Swiss Re

Group Watch 2024

Welcome to Group Watch 2024, the 18th in our series of Reports looking at the UK group risk market.

The data in this Report have been collected from product providers active in the market.

One product provider has participated for the first time this year. Its data are included in the death benefit and critical illness sections. In a new development, this year's Report includes contributions on the macroeconomic environment from Diana Van der Watt, an Economist who works at the Swiss Re Institute in Zurich.

We are grateful to the 44 individuals working for product providers (18) and employee benefits consultants (26) for responding to the questionnaire issued in February 2024. We have included a number of their comments throughout this Report.

Contents

2023 at a glance

2023 continued the positive results seen across the market in recent years. Compared to 2022 there were increases in the number of insured employees across all three policy lines (death benefits, long-term disability income and critical illness).

- ↗ The number of in-force group risk policies increased by 5.1% from 87,376 to 91,796.
- ↗ Death benefit policies in force increased by 5.2%.
- ↗ Long-term disability income (LTDI) policies in force increased by 3.2%.
- ↗ Critical illness cover (CI) policies in force increased by 10.2%.
- ↗ 71.3% of all group risk policies in force provide death benefits, 21.9% provide LTDI and 6.8% provide CI cover.
- ↗ The number of people insured increased by 6.2% from 14,421,387 to 15,314,655.
- ↗ In-force premiums increased by 9.9% from £3,114,602,701 to £3,422,043,273.

Economic background to this report

Levels of inflation unseen for a generation

This year's report comes at a time of domestic uncertainty with a General Election likely later this year. Domestic politics were relatively calm in 2023 following 2022 with its three Prime Ministers and four Chancellors of the Exchequer. In last year's report, we commented on levels of inflation in 2022 (9.1% year-on year, annual average) unseen for a generation.

Monthly headline inflation from after fell 10.1% year-on-year at the start of 2023 to 4.0% year-on-year by December amid the unwinding of global supply shocks, particularly in energy and food. Overall annual average inflation was 7.3% in 2023, still far above the Bank of England target of 2% and elsewhere (see Chart 1).

Chart 1 – Annual average inflation (yoy%)
2022 and 2023 – UK, Euro Area, United States, Australia, Switzerland

Source: Swiss Re Institute

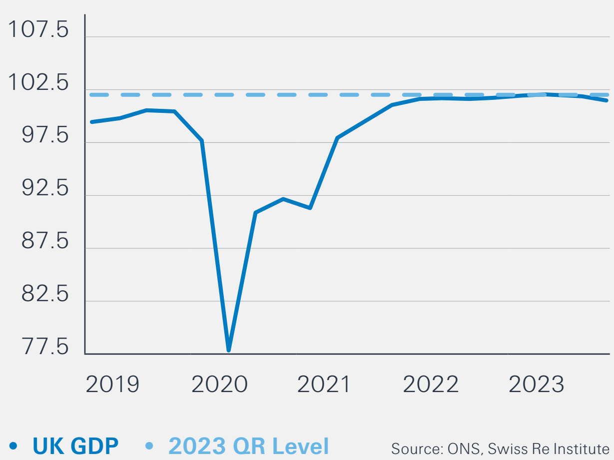
Core inflation sticky as wage growth high

Core inflation, which strips out more volatile components including energy and food, stayed sticky, peaking at 7.1% year-on-year in May and falling to 5.1% year-on-year in December. This was as tight labour markets kept wage growth high adding to cost pressure particularly in the services sector.

Average Weekly Earnings (Whole Economy, Seasonally Adjusted Total Pay ex. Arrears) peaked at 9.3% year-on-year in June, before slowing into year-end across public and private sectors amid slowing economic activity. In addition to large nominal wage increases in base salaries, many employers made one-off payments in 2023 to help employees cope with the cost-of-living crisis.

Despite outperforming expectations in H1 2023, multiple macroeconomic headwinds pushed the UK into technical recession at the end of the year, defined as two consecutive quarters of negative quarter-on-quarter GDP growth. Overall, the UK economy shrunk over the course of 2023 (see Chart 2).

Chart 2 – UK GDP
Q1 2019 – Q1 2024 (rebase 2019 = 100)

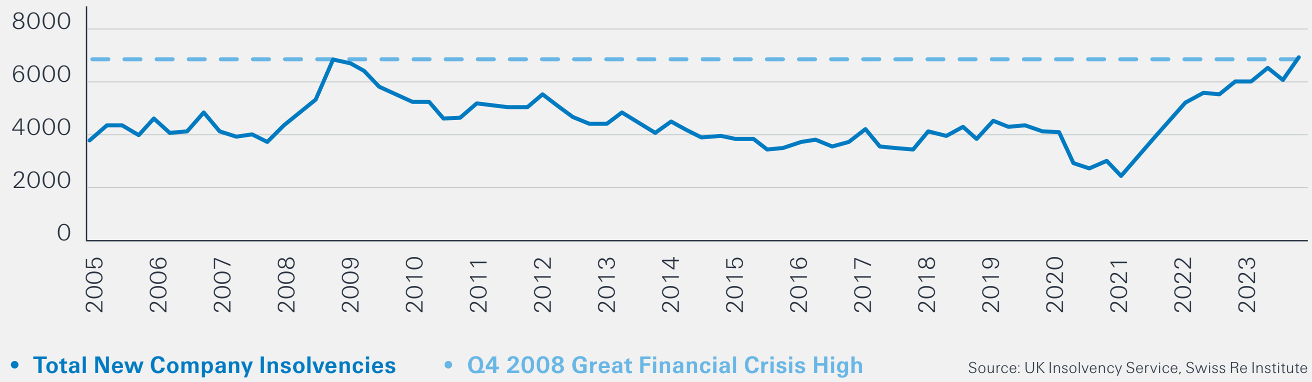


Source: ONS, Swiss Re Institute

Businesses encountered a difficult year characterised by elevated interest rates and increased costs. The quarterly new bankruptcy rates were exacerbated by the presence of "zombie companies," which had relied on government support during the Covid-19 era (refer to Chart 3).

This background shows the difficult environment faced by employers and the group risk market in 2023 against which the results which follow are generally very positive.

Chart 3 – UK, England and Wales
Total new company insolvencies, 2004 – 2023



Source: UK Insolvency Service, Swiss Re Institute

Budgetary constraints on workplace benefits?

To sit alongside the data analysis, we conducted research with product providers and employee benefits consultants (EBC) examine with which included their perceptions of how the economy impacted workplace benefit provision.

A number of EBCs said that their employer clients experienced little difference from previous years.

"Not as much (of a decline) as the doomsday merchants predicted"!

Employee Benefits Consultant

A growing group echo greater scrutiny with employers reviewing these benefits and looking to save costs. This is reflected in some of the data which follow, notably the duration of maximum benefit payment periods for long-term disability insurance (LTDI) policies and the acceleration of closure of the remaining dependants' death in service (DISP) policies.

"We had more clients asking for benchmarking to see if they could make changes to their schemes. Also more enquiries about voluntary schemes, especially from industries that traditionally offer these benefits to a limited number of employees, e.g. hospitality".

Employee Benefits Consultant

There were also a number of references to the increasing cost of cover. A number of respondents talked about the growing costs of private medical insurance which, although outside the scope of this Report, will impact on the overall employer spend and can, in turn, drive decisions around eligibility and benefit design.

"Our sense is that demand amongst SMEs has dropped during the last 18 months, and this is no surprise given the economic climate. Clients are still enthusiastic if a premium saving from switching provider is available, but I wouldn't say this has materially changed buyer behaviour. Some clients will switch for small savings, others not. I am aware of more focus and attention on the healthcare market at present, with clients often facing large premium increases, Group Protection therefore provides a chance to offset some of that increase, and that's the general approach I am seeing from intermediaries and clients".

Product Provider

There were a number of references to employers allowing employees to have more influence over what protection they and their families may need rather than offering the benefit as standard. Some talked about employers moving away from group risk benefits being contractual although not removing them.

"I think employers are looking for ways in which they can consolidate benefits for savings, and tweak coverage to reduce costs rather than removing provision completely. They are also looking to insurers to provide ancillary benefits to save them sourcing separately at greater cost".

Employee Benefits Consultant

"I'm seeing more schemes moving away from a higher core benefit and hence employer spend and implementing flex so that if an employee wants to retain that higher benefit, they have to pay for it themselves. For those lucky to get a pay rise, it may not be as good as they had hoped due to budget constraints, hence resulting in lower increases in benefits than expected".

Employee Benefits Consultant

The Consumer Duty became reality

The market has seen the first stage of the FCA's Consumer Duty implementation with stage two coming in from July 2024.

Many respondents referred to the additional training to bring people up to speed, reviewing internal processes, training and the need to work with third parties.

"A full review and programme of change working with insurer partners".

Employee Benefits Consultant

"More compulsory training in all areas with tests and audit trails".

Employee Benefits Consultant

"With Group Protection largely exempt, most of our focus has been on Individual Protection and all customer (employee) facing service teams, such as claims and medical underwriting. We've also done a lot of work to improve customer communication and product literature".

Product Provider

"Communications plus compliance and risk internal audit checks".

Product Provider

"The Consumer Duty is fully embedded in our firm; it's changing the language we use and strengthening the need to keep the customer at the heart of everything we do. This is a journey, and I expect in a few years we'll be in an even better place than we are now".

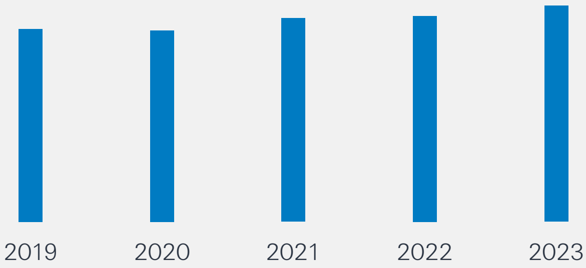
Product Provider

Death benefits

In this chapter, we show the total reported sales for 2023. We also add for comparison purposes the change between 2022 and 2023 for all product providers whose data are included for both years.

The number of people insured under group death benefit policies increased by 5.0%. As mentioned above, we received data from one extra provider, so a comparison based on the same product providers as in 2022 shows an increase of 3.9%.

Number of people insured under group death benefit policies
2019 – 2023



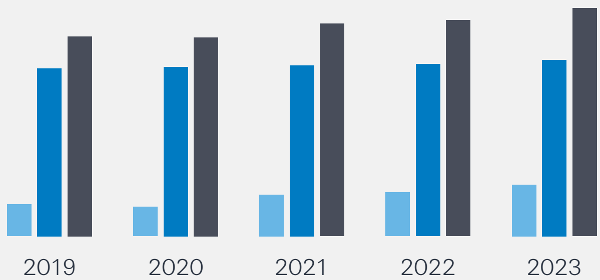
Number of people covered	
2019	9,952,230
2020	9,883,621
2021	10,505,939
2022	10,631,009
2023	11,158,083

The 2023 Budget saw the announcement that the Lifetime Allowance was to be abolished. At the time, the Opposition had said that it was minded to reversing this were it to come to power. Understandably, this led to some concerns in the industry and a more cautious approach to moving schemes away from Registered Group Life Policies (RGLP). Despite this, 2023 saw another proportionately bigger increase in EGLP members. The impact on the number of RGLP members was to increase them by 2.4% and EGLP members by 17.5%.

We attribute this to many schemes renewing in the early part of 2023 when the Government's surprise announcement would not have been a consideration.

The total number of members of RGLPs and EGLPs combined increased by 5.5%.

Number of members of EGLPs and lump sum RGLP policies, 2019 – 2023



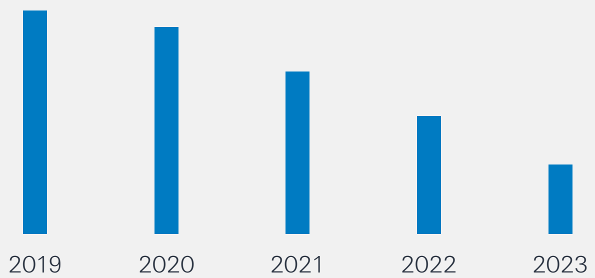
EGLP	
2019	1,547,314
2020	1,423,319
2021	2,023,431
2022	2,135,095
2023	2,509,180

RGLP		Total	
2019	8,165,324	2019	9,712,638
2020	8,238,202	2020	9,661,521
2021	8,308,371	2021	10,331,802
2022	8,369,502	2022	10,504,597
2023	8,574,500	2023	11,083,680

Based on the same product providers as 12 months before, the number of EGLP members increased by 12.0% and membership overall by 4.4%.

2023 saw a fall of 41.1% in the number of members of Dependants' Death In Service Policies (DISP). The number of policies has reduced every year since we first produced Group Watch in 2007 but more recent economic pressures appear to have accelerated the decline further.

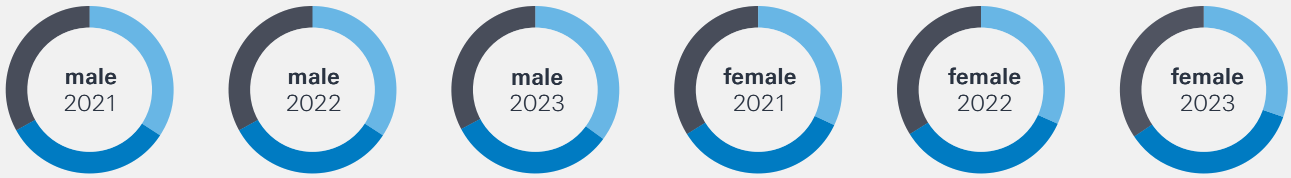
Number of members of DISP policies
2019 – 2023



Number of members	
2019	239,592
2020	222,100
2021	174,137
2022	126,412
2023	74,403

59.2% of members of lump sum death benefit policies are male and 40.8% female (58.8% and 41.2% at the end of 2022). The split by gender of members of RGLPs and EGLPs is as follows:

Percentage split, membership of lump sum group life policies, RGLP and EGLP
2021 – 2023



	EGLP	RGLP	Overall
male 2021	61.6%	59.0%	59.5%
male 2022	61.1%	58.0%	58.8%
male 2023	63.6%	58.0%	59.2%
female 2021	38.4%	41.0%	40.5%
female 2022	38.9%	42.0%	41.2%
female 2023	36.4%	42.0%	40.8%

The gender split for DISP membership is:

Percentage split, membership of DISP policies
2021 – 2023

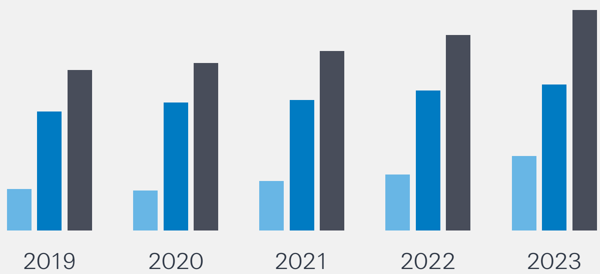
- **DISP**

male 2021	71.1%	female 2021	28.9%
male 2022	69.2%	female 2022	30.8%
male 2023	69.5%	female 2023	30.5%

Death benefit sums assured

- In-force lump sum death benefits increased by 12.9%.
- In-force RGLP death benefits increased by 4.5% and EGLP death benefits by 33.9%.

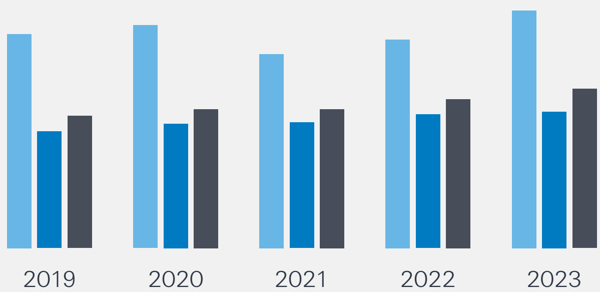
In-force lump sum death benefits, EGLPs and RGLPs
2019 – 2023, £,000



Year	EGLP	RGLP	Total
2019	334,363,098	961,106,909	1,295,470,007
2020	320,247,135	1,033,323,731	1,353,570,866
2021	396,537,433	1,053,740,379	1,450,277,812
2022	449,539,635	1,128,861,004	1,578,400,639
2023	602,036,377	1,179,536,689	1,781,573,066

- The average lump sum death benefit increased by 7.0%.
- The average RGLP lump sum death benefit increased by 2.0%.
- The average EGLP lump sum death benefit increased by 14.0%.

In-force average lump sum death benefit sum assured, RGLP and EGLP, 2019 – 2023, £

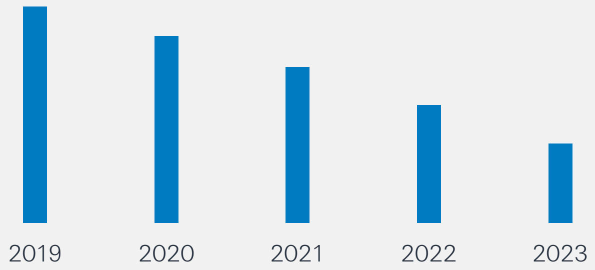


Year	EGLP average sum assured	RGLP average sum assured	Average sum assured
2019	216,093	117,706	133,380
2020	225,000	125,431	140,099
2021	195,972	126,829	140,370
2022	210,548	134,878	150,258
2023	239,934	137,563	160,738

Dependants' death-in-service pensions (DISP)

In-force annual DISP benefits fell by 32.6% from £1,516,992,996 to £1,023,206,231.

In-force annual benefits, DISP
2019 – 2023, £ pa



• Annual benefits

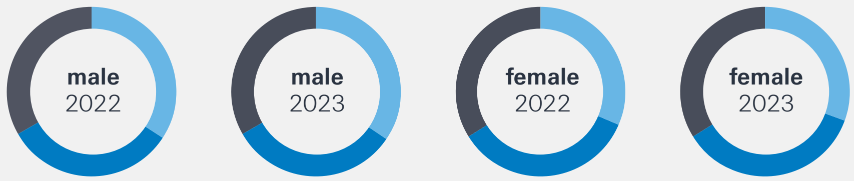
2019	2,789,416,042
2020	2,405,332,168
2021	2,006,323,538
2022	1,516,992,996
2023	1,023,206,231

Average annual benefits in force per member increased by 14.6% from £12,000 to £13,752.

Gender split

The gender split of RGLP and EGLP benefits for 2022 and 2023 is as follows:

Percentage split, by benefits by gender, membership of lump sum policies, EGLP and EGLP
2022 – 2023



• EGLP

male 2022	69.0%
male 2023	70.1%
female 2022	31.0%
female 2023	29.9%

• RGLP

male 2022	66.0%
male 2023	65.2%
female 2022	34.0%
female 2023	34.8%

• Total

male 2022	66.9%
male 2023	66.9%
female 2022	33.1%
female 2023	33.1%

Percentage split, by benefits by gender, membership of DISP policies
2022 – 2023

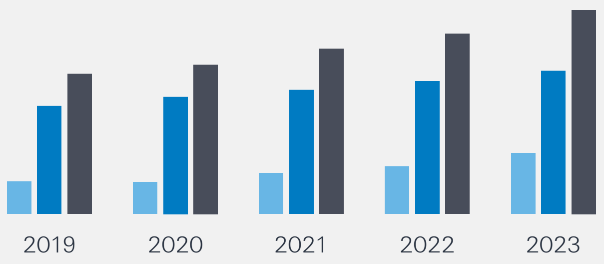
• Total

male 2022	72.5%	female 2022	27.5%
male 2023	75.8%	female 2023	24.2%

Death benefit premiums

In-force lump sum premiums increased by 13.3%.
RGLP premiums increased by 7.9% and EGLP premiums by 28.3%.

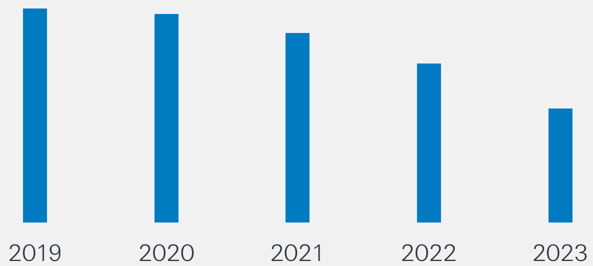
In-force lump sum premiums, EGLPs and RGLPs
2019 – 2023, £



	EGLP	RGLP	Total
2019	325,340,374	1,089,851,463	1,415,191,837
2020	323,380,843	1,184,246,986	1,507,627,829
2021	413,210,676	1,252,634,305	1,665,844,981
2022	479,436,825	1,337,321,671	1,816,758,496
2023	615,416,611	1,443,487,651	2,058,904,262

DISP premiums fell by 28.5%.

In-force annual premiums, DISP
2019 – 2023, £

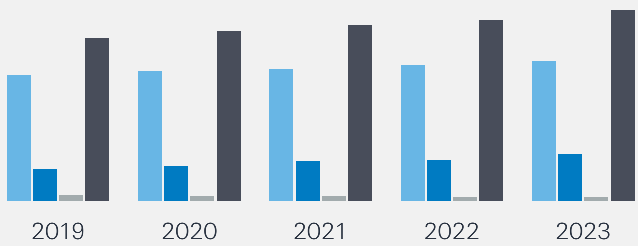


	Annual premiums
2019	137,786,931
2020	134,381,097
2021	121,870,961
2022	102,444,222
2023	73,251,267

In-force policies

The number of in-force death benefit policies increased by 5.2%.

In-force policies, Registered, Excepted and DISP
2019 – 2023

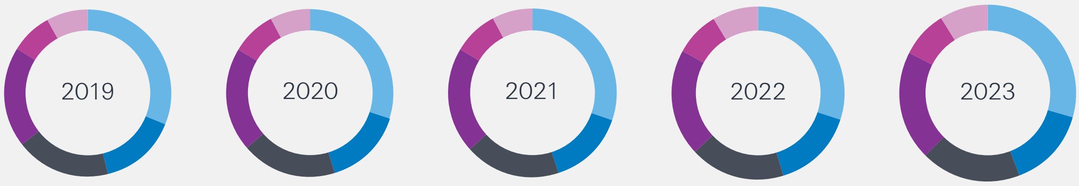


	Registered	Excepted	DISP	Total
2019	43,099	11,062	1,928	56,089
2020	44,623	11,993	1,788	58,404
2021	45,264	13,713	1,589	60,566
2022	46,812	13,951	1,440	62,203
2023	48,021	16,084	1,314	65,419

Policy sizes

The following table shows the split of in-force policies, measured by the number of members. Some product providers were unable to provide a full split so there are small differences between the totals in the table above and the total of the split.

Death benefit policies, split by number of members and percentage of in-force
2019 – 2023



Number of members	2019	2020	2021	2022	2023	Percentage of total in-force policies
Fewer than 10	17,749	18,435	19,734	19,617	20,970	32.3%
Between 10 and 19	9,170	9,226	9,844	9,952	10,332	15.9%
Between 20 and 49	11,712	12,016	12,378	12,552	13,029	20.1%
Between 50 and 249	12,317	12,837	13,247	13,695	14,348	22.1%
Between 250 and 999	3,622	4,009	3,840	4,196	4,377	6.7%
1,000 people or more	1,496	1,474	1,499	1,726	1,850	2.9%

Looking forward to 2024

The market mood for death benefit cover in 2024 was positive overall, with little change from 12 months previously. 63.6% expect to see the number of in-force policies increase with nobody predicting that the number will fall.

Some respondents felt that growth is conditional on employment levels remaining buoyant.

Similar to previous years, 86.4% expect premiums to rise faster than benefits (56%) but the fact the group life cover is relatively inexpensive was seen as positive in the context of their retention and impact on recruitment.

"With inflation and salaries increasing, and benefits increasingly being used to attract and retain talent, these benefits are more important than ever. Group Life is a really tax-effective and inclusive way of providing life cover for the workforce".
Product Provider

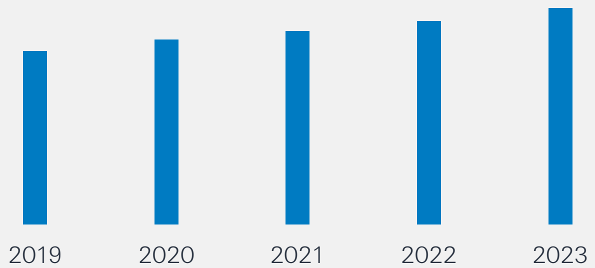
"The inflationary environment is expected to continue to cause challenges to insurers in terms of premiums, but I do not believe we are at a stage yet where employers will need to withdraw group life benefits".
Employee Benefits Consultant

"I believe schemes will grow as new customers continue to seek this benefit and I believe premiums will remain static as excess deaths are stabilizing. I also expect benefits to remain static with clients looking to offset costs that have grown as a legacy of the health pandemic and pressure on the bottom line for all businesses".
Product Provider

Long-term disability income

This year's results show continuing growth with a 6.6% increase in the number of people insured.

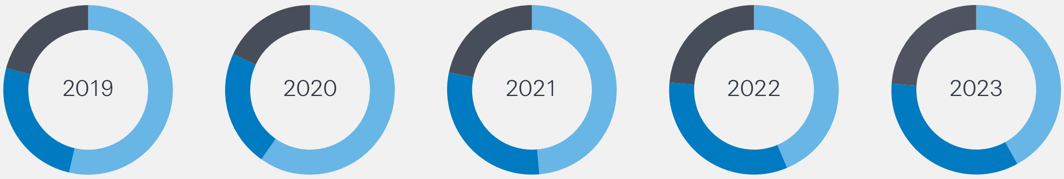
Number of people covered, long-term disability income policies
2019 – 2023



Number of people covered

2019	2,604,349
2020	2,775,264
2021	2,903,611
2022	3,053,808
2023	3,255,185

Percentage of policies with cover "to retirement", five-year maximum benefit period and other
2019 – 2023



- **To retirement, %**

2019	53.8%
2020	59.9%
2021	48.8%
2022	43.7%
2023	42.1%

- **Maximum five-year benefit, %**

2019	25.4%
2020	22.2%
2021	29.8%
2022	32.8%
2023	34.2%

- **Other, %**

2019	20.8%
2020	17.9%
2021	21.4%
2022	23.5%
2023	23.7%

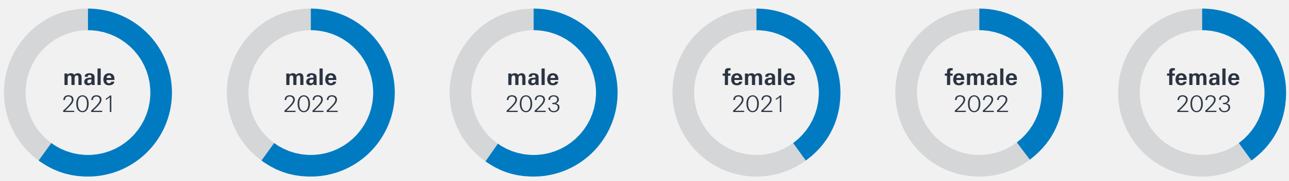
For 2022 and 2023, we are showing a more detailed split of what has previously been reported as "other" to show the percentage of policies and people covered where the benefit is payable for two or three years.

Percentage of people with two-year, three-year benefit periods and other
2019 – 2023

	Policies, % of total in force, 2022	Policies, % of total in force, 2023	People, % of total in force, 2022	People, % of total in force, 2023
Two-year benefit	9.9	11.4	9.7	10.8
Three-year benefit	5.1	5.5	11.8	11.1
Other	0.9	0.9	2.0	1.8
Total	**15.9**	**17.8**	**23.5**	**23.7**

The gender split of membership for 2021 to 2023 is as follows.

Percentage split, membership of long-term disability income policies
2021 – 2023

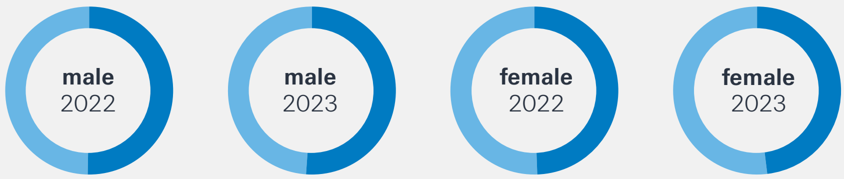


- **Percentage split**

male 2021	60.0%	female 2021	40.0%
male 2022	60.1%	female 2022	39.9%
male 2023	59.9%	female 2023	40.1%

The gender split between policies written "to retirement" and with a maximum benefit payment period of five years is as follows.

Percentage split, membership of long-term disability income policies, policies to retirement and maximum five-year benefit period, 2022 – 2023



• To retirement %

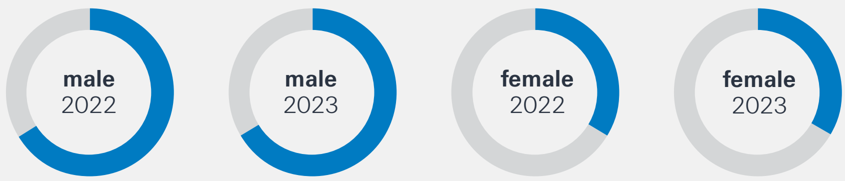
male 2022	61.2%
male 2023	61.8%
female 2022	38.8%
female 2023	38.2%

• Maximum five-year benefit period %

male 2022	60.4%
male 2023	59.0%
female 2022	39.6%
female 2023	41.0%

The gender split, measured by benefits, was as follows.

Percentage split, by benefits by gender, membership of long-term disability income policies
2022 – 2023



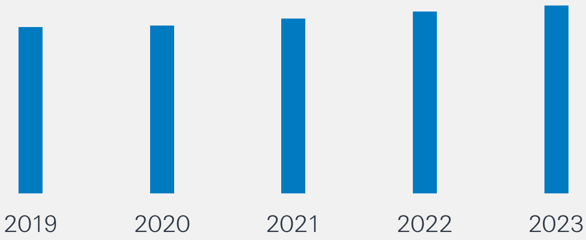
• Percentage split

male 2022	66.3%
male 2023	66.4%
female 2022	33.7%
female 2023	33.6%

In-force policies

The number of policies increased by 3.2%.

In-force LTDI policies
2019 – 2023

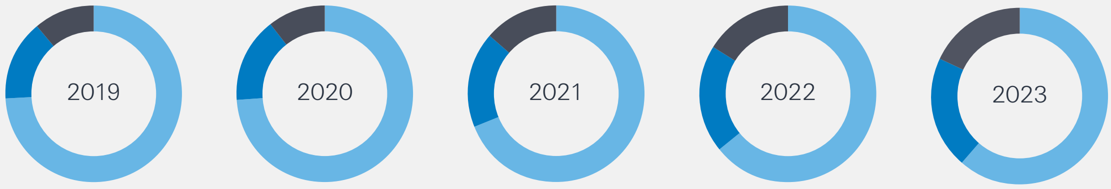


Policies	
2019	17,781
2020	17,948
2021	18,715
2022	19,495
2023	20,122

The following tables show the percentages of in-force policies and people based on the maximum possible benefit payment period. As in previous years, some product providers are unable to provide these figures, but we believe that the numbers are a good representation of the market as a whole.

The 2023 data relate to 83.0% of in-force policies and 69.0% of all members:

Percentage of policies with cover "to retirement", five-year maximum benefit period and other
2019 – 2023

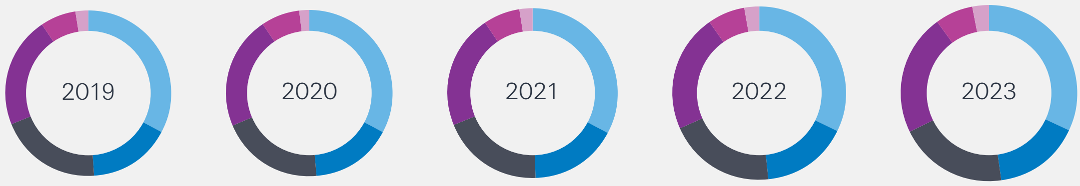


	To retirement, %	Maximum five-year benefit, %	Other, %
2019	74.2%	14.7%	11.1%
2020	74.1%	15.4%	10.5%
2021	69.1%	17.4%	13.5%
2022	64.3%	19.8%	15.9%
2023	61.4%	20.8%	17.8%

Policy sizes

The split of in-force policies, measured by the number of members, is as follows:

LTDI policies, split by number of members and percentage of in-force
2019 – 2023



• Fewer than 10	
2019	5,825
2020	5,885
2021	6,153
2022	6,288
2023	6,447
Percentage of total in-force policies	**32.0%**

• Between 10 and 19	
2019	2,906
2020	2,865
2021	3,118
2022	3,151
2023	3,217
Percentage of total in-force policies	**16.0%**

• Between 20 and 49	
2019	3,550
2020	3,580
2021	3,627
2022	3,900
2023	4,000
Percentage of total in-force policies	**19.9%**

• Between 50 and 249	
2019	3,841
2020	3,914
2021	4,076
2022	4,269
2023	4,457
Percentage of total in-force policies	**22.1%**

• Between 250 and 999	
2019	1,231
2020	1,344
2021	1,269
2022	1,343
2023	1,433
Percentage of total in-force policies	**7.1%**

• 1,000 people or more	
2019	413
2020	341
2021	467
2022	531
2023	568
Percentage of total in-force policies	**2.8%**

Note that the 2022 split totals 19,482 where the overall total shown earlier is 19,495. One product provider was unable to split the data for 13 policies. In 2020 and 2021, the same product provider was unable to make the split for 19 and 15 policies.

90.1% (90.4% in 2022) of in-force policies cover fewer than 250 people. Most product providers are unable to separate business taken out by smaller businesses from so-called "executive" arrangements, mainly designed to cover senior employees. We believe, however, that the majority of such policies are taken out by smaller businesses.

The split in percentage terms of total benefits and premiums, measured by policy size, is as follows.

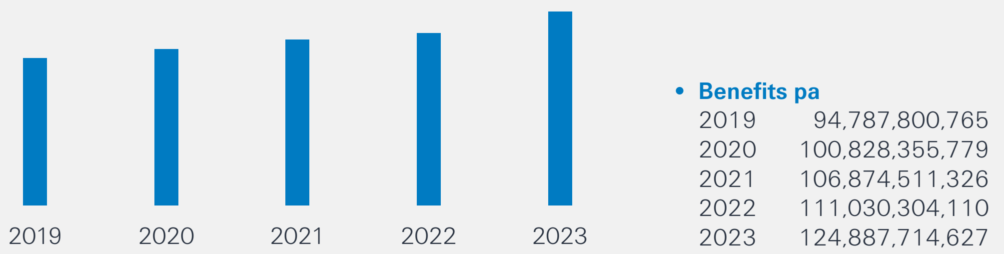
Percentage of GLTDI benefits and premiums by scheme size
2023

Number of members	% of total in-force benefits, 2023	% of total in-force premiums, 2023
Fewer than 10	1.4	2.6
Between 10 and 19	1.8	2.7
Between 20 and 49	4.6	6.1
Between 50 and 249	17.3	18.9
Between 25 and 999 members	22.5	23.1
1,000 or more	52.5	46.6

In-force benefits

Benefits per annum in force increased by 12.5%.

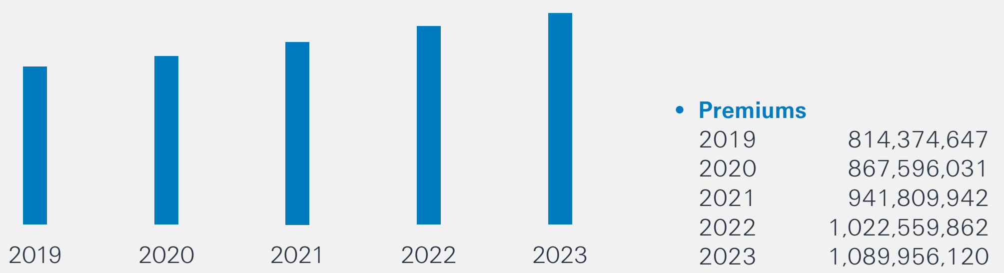
In-force benefits pa
2019 – 2023



In-force premiums

In-force premiums increased by 6.6%.

In-force premiums
2019 – 2023



Looking forward to 2024

The market mood for 2024 has not changed much from that for 2023. Only 4.7% expect the number of schemes to fall. (Three years ago, 26% of respondents expected the market to fall).

68.9% of respondents anticipate that further premium increases are likely. 11.1% expect premiums to fall.

55.6% of respondents expect benefit amounts to increase, this is in part a reflection of inflation and a further 31.1% expect them to remain static. A further move to limited benefit periods is expected, continuing the trend seen again earlier in this section.

"The weak recession will put downward pressure on schemes and employers may seek to reduce rather than remove benefits, but inflation may keep overall premiums static".
Employee Benefits Consultant

While market challenges remain, it is encouraging to see some very positive comments suggesting further growth.

"I'm receiving lots of enquiries from clients looking to extend income protection to previously uninsured categories of employees. Employers are becoming aware of the benefits both to the employee but also to them as an employer of having an income protection scheme in place".
Employee Benefits Consultant

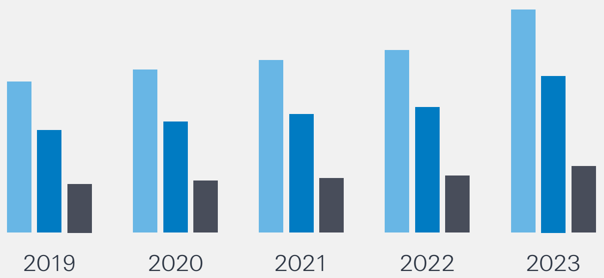
"We operate in the SME and 'mid-corp' space and have seen growth in terms of the numbers we write".
Employee Benefits Consultant

Critical illness cover (CI)

This year, one more product provider has contributed its data to the report. In this section, we publish the total data reported by all contributors for 2023 and add for comparison purposes the changes between 2022 and 2023 for those product providers whose data are included for both years.

- ↗ The number of people insured increased by 22.4%. (A comparison based on the same product providers as in 2022 shows an increase of 9.6%).
- ↗ The number of people covered by voluntary and flex increased by 25.1% (6.5%).
- ↗ The number of people covered by employer-paid arrangements increased by 16.5%.

Number of people covered
2019 – 2023



- **Number of people covered**

2019	610,045
2020	658,364
2021	697,304
2022	736,570
2023	901,387

- **Voluntary/flex**

2019	413,731
2020	448,081
2021	478,622
2022	506,352
2023	633,238

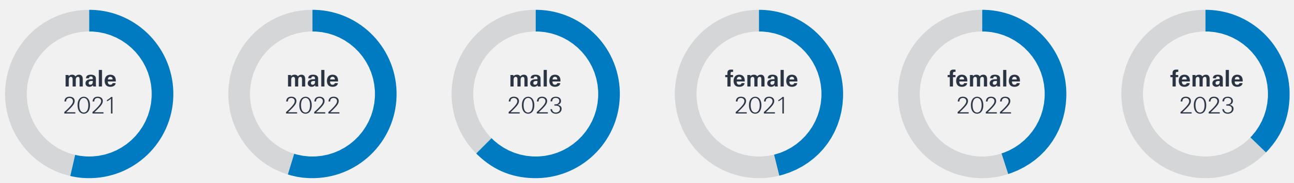
- **Employer-paid**

2019	196,314
2020	210,283
2021	218,682
2022	230,218
2023	268,149

Gender

62.6% of members are male and 37.4% female (54.8% and 45.2% at the end of 2022).

Percentage split, membership of critical illness policies
2021 – 2023



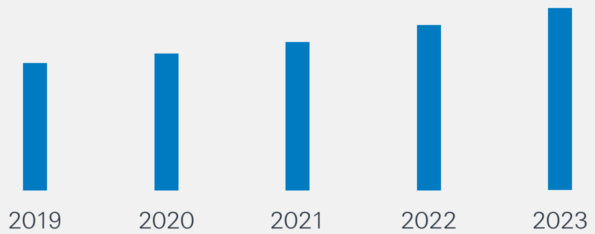
- **Percentage split**

male 2021	53.7%	female 2021	46.3%
male 2022	54.8%	female 2022	45.2%
male 2023	62.6%	female 2023	37.4%

In-force policies

The number of in-force policies increased by 10.2%. (A comparison based on the same product providers as in 2022 shows an increase of 9.6%).

In-force number of policies
2019 – 2023

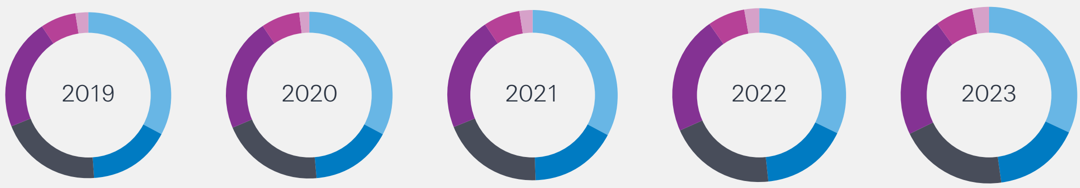


- **Number of policies**

2019	4,373
2020	4,703
2021	5,088
2022	5,678
2023	6,255

Policy sizes

Critical illness policies, split by number of members and percentage of in-force
2019 – 2023



• Fewer than 10

2019	1,589
2020	1,738
2021	1,902
2022	2,141
2023	2,301
Percentage of total in-force policies	36.8%

• Between 10 and 19

2019	634
2020	669
2021	737
2022	799
2023	948
Percentage of total in-force policies	**15.2%**

• Between 20 and 49

2019	789
2020	835
2021	903
2022	1,022
2023	1,099
Percentage of total in-force policies	**17.6%**

• Between 50 and 249

2019	919
2020	998
2021	1,051
2022	1,183
2023	1,304
Percentage of total in-force policies	**20.8%**

• Between 250 and 999

2019	332
2020	371
2021	369
2022	394
2023	423
Percentage of total in-force policies	**6.8%**

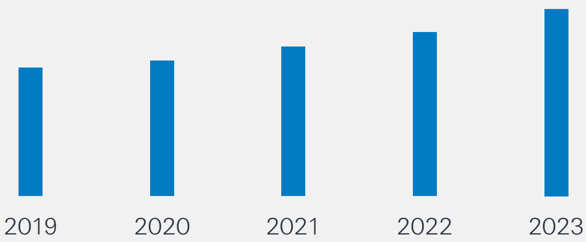
• 1,000 people or more

2019	110
2020	92
2021	126
2022	139
2023	180
Percentage of total in-force policies	**2.9%**

Sums assured

Sums assured increased by 14.2%.(A comparison based on the same product providers as in 2022 shows an increase of 11.8%).

In-force sums assured
2019 – 2023, £,000



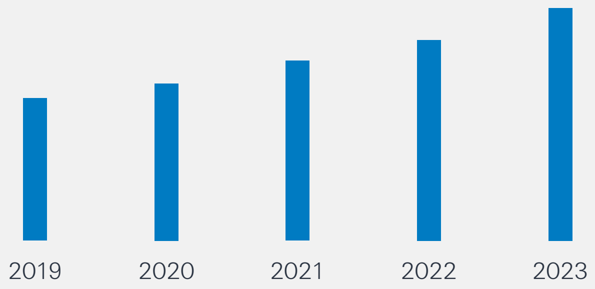
• Sums assured

2019	44,115,348
2020	46,467,437
2021	51,301,484
2022	56,297,951
2023	64,283,622

Premiums

Premiums rose by 15.9%. (A comparison based on the same product providers as in 2022 shows an increase of 13.3%).

In-force premiums
2019 – 2023, £



Premiums

2019	122,284,017
2020	135,038,273
2021	154,557,045
2022	172,492,619
2023	199,931,624

Looking forward to 2024

Reflecting a good year's results, opinions for 2024 were much more positive than 12 months before with 66.0% of respondents expecting market growth in 2024 (50% 12 months before). 29.5% (44%) expect no change and 4.5% (3%) expect the market to fall.

48.9% (34% 12 months before) expect benefits to increase. 44.4% (44%) anticipate no change and the remaining 6.7% (9%) expect benefits to fall.

79.1% (69% 12 months before) expect premiums to increase and 20.9% (34%) expect no change.

Despite some concerns from 12 months ago that the cost-of-living crisis might lead to more people electing to take the cash or opt for other benefits, the market has grown well as people turn to easy-to-buy private provision such as workplace CI cover. As we have observed in previous editions of Group Watch, there has been much greater perception of medical risks as a result of the pandemic.

"CI is still a growing market and the majority of new schemes are likely to be voluntary as it allows a benefit to be provide at no real cost to the employer. Premiums will go up due to seeing higher incidence of cancers and heart related issues, due to the state of the NHS, where early diagnosis is less likely to happen so patients get diagnosed as a later date and thus more chance to meet the definition. The overall health of the nation is poor, and the pandemic made it worse!".
Employee Benefits Consultant

There were a number of comments on the P11D charge which falls due when the employer pays the premium.

"I've written more new-to-market employer-funded critical illness schemes in the past twelve months than at any other time in my career. Unfortunately, though, individual scheme members often ask to be removed from the scheme due to the P11D tax charge".
Employee Benefits Consultant

"It's more attractive to employees and a better understanding of what it offers, possibly because of the individual market and mortgage cover that employees may have previously come across. This assists with the growth, as it is predominantly purchased in flexible and voluntary arrangements by employees".
Employee Benefits Consultant

"Improved awareness of cancer conditions mean more individuals will buy".
Employee Benefits Consultant

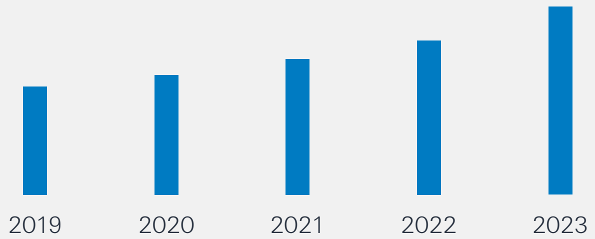
Flex and voluntary arrangements

As in previous years, we have collected market data for policies with a flex or voluntary component. It has not been possible to separate premiums paid by the employer and by the member but the increases recorded for death benefits and CI show that the infrastructure is there if more employers opt for a model involving both an employer and an employee contribution.

Death benefits

New market premiums for death benefit policies which include a flex/voluntary component increased by 21.8%. (A comparison based on the same product providers as in 2022 shows an increase of 18.7%).

Total market premiums, death benefit policies which include a flex/voluntary component, death benefit policies
2019 – 2023, £

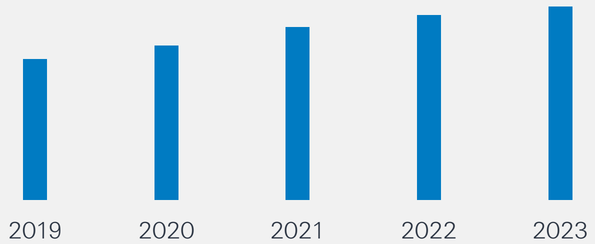


- **Premiums**

2019	232,201,485
2020	256,754,023
2021	291,553,807
2022	331,250,543
2023	403,536,443

New market premiums for LTDI policies which include a flex/voluntary component increased by 4.4%. The lower increase in percentage terms in flex/voluntary market premiums compared to the total market (6.6%) suggests a response to changes to the taxation of contributions and benefits secured by salary sacrifice made in 2022.

Total market premiums, policies which include a flex/voluntary component, LTDI policies
2019 – 2023, £

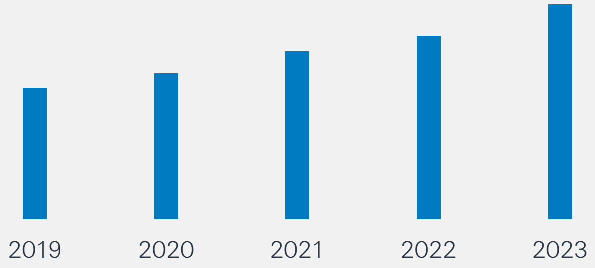


- **Premiums**

2019	121,140,946
2020	132,670,209
2021	148,312,067
2022	158,890,843
2023	165,859,569

New market premiums for critical illness policies which include a flex/voluntary component increased by 17.2%. (A comparison based on the same product providers as in 2022 shows an increase of 13.3%).

Total market premiums, policies which include a flex/voluntary component, CI policies
2019 – 2023, £



Premiums

2019	84,712,870
2020	93,890,083
2021	108,079,994
2022	118,102,211
2023	138,426,624

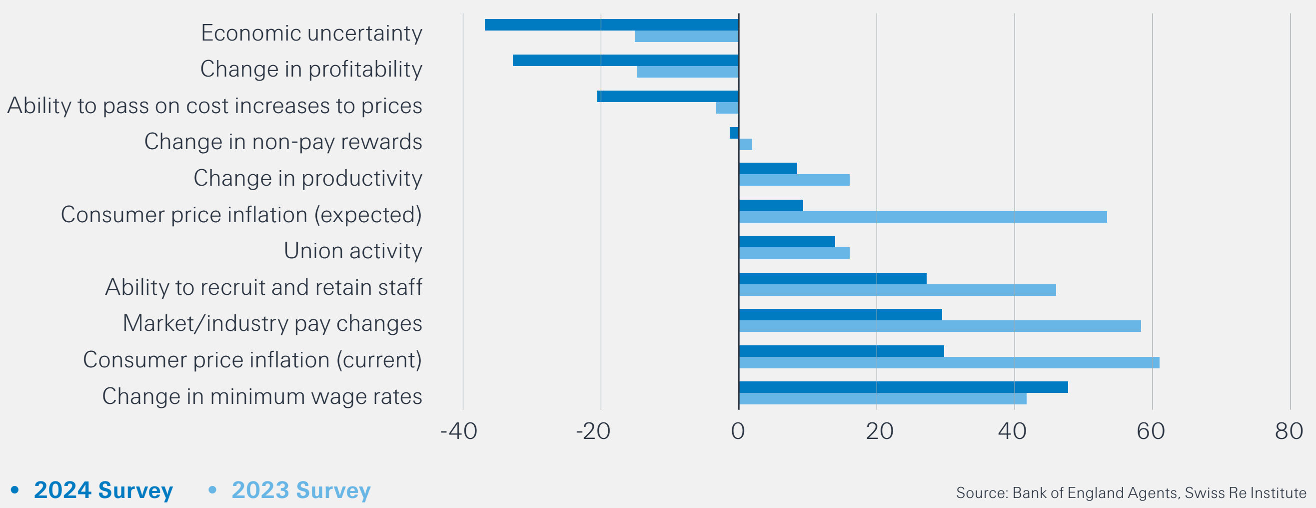
Looking to 2024 and beyond

At the beginning of this Report, we set out the economic background against which the 2023 data are set. Labour markets will be key to determining the path of inflation, growth and interest rates this year.

The labour market is expected to remain tight overall, with demand outstripping supply, with wage growth only expected to fall and only loosen slowly. We expect job vacancy rates to continue to fall and unemployment to rise slowly as growth remains near stagnant in the first half of the year. Lower employment weighs on disposable incomes and keeps economic sentiment low. However, we expect a stronger economic recovery in the second half of the year as consumer spending power improves on higher real incomes as inflation falls further and owing to the cut in National Insurance contributions announced in the 2024 Spring Budget. Overall, the UK is expected to avoid a recession this year.

In 2024, we expect the headline CPI to average 2.4% year-on-year, down from 7.3% year-on-year in 2023. With lower spot inflation rates and as the bargaining power of workers falls amid a softer labour market, wage growth is expected to decline in 2024, albeit remaining above historical levels. The National Living Wage hike of approximately 10% will have a knock-on impact on broader wage growth, especially at the lower end of the pay distribution. The Agents' annual pay survey conducted by the Bank of England too suggests that pay settlements will fall, as various pressures begin to ease (see Chart 4). This could flow through to benefit provision with most benefits being salary or income related.

Chart 4 – Factors affecting average pay settlements, 2023 and 2024



Source: Bank of England Agents, Swiss Re Institute

Sectors with weak demand are likely to see slower wage growth this year as firms have less pricing power and hence ability to pass on higher costs. This could include construction and manufacturing.

Risks to our outlook are towards a slightly later start to cutting rates, with our expectation being the second quarter of the year. This would be to allow the Bank of England's monetary policy committee to gather more data points on inflation and wages. In such a case, the Bank of England may cut interest rates by greater increments per meeting, leaving our year-end forecast of a 4% Bank Rate still holding.

Working with Government

We asked questionnaire respondents to share ideas about recommendations to Government, which would support the Government's objectives through expansion of workplace insurance benefits and services. There is an element of repetition in the recommendations some a of which carry forward previous recommendations but remain valid.

The Lifetime Allowance

More clarification was called for with the changes to the Lifetime Allowance and its replacement on 6th April 2024 by the new lump sum and death benefit allowance (LSDBA). It had been assumed that the lump sum charge would be abolished whereas it is the quantum of the charge which has altered, being replaced by a marginal rate income tax charge for benefits rather than 55%.

"Clear up the misdirection of the Lifetime Allowance being abolished – many employers have misunderstood what the Government has done because they weren't clear about it in the first place".
Employee Benefits Consultant

The 2023 results and the implementation of the changes show that the need for Excepted Group Life schemes will remain. There is strong support for lobbying to remove the potential tax liability on all discretionary trusts holding pure protection policies.

We estimate that the annual cost of compliance with the Relevant Property Trust regime is approximately £4m per annum. In contrast, the maximum amount of tax revenue generated is less than £1 million. In practice, it may be no more than half of this.

GLTDI and salary sacrifice

Many responses also mentioned the removal of double taxation on voluntary GLTDI schemes. The results earlier showed that premiums for schemes which include a voluntary component are growing slower than employer-paid arrangements.

This is not helpful given the greater interest in flex and voluntary arrangements the research identified as employers look to ways to control their benefits costs and Government more broadly is keen to see greater resilience achieved through enhanced coverage. If this is to happen, there has to be a simple way to make this happen and views were unanimous that we should continue to press for only the benefits to be taxable.

P11D limits

Many respondents referred to the need to remove some of the disincentives to make group risk provision more accessible and we have called for an increase to the P11D £50 limit where an employer provides health-related products and services to facilitate this. This could encourage more employers, and smaller firms in particular, to provide workplace health services such as critical illness cover without the disincentive of having to set up the administration for Benefit in Kind (BiK) payments and encourage more employers to support their whole workforce.

Statutory Sick Pay

There was strong support in the research for reforms to Statutory Sick Pay, a topic the next Government is expected to return to after the General Election.

Working closer with Government

A number of respondents talked about the need to collaborate with each other, the word "collaborate" being mentioned many times.

"Collaborate as an industry for consistent policy asks".
Employee Benefits Consultant

Collaboration within and outside the group risk industry was seen as vital in getting closer to Government to seek its support to help to promote the benefits that workplace benefits can provide, how the benefits can complement Government objectives.

"The Government should advocate more for group protection (generally-like they did for AE) as these benefits can help the state with areas where they manage expenditure – such as mental health".
Employee Benefits Consultant

"We need to talk to Labour about its priorities in the workplace".
Employee Benefits Consultant

There were some comments on a lack of understanding and awareness of officials.

"They need to understand the propositions (not just through lens of public service schemes)".
Employee Benefits Consultant

Occupational Health and Vocational Rehabilitation

A number of respondents discussed the Occupational Health consultations published by Government in 2023 and the need to widen the narrative to be more inclusive of the important role that vocational rehabilitation plays.

"It is important for them to understand the difference between OH and Vocational Rehabilitation and bring VR into policymaking explicitly as a continued focus on OH is limiting recovery and return to work of ill or injured employees".
Product Provider

"Day one" statements of sick pay

There were calls for more awareness and promotion of so-called "day one" statements of sick pay which should be given to new workers. While useful, in our view, these should be extended to all workers and updated whenever a change takes place, for example, a change to the duration of LTDI payments.

Annual report statements

There was a view that businesses should include details of employee benefits such as sickness arrangements, in their annual reports. This could take account of different levels of sick pay and how different groups of employees are treated. Such transparency would be helpful for shareholders and the wider public and help to drive good practice and employee awareness.

Other services

Other areas where it was considered that Government could help included:

- Recognition that EAPs are helping to ease the burden on the NHS and keep people working and the importance of the added value services providers offer. Greater flexibility in the scope of what is allowed within the tax rules would be helpful.
- Ensuring prominent reference to workplace benefits within small business information hubs.
- Acknowledgement that the solution to the UK's workplace health issues needs to be through public and private collaboration.
- Promoting mental health first aiders within employers.

Speaking our language?

It would be easy to become complacent with results growing year-on year, yet much remains to be done. This year, we asked about the language and the jargon used in the group risk market and questioned to what extent, if any, this was an inhibitor to potential market growth. The majority of responses concluded that there is much more to be done, and there were a number of references to the fact that member engagement is likely to increase over time, particularly if we see the increase in voluntary and flex business a number are predicting.

"Don't talk about 'group risk' outside of the industry – nobody knows what this means"!
Employee Benefits Consultant

"For the core products there is always discussion about the name for critical illness, led by the individual market, Group would only follow. Income protection is well-understood within the market but not outside. Confusion with PPI. The Government still refer to PHI which was dropped years ago (as confusion with PMI). The expression LTDI that you use in your report might be the best option. Don't touch group life. For services, I can understand the use of "brand" names for marketing, and the different packaging used".
Product Provider

There was, though, a desire to simplify and communicate more about the benefits on offer.

"We need fewer incremental product changes which do not materially improve propositions but do complicate them".
Employee Benefits Consultant

"Need to focus on innovation and product developments that are relevant to the product, not just collecting unrelated add-ons".
Employee Benefits Consultant

"Highlight the pitfalls of employees dying with no cover - ITV Drama Documentary anyone"?
Employee Benefits Consultant

2019 to 2023 market premiums

In-force total market premiums
2021 – 2023, £

Premiums	2019	2020	2021	2022	2023
Death benefits	1,552,978,768	1,642,008,926	1,787,715,943	1,919,550,220	2,132,155,529
LTDI	814,374,647	867,596,031	941,809,942	1,022,559,862	1,089,956,120
CI	122,284,017	135,038,273	154,557,045	172,492,619	199,931,624
Total	**2,489,637,432**	**2,644,643,230**	**2,884,082,930**	**3,114,602,701**	**3,422,043,273**

About the authors

Ron Wheatcroft
Technical Manager

Ron_Wheatcroft@swissre.com
Phone: +44 20 7933 3548
Follow me on: Twitter (X), LinkedIn

Ron works with the market, looking at the likely impact of legislation and regulation. He is a regular commentator in the media.

He is a member of GRiD's Steering Committee, the Cabinet Office Access To Insurance Working Party and the Building Resilient Households Steering Groups, and the ABI's Social Care Working Party.

Outside work, Ron continues to ignore Premiership hype, and is hoping that the end of the current season sees Gillingham make a late run to the League Two play-offs, a Wembley triumph and a return to League One. Sadly, reality suggests otherwise!

Keith Williams
Head of Group Risk, UK & Ireland

Keith_Williams@swissre.com
Phone: +44 20 7933 3558
Follow me on: Twitter (X), LinkedIn

Keith provides group risk market knowledge and insight along with product costing and risk management support.

He is a member of GRiD's Regulations Committee and the ABI's Workplace Protection Committee.

Bringing up three children and one dog keeps Keith busy outside of work. When pressed, Keith confesses to be a long-suffering West Ham supporter. He has now unwittingly passed this emotional burden on to his children, who were delighted to experience the rollercoaster ride that was the 2023 Europa Conference League final in Prague. It is all downhill from here.

Diana Van der Watt
Economist, Swiss Re Institute

Diana_Vanderwatt@swissre.com
Phone: +41 43 285 76 11
Follow me on: LinkedIn

Diana covers the European economy at Swiss Re, providing macroeconomic forecasts for variables including inflation, GDP growth and interest rates, as well as contributing to thought leadership in the form of Swiss Re Institute publications, such as the Sigma series.

Unlike her fellow authors and despite growing up and studying in the UK, Diana doesn't know the rules of football, with her South African heritage keeping her more interested in rugby and cricket. Since moving to Switzerland, she spends her weekends enjoying the mountains and lakes surrounding Zurich.

Journalists should contact:

Nicole Egger | Senior Manager, Media Relations | Nicole_Egger@swissre.com | Phone: +41 43 285 84 82

Swiss Re Europe S.A.
UK Branch
30 St. Mary Axe
EC3A 8EP London
United Kingdom

www.swissre.com