consumer markets. For more information, and to read the reports in full, please see the reference section of this report.

What about protection?

Protection insurances are those that are designed to help people when they need it most. This type of insurance can be arranged on a personal basis, through a business as individual cover, or through a business on a group basis. Broadly, it is intended to help people or loved ones when a significant life-event occurs: death, diagnosis of a critical illness or incapacity to work.

The life insurance statistics are phenomenal. However, no matter how good the claims statistics are, that X% that hasn't paid, stands out like a beacon. Why haven't these claims been paid? Honesty is the foundation of trust and insurers should be answering these questions clearly, as current explanations are still met with cynicism that insurers will look for any loophole to avoid a claim.

It is intended to help when a significant life-event occurs:



Small to medium enterprises (SMEs) - continued

Personal protection policies have incredibly positive claims statistics.

Life Insurance Claims 2018

Insurer	Total Claims Paid £	Total Claims Paid %
Aegon ²	£67.1M	98
Aviva ³	£563M	98.9
Legal & General ⁴	£332.7M	97
LV ⁵	£32.6M	95
Royal London ⁶	£134M	95.2
Scottish Widows ⁷	£136M	99.3
Vitality ⁸	£35.5M	99.8
Zurich ⁹	£134.6M	96

Critical Illness Claims Statistics 2018

Insurer	Total Claims Paid £	Total Claims Paid %
Aegon	£37.4M	93
Aviva	£563M	92.6
Legal & General	£195.2M	93
LV	£24.8M	89
Royal London	£190.6M	91.2
Scottish Widows	£72.5M	94.1
Vitality	£20.4M	91.2
Zurich	£90.6M	91

Income Protection Claims Statistics 2018

Insurer	Total Claims Paid £	Total Claims Paid %
Aegon	£562,120	93
Aviva	£38M	87.3
British Friendly ¹⁰		94.7
Cirencester ¹¹	£4.8M	95.2
Holloway Friendly ¹²		98
Legal & General	£1.15M	95
LV	£14.3M	95
Royal London	£930,544	72.2
Shepherds Friendly ¹³		95.8
Vitality	£421,803	97.8
Zurich	£8.2M	95

Within the sector we know why. Someone has non-disclosed on their application, they haven't kept up to date with the payments for their cover, they do not meet the definition of the claim. These all sound like excuses to the policyholder or their kin, who are dealing with an emotional time and feel that an insurer has

not lived up to their promise. People don't care if their heart attack didn't register the right troponin levels, or their cancer is not the right staging, to meet the insurers definition of a claim. They hear that the insurer has taken their money for X amount of years and is not going to fulfil the contract.

² <https://www.aegon.co.uk/content/dam/ukpaw/documents/protection-claims-infographic.pdf>

³ <http://www.aviva-for-advisers.co.uk/adviser/site/public/products/protection/protection-claims>

⁴ <https://www.legalandgeneral.com/adviser/protection/business-development/working-with-us/claims-payment-record/>

⁵ <https://www.lv.com/adviser/claims/claims-performance>

⁶ <https://adviser.royallondon.com/globalassets/docs/protection/brp8pi0004-our-claims-statistics.pdf>

⁷ <https://www.loydsbankinggroup.com/Media/Press-Releases/2019-press-releases/scottish-widows/scottishwidows-claims-data-2018/>

⁸ <https://www.vitality.co.uk/media/vitality-life-claims-benefits-stats-2019/>

⁹ <https://www.zurich.co.uk/en/about-us/media-centre/life-news/2019/zurich-pays-96-per-cent-of-protection-claims-in-2018>

¹⁰ <https://www.covermagazine.co.uk/news/3068941/british-friendly-pays-947-2018-claims>

¹¹ https://www.cirencester-friendly.co.uk/sites/default/files/pdf/Claim_Statistics_Card.pdf

¹² <https://www.holloway.co.uk/advisers/adviser-support/adviser-news/press-release-holloway-friendly-pays-98-of-claims>

¹³ <https://www.shepherdsfriendly.co.uk/news/shepherds-friendly-pays-96-claims-2018>

Small to medium enterprises (SMEs) - continued

This view is very much that of an individual, it's a personal view from years of feeling like you've been ripped off paying more for your car insurance because you've been a loyal customer rather than shopping around. It's from hearing about your sister's neighbour's uncle that found out he'd been sucked into paying PPI for years without knowing what it was.

When we go back to the focus of this report, the SME sector, what we need to appreciate is that for many small companies, we are speaking to an individual, or a small set of individuals. We are not speaking to a corporate with accountants, lawyers and human resources departments to advise them on the value of insurance. We are speaking to John down the road, who has a small company, can't afford an in-house lawyer or human resource officer, his accountant is his most trusted adviser.

How can we build trust?

Within the protection industry there are a number of ways that trust in insurance is being tackled. Mentioned above, is the annual publication of claims statistics, a clear signifier of the insurers living up to their promise to look after people and their families when they need it most. Statistics are brilliant, but they are not

working on their own, they are not addressing the significant protection gap that we have within the UK, £2.4trillion. There needs to be more.

Over the past few years the Protection Distributors Group (PDG)¹⁴ has built a network of insurers that are signing up to their client customer service standards. This group of the UK's 14 most influential distributor firms, has developed two areas that they feel insurers can work on to maintain a high standard of customer care:

1. Financial support for families in the event of a loved one's death
2. A supportive and nurturing environment at the point of a claim

The PDGs Funeral Pledge tackles the first of these, with insurers agreeing to pay a policyholder's next of kin funds to pay for funeral costs, without having to wait for probate to clear. This means that families are no longer having to place themselves in financial difficulty to take out loans to pay for funerals, whilst they are waiting for a policy to pay out.

The second of these comes in the form of the PDG's Claims Charter. This requires a lot of dedication on the part of an insurer to meet the requirements to gain this certification. In

order to fulfil the PDG's standard of customer care an insurer must embed processes to have a dedicated contact for every claimant, with telephone conversations to ensure the process is humanised. This along with other caveats holds insurers to a high standard of service, essentially making sure that they do the right thing, when their customers need them the most.

“It is quite simple. As an industry we don't want people to engage with us because they legally have to, like with car, buildings or public liability insurance. We want consumers to buy our products because they see the value in them and can trust that we will live up to their expectations. The Funeral Pledge and Claims Charters are a positive step for insurers to show that their customers are truly at the heart of what they do”.

Chair of the PDG, Alan Knowles

¹⁴ <https://www.protectiondistributorsgroup.org.uk/>

Small to medium enterprises (SMEs) - continued

What can the insurance sector offer SMEs?

When it comes to protection insurance there are two routes that can be taken by SMEs: business and/or group protection. With any of these options there needs to be an insurable interest to support why the insurance is being arranged.

Business protection insurance can come in several forms: key person, relevant life, shareholder, partnership and loan protection. These insurances are forms of life insurance and/or critical illness cover, and each policy is arranged usually for a single life. The insurances are arranged for directors or those with significant functions within the business, where there would be a clear impact to the company should they die. Business protection is generally arranged through an adviser who can fully understand the intricacies of the terms and conditions of these policies, especially relevant to shareholder and partnership arrangements.

Group protection insurance is an option available to SMEs with at least two employees. Similar to personal cover, group insurance can provide life insurance, critical illness cover and income protection. Group life insurance and income protection have the benefit that the policies are paid for by the company and they come with certain levels of non-medically underwritten cover. This latter part means that if someone does have a medical history that prevents them from arranging personal life insurance, or that the cover would be too expensive via that route, they can be covered by the business' group policy without a need to answer medical questions, provided that the cover level is below the non-medical underwriting limit.

Group critical illness cover is slightly different in that the premiums are classed as a benefit-in-kind to the employee and whilst there is typically no medical underwriting to complete, pre-existing medical conditions are excluded from the policy claims set.

With all of these insurances it is fair to say that there is a time and a place where anyone of them is a highly suitable option for an SME. Focusing upon the SME itself, as a corporate entity, group insurance can offer a number of advantages including options to offset the policy premiums against tax, accessing human resource professionals, lawyers, rehabilitation services, physical and mental health wellbeing support, second medical opinion services, video GP consultations, specialist nurses and other rewards. Access to these benefits differs between insurance policy type, how an adviser sets up the policies and the insurers specific offering.

The main question that we face appears to be, with all of the benefits that come with group protection, why do so few SMEs engage with this insurance?



What do the experts say?

During the summer of 2019, 18 experts were invited for interviews to discuss their views on trust in insurance and SMEs. The interviews were focused upon whether trust is perceived to be a problem in engagement, how the sector can improve outreach, and what are the key messages that SMEs need to hear.

Trust comes from familiarity and experience of positive outcomes.

What do the experts say - continued

Is trust an issue?

When we started this research for the CII, it is fair to say that the author and peers from the New Generation Broking Team believed that trust is a significant factor in SMEs engaging with the insurance sector.

Upon starting the interview process, it became clear that our initial thoughts might not be wholly justified. Interviewees came from a complete mix of opinions, some felt that trust was absolutely a key factor, others that it played a part but wasn't a determining factor, through to those that felt that trust is not an issue at all. Intriguingly, it was suggested that trust isn't a factor, because trust only enters the decision process once an SME is already engaged and aware of what group cover is.

A statement in one of the interviews really called to question our own beliefs that trust was a significant factor in engaging with insurance. The assertion was that you can trust someone without liking them. Take Amazon for example. Many people use the company because they trust that their purchases will arrive in good time and in good condition, and that returns are simple to arrange if needed. But many people do not like the organisation, as it is resulting in high street shops and many SMEs closing down.

Could this be the same for insurance? That consumers do not necessarily like insurers, but they trust some to deliver on their promises.

As society has developed it is no longer normative behaviour to use your local town's broker. With technological advancements a lot of the human interaction within financial services has significantly reduced, most clearly seen by the number of banks with closed high street branches, favouring online and telephone banking. Digitisation can be a wonderful thing, opening up opportunities to access financial services to people who could not access services before i.e., those with reduced mobility, but this should not be at the expense of those that rely on human interaction i.e., those that do not trust online banking. Insurance needs to be careful to use technology to develop relationships and not remove the human relationships that build trust and loyalty.

Trust comes from familiarity and experience of positive outcomes. During the interviews, there was an important point made. Trust in insurance comes at the most crucial part in an insurance journey: the claim. Insurers are caught in a difficult position, whereby they need clients to trust them, but when it comes to life insurance that trust can only be gained upon the policyholder's death. We are asking people

to trust insurers based upon other people's experiences, to buy a product that they will usually see no benefit for themselves (the exception being terminal illness benefit).

The development of intervention services to give precautionary support is the next evolution of protection insurance. Insurers are moving away from a reactive stance, and more towards helping clients to monitor and maintain their health, in the hope to reduce the need for a claim to be made (especially within income protection). This has a two-fold benefit, in that the insurer does not need to potentially pay a claim, but more importantly, that the policyholder remains fit and well or recovers more quickly. But even this can be met with scepticism from the more cynical buyers, focusing upon the insurer reducing the need to make a claim, rather than the practical benefit to their own health.

Awareness of the group protection insurances even existing was voiced as a main barrier by several interviewees. Claims statistics on successful group cover claims are not readily available. The positive effect of group income protection and rehabilitation services is not being communicated effectively outside of our industry. The author tried to find such information, doing generic searches on Google, like an SME owner is likely to do, without any



What do the experts say - continued

success. Many SMEs are unlikely to have an in-house accountant or HR officer to advise them on these insurances, making this an immediate barrier to engagement. From an individual personal mindset, it is a big ask to expect SMEs to take on board an expense like group cover, with no easily accessible evidence of its value. Like many insurances, the stories of experiences easiest to find are likely to be negative stories.

The perceived costs of insurance was also another factor seen as on par, or more of a barrier, than trust. Most SMEs are required by law to have certain general insurances that come with insurance premium tax (IPT) on premiums, a tax that has recently seen a number of increases, which has been suggested as causing SMEs hardship. Increases in IPT, insurers rewarding new customers with cheaper premiums whilst raising the prices for existing customers, all lead to active distrust. SMEs may also still be feeling disgruntled at pension auto-enrolment and the additional costs this has placed upon them.

Another consideration at time of publication in 2021, is that many small businesses have felt significant financial impact due to changes caused by the UK leaving the European Union, and the COVID-19 pandemic. With many focusing on the sheer need to focus upon their business surviving, additional costs are likely to take a low priority.

Within the interviews the authors were provided with the information that, of the organisations within the UK, only 3% of these offer group life assurance, less than 2% have group income protection and 0.2% have group critical illness cover (to the end of 2018). It was surprising to learn that within the group risk market, 70% of the organisations that are insured are SMEs. This would suggest that there is a clear need to also determine barriers as to why larger companies are not engaging with group protection, given the significant employee force and the risks of both absenteeism and presenteeism.

Group cover in itself, once you get the hang of it, is not particularly complicated. But it can be dangerous in inexperienced hands. The need for registered and excepted group life insurance, needlessly complicates the process. Whilst advisers can keep much of the administrative aspects of this away from the SME, there still needs to be the discussion of lifetime allowances and protected status.

What do the experts say - continued

The majority of group cover is offered by intermediaries and it is essential that they understand, that when they speak to an SME they are not speaking with a corporate mentality, they are speaking to individual consumers that are in a small group. Some suggest that it does not matter if someone has had a bad experience with their bank, insurance adviser or accountant, everyone within financial services is suddenly tarred with the same brush; money grabbers out for number one.

Within the insurance sector we are very good at talking to ourselves. A big problem that we have is talking to the people that we need to talk to: potential customers. Labels like private medical insurance and permanent health insurance, simply do not help the matter. Within the protection industry we know what the difference is between these, but even within the broking team, with members from many different insurance areas, terms like these and corresponding acronyms only served to cause confusion. We do not speak the language of SMEs.

Insurers are taking different approaches to build trust within the services that they offer. The cost of a product is no longer the most competitive aspect of an insurance policy, but the value added benefits. For group insurance this can include things like access to specialist nurses for employees and their families, video GP consultations, daily engagement activities that can lead to personal rewards, and much more.

As with any insurance policy, awareness, choice, flexibility, transparency and speed are all factors that can build or remove trust. An interesting idea that came from these interviews was to establish, what is the trigger that has made some SMEs engage with group cover? If we can establish the trigger events, then maybe we will find better avenues to engage this target community.

What can we do as a sector to improve engagement with SMEs?

A collaborative approach across the insurance sector and beyond is essential to improve engagement with SMEs. We need to move from the mindsets of insurers saying intermediaries aren't promoting the cover enough, and intermediaries saying that insurers are making group insurance too complicated to arrange.

Brokers' trust in the product

Group insurance can be quite straightforward, but some parts can need some extra focus and attention. There can be confusion over free medical underwriting limits of group cover. Group insurance is explained to advisers as offering free medical underwriting limits, if an employee falls under this limit they are automatically covered. Those that have sum assureds above this limit are medically underwritten just on the amount over the set free levels.

What do the experts say - continued

However, there are instances where advisers were told that they should advise an insurer of any significant medical history, regardless of the medical question set on the application. This is highly debatable as to what a significant condition is, without insurers classifying what this is.

This presents a significant problem with trust. The ability for a broker to check the medical history of every employee under a group scheme is impossible for anything other than exceptionally small schemes. A broker needs to be able to trust an insurer that they will deliver on their promise, or they could find themselves at the end of the complaint if a policy does not pay out. There needs to be clarification over whether the free medical underwriting cover, promoted by group protection insurers, is all encompassing or anti-selective.

Further discussions with group insurers have clarified that group insurance products will not exclude people with medical conditions, that fall within the non-medically underwritten policy offerings. It is hoped that terms and conditions documents containing the somewhat confusing terminology over an adviser's responsibility to detail the medical history of members with significant health, will be altered to reflect this.

The role of the broker

People like people. Through speaking with someone, that trust to purchase something you may never see a benefit from is key. An adviser has the opportunity to put a potential purchaser's mind at ease by being able to chat through the terms and conditions, answering any questions that are caused by the confusing terminology within insurance documentation.

Brokers can provide guidance and trust can be increased when a whole market offering is available. During the interviews there was a mixed perception over whether insurers themselves are trusted. Brand recognition is seen as a positive influence of trust in insurers, but there is also the notion that insurers are in it for themselves, whereas brokers will advise on the best options.

The terminology used throughout the entire insurance journey is one that has a negative tone to it: critical, death, incapacity, claim. In many ways these words are perfect as they describe the associated event accurately, but there may be a need to consider a rephrasing of these to soften their meaning. An example given, is that instead of having a 'claims' department for life insurance, we could introduce 'bereavement support'.

It is essential that policyholders understand exactly what insurances they are arranging, so that they know what promise the insurer has actually made to them. This is where brokers really shine. It is not unusual for clients to ask for critical illness cover, when what they actually want is income protection, and vice versa. Within the protection industry we know the intended use of these policies, we think that they are labelled well and easy to understand, but it may be a positive step to consult with organisations such as the Federation of Small Businesses, Money and Pensions Service, and the Confederation of British Industry, to establish if we are using the right words, and if we are offering products that SMEs actually want.

Collaboration

At the moment it is clear that the communications of insurers or intermediaries, possibly both, are not reaching as much of the SME market as they should be. Terms and conditions documents for group policies are easily 50 pages long and full of insurance jargon that many SMEs are unlikely to understand.

Organisations such as the Social Market Foundation could be a worthwhile connection to learn from in regards to improving outreach

What do the experts say - continued

to target groups. The think-tank is currently looking into the real value of insurances and their report in 2016 that recommended a social insurance for firms, lends itself towards the same concepts as group insurance. A key point made within the research is that attempts to audit the value of things like group insurances is difficult to understand, with most research being presented by insurers themselves, with little ability to conduct independent analysis.

Pension auto-enrolment made a significant difference to the way that businesses operate, forcing all employers to ensure that their employees have adequate pension arrangements. This could be replicated within the group protection market, but there will need to be significant support from government to support this approach.

In October 2019, members from Group Risk Development (GRiD) responded to the government's consultation on how group risk can be used to support employees that are ill and struggling to work, with disappointment that the government's focus is instead upon occupational support ("Group Risk Industry Responds to Statutory Sick Pay Proposals").¹⁵ We need to build a Trojan horse by promoting all the value added benefits that group cover

offers, how this could relieve the current strains on the NHS, with insurance as a built in failsafe if things get worse for the employee.

With more new technologies being developed, there is the potential that we could educate people on the importance of protection insurance, simply within their payslips. Within the interviews it was discussed how state benefits could be integrated into payslips to show people what their earnings are, compared to that available via Universal Credit. Group protection policies could also then be included within the payslips to provide assurance to employees over what they are entitled to through work, so that the insurances are not forgotten and also improve mental wellbeing over the stresses of ill health and work.

There is the potential to look at some form of integration of the Association of British Insurers' (ABI) 'Percy Protection Calculator' into employee onboarding processes, yearly appraisals and/or payslips as a kind of best practice to educate employees of their protection needs or shortfalls. There are several tools like this, such as Legal and General's 'Deadline to the Breadline' calculator, LV's 'Risk Reality Calculator' and The Exeter's 'Income Risk Calculator'.

¹⁵ <https://www.covermagazine.co.uk/feature/3082779/group-risk-industry-responds-statutory-sick-pay-rehab-proposals>



What do the experts say - continued

When approaching SMEs we need to approach the protection conversation from a different mindset. We need to give real stories, alongside claims statistics, to show how 9 out of 10 employees that engage with intervention services through group cover are able to return to work before a claim is even needed. The Seven Families campaign was an incredible account of the real value of income protection and what it can truly mean to someone in need, and it encouraged many advisers to engage with offering protection insurance. A similar campaign in the group market, has the potential to encourage more advisers to consider adding group cover to their portfolio.

How can we tackle negative perceptions of the insurance sector?

A clear problem that we have within the insurance sector is achieving meaningful engagements with the 86% of SMEs that do not have group protection cover in place. It was discussed during the interviews 97% of businesses within the UK do not have group life insurance, 98% do not have group income protection and 99.8% do not have group critical illness cover.

Key person insurance is also viewed to be highly undersold and there is the argument that this is far more valuable to SMEs, than large firms. We have what can be valuable insurances at our disposal, but we are not communicating them effectively.

Routes to insurance

It was highlighted earlier in this report that SMEs generally view insurance from a consumer mindset, rather than that of a corporate entity. It is likely that owners of SMEs are tainted by prior experiences of arranging insurance through an aggregator, broker or insurer. If it has not been clear whether they are buying a basic or premium insurance contract, this would result in negativity at the point of claim when they are not covered for what they believed they were. We should address this.

It is easy with modern technology to buy insurances that you need online through aggregators. Whilst this can be advantageous, it removes the human aspect of the insurance journey. By removing the human interaction during the purchasing stage, there is no relationship built, there is no advice given. Trust is not built by offering the cheapest insurance policy, loyalty is not gained with this mindset.

What do the experts say - continued

There are some that feel that the route to arranging insurance has no bearing on trust, just the type of trust that is offered. The word of mouth influence of friends, family and work associates, is high for consumer mindsets i.e. SMEs. Aggregators are trusted to offer the cheapest price. Advisers are trusted to be in the employ of their clients. Insurers are trusted through brand recognition. Trust in each of these routes is potential and valid, depending upon past experiences. Within the interviews it was discussed how 25% of people go to advisers, 20% use online routes and the rest go direct to insurers, when you consider the insurance market as a whole.

SMEs typically want to be able to chat through options for things like insurance with an expert that they trust. They want someone that can strip out the jargon and clearly explain what they are getting for their money. The labelling of insurance products and terminology that we use may seem clear to us, but we need to take into account that the average reading age in the UK is nine years' old. Whilst we are not suggesting that SME owners are incapable of reading these documents, we must as a sector take on board that our documentation is not overly accessible.

Making a difference

Insurance shines during a claim or when a support service is engaged. Helping employees financially whilst they are unable to work, with access to rehabilitation services to get them better, works to show that insurers are offering a long-term service to policyholders.

Employees who are worried about job security, or reduced pay if they are missing time off work, are not only possibly going through physical difficulties, but there will be a level of mental health concerns too. An insurer that can provide support to these employees before their health concerns become more significant will develop a relationship of trust and positivity that is likely to translate to their personal insurance choices.

This also translates to valuable support for the SME itself. Legal and human resources support offered with group protection during employee absenteeism and presenteeism can provide an SME with expertise that they do not have in-house support for. This can provide employers with the knowledge that they are doing things right by their employee, something that can be of great benefit to the employer's mental health.

For an SME, the incapacity of a key person, is extremely stressful and the insurer acting as their expert support will embed positivity.

Long-term value

Group protection insurance offers support throughout the policy, at the claim and beyond, for life insurance, critical illness cover and income protection. It is also important to recognise that group private medical insurance is a route with which an employer can also show their employees that they value them. These insurances are not a legal requirement, no-one is forcing an employer to put them in place for their staff.

Value added services are going to play a key part in building trust in insurers and the value of the products they provide. We should reframe the discussions that we have with SMEs.

It has been suggested that the conversation starts with a clear breakdown of how much the employer is contributing towards employee pensions. With some forethought, this could be followed with an example, detailing how much it would cost to arrange an insurance that can provide the employee access to rehabilitation and other support services. Better yet, the proposal of a question "How much would you pay, to get your employee back to work as soon as possible?" We need to move away from the negative perception that insurance is an extra unnecessary cost, it is protection.

What do the experts say - continued

Is group the right solution?

There are those that are not sure if insurance is necessarily the right answer. Thinking of the government's calls to improve employee welfare, this could be interpreted as better management practices, like flexible working hours, access to occupational therapy, shorter working weeks and a higher minimum wage. Whilst within the insurance sector we can see the benefit of group cover, and the security it can offer employers and employees, we must be conscious that there are arguments for other areas of business development. We may think that group protection insurance is the answer, but ultimately an SME may feel that something else is more valuable to them.

It is from this argument that a number of interviewees felt that the value added services should lead the discussion of the benefits of group cover. The proactive interventions that can be offered that include but are not limited to: access to specialist nurses e.g. Red Arc; remote GP access e.g. Square Health; and second medical opinion services e.g. Best Doctors. These services can help towards preventing the need for a claim on protection insurance, and the quicker treatment and recuperation of those that are ill.

Employer responsibility

There is no doubt that with the government looking to place more responsibility on employers for their employee's wellbeing, group protection insurance could be a potential answer. Companies that have group income protection in place are already in a good position to protect themselves from this added onus of responsibility. Depending upon how income protection is arranged, these policies could also serve to protect employers if the government proceeds with discussions to extend statutory sick pay.

Group cover has the ability to remove some of the strain placed on the NHS and state benefits, allowing vital national funds to be used elsewhere. This cannot be achieved without the help of government to consider group cover as a viable option for employee care. Unless the government starts to see insurance as an asset, then there will continue to be negativity and barriers within our professional outreach.

There was a consistency throughout the interviews that something needs to be done. Everyone was in agreement that employee wellbeing is vital to the longevity and sustainability of a business.

The insurance sector has started and needs to continue to share its success stories. Within the personal protection industry, positive client outcomes are being showcased to humanise what a successful claim can really mean to someone. Video marketing has been a key turning point in bringing an empathetic approach to how insurers engage with their potential customers. Group insurance companies need to tell the stories of how they have helped their customers physically, emotionally and financially. There are efforts within our industry to get these stories to government and other business sectors, and the next stage should be to coordinate the efforts of everyone doing this, so that we can holistically breakdown the barriers to engagement being faced.

“Protection in itself is valuable, you don't know how much so, until you need to claim. How do you value yourself? How do you value your team?”

Barry Waring, Yulife

What do the experts say - continued

What is our message to SMEs?

These were some of the key messages that the interviewees wanted to say to SMEs. Many are supportive of group cover, some are supportive of increased education and awareness so that SMEs can make an informed choice of what is right for them. There were those that did not want to give a message to SMEs regarding group protection, as they felt that they did not trust or fully support the notion that this type of insurance is the answer to employee wellbeing. All of these are valid views and showcase how the group market is perceived by different people and organisations.

During this final stage of the interview process, a number of interviewees wanted to provide five messages to insurers as well. They wanted to direct messages to insurers to offer insight into how to change their approach to engaging SMEs and other target markets.

“We work on statistics, they look good, but what does it mean to an SME? We need to look at the emotional viewpoint, not objective data, to improve engagement.”

Steve Casey, Marketing Director, Square Health

“As a small employer, risk transfer from government to small business is increasing. You are now pension administrations, and with recent reports from Hector Sants and Matt Hancock, potentially becoming physical, mental, financial and perhaps social care administrators too.”

Johnny Timpson, Scottish Widows

What do the experts say - continued

Five points of focus



1 Employees do not know what they already have access to

2 Group is a win-win for all when it comes to employee financial security and wellbeing

3 Cut the jargon

4 Many SMEs don't know that group cover exists

5 We need to listen to SMEs and make sure that our messaging is right

Five points of focus



1. Employees do not know what they already have access to

One of the first suggestions is that employees need to become more aware of what group protection is. Employers may arrange this cover and not fully communicate it to employees. An insurance briefly mentioned at an onboarding meeting can easily be forgotten. Employees can also be confused over exactly what is and isn't covered, which can lead to invalid claims being attempted and a build-up of negativity.

Some form of regular reach out to each employee could serve to improve understanding of the policies, improving the take up of early interventions services and reducing the need for long-term claims. This could lead to, through association, the employee seeking support from the insurer for their personal protection needs too.

Five points of focus



2. Group is a win-win for all when it comes to employee financial security and wellbeing

There was much discussion promoting income protection as the standout policy for SMEs when combined with value added services e.g., counselling, rehabilitation. The message that we send out can no longer just be about the financial security that comes with insurance, it must address physical and mental wellbeing too. Businesses are now being established by millennials and Generation Z. These groups are known to want working environments that are supportive of all aspects of their wellbeing.

It was suggested that insurance should be scrapped and start from scratch, building the value added services as the key product, and insurance seen as the add-on benefit. This would be a completely new way of thinking, the Trojan horse that was mentioned earlier, needing significant support across the sector to develop such a radical change.

Five points of focus



3. Cut the jargon

No matter how well insurers think they are doing to remove jargon from their communications, it still happens. There are times when technical wording is essential from a regulatory and compliance perspective, which is completely understandable. The technical guides for group protection policies can easily be 50 pages of pure text.

This is not going to be easy for an SME to understand, nor is it accessible for those with learning difficulties e.g., dyslexia. Whilst it is not possible to plan for every eventuality that could cause a barrier to understand or access group cover, more steps could be made to address these situations.

Five points of focus



4. Many SMEs don't know that group cover exists

There was a consistent message in the interviews that SMEs simply do not know what group cover is. They do not know that it exists. This lack of knowledge needs to be tackled by both insurers and intermediaries that offer it.

As a whole, everyone needs to take on board that SMEs are unlikely to have expertise in insurance, nor the time to research it themselves. We need to make the whole process simpler for them. Even with an adviser to guide them, things like registered vs. excepted group life insurance, product summaries, technical guides, employee guides, terms and conditions, are all a bombardment of jargon.

Within the sector we see the range of product types and flexibility of group cover adapted to specific organisational needs as an advantage. But do SMEs see it this way, or is it simply too much to process? Like most buyers in a purchase transaction, an SME simply wants to know: what they are buying; how it benefits them; and how they can access it.

Five points of focus



5. We need to listen to SMEs and make sure that our messaging is right

The point was made that insurers like to design products that they feel is right for an SME, without actually asking SMEs what it is that they want. These policies should be a two-way development process. Insurers can offer expertise over what is potentially available to SMEs, and SMEs can explain what it is they actually want and need, and what will attract them to pay for what is an unessential cost.

An SME might want to offer gym membership, company phones or other perks as part of their employee retention package, rather than group cover. We need to give employers the opportunity to weigh up all the options to decide what they feel is right, even if we can see that they are missing opportunities to

protect themselves. If we explain group income protection to an SME, and they opt to offer gym membership for staff instead, they have not made the wrong decision. We as insurers and advisers have miscommunicated and need to rethink our approach.

Insurers and advisers need to build an approach that not only promotes the value of group protection, but also identifies the threats that an SME faces.

We talk and promote successful case studies within protection insurance, but there is the interesting notion of promoting opportunities lost. Clear examples of businesses that have suffered significantly, from events that could have been avoided by having group protection in place, could be a useful tool for advisers. For many SMEs, their entire livelihood is held within the health and capacity of a handful of key personnel, learning from the past experiences of similar companies that have fallen upon misfortune, might just be the trigger for them to act.

Where do we go next?

The interviews have given a range of opinions over whether trust is a barrier to consumer engagement, some say it is, some say it isn't. A key finding from these discussions has been that a lack of awareness over the costs and practical value of protection insurance are seen to be the biggest deterrents.



A lack of awareness over the costs and practical value of protection

Where do we go next? - continued

For a small company, employees are key to their success. If an employee is ill, or decides to pursue a different career path, a small business can suddenly find themselves unable to fulfil client requirements and face months training new staff. Employee retention and wellbeing is key. The government is currently discussing ways to encourage employers to look after their employees' wellbeing more. From the face of it, we have within the insurance sector a perfect solution: group risk.

Our initial thoughts are to recommend for the CII to liaise with insurers and other parties, to present group risk as a complete employee

wellbeing package to the government. In the first instance, do what has been suggested during this research and build a Trojan horse. Take group income protection as an example. Show the amazing value added benefits that come inbuilt into these policies, that can help prevent people from going on sick leave through early intervention, and if need be rehabilitate them should they need time off work. This unburdens the NHS, and it is tried and tested. The beauty then is that, should the employee be unable to work, they also get part of their income repaid to them until they can return to work, relieving pressure from the cost of state benefit claims.

Whilst we believe that group risk could be the answer here, we feel that there is currently a gap in the data surrounding claims statistics in the group market. We suggest that the CII work alongside insurers to develop a standardised format to produce group claims statistics. Presenting this as an option to government, with successful claims case studies and transparent statistics, will strengthen the proposal that group risk can not only help at the claims stage but has the potential to encourage healthy living lifestyles too.

Special thanks

Paul Avis

Marketing Director, Canada Life

Tanya Bedford

UK Insurance and Risk Manager, MBDA UK

Steve Bridger

Chairman of GRiD, Managing Director Group Protection, Aviva

Steve Casey

Marketing Director, Square Health

Roger Edwards

Marketing Consultant

Andrew Gething

Managing Director, MorganAsh

John Gilman

Owner, Priory House Consulting

Claire Ginnelly

Managing Director, Premier Choice Group

David Hale

Senior Public Affairs Adviser, Federation of Small Business

Roshani Hewa

Assistant Director, Head of Protection and Health, Association of British Insurers

Christine Husbands

Managing Director, Red Arc Nurses

Alan Knowles,

Chair Protection Distributors Group, Managing Director Cura Financial Services

Ian McKenna

Founder and Director, Financial & Technology Research Centre, Protection Guru

Roy McLoughlin

Director, Cavendish Ware

Chris Morgan

Head of Group Protection Distributor, AIG

Katharine Moxham

Spokesperson, GRiD

Johnny Timpson

Technical and Industry Affairs Manager, Scottish Widows

Barry Waring

Head of Broker Distribution, YuLife. Chairman of Raising the Profile Committee, GRiD

Ron Wheatcroft

Technical Manager, Swiss Re

Chris Wilford

Head of Financial Services Policy, Confederation of British Industry

Lisa Yates,


SME National Distribution Manager, Aviva

Society of Insurance Broking

tel: +44 (0)20 8530 0999

info@sib.org.uk

sib.org.uk

 Chartered Insurance Institute

 [@brokingsociety](https://twitter.com/brokingsociety)

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