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Swiss Re response to DBEIS Consultation on measures to increase transparency in the UK labour market

Dear Sirs

Swiss Re is pleased to respond to the consultation issued in February 2018, following the publication of Good Work: Taylor Review of Modern Working Practices.

Swiss Re is a global reinsurance business which provides reinsurance benefits to support insurers writing insurance protection for retail and commercial customers. This includes employers who arrange long-term life and disability insurance to support their employees and their families in the event of the death or prolonged disability of the employee.

Swiss Re issues two annual publications.

- Term & Health Watch, which shows reported new sales of retail products. We have data back to 2001 and these reports are supplemented by research among leading market figures (both providers and intermediaries).
- Group Watch, which shows changes to in-force member numbers, benefits, policies and premiums for employer-sponsored life, long-term disability income and critical illness insurance arranged through the workplace. The latest report was published in April 2018 and is available on request.

The response which follows relates to **Question 11c**.

We are pleased that the Government is considering the case for greater transparency about sick pay and strongly support this proposal.

In 2015, we calculated what we are calling the Disability Protection Gap in the UK and in other major insurance markets across Europe. We identified that the UK had the largest "disability gap" in Europe. By the term "disability gap", we mean the shortfall between assumptions of an

individual's financial needs if they are long-term sick and the provision they have made themselves or which has been made by their employer on their behalf.

The majority of provision is made by employers. At the end of 2017, 2,403,173 people were members of insured occupational schemes and we are aware that some large employers and much of the public sector makes some provision but does not insure this.

Approximately 1.1m people have a personal policy which continues their income if they are sick.

Although the number of members of occupational arrangements has been rising, in total, we estimate that around 20% of the UK workforce has something in place to support them financially through a period of prolonged disability.

Research conducted over many years has shown why this figure is so low. Reasons cited for not putting anything in place have included, "not thought about it", "don't need it", "don't know what to do about it" and " my employer provides this for me already."

This latter point shows misplaced optimism. When Swiss Re first researched this area we found that the number of people claiming to have cover exceeded market data by a factor of three.

The benefits

We believe that employers should be more transparent about sick pay arrangements. Making this available generally will improve employee awareness of what an employer has in place, meaning that employees may be stimulated to take action where their employer provides only the basic Statutory Sick Pay or minimal arrangements beyond that, leading to greater financial resilience. This ties in with the possible scope of work to be led by the new Single Financial Guidance Body.

The statement should be in plain language, relevant to the circumstances of the employee and include details of the payment and amount of Statutory Sick Pay. Minimum standards should be set to ensure effective communication to employees.

The minimum information to be reported should be set down in legislation but employers should be free to include other benefits such as access to an Employee Assistance Programme where this is available.

Some employers operate different sick pay arrangements within their business. For instance, some firms may operate long-term sick pay for managerial grades only or pay for a shorter period for other workers. To some extent, this reflects the use of sick pay arrangements as a competitive tool in recruitment but may also take account of the different risks presented by roles with the organisation.

We are also aware that some employers will change sick pay arrangements periodically. Typically, this may see an employer limit continuing sick pay to a maximum payment period of two or five years. This may be driven by the changing workplace, where employees change jobs more frequently, or by decisions to alter the mix of non-salaried benefits.

Employers should be required to communicate these changes when made.

Swiss Re

To discuss this response further, please contact initially:

Direct line:

Yours Faithfully

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