

TO: POLICY AND RESOURCES (FINANCE) SUB-COMMITTEE	Subject: Group Life Assurance Scheme: Temporary and Fixed-Term Work	
FROM: DIRECTOR OF FINANCE		
Date: 17 December 2004	Ref: JV/LM	

## 1 Introduction

- 1.1 The Council, in line with its former constituent authorities, provides a non-contributory Group Life Assurance Scheme for permanent employees.
- 1.2 The Scheme is administered within the Finance Department, in conjunction with Personnel Services.

## 2 Group Life Assurance Scheme

- 2.1 The Scheme pays one year's salary or £6,000, whichever is the higher, to the nominated beneficiary of a permanent full-time employee who dies in service. An amount pro rata to the number of hours worked is paid to part-time and job-sharing employees.
- 2.2 The Fixed term Work Directive came into force on 1 October 2002 through the Fixed Term Employees (Prevention of Less Favourable Treatment) Regulations 2002. The regulations prevent discrimination against fixed term employees and temporary employees.
- 2.3 In order to satisfy the Directive, temporary workers must have the same rights of eligibility to the Group Life Assurance Scheme as permanent employees. Casual and sessional workers taken on an "as and when" basis or work placements are not part of the regulations.
- 2.4 The payment due in the event of death of such temporary employees would be based on the length of time and number of hours worked with the Council in their current employment.
- 2.5 Temporary employees have now been added to the Council's Group Life Assurance Scheme as from 1 April 2004. Any additional costs will be absorbed within existing insurance budgets following an adjustment in premium rates.

## 3 Operation of the Scheme

- 3.1 The Scheme is currently provided by an external insurer at a premium of £298,616 in 2004/05.
- 3.2 Analysis of the cost of premiums since 1996 compared with the amounts paid out by the insurer shows that in 6 out of the 8 years the premium has exceeded the amount paid out in claims. The additional cost of premiums over the period totalled £213,220. (See Appendix for details.)

- 3.3 Members will be aware that in recent years the Council has become largely self-insured for its major liability and property risks. This has had the effect of reducing premiums and has reduced the overall cost of insurance by retaining risk within the Council. It is proposed that a similar arrangement be implemented for the Group Life Assurance Scheme.
- 3.4 A further advantage of self-insurance is that, because claims would not have to be referred to a third party, claims would be dealt with more quickly. Also, external insurers require an increasing amount of information on employee details annually before they will provide premium quotations. This requires a significant amount of resources to provide this information, which will not be required if the Council is self-insured.
- 3.5 Self-insurance would mean that the budget would be retained at the existing level but would be held in the Insurance Fund. Claims would be met from the Fund on the submission of appropriate documentation from departments.

#### **4 Conclusions**

- 4.1 Temporary workers must be given the same rights as permanent employees. To prevent the possibility of claims of unfair treatment against the Council, temporary employees were added to the Group Life Assurance Scheme from 1 April 2004.
- 4.2 Claims statistics suggest that it would be more economic for the Council to self-insure via the Insurance Fund rather than to take out insurance cover with an external provider.

#### **5 Recommendation**

It is recommended that Committee:

- 5.1 Notes the extension of the Group Life Assurance Scheme to include temporary workers;
- 5.2 Approves the operation of the Scheme by means of self-insurance.
- 5.3 Refers this report to the Policy & Resources (Personnel) Sub-Committee.



**Director of Finance**

**GROUP LIFE ASSURANCE SCHEME**  
**ANALYSIS OF CLAIMS 1996 TO 2004**

	<u>1996/97</u>	<u>1997/98</u>	<u>1998/99</u>	<u>1999/00</u>	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>TOTAL</u>
Value of claims	159,902	230,716	205,046	173,685	180,234	201,629	294,557	198,323	1,644,092
Premium Paid	230,384	235,559	228,200	237,181	203,524	195,757	265,521	261,186	1,857,312
Difference	70,482	4,843	23,154	63,496	23,290	-5,872	-29,036	62,863	213,220