GROUP RISK BENEFITS

OVERVIEW AND APPLICATION

INTRODUCTION

Group Risk Benefits provide a comprehensive and cost-effective mechanism for employers to offer financial protection to employees in the event of death, disability, or critical illness. Administered under a single policy, these benefits cover an entire employee group or specific categories within an organisation, delivering tailored solutions that align with the company's values and employee needs.

This approach offers significant advantages over individual insurance policies, including automatic acceptance up to certain benefit levels, reduced underwriting requirements, and access to cover for employees who might otherwise be excluded due to health or affordability constraints. By leveraging group dynamics, employers can provide meaningful benefits while optimising costs.

CORE RISK BENEFITS

Group Risk schemes typically include the following benefits, customisable to suit the organisation's objectives:

- **Group Life Cover** — A lump sum paid to a member's beneficiaries upon their death, providing financial support to dependents
- **Income Protection** — A monthly income (typically 75% of net income) paid to a member who becomes disabled and unable to work
- **Lump Sum Capital Disability** — A one-time payment in the event of permanent disability
- **Critical Illness** — A lump sum paid upon diagnosis of a serious illness (e.g., cancer, stroke, or heart attack)
- **Funeral Benefits** — A fixed amount paid quickly to assist with burial expenses

HOW GROUP RISK WORKS

Group Risk Benefits are structured as a single policy underwritten by an insurer, with the employer acting as the policyholder & premium payer. The policy is based on the group's demographics, which influence premium rates and coverage terms. Key aspects include:

- **Premium Calculation** — Rates are determined by analysing the group's demographic profile (e.g., age distribution, gender, and salary levels). This collective assessment allows insurers to spread risk, resulting in lower premiums than individual policies. Voluntary schemes, where participation is optional, prevent accurate risk assessment, making group rates unattainable.
- **Bulk Payment** — The employer pays a single monthly premium to the insurer, simplifying administration. However, as noted, detailed member-level data is available for transparency and cost allocation
- **Annual Review** — The scheme is reviewed annually to adjust for changes in group demographics, market conditions, or benefit requirements, ensuring ongoing competitiveness
- **Claims Process** — Claims are managed through the insurer, with the employer or broker facilitating communication to ensure timely payouts

KEY ADVANTAGES

Group Risk Benefits offer compelling advantages over individual policies, making them an attractive option for employers and employees alike:

Preferential Group Rates

Premiums are calculated based on the group's demographics (e.g., age, gender, salary levels), allowing insurers to offer rates that are typically 30–50% lower than individual policies. These competitive rates are contingent on participation or high uptake levels, as voluntary schemes disrupt the risk pool, reducing the insurer's ability to offer discounted pricing.

Free Cover Limits (FCL)

Insurers provide automatic cover up to a predetermined Free Cover Limit without requiring medical underwriting. This ensures immediate coverage for most employees, including those with pre-existing conditions, simplifying the onboarding process.

Minimal or No Underwriting

Beyond the FCL, limited medical information may be required, but underwriting is significantly less stringent than for individual policies. This accessibility ensures broader coverage for employees who might otherwise be declined.

Annual Market Review

As part of our service, we conduct an annual review and re-quote the group scheme to secure the most competitive premiums and benefits available in the market. This ensures ongoing value and alignment with industry standards.

Customisable Structure by Employee Category

Benefits can be tailored to reflect employee roles, responsibilities, or salary levels, ensuring fairness and relevance. For example:

- **Executive Committee (Exco)**: Life Cover = 5 × annual salary; Income Disability = 75% of net income.
- **Management**: Life Cover = 3 × annual salary; Income Disability = 75% of net income.
- **General Staff**: Life Cover = 1 × annual salary; Income Disability = 75% of net income.
  This flexibility allows employers to align benefits with organisational priorities and employee expectations.

Transparent Member-Level Data

While premiums are consolidated into a single monthly payment made by the employer, detailed breakdowns are available on a member-by-member basis. This transparency enables:

- Review of individual cover values and associated costs.
- Flexibility to deduct premiums from employee salaries (partially or fully), if desired.
- Clear communication to employees about the value of their benefits.

Portability / Conversion Options

Employees leaving the company (e.g., due to resignation or retrenchment) can convert their group cover into an individual policy without medical underwriting, provided the conversion is exercised within a specified timeframe (typically 30–90 days). This portability ensures continued protection, offering significant value to exiting employees.

Example Member Listing

To illustrate how benefits and costs are structured, below is a sample member listing for three employees across different categories. Premiums are indicative and based on typical group risk pricing, assuming a group with balanced demographics. Actual rates depend on the group's specific risk profile.

Member Name	Category	Annual Salary	Life Cover	Disability Income	Monthly Premium (Life)	Monthly Premium (Disability)
John Smith	Exco	R1,200,000	R6 000 000 (5x)	R67 500 (75%)	R480,00	R390,00
Jane Doe	Manager	R600,000	R1 800 000 (3x)	R33 750 (75%)	R255,00	R165,00
Piet Roos	General	R240,000	R240 000 (1x)	R13 500 (75%)	R96,00	R90,00

Notes:

- Premiums are illustrative and assume a group size of 50+ employees with a balanced age and gender profile.
- Disability income is calculated as 75% of net income (after tax and deductions).
- Actual premiums vary based on group demographics, insurer pricing, and scheme design.

Conclusion

Implementing a Group Risk Benefits scheme is a strategic investment in employee welfare, offering financial security and peace of mind while reinforcing your organisation's commitment to its workforce. By leveraging group dynamics, employers can provide comprehensive cover at competitive rates, with the added benefits of minimal underwriting, customisable structures, and annual reviews to ensure ongoing value.