Group Risk Guide

Irish Life
Corporate Business

Bigger thinking. Better futures.

Irish Life Corporate Business

First Class Providers of Group Risk benefits

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Bigger thinking. Better futures.

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Introduction

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Irish Life's strength in Group Risk

Irish Life has been a constant presence in the group risk market in Ireland over the last 50 years and is the largest provider of life assurance and income protection to companies and affinity groups throughout the country.

Source: Irish Insurance Federation

This guide explains the key processes involved in the lifecycle of our group risk products, from the new scheme installation process through to the claim payment process and is designed to answer some of the questions we are often asked by brokers and clients along the way. We hope you find it useful.

If you have any queries on any of this content, please contact your usual Corporate Business Account Manager or our Risk Product Manager **Shane O'Farrell** at **01 704 2869** or **shane.ofarrell@irishlife.ie**

The guide will be updated from time to time to take account of changes.

Dated: July 2012

New Business Quotations

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Irish Life is often asked to quote for risk business that it does not currently insure. Typically it is for a brand new company setting up or for a scheme that is insured elsewhere. The broker or client is 're-broking' the business in the market to make sure they continue to get the best value for money.

The cheapest quote does not necessarily win the business as brokers will consider other factors as well such as non-medical limits (see Section 6) and good claims management, but obtaining a quotation is usually a good place to start.

What risk benefits are normally included in a quotation?

The main risk benefits included in the typical employee benefit plan are death in service and income protection. The reality is that some people will die prematurely during their working life, thus making death cover an essential part of any employee benefit package.

Income protection cover provides replacement income for employees in the event of long-term sickness or disability. Occasionally employers may include specified illness cover in their employee benefit package, though this type of cover is not as common as the previous two. Specified illness cover pays a lump sum in the event of a specific illness being diagnosed (such as Cancer or Parkinsons Disease). The benefit is payable following a survival period of two weeks after diagnosis.

What information do I need to submit when requesting a new business quotation?

When submitting a quotation request membership data should be submitted on an Excel spreadsheet and include the following detail:

- Name or reference number of each member to be insured.
- Date of birth or age next birthday.
- The member's salary on which the benefits are to be based.
- Gender.
- Marital status if required by the benefit structure (e.g. spouse's pension).
- Category of members if more than one category is being submitted i.e. directors, staff etc.
- A list of the member's occupations. It is important that these are submitted at the time of the quotation to avoid any possible cost adjustments later on in the event of the scheme going ahead.
- Details of any claims over the past five years and any current long term absentees.

What information do I not need to submit?

It is not necessary to include the following information:

- Data relating to members who have left the company,
- Smoker/non smoker status.

What about benefit descriptions?

So far we have mentioned the individual membership data requirements but we also need to know what benefits are to be provided so the benefit description is important. We need to know:

- The Normal Retirement Age (NRA) e.g. 60 or 65. This must be the actual NRA under the scheme.
- The level of lump sum death cover required (usually a multiple of salary).
- Where a spouse's death in service benefit is required, the level of benefit or the formula to enable us to calculate the benefit. You should state whether you require the benefits to escalate in the course of payment and if so at what rate (e.g. 3% per annum compound). Escalation can be payable at a fixed rate or restricted to the Consumer Price Index (CPI). We can quote alternative options.
- The same type of information for any children's death in service benefits that is accompanying a spouse's benefit.
- The level of benefit required for income protection cover or the formula to enable us to calculate the benefit (e.g. 2/3rds of salary less a deduction in respect of the State benefit). The amount of any premium protection (premium waiver) should be included (usually a percentage of salary). You should state whether you require the benefits to escalate in the course of payment and if so at what rate. Escalation is normally quoted at a rate of 3% (either fixed or capped at the Consumer Price Index) or 5% (capped at the CPI only). You should also state which deferred period is required (the period after which the company's sick pay runs out, this can occur after 13, 26 or 52 weeks).
- If a quotation is being submitted for critical illness cover, what level of benefit is required (usually a multiple of salary).

Note: we only quote critical illness for 50 or more members.

All the benefit levels should be tabulated on the Excel spreadsheet submitted with the quotation request, rather than providing lengthy benefit descriptions.

Is there a 'standard' benefit description?

Irish Life is often asked to quote a standard benefit plan for clients and in the absence of a specific plan design we normally quote the following market standard.

Normal Retirement Age: 65
Lump sum death in service: 4 times salary
Spouse's death in service pension: 4/9ths of salary plus 3% escalation
Attaching children's pension: none
Income protection: 2/3rds of salary less a deduction in respect of the State Illness Benefit No premium protection. Deferred 26 weeks, escalating by 3% per annum in the course of payment to the CPI.

Is there a minimum benefit or member requirement?

There are no minimum benefit or member restrictions, but there is a minimum premium requirement. Generally the minimum premium requirement is set at €3,000 per annum for stand alone risk schemes (though there can be exceptions to this if there is an existing related pension plan).

What are the maximum allowable benefits?

There is no set limit on the amount of death in service cover that can be provided for an individual as long as the amount of cover being requested is reasonably in proportion to the person's earnings. However, Revenue does set a limit on amounts that can be paid out tax-free. Details of these restrictions can be seen on the Revenue website, **www.revenue.ie**.

In respect of income protection cover the following maximum benefit limits have been set by Irish Life.

Scheme Size	Maximum Benefit
Schemes with up to 25 lives	€200,000* per annum
Schemes with 25 or more lives	€360,000* per annum

**Premium protection benefit is payable in addition. The maximum premium protection is the lower of €100,000 or 40% of salary. Premium Protection is a disability payment made to the pension fund (rather than the company) and is an optional feature.*

For salaries in excess of €315,000, the following formula is applied to calculate the maximum allowable benefit up to the maximum given above.

75% of the first €315,000
35% of the balance

Therefore for someone on a salary of €500,000 the calculation is:

75% of the first €315,000 = €236,250

35% of the balance = €64,750 (500,000 less 315,000 = 185,000 x 35%)

In this example the maximum allowable benefit is €301,000. Premium protection is payable in addition to this. Had the benefit exceeded the maximum allowable benefit of €360,000 then the benefit would be restricted to this amount (with premium protection being paid in addition).

How do I submit a quotation request?

New business quotation requests can be submitted through your Corporate Business account manager or by emailing them directly to code@irishlife.ie marking it for the attention of the Corporate Business New Risk Business Quotation area.

Your request should be accompanied by:

- Your contact details.
- The nature of the business being carried out by the company seeking the quotation as well as a list of occupations as mentioned previously.
- The quotation reference number of any previous quotations carried out for the client by Irish Life.

- Details of any claims over the past five years and any current long term absentees.
- Details of any employees currently insured under group arrangements where adverse terms or restrictions apply e.g. extra premiums or special exclusions.

Remember to outline the plan description with your request and submit the employee details on an Excel spreadsheet.

Unit Rates

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A unit rate is a group risk premium rate that is based on the average scheme profile. It is sometimes called an 'average rate'. When a unit rate is used it is applied equally across all members of the scheme or group irrespective of age or gender. Schemes with 20 or more members qualify for pricing on a unit rate basis. Where the headcount is below 20, standard pricing applies. This is done by working out individual costs for each member based on their age and gender.

A unit rate is generally fixed for three years, after which period the rate is reviewed and a new rate is struck based on the current membership profile at that time. The scheme's claims experience over the three year period is also considered.

Where the scheme membership has increased or decreased by over 25%* then Irish Life will have the right to review the scheme within the three year period.

**50% if a scheme membership is less than 50 lives.*

A review will also be necessary if the benefit structure is changing within the period.

What factors are taken into account when applying a unit rate?

Unit rates are based on a number of important factors:

- **The average scheme age.** A large shift in the average scheme age between reviews will likely impact on the rates. For example, if a large number of young members join the scheme, this will lower the average age of the scheme. A lower average age means lower risk and consequently lower costs.
- **The premium rates applied.** The rates are reviewed regularly by the actuaries to take account of any shifts in current mortality or morbidity trends.
- **Changes to the benefit structure.** If the benefit structure of the scheme has altered since the previous review was carried out, it is likely to result in the rates either increasing or decreasing depending on the level of change.
- **Claims experience.** Reviewing a scheme's claims experience constitutes an important element of any review. Actuaries will always look at how a scheme has performed since the previous review was done. It can generally be expected that schemes with a good claims history will receive more favourable discounts at review time.
- **Economic Factors.** Interest rates have an impact on the cost of both Income Protection and Spouses Pensions. Low interest rates for example increase the costs significantly.

Documentation

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Where a quotation has been accepted by the client the next step is to set up the scheme. In order to do this the appropriate documentation needs to set up, so the following items will be needed:

- A fully completed employer application form to include the employer's tax reference number (available online at http://www.irishlife.ie/corporate business/resources-tools/downloads.html
- Written confirmation that the quotation has been accepted and that the scheme should proceed.
- Confirmation that the assumptions made at the time of the quotation in relation to claims experience, absentees etc. are correct and remain so.
- A payment on account as specified at the time of quote.
- Membership data. This may have been submitted at the time of the quotation but it is important that any changes to it in the meantime have been included in an up-to-date listing. The detail should include:
  - Name
  - Date of birth
  - Salary (at the commencement date of the scheme)
  - Gender
  - Marital status (if relevant to the schemes benefit structure)
  - The members' occupations
  - Category of benefit for each member if member's of the scheme are included for differing levels of benefit.

How do I get Revenue approval?

Revenue approval is required for all death in service schemes. Approval of a scheme allows the employer to claim tax relief on the premiums payable. Revenue approval is not required for income protection arrangements, but a tax benefit may be available to the employer by deducting the contributions as a business expense.

To receive Revenue approval, schemes must be set up under trust. If a scheme has not been set up under trust Irish Life cannot accept premiums or pay claims. Moreover the scheme will not be in a position to receive tax relief on the contributions paid.

For as long as Irish Life continues to underwrite benefits for the scheme, Irish Life will provide any necessary ongoing maintenance on the trust as required by the broker or client (e.g. amendments to deeds etc).

Where a scheme is being set up for the first time and there is no previous underwriter, then Corporate Business will arrange for the scheme to receive Revenue approval. This will be done with reference to the Declaration of Trust that the employer and (if different from employer) the Trustee(s) would have signed when completing the Employer Application Form.

Corporate Business will also register the scheme with the Pensions Board.

If a scheme was previously insured with another underwriter or is part of a pension arrangement administered by another provider, then approval will have been already arranged by that company. In those circumstances before the scheme can be set up Irish Life will require:

- a copy of the trust documents
- the Revenue letter of approval
- the Pensions Board Registration Number.

These should be readily available from the Documentation department area of the previous insurer.

If the benefits are to form part of a Trust that is already in place, then we will also need to know the name of the Registered Administrator for the Trust. The Trustees should also notify the Registered Administrator of their intention to provide these benefits under an existing Trust so that they can make arrangements to include details in the Trustee Annual Report as well as ensure arrangements are in place for members to receive an annual benefit statement to show the amount of life assurance benefits for which they are covered.

If there is already an exiting Trust for pension benefits or for a pension and life assurance scheme where the life assurance element is being discontinued, the employer does not need to use this. Instead a 'standalone' Trust can be used for the new Life Assurance scheme.

Who can be a Trustee?

Trustees must be appointed when a scheme is set up under trust. The trustees can be:

- The Employer.
- A Corporate Trustee paid to act in this role.
- Individuals nominated by the employer and the membership. Legally there must be at least 2 individual Trustees although a minimum of 3 is recommended.
- A combination of the above options.

The Trustees must be named in the trust deed for the scheme.

When is the Policy Document issued?

We will provide policy documents within 5 working days of receiving all relevant information (this is the information required as set out on page 14) and cover being underwritten.

Renewing a Scheme

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Renewing a scheme

A scheme is renewed every year to take account of changes in membership. Scheme membership can shift significantly from one year to the next so it is important that these changes are reflected in the annual costs. The scheme renewal date usually falls on the anniversary of the 'on risk' date. For example, if cover commenced on 1st January it is normal for the scheme renewal to occur every year thereafter on 1st January. However, it is possible to change the renewal date at any time or for Irish Life to go on risk at any time.

What data is required to complete a scheme renewal?

The following individual member detail is required before we can carry out a renewal:

- Name
- Date of birth
- Gender
- Salary at the renewal date
- Civil status (where any of the scheme benefits are dependant on it)
- A note of Pension Expectation (if any benefits are based on this)
- The Premium Protection Funding Rate (PPFR) (where Income Protection is being provided). Premium Protection is an additional income to fund pension contributions for employees when they are unable to work due to illness. It is usually expressed as a percentage of the employee's salary.

Membership data should be submitted in Excel format to **code@irishlife.ie** within six weeks of the renewal date. It takes around fifteen working days to complete a renewal from the date of receipt of the final data or rate acceptance. (This is where an existing client accepts a new proposed rate.)

Sample Format for Submitting Renewal Data

Scheme Name: ABC Ltd
Renewal Date: 01/01/2011

Forename	Surname	Date of Birth	Gender	Marital Status	Salary 01/01/2011
Joe	Murphy	01/01/1980	Male	Single	€ 35,000
Mary	O'Brien	01/01/1975	Female	Married	€ 40,000
John	Smith	01/01/1970	Male	Married	€ 40,000

Scheme Name: ABC Ltd
Renewal Date: 01/01/2011

Forename	Surname	Date of Birth	Gender	Marital Status	Salary 01/01/2011	Premium Protection: Employer's Contributions	Premium Protection: Employee's Contributions
Joe	Murphy	01/01/1980	Male	Single	€ 35,000	10%	0%
Mary	O'Brien	01/01/1975	Female	Married	€ 40,000	10%	5%
John	Smith	01/01/1965	Male	Married	€ 40,000	10%	5%

How are arrears charged?

Charges for arrears normally occur whenever new entrants join a scheme between renewal dates or where there has been mid-year salary increases. Where charges apply they are charged in the next renewal year.

New entrants

For new entrants, who join a scheme immediately upon satisfying the eligibility conditions, charges are only made where there has been at least a 7.5% increase in membership since the previous renewal year. The calculation is based on the average member benefit multiplied by the number of new entrants. Where the increase in membership is less than 7.5%, mid-year new entrants are covered without charge.

Where risk is immediate we do not need to be advised of new entrants until the next renewal.

Late new entrants

Late new entrants are employees that have joined the company but did not join the company employee benefit scheme at their first available opportunity. In these circumstances an employer's statement form must be completed, confirming that the member has not been absent from work due to any illness or injury over the specified period.

Mid-year salary increases

Where benefits are based on salary at the date of death or date of disability, Irish Life automatically assumes risk for the increase in benefits arising from any salary increases that occur during the year. Arrears are always charged in these circumstances based on the average salary increase over the last renewal period.

What about scheme credits?

Credits arise where members leave a scheme during the renewal year. However, a credit is only applied if the there has been a 7.5% or more decrease in the membership since the prior scheme renewal. The calculation is based on the average member benefit multiplied by the number of withdrawals.

Premium payments

Each year a provisional invoice is issued to the client or broker six weeks prior to the scheme renewal date. For example, if a scheme renews on 1st January the pre-renewal is issued mid November. The provisional premiums are calculated with reference to premiums of previous years. The previous year's premiums are uplifted by a set percentage (the current rate is 0% as at 2011). The provisional premiums should be paid in full within four weeks of the renewal date, pending the completion of the final account. If they remain outstanding after four months then an off-risk letter is issued to the client. The following table outlines the full sequence.

Reminder Process	January Renewal Date
Provisional Invoice issued 6 weeks prior to the renewal date	Issued Mid November
1st Reminder issued 1 month after renewal date	Issued in February
2nd Reminder issued 2 months after renewal date	Issued in March
Final Reminder issued 3 months after renewal date (4 weeks notice)	Issued in April
Off-risk Letter issued 4 months after renewal date	Issued in May

After an off-risk letter is issued the scheme is terminated and passed to our external credit control company to pursue the outstanding payments due to Irish Life for time on risk.

Once the renewal is completed any remaining balance of premiums due must be paid within eight weeks of the completion date.

Premiums can be paid in three ways:

- **Direct Debit** - we now require clients who are setting up a new scheme to pay their premiums by direct debit. Certain discounts are available (see table below).
- **Bank Credit** - where payment is being made by bank credit it is important that the 'Beneficiary Narrative' states the scheme name and policy number so that it is correctly processed.
- **Cheque** - all cheques should be payable to 'Irish Life Assurance plc'.

Frequency loadings

Our risk premium rates assume that premiums are payable yearly in advance. Where premiums are paid other than yearly the following loadings apply:

	Cheque	Variable Direct Debit	Fixed Direct Debit
Yearly	No loading	-0.20%	-0.20%
Half Yearly	1.1%	0.6%	0.9%
Quarterly	1.5%	1.0%	1.3%
Monthly	1.8%	1.3%	1.6%

The loading is charged on the total net premium due including any arrears or credits.

As illustrated, schemes that pay yearly by Direct Debit receive a 0.20% discount.

Non-medical Limits

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Non-medical limits is the maximum sum assured that an insurer will underwrite on an individual without seeking medical evidence. This means that upon joining a group risk scheme, a member will be automatically insured up to an agreed limit without having to complete any health questionnaire or undergo a medical examination.

The amount of non-medical limits will vary from scheme to scheme depending on size and the level of benefits.

Irish Life Corporate Business regularly reviews non-medical limits in order to keep pace with ongoing salary increases in the employment market. We see this as a sensible and flexible approach in providing consistency and stability in the way we underwrite our risk business. Carrying out regular reviews ensures that more and more senior people are not caught in the underwriting trap due to general salary escalation.

Non-medical limits are always calculated by Corporate Business so there is no need for the brokers or consultants to calculate these limits.

Note: Non-medical limits are not granted to employees over age 65.

How are non-medical limits calculated?

Death Benefits

For death in service benefits a scheme must have at least 3 members in order to qualify for non-medical limits. The formula is:

$$\frac{\textbf{The total value of death benefits}}{N} \quad \text{plus} \quad \text{10\% of the total death benefit}$$

Where

(i) **N** is the number of members included for benefit (subject to a minimum of 3)

(ii) **The total value of death benefits** is the total lump sum benefit plus, if applicable, the total capitalised* dependant's death-in-service pension.

If they apply, the minimum non-medical limits provided is €400,000. The overall maximum allowable is €1,800,000 but non-medical limits for schemes participating in multinational pooling arrangements may be higher (see pages 34-37 for more details)

**For schemes providing a dependant's pension, the amount of benefit is 'capitalised' to convert it to its equivalent lump sum value. A factor is applied to the member's benefits in order to do this. The factor varies depending on whether a children's pension is included or if an element of escalation is being provided. Typically the factor will be somewhere between 20 and 50. For example, the capital value of a flat spouse's pension benefit of €10,000 with no attaching children's pension would be €200,000 based on a capitalisation factor of 20.*

Income Protection

Income protection schemes must have at least 5 members in order to qualify for non-medical limit. The formula is:

The total income protection benefits / N	plus	5% of the total income protection

Where

(i) **N** is the number of members included for benefit (subject to a minimum of 5 lives)

(ii) **Total income protection benefit** = total basic benefit plus premium protection.

For large income protection schemes, Irish Life offers the following enhanced non-medical limits:

For schemes with 200 or more lives (from January 2011)	€460,000

Effectively large schemes (200+ lives) will get a non-medical limit equal to our maximum income protection benefit (including premium protection). This is called **The Freedom Plan** (See Section 7).

Underwriting

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Irish Life Corporate Business operates a two-tier system of underwriting. Standard underwriting applies where the scheme membership is below 50. 'Once and Done' underwriting applies where the membership is 50 or over.

Standard underwriting

Underwriting is only carried out for benefits that exceed the non-medical limits. Where a member's benefit falls below these limits, no underwriting is required and the member is automatically accepted at ordinary rates of premium.

With standard underwriting, a life is underwritten at the non-medical point. A 'forward bar' is applied allowing some limited scope for increases in benefit (if the outcome is positive). Underwriting is triggered when these points are reached.

The circumstances under which a member is automatically underwritten are:

- When a member exceeds the non-medical limits for the first time.
- The capitalised death benefit exceeds €4,000,000 for the first time or the income protection benefit exceeds €200,000 for the first time.
- At least every 5 years for a member medically underwritten and accepted at ordinary rates.
- At least every 3 years for a member medically underwritten and accepted on adverse terms.
- Where a member passes normal retirement age (NRA) and wishes (with the employer's consent) to remain on risk for death cover. Non-medical is not available beyond a person's NRA. Income protection cover cannot extend beyond NRA.
- Where salary increases are above the 'forward bar' levels e.g. more than 20% in a year.

The above is just a general explanation of the process: details will vary scheme by scheme.

Underwriting decisions

By and large most lives are accepted at ordinary rates, but where somebody has been accepted on special terms it is usually on the following conditions:

- Acceptance is subject to an exclusion (e.g. a particular illness or injury or vocational pursuit).
- Acceptance is postponed and reviewed at a later date with updated medical evidence.
- Acceptance is declined. This is usually for medical reasons. In this instance the member remains on cover for his existing benefit, but is declined for any increases above that benefit.
- Irish Life no longer apply loadings.

Once and Done

Once and Done is an innovative method of underwriting. It involves a person completing underwriting 'once' and then they are 'done' for life. It applies to qualifying Corporate Business Group Life and Group Income Protection schemes with over 50 lives. This is uniquely offered in Ireland by Irish Life.

Detailed analyses of past claims and underwriting results show that this approach does not significantly increase claim rates. The potential for anti-selection is lower in large organisations so we have set a qualifying scheme size. Healthy members are more likely to complete underwriting, which means a positive effect on experience. We feel this approach to underwriting is highly valued by clients and consultants.

What if salary increases are very big?

Regardless of the member's salary increases, the level of cover is automatically indexed in line with this. For example, if a member gets a 50% salary rise as a result of a big promotion then the benefits will rise automatically in line with the increase.

What type of schemes does it apply to?

Once and Done applies to any scheme with benefits for 50 or more members insured for either life benefits or income protection (IP). As long as there are 50 or more members insured for either Life or IP, the scheme gets Once and Done for all benefits.

Once and Done was introduced in October 2010. For schemes that renew on this date or later, any member referred for underwriting will be on a Once and Done basis. Existing members within the "forward underwriting bar" (that is, have scope under the current approach for some limited further increases, before underwriting applies again) will remain within this limit until the next underwriting limit or trigger point and then be invited to Once and Done underwriting.

Is Once and Done tougher then?

No. The philosophy behind the approach is that the appropriate way to measure mortality and morbidity risks are independent of the sums at risk. There is no automatic escalation of medical tests simply because the sum assured is large. A medical interview with a trained nurse (from MorganAsh, a specialist underwriting agent) over the phone will result in the majority of applications being granted cover at high levels with no further tests required.

Can recent underwriting count towards this?

Recent traditional underwriting will not be suitable for Once and Done purposes. Once and Done involves more detailed background medical gathering during the tele-interview stage. Such members will be granted the current forward bars and be invited to Once and Done at the next underwriting trigger point.

Are there any exceptions?

The increases are linked to salary increases regardless of their level. In other areas however, where underwriting would naturally be triggered, because of say a benefit definition enhancement or optional working beyond NRA, a member will still be subject to underwriting to prevent selection.

If a member passes through a very high threshold level (€6m) they will be subject to underwriting again with future underwriting on a case by case basis. Effectively, a member has a €6m non-medical limit once they have passed Once and Done underwriting.

The Freedom Plan

Under the Freedom Plan, Income Protection schemes with 200 or more members covered are granted full benefits to members with no requirement for normal underwriting.
In effect the non-medical limit will be set to €460,000 - per annum (which is our maximum benefit level, including our maximum premium protection). Members will not have to complete any underwriting on joining a company or on a salary increase.

Why is Irish Life Corporate Business offering this?

Having initially offered this facility to schemes with over 400 members, our experience is that there has been no adverse claims increase. In larger companies employees have very little ability to manipulate their own salary increases and claims rates for highly paid and motivated executives tend to be lower than for other staff. Consequently we were happy to lower the qualifying base to 200 members.

How does this interact with Once and Done?

- All schemes with 200+ members covered for income protection benefits will get the Freedom Plan on income protection and Once and Done on life benefits.
- Schemes with between 50 and 200 members will get Once and Done for both benefits.
- Schemes with less than 50 members will get our standard underwriting (with forward underwriting bars) for both.

Under the Freedom Plan related schemes under the same employer can be combined for the purposes of assessing member numbers.

Occupational Loadings

Occupational loadings usually apply to income protection premiums to reflect an increased risk as a result of occupations carried on by scheme members. For example, clerical workers are regarded as a safe risk and no premium loadings would apply here but non-clerical workers, such as shop assistants, may attract a loading of say 25%. Heavy manual workers like fitters would be loaded at a higher rate, maybe by as much as 100%. Occupational loadings are reviewed with reference to the claims experience of the particular occupations being reviewed.

Occupational loadings are calculated at scheme level. This means that an average loading is applied across the scheme as opposed to separate loadings being applied individually.

Mem No.	Occupation	Loading
1	Clerical	Basic
2	Fitter	+100%
3	Sales Rep	+25%
4	Technician	+75%
		+200%

$$\text{Loading} = \frac{200\%}{4} = 50\%$$

These loadings will be implicit in any unit rate quoted (or any premium if not unit rated).

Extension of death cover on redundancy

Where there are ten or more redundancies at the one time in a scheme (can be staggered over one year), death benefit cover for these redundant members can be offered (at Irish Life's discretion) for up to one year after the date of redundancy. Where there are less than ten redundancies at the one time, cover can be continued (again at Irish Life's discretion) for up to six months after redundancy. Cover is full death cover i.e. life assurance, spouse's death in service and children's pension. This extended cover for redundancies is subject to the following conditions:

(i) All members made redundant must be covered.

(ii) The period for which extended cover is required must be the same for all redundant members.

(iii) If and when a redundant member is covered under another scheme, cover is reduced by the benefit under that scheme.

(iv) Cover is not extended for members who have taken early retirement.

Schemes transferring from another insurer

Where a scheme is being transferred from another insurance company to Irish Life then we will cover the members of that scheme up to the monetary amount with the same underwriting terms that was provided for each member prior to the change.

This is subject to the following conditions and exceptions:

- There is no increase in benefit levels (i.e. same formula applied to calculate benefits as was in place with the previous insurer).
- If a member had a loading or exclusion above the previous insurer's non-medical limit and they now fall below our higher non-medical, they will be accepted at ordinary rates.
- If a member was declined above a particular amount Irish Life will only take across the benefit they had with the previous insurer regardless of whether they are now below our non-medical limits.
- For members absent on the date of transfer, for death benefits, there are no requirements, i.e. Irish Life will assume risk for the member's death benefits without formality but **we must be informed of any long term absentees at the time of the quotation** (including the nature of any illness).
- For members absent on the date of transfer, for income protection benefits, Irish Life will not assume risk as it is taken that the member is in the course of his or

her deferred period and it would be the responsibility of the other underwriter should they make a claim.

- Existing claimants are the responsibility of the previous insurer.
- For members who are absent but return to work without going on income protection claim, Irish Life will assume risk for income protection immediately on the member's date of return to work.
- If an existing claimant returns to work but subsequently goes back out on claim due to a linked disability clause, the claim may not be the responsibility of Irish Life. Any queries to this effect are referred to the Corporate Business Income Protection Claims area.
- Before issuing underwriting terms for a transferred scheme, we will require a copy of the underwriting terms from the previous insurer. If any member's benefits exceed our non-medical limits, we will also require details of the monetary amount of cover they had with the previous insurer. A completed employer's declaration confirming attendance at work at the on-risk date will also be required.

What is a Tele-Interview?

A tele-interview is an interview conducted over the telephone by a nurse who will gather details of the employee's health and medical history. The interview is carried out by a company called MorganAsh. They are the leading tele-interviewing provider in Europe, having pioneered the introduction of tele-interviewing in the UK, Ireland and Germany.

All MorganAsh Tele-interviewers are qualified and experienced nurses and the interview is conducted in a confidential and professional manner.

These nurses will ask a series of questions about the health, lifestyle and the immediate family medical history.

The duration of the interview will vary greatly depending on the answers but it takes at least 30 minutes to complete this call.

Why is a member being interviewed?

To offer our customers the best possible terms for their protection benefits, it is essential that we have a clear understanding of the present state of health and any conditions the employee may have suffered in the past. We use this information in our risk assessment, prior to considering the levels of cover.

The objective is to gain as much relevant information as possible in an easy way without requiring the member to attend a medical centre for assessment.

The information provided will be treated in the strictest confidence and only used in the assessment of the application.

Arranging an interview

To process the application as smoothly and as quickly as possible, Irish Life can arrange for a specialist nurse to call and interview the employee.

The employee does not have to do anything; our specialist partners MorganAsh can arrange an interview within a few days. If a person is called at an inconvenient time, they will be happy to arrange a more suitable time. Please note that all calls will be recorded.

Continuation Options

8

One of the features of death in service cover when an employee leaves the company is the provision for an employee leaving service to replace their life cover with a term life policy without further evidence of health.
A number of conditions apply:

- The member must be under age 50 when exercising the option.
- They must not have been granted an immediate retirement benefit (i.e. an early retirement option).
- Written notice of intent must be given within 31 days of the group cover ceasing.
- If the withdrawing member joins another Irish Life scheme or is granted a paid up pension upon withdrawal, then the available benefit upon exercising the option will be reduced by the benefits from these sources.
- The amount of cover under the option will be restricted to the lower of 4 times the employee's salary at the date the option is exercised, and €1.5m.
- Any dependant's pension death in service benefits will be excluded from the calculation.
- Cover will be continued by effecting a term life policy through the Irish Life Retail division.
- The term of the new policy will extend to the employee's Normal Pension Age as specified under the provisions of the main scheme.

Continuation options in a redundancy situation

In cases where an employer had asked for (and Irish Life have agreed to) an extension of cover following a redundancy situation (see the section on Underwriting for more information on this, page 26), the employee can exercise the continuation option at the end of the extended cover period within 31 days of the cover's end.

So if any employer decides to offer extended cover to all employees and Irish Life agrees to this, an individual wanting to select a continuation option will be covered by the employer's extension and can only exercise the continuation option (within 31 days of that cover ceasing and subject to the other rules) at the end of that cover. So there is no question of double cover.

With Profit Schemes

9

The purpose of a With Profit scheme is to return a proportion of the excess of premiums over claims (if any) to the client in a given period in the form of a rebate. This rebate is sometimes referred to as a Local Dividend. Profits are shared between the insurer and the insured. However, as the insurer carries all the downside risk (in the event that claims exceed premiums) there needs to be a charge against the premiums to cover this risk when calculating the "profit" to share. This charge is the With Profit loading. The scheme (or schemes) also need to be large enough to have a relatively stable outcome from year to year.

More about the With Profit loading

The With Profit loading varies depending on the scheme size.

Number of Members	Premium loading
1000 – 2000	20%
2000 – 4000	15%
4000 – 8000	10%
8000 +	5%

Schemes at the very large end (4,000+) tend to have individually negotiated terms so the above table is just a guide for such cases.

How are the rebates calculated?

The schemes share of the profit for each renewal year is calculated as follows:

K* (0.75 * P – C)

Where

K –	is single sharing factor of 50%
P –	is the total basic premium for the year (excluding the profit sharing loading and any frequency loading)
C –	is the total claims arising in the (previous) renewal year
0.75	this factor is used to cover our expenses and risk charge factors

Example of Rebate Calculation	
Renewal Date:	01-Jan-2013
Net Premium (net of 20% premium loading*):	€200,000
Membership:	1,500
Total Claims:	€80,000

**

**The premium is net of the premium loading, as this loading has already been incorporated into the with profit unit rates for the scheme. The loading is reflected in scheme size. For example, a scheme with between 1,000 and 2,000 members has a premium loading of 20%.*

Rebate:	= (50% * (0.75 * €200,000 - €80,000)
	= (50% * (€150,000 - €80,000)
	= (50% * 70,000)
	= €35,000

The rebate is credited back to the client evenly over next 3 account years 2014, 2015 and 2016. If there were rebates due from previous years they will also have been spread over 3 years and some of these will be carried forward and included with the rebate due at 2014 and so forth.

What conditions apply to With Profit schemes?

A scheme must have a minimum of 1,000 members covered for lump sum death in service benefits to qualify as a With Profit scheme. Rebates will continue to be paid on a yearly basis as long as membership remains above 1,000. If membership drops below 1,000, rebates will cease to be calculated. However, the client will continue to be credited with any rebates earned in the past.

Spouse's pension benefits are excluded from participating on the basis that amounts are too volatile to be stable on any single scheme.

Other features of With Profit schemes include:

- A single sharing factor of 50% applies for all schemes.
- A single 75% expense and risk charge factor applies for all schemes.
- A single spreading of profit result applies over a 3 year period.
- Rebates are calculated on an annual-in-arrears basis.
- In the event of a scheme switching away from Irish Life to another underwriter, any rebates being held in reserve will be lost.
- Rebates will never be negative. Where cumulative rebates result in an overall deficit in a given year then no rebate is paid that year.

Can multiple schemes of the same employer be amalgamated for profit sharing?

If a client has multiple schemes with common renewal dates and a combined membership of more than 1,000 members, all related schemes can be grouped together to qualify for profit sharing and are treated as one scheme. The rebate is calculated on the combined premiums and experience of the related schemes and is proportioned according to each schemes respective premium.

The above describes our new With Profit basis, which was introduced during 2010. Some schemes will still be administered on the old basis (with different rules) until their next rate review date.

Multinational Pooling (MNP)

10

The basic concept behind multinational pooling (MNP) is to provide multinational companies with a coordinated approach to the placement of their global risk business by linking together their worldwide insured benefits under a single contract.

What are the advantages of MNP?

The pooling of contracts in this way has many advantages for the international client:

- A significant reduction in overall costs through economies of scale.
- Pooling can provide the means to offer improved underwriting. Irish Life schemes which participate in a pooling arrangement usually benefit from higher than normal medical non-medical limits.
- The parent company can avail of improved service and facilities and the provision of a valuable annual financial statement detailing the costs of employee life cover of each subsidiary.

Multinational Pooling is a service offered internationally through a group of insurers who operate together as a network. There are a number of such networks and each one is usually identified by the name of the organisation coordinating the pool.

How does MNP work?

The following example demonstrates the cost savings that a company can achieve from pooling.

A multinational company has subsidiaries in three foreign locations A, B, and C. Before pooling, the company's group risk premiums in a given year are as follows (ignoring all other expenses):

Country	A	B	C	Total
Premiums paid	200,000	150,000	100,000	450,000
Claims	50,000	75,000	150,000	275,000
Balance	150,000	75,000	-50,000	175,000

In this situation, countries A and B are in surplus whilst country C, with poorer claims experience, has generated a deficit. Nevertheless the overall result is positive and in this situation where no pool exists, the insurers retain the surplus arising out of its contract.

Had this company been participating in a pool the results would be different:

Country	A	B	C	Total
Premiums paid	200,000	150,000	100,000	450,000
Claims	50,000	75,000	150,000	275,000
Expenses & Risk	30,000	20,000	15,000	65,000
Balance	120,000	55,000	-65,000	110,000

Premiums and claims are the same as before but now the balance changes. In countries A and B the balance has reduced whereas the deficit from country C has actually increased. The overall result is smaller than before but is still positive nevertheless.

The significant difference now is that the surplus no longer goes to the insurers. These contracts are now participating in a multinational pool, the surplus is now paid back to the parent company in the form of an international dividend.

If a deficit had been generated, the company would not be paid a dividend. It would not be asked to pay anything in addition to the premiums already paid either. The member insurers of the pooling network would cover the deficit.

The column Expenses and Risk which appears in the second example is the amount that the insurers now get from the transaction. They no longer retain any of the surpluses but they obviously still need to cover their overheads. The expenses usually include administration costs as well as any commissions paid locally to brokers. The risk charge covers the insurers exposure to losses that it will be expected to insure in years when the experience has been poor.

Loss-Carry-Forward or Stop-Loss?

Pooling contracts usually operate on a Loss-Carry-Forward or Stop-Loss basis. Loss-Carry-Forward means that any losses arising in a given year through negative claims experience are not written off in that year. Instead they are carried forward into the following year's account to be met from future surpluses. If the losses are not recouped after 5 years they are usually written off. In a Stop-Loss contract, the participating insurers cover any losses arising in a given year. The risk charge on a Stop-Loss contract will usually be higher than for a Loss-Carry-Forward contract.

How is a pool established?

A multinational company currently has a variety of networks to choose from when setting up a pool. The approach is usually made by the consultant either directly to the network or through the network's representative insurer. Different networks have different requirements which must be satisfied before a pool can be established. Generally a company will need to have contracts in at least two countries, with at least 10 employees in one location. Some networks may impose a minimum premium and/or minimum life requirement.

Each network prepares a pooling illustration, outlying the likely benefits for the multinational company. The illustration will usually include details on the range of services they provide as well. A multinational company will study the illustrations to see which is the most appropriate for its organisation. When the choice is made, an agreement is signed between the multinational company and the network. In some instances a multinational company may choose to pool its business with more than one network.

Each year the multinational company will receive a comprehensive profit and loss account from the network detailing the financial contribution from each subsidiary in the pool.

What are the implications for the subsidiary?

After a pool has been established, a multinational company will usually invite its subsidiary companies to join the pool. If the subsidiary agrees to join, it may mean switching its group risk contracts away from its existing insurer over to the representative insurer of the network. Before doing this, the subsidiary will usually satisfy itself that the new insurer is at least as competitive as the existing carrier and that service levels will not be diminished.

Being part of a pool means that the underwriting of the subsidiary's group risk benefits will be based on world-wide employee numbers rather than the local position. This usually means that higher than normal non-medical limits can be offered to the client locally.

Does the pooling relationship affect the role of the local broker or consultant?

Pooling does not affect the relationship between the consultant or broker and the local client. The client will continue to deal through its appointed consultant or broker in the normal way.

Setting up a pool can be quite an involved and complex process. A multinational company is likely to seek the advice of its consultant or broker in deciding the most appropriate type of pool for its needs. It is usually the consultant or broker who arranges the pooling illustrations initially on behalf of the client. The consultant or broker, however, will not be involved in the day-to-day operation of the pool. This responsibility is shared between the insurance company and the network.

Which networks are Irish Life associated with?

Irish Life is associated with two of the leading pooling networks – IGP and Swiss Life. For more information about these networks and their products and services please log on to their websites:

IGP http://www.igpinfo.com/

SwissLife http://www.swisslife.lu

Are non-medical improved if a scheme is part of a multinational pool?

Yes, pooling can provide the means to offer improved underwriting. Schemes insured with Irish Life included in a multinational pooling arrangement usually benefit from higher than normal non-medical limits.

For IGP pooled schemes, additional non-medical of €450,000 above the norm is provided for death in service cover. For example, a scheme with normal non-medical limits of €500,000 which joins an IGP pool will have non-medical limit increased to €950,000. The maximum IGP non-medical limit is therefore €2,250,000 (€450k over the standard €1.8m max). IGP does not generally pool income protection benefits so the non-medical limits here are the normal ones.

For schemes pooled with Swiss Life the non-medical limit benefit is €2.2m for death benefits and €170,000 for income protection. This is irrespective of the number of members in the scheme.

Claims

11

Death claims

Paying death claims is an essential part of the group risk insurance business. We pride ourself on our ability to process death claims as quickly as possible, in what can be a distressful time for families.

What evidence is required?

When a member of a group death in service plan dies the following information is required in order to process the claim:

- A completed Death Claim Form (this form will detail our requirements as summarised below).
- A copy of the Death Certificate.

Where there is an attaching dependant's pension (i.e. spouse and/or children) then in addition to the above the following is also required:

- A copy of the dependants birth certificate.
- A copy of the marriage certificate (if applicable).
- The dependants bank account details.
- The dependants home address.
- The dependant's Personal Public Service (PPS) number.

If there are children's pensions payable then a copy of the birth certificates for each child should be submitted together with their PPS numbers and proof of full-time education, if applicable.

Who is the benefit payable to?

For Revenue approved schemes payment is made to the scheme trustees. For non- Revenue approved schemes i.e. voluntary schemes, benefits are usually paid directly to the Executor or the Administrator. A copy of Probate or Letters of Administration should accompany these claims.

What are actuarial deductions?

Actuarial deductions are made to the dependant's pensions where the spouse of the deceased is considerably younger than the deceased. The deduction is made because the dependant's pension is likely to be paid for a considerably longer period than was assumed when the premiums were calculated. Irish Life will apply an adjustment in the case of any age gap over 10 years.

How are death benefits taxed?

Lump sum death benefits up to 4 times final remuneration are payable by Irish Life as tax free income under approved plans. Dependant's pensions are treated as income and taxed under PAYE (we deduct the relevant tax).

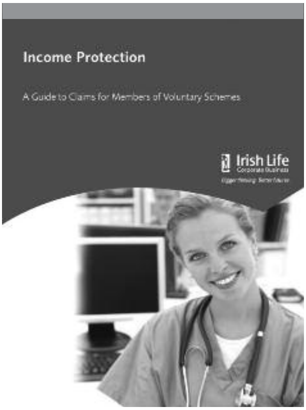
Income Protection

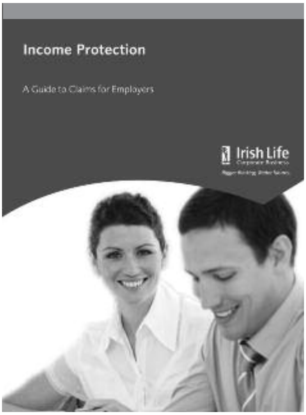
Income protection is designed to provide an income for employees if they are unable to work for a prolonged period of time due to illness or injury. Payment begins once a predetermined period called the "deferred period" has passed since the onset of the condition leading to the claim. The deferred period differs according to the specific terms of each policy, but is usually 26 or 52 weeks.

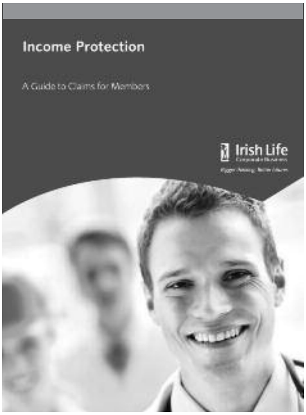
Irish Life Corporate Business provides a comprehensive income protection claims service for the benefit of employees and scheme members. This service includes

- Employer visits with our four technical managers
- Home claimant visits with our four health claim advisors
- Rehabilitation programmes run nationwide
- Over 35 experienced staff dedicated to income protection claims management
- New objective medical assessments designed for examining subjective illnesses.

Alternatively, contact your Account Manager or **email code@irishlife.ie**







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