



Widening the safety net when it comes to your employees

Protecting a company's most valuable assets



Gallagher

Insurance | Risk Management | Consulting

ACCIDENT & HEALTH (A&H) VS EMPLOYEE BENEFITS (EB)

As a result of sharing some similarities, both businesses and employers are still struggling to fully comprehend the distinct differences and benefits between the offerings of an Accident & Health (A&H) division and that of an Employee Benefits (EB) solution.

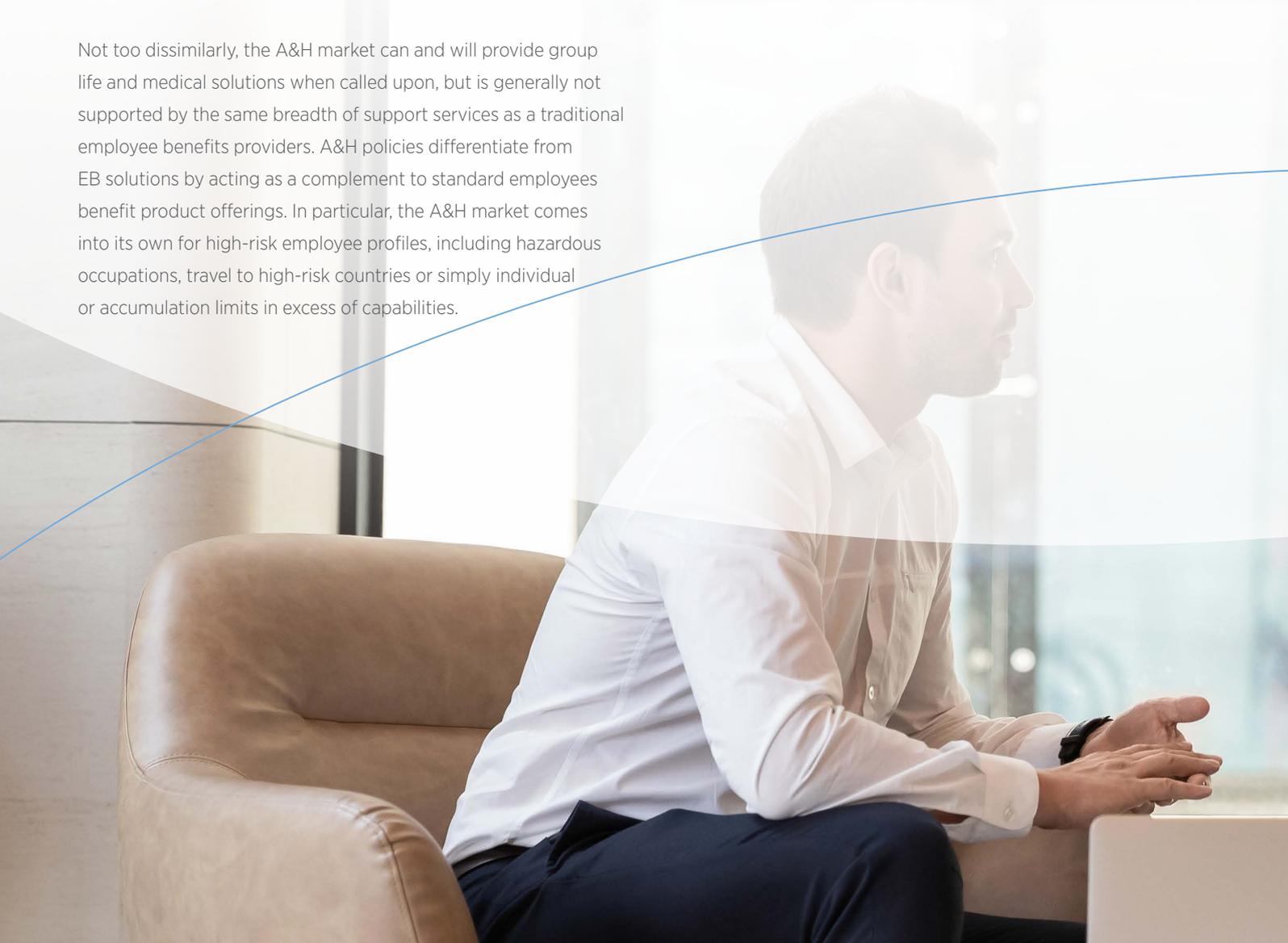
By definition, an EB solution will primarily support in structuring and fulfilling a company's reward programme, which typically includes employee compensation and benefits. In more depth, EB services include consulting, data, technology and administration as well as placement of core benefits like pensions, medical, life (aka death in service) and income protection.

With more of an onus on employee wellbeing than ever before, EB programmes now play an important role in attracting and retaining top talent. An array of choice based products (offered either via salary sacrifice or on a voluntary basis) have become a standardised and expected feature within EB solutions, especially where they support employee's wellbeing and lifestyle choices.

Not too dissimilarly, the A&H market can and will provide group life and medical solutions when called upon, but is generally not supported by the same breadth of support services as a traditional employee benefits providers. A&H policies differentiate from EB solutions by acting as a complement to standard employees benefit product offerings. In particular, the A&H market comes into its own for high-risk employee profiles, including hazardous occupations, travel to high-risk countries or simply individual or accumulation limits in excess of capabilities.

An example scenario of an A&H policy in practice could be a UK client looking for Key person Life Insurance for a senior executive based outside of their normal Country of Residence. As they do not live in the UK, the mainstream insurers may not be able to cover them, even though they were on a UK contract; an A&H policy will then be drawn up and underwritten from the Lloyd's or wider insurance market.

Whilst there may be some cross over, A&H and EB complement one another when it comes to employee protection. In most cases, the insured will need to provide appropriate cover for their employee risk profile and fulfil their 'duty of care' obligations by utilising the offerings of both A&H and EB specialisms.



TAKE CARE OF YOUR EMPLOYEES TO TAKE CARE OF BUSINESS...

'Duty of care' is a term that has become vastly popularised and significant in getting employers to become far more accountable for their employee's health, safety and welfare. Companies are paying far more attention around their roles and responsibilities as a prudent employer, particularly when we live in a society characterised by work overload, state benefit and health service cutbacks, an ageing society, disillusionment with elderly care services and a high cost of childcare.

So what do we mean by 'duty of care'? Broadly speaking, we define 'duty of care' as the company's responsibilities towards their staff, ensuring they are placed within a working environment that protects their health, well-being and safety. In most countries, these duties and obligations are embedded in law, placing the responsibility on employers to prove that they have the appropriate procedures in place to minimise the risks that their staff face at work, and when travelling on business overseas.

How an employer plans for, and responds to incidents, particularly overseas, can ultimately be the difference between life and death. Failure to provide appropriate plans and properly manage their

duty of care responsibilities can leave the company vulnerable to large financial losses, including lawsuits and criminal charges. These repercussions can further extend to poor morale, loss of staff, reduced productivity and irreversible reputational damage.

Working with a broker that fully understands the client's business ensures they are better resourced to secure A&H and EB policies that mitigate the company's specific risk exposures. Those brokers that have maintained strong, collaborative ties with insurers will be better placed to find the right A&H and EB solution instead of the easiest option.



AVOIDING 'FIGHT OR FLIGHT' WITH EMPLOYEE BUSINESS TRAVEL

With global opportunities and accessibility increasingly on the rise, corporate travel has become the norm for a growing cohort of employees. From senior executives to junior staff, across an ever-broadening range of different companies, the need for robust, specialist and tailored cover when mitigating foreign exposures has never been so critical.

A complimentary product to an EB solution – Group Business Travel is a robust and commonplace package purchased by corporates to protect their staff whilst overseas or within their country of domicile providing they are staying away from home. Despite the clear coverage breadth of a Group Business Travel policy, some employers appear to continue to depend entirely on their Group Private Medical Insurance policy to provide medical expenses cover overseas.

Relying on a Private Medical Insurance policy may be an easy, quick fit solution to provide a base level of overseas employee protection but in many countries, a local medical insurance policy will have a limited sum to how much treatment an employee receives. Resultantly, a robust Group Business Travel policy encompassing medical, liability, cancellation & replacement personal, personal and business property and other related covers is generally a cost effective option to provide complete cover for business travellers and short-term assignees.

As a result of sharing some similarities, both businesses and employers are still struggling to fully comprehend the distinct differences and benefits between the offerings of an Accident & Health (A&H) division and that of an Employee Benefits (EB) solution.

Risk profiles can shift significantly according to region, transport, job role and duration of placement, and long-term assignees will typically require cover that is more tailored to the inherent risks these employees face.

As mentioned prior, finding a broker that has in-depth knowledge of the client's business, sector and operations will be paramount in securing the most appropriate cover. Careful attention needs to be drawn towards the employee type, purpose and destination of placement to make sure the chosen solution delivers a package that protects employee safety and promotes the employer's duty of care.

In our experience, the most common examples of business travel and medical insurance cover confusion include:

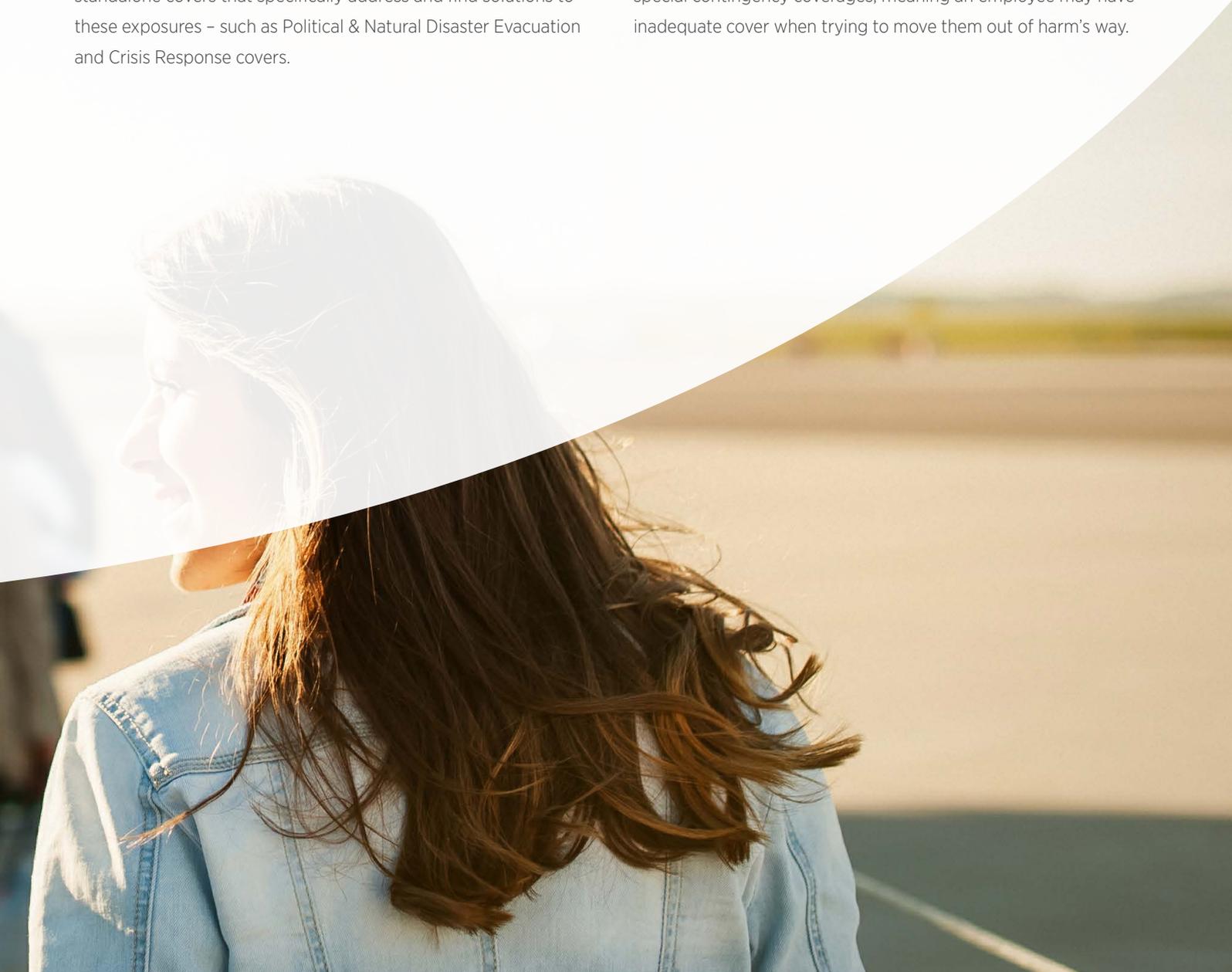
- 1 A lack of awareness on the ways in which to use both business travel and medical insurance to fulfil duty of care obligations
- 2 A confusion in communication of policies available to employees with multiple, conflicting touchpoints for management in the event of medical emergencies
- 3 A trend toward business travel 'bolts on', particularly for leisure, with more than 40% of business trips including travellers taking an extra day, for "me" time.

SPECIFIC COVERS FOR SPECIFIC RISKS

With the global outlook remaining volatile, uncertain, complex and often ambiguous, companies must continue their efforts to create robust safety nets for their employees. Recent events such as the volcano in New Zealand (which claimed 20 lives), the Hong Kong riots, the Australian forest fires and most recently, the outbreak of the COVID-19 – all present real and actual threats to employers and ongoing reviews to each policy will help minimise the risks their employees are exposed to.

To elaborate further, A&H and EB specialists will take the time to review each risk profile and design policies that avoid duplication of cover, unnecessary costs and respond effectively and swiftly in the unfortunate event of a claim. When faced with a specific overseas risk, employers and their advisors should look to standalone covers that specifically address and find solutions to these exposures – such as Political & Natural Disaster Evacuation and Crisis Response covers.

Often found in a business travel policy, these special contingency products typically lack the depth of coverage as they are only included as 'light' versions with limited cover. Under a business travel policy, if the political situation deteriorates rapidly or there is a terrorist attack, the policy will have certain limits on the special contingency coverages, meaning an employee may have inadequate cover when trying to move them out of harm's way.



KIDNAP, RANSOM & EXTORTION (KRE) COVER AND ITS IMPORTANCE

Whilst the risk may seem relatively low when at home, the kidnapping of individuals or related attempts at extortion are well-established crimes occurring on a global basis. An often-overlooked policy, KRE is designed to provide a level of financial indemnity and response assistance following any form of kidnap, extortion, detention, abduction and hi-jack.

Widely thought of as useful when only travelling to South America, these crimes are now widespread in Africa, the Middle East, Eastern Europe and Asia, highlighting the importance of having this coverage in place when complementing a business travel policy. Similar to other special contingency products, KRE 'light' can be found in most business travel solutions but this does not necessarily provide the robust cover, limits and support of a dedicated, standalone KRE policy.

Whilst no accurate statistics exist on the number of KRE cases globally (mainly because most incidents are not reported), several of the leading the insurance providers and response consultants have provided limited information based on their own portfolios. Constellis reports that Iran currently leads the way when it comes to foreign national kidnaps. There will be no surprises that the report also revealed Mexico as a close second and the Philippines completing the top three.

These territories may be synonymous with kidnapping, but what is surprising is the rise of KRE reported cases in territories deemed as less risky. Countries such as Morocco, Greece, the USA, Canada and Spain have all been subject to kidnapping activity, demonstrating that this is a global risk and employers must consider standalone KRE cover as part of their employee protection packages.



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MINDING THE GAP – MAKING SURE THE EB SOLUTION HAS NO COVER SHORTFALLS

With specialist providers in the Lloyd's and wider London markets, Gallagher's A&H brokers can provide complimentary, bespoke and additional covers that 'carve out' permanently or temporarily and avoid gaps that could leave an employee exposed. A number of solutions can be available for life, travel, medical and disability where the issue/exposure relate to older age workers, medical impairments, location, occupational risks and contracted or seconded international employees.

Clients with multiple international locations are often faced with the largest challenges, as it can be very difficult to secure basic cover for those employees that are seconded on a short to medium term basis. Further to this, outside forces such as union contracts can also impact on the company's intentions to provide covers in line with their standard contracts.

Companies that operate with contracted staff of a specialist nature and expertise (such as oil & gas industries), typically recruit on a short-term contracted or project basis. Would they then require cover which may not be automatically included in their group arrangements?

The answer is yes – shortfalls and gaps in cover arise where there could be a specific project (with its own unique risk profile) outside of the main scheme rules. It is therefore vital that employers, especially their HR departments, carry out the right checks to ensure the right cover is in place for these events.



THE GAP

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