

# corporate adviser

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## CORPORATE VALUES AND GROUP RISK

- CLIMATE OF CHANGE FOR GROUP RISK
- PUTTING THE VALUES IN BENEFITS

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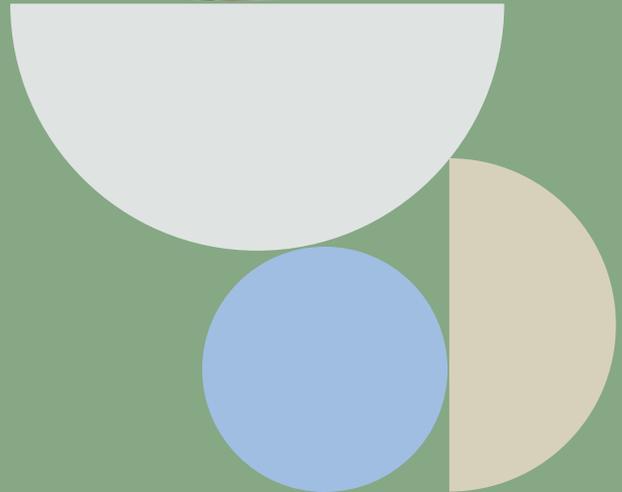
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# REWARD IS ABOUT MORE THAN JUST MONEY

**There's more to reward than pay. Supporting corporate purpose through benefits can help advisers develop an employer's value proposition, and for smaller employers in particular, help managers on their first steps towards developing their own ESG strategy**

**John Greenwood**

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We live in fast-moving times. Attitudes that would have been acceptable even 10 years ago have become outdated very quickly – you only have to look at the speed with which movements such as #MeToo and Black Lives Matter spread across the world to see how rapidly new ideas can take hold and become the norm.

It is also the case that what employees demand of their benefits moves with the times.

Esteem and purpose are key elements of the pyramid of psychological needs an employee requires to feel their work is fulfilling and worthwhile. By developing a sense of purpose in the workplace, employers can deepen their engagement with their employees, strengthen their bond with them, improve their wellbeing and boost their productivity.

That sense of purpose is as important to people working in small organisations as it is in big ones. Just because somebody works for a small business does not mean they don't want to feel good about going to work. There is a real

opportunity for advisers to support SME employers in particular in developing a corporate culture that makes staff feel good about who they work for. That means structuring benefits propositions that employers will feel proud of, with suppliers they are proud to partner with.

It's good business sense and good consulting. If a company reflects an employee's values and speaks to them in a way that they understand, they will be more engaged.

Added value services within group risk can help employers demonstrate how much they care for their staff, how important they are to them. This process is, in its own small way, part of helping that employer to have a stronger environmental, social and governance (ESG) strategy.

ESG is at the top of the agenda for C-suite professionals within big organisations. While this may be less the case for smaller employers, advisers promoting the 'S' – the social element that manifests itself in the form of offering 'good work' – will be pushing at an open door.

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## CORPORATE VALUES AND GROUP RISK

# CLIMATE OF CHANGE FOR GROUP RISK

ESG considerations are extending beyond pensions into the broader benefits conversation. And that includes group risk, hears **Emma Simon**

The focus on environmental, social and governance (ESG) issues has been transforming the workplace pensions landscape for some time. It now appears to be starting to impact the group risk and broader workplace benefits sector too.

This was one of the areas of debate at a recent roundtable on corporate values and group risk hosted by Corporate Adviser last month. Many employee benefits consultants and advisers attending this event said they were starting to see this trend become a focus within the industry – particularly with the ESG lens widening to focus on the ‘S’ of that acronym, social issues such as employee wellbeing, diversity and inclusion, alongside environmental issues like climate change.

Key to this debate is the role that an effective benefits strategy can now play in helping define and support an employer’s corporate identity and values – which includes their own evolving sense of corporate social responsibility, be it reducing their carbon footprint, or looking after their employees.

Howden Employee Benefits senior risk consultant Paul White said this is a conversation he is increasingly having



**Howden Employee Benefits senior risk consultant Paul White**

with clients, particularly in the larger corporate market.

## Social impact

“10 or 20 years ago employers were either paternalistic and offered a range of employee benefits, or they weren’t and did not,” said White. “Today, though, we see employee benefits as being a key part of HR policy and practice.

“Employers are increasingly seeing benefits programmes as part of their employee value proposition, and they want these benefits to reflect their own business, what it stands for and what it should look like. So these benefits might reflect a whole range of values from sustainability, flexibility, choice or inclusivity.”

This was a view that was shared by many attending the debate.

Barnett Waddingham head of workplace health Kevin O’Neill said: “We are having more and more conversations with clients about their benefits strategy, and what they actually want to achieve, by offering a range of products, whether it is simple life assurance or employee wellbeing programmes.

“Before it might have been a case of visiting a client and using our own benchmarking data to put together a list of recommended products. Now it is a more strategic approach, where we sit down with the client and discuss what they want to achieve, and how these benefit programmes can help both employees and the employer,” he said.

AJ Gallagher senior health and risk consultant Amanda Gill agreed said corporate purpose is an issue that is starting to be raised by both larger corporates and SMEs. “This is a conversation we have been having for some time with our clients.”

Much depends on the sector the company operates in, she said, rather than the size of the business, with some forward-looking sectors more attuned to issues of sustainability and wanting their pensions and other benefits to reflect these values. ►



Illustration by  
www.illustration.com



Delegates pointed out that the Covid pandemic has had a number of far-reaching effects on the employee benefits market, and this has helped accelerate trends and changes that were already happening in his sector.

### Meaningful work

Zurich head of market engagement Peter Hamilton pointed to research from Cornell University in the US, which took an in-depth look at the 4.5m people that had switched jobs since the start of the pandemic.

He explained: "This large survey looked at the reasons why people had left their job. The headline figures were perhaps not surprising, with issues like salary, or relationships with a manager or colleagues playing a part. But as the research revisited this information over time and dug deeper, they found individual reasons cited for moving that weren't specifically linked to pay and conditions.

"Around 75 per cent of people wanted work that was more meaningful. I think this is part of a response to the pandemic, and what people have lived through. As a result I think we are seeing more people looking to work for companies that share something of their values.

"Historically ESG may have been something that has sat to one side, and been in a separate department, but now I think for many employers it is helping define and embody their purpose. It's much more about who they are as a company, what they stand for and how the business can provide some meaning in the work context."

Becoming more strategic about benefit programmes and embracing corporate purpose can help with retention and recruitment of staff, he said. Many of those

Zurich head of market engagement  
Peter Hamilton



**"Around 75 per cent of people wanted work that was more meaningful. I think this is part of a response to the pandemic, and what people have lived through"**

on the panel agreed this was a pressing issue for businesses in the current economic environment.

Terry Fromant, head of group risk at Premier Choice Group said businesses of all sizes are now looking for this strategic approach, where advisers are acting as consultants, looking at their business needs, rather than simply brokers sourcing the cheapest product. He said even in the SME market, where "price is still king" this more consultative approach is helping win new clients and support existing ones.

A comprehensive benefits strategy can help support corporate values and demonstrate a clear commitment to employee wellbeing and other ESG values.

But might this go further in future? Those on the panel discussed whether a provider's own ESG track record may play a part in the selection process.

### Procurement questions

This issue was thrown into relief with news last year that the investment manager LGIM was divesting from a number of companies over climate policy concerns. Those on the divestment or watch list included US insurers AIG and MetLife – both significant players in the UK employee benefits market.

LGIM says it was excluding AIG from its investment portfolios because of an absence of policy on thermal coal and concerns over a lack of disclosure of its Scope 3, or 'value chain' emissions – this latter reason was also cited by LGIM for its decision to divest from MetLife. Following LGIM's announcement MetLife said it has been taking steps to be a more environmentally sustainable company.

But while ESG issues, particularly surrounding climate change, are chewed ►



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Barnett Waddingham  
head of workplace health  
Kevin O'Neill

**“On the pension side of the business this is definitely a big part of the conversation we are having with clients – but we are not really seeing it yet on the group risk side”**

over by pension funds, trustees and investment committees, are they on the radar of smaller business owners and HR professionals, particularly those looking to re-broke group life insurance policies or set up new health insurance benefits for staff?

O'Neill said that at present these conversations are few and far between. “On the pension side of the business this is definitely a big part of the conversation we are having with clients – but we are not really seeing it yet on the group risk side. There is not much interest from clients at present when it comes to asking about the ESG credentials of potential providers.”

However he said he anticipates this changing. White agreed that in future

employers are likely to ask about the ESG credentials of a whole range of suppliers as part of the standard procurement process. This will apply to group risk insurers offering employee benefits, as much as companies supplying stationary or water coolers.

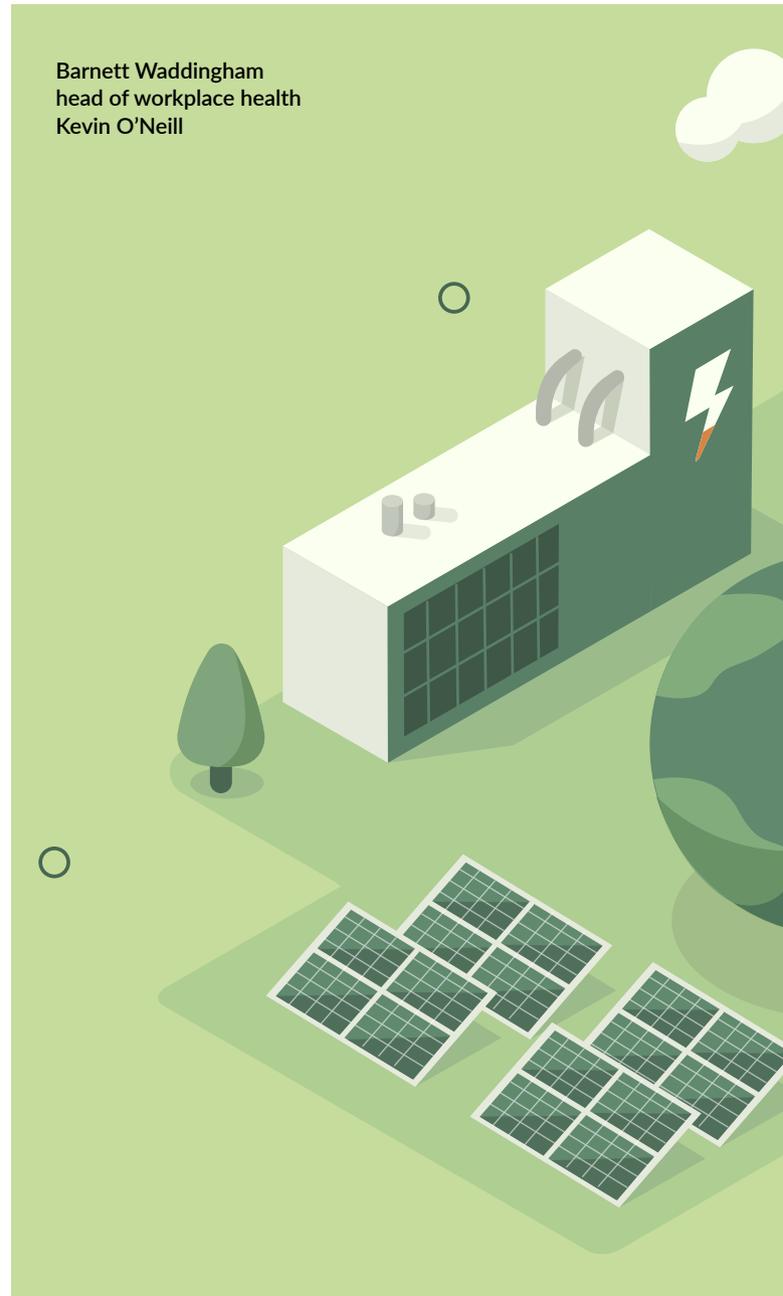
“Large employers are likely to have a procurement model, that will use a standard format. The kind of questions they ask of suppliers and partners will evolve and we would expect ESG to be part of this process.”

#### **TCFD duties**

This trend is likely to be driven by incoming TCFD (Task Force on Climate-Related

Financial Disclosures) regulations, which require companies to report on their own carbon footprint. As this evolves this is likely to include carbon emissions made by suppliers and partners, so selecting companies with better ESG ratings may help boost an employer's own ESG status.

These new regulations are likely to drive change in this area, and all those on the panel said there was a need for more robust metrics on a range of ESG issues to help advisers and their clients compare the relative performance of different insurers and providers. International carbon accounting standards, for example, could make a significant difference when it comes to comparing the environmental





credentials of different companies.

White though said these are still some way off, although he admits this is a rapidly evolving area. "Can I see a day when we might exclude providers from our recommendations list because they have a poor ESG rating?"

"I think the answer is yes, absolutely. But you have to reach a point where you can define and have some form of measurement about why you are excluding one or more providers."

He pointed out that consultants currently complete due diligence on providers they recommend, whether it is financial stability, data security or counterparty risk. It is only a relatively small step

forward to include ESG ratings within this mix – particularly as there could be potential reputational issues for partner companies.

Fromant said that these issues are not a major issue yet, particularly in the SME market where price is still king. "The reality is that the decision on what to buy from which provider is largely driven by an employers' budget."

But he points out that ESG could be what he terms an "remote control" moment. "Once the first TV company offered remote controls other manufacturers quickly followed suit and it wasn't long before this was a standard feature.

"In the benefits industry we've seen a

similar thing happen with added value features, such as EAPs, or now virtual GPs, which are rapidly become standard on many products.

"I can envisage a time when providers offer an ESG statement alongside their insurance quotations, when this just becomes matter of course."

Interestingly many of the consultants at the event said that clients were increasingly asking them about their own ESG credentials, raising the possibility of a trend to move towards net-zero advice.

Gill said: "When we are tendering for business this is definitely something we're being asked by clients."

O'Neill added that advisers like his firm, Barnett Waddingham, have been focused on their own plans to become more sustainable and decarbonise.

Homer said that this is also a major focus for insurers. He said whereas previously Zurich might have been asked about what it is doing in regards to corporate social responsibility, increasingly this is being replaced with ESG-styled questions.

"It will be increasingly important to demonstrate you have good strong ESG policies and practices, covering a range of issues from sustainability to diversity and inclusion. We're certainly seeing clients that come to us asking for more information about our ESG proposition. The market and regulations are moving in this direction," said Homer.

Most of those attending the event though agreed that group risk remains a relatively small part of corporate spending, and major changes on ESG were likely to be driven predominantly by the pension and general insurance sectors. White said: "I'm afraid to say that the group risk sector is just not big enough as an industry to be able to drive that kind of change. But I think this change is coming and the industry needs to prepare and be ready to adapt."

Fromant added that ultimately higher ESG standards will become the norm across all sectors, including the group risk sector, because this is likely to bring market efficiencies and improve profitability. He said: "These changes will help make businesses faster and smarter. Being carbon intensive is likely to cost more money, so companies are going to look at where they can make savings.

"We have a role as advisers to promote the providers and insurers that are getting there first. Those that do get there first have a big advantage, but it seems inevitable that other providers will follow suit because this is where the money is going to be." ■

## CORPORATE VALUES AND GROUP RISK

# PUTTING THE VALUES IN BENEFITS

Values matter to employees as much as employers. That's why benefits work better if they reflect the core beliefs of the organisation offering them. **Muna Abdi** reports

Group risk products can support the corporate values, ESG policies and employee wellbeing strategies of employers of all sizes. But there is a big difference between the approach of large corporates to the value derived from their workplace protection and that of SMEs.

Speaking at a Corporate Adviser round table last month, Paul White, senior risk consultant at Howden Employee Benefits said more enlightened employers wanted to be sure their benefits reflected their core corporate values, but added that there are still lots of organisations out there that are "still living in the Stone Age in terms of employee value proposition."

White spelled out the difference in attitude to group protection of big and small employers. He said: "There are two or three claims per thousand people for long term disability, and the same for life assurance. If you're a 20-man scheme, you're going to get hit by a claim on average once every few decades. This is proper insurance. This is protecting you against the unforeseen, so for them what is more visible is the value-added services rather than the insurance itself."



**Terry Fromant, head of group risk at Premier Choice Group**

"At the other end of the spectrum is the large corporate. Ultimately, they pay for their claims experience. The insurance is just a financing vehicle. For them, it's about claims management. They know their premium is a reflection of their claims costs, which doesn't apply in the SME space, and that's the value of the intermediary - to evidence how you control your claims best."

## ESG support

Environmental, social and governance (ESG) factors are becoming an increasingly common part of the boardroom conversation, and treatment of staff is a key element of this. Support services offered by group risk products can help employers support staff – a benefit falling under the 'social' element of ESG.

In recent years value-added benefits have become an increasingly important aspect of an employer's employee value proposition. Employers want their benefits to represent what they view a business should look like and may include values such as flexibility, choice, inclusivity and sustainability, but this approach is more common amongst bigger corporates that have dedicated HR staff.

Terry Fromant, head of group risk at Premier Choice Group said: "With an SME, you're more likely to deal with a business owner rather than a dedicated HR person."

"The truth is, good advisers don't sell the salary replacement insurance part of group income protection anymore - they sell the value add. Whether that's an SME client or a large corporate, you still sell that upfront care and support."

"But the cost is influenced by how long you want the insurance to go on for should that upfront care and support not be sufficient. Regardless of whether that's an SME client or a large corporate, the person you're speaking to will understand what they're actually paying for if you sell the right part of the product."



## Value focus

Kevin O'Neill, consulting lead at Barnett Waddingham agreed and said that small businesses are focused on value-added benefits but the same benefit can be found on a customer's cash plan, group protection, and PMI. This leaves them with multiple points of access to the same benefit and unfortunately, these add-ons cannot be turned off.

"For the majority of SME clients, cash is king. Paying for these benefits is the key thing so they want to get it at the best possible price. Since Covid has come along, we're having more conversations about the

Nick Homer,  
head of market  
management  
at Zurich



**“You can happily pick and choose ours, and you don’t need to be too concerned about not being able to access the EAP separately from the virtual GP service”**

I’ve had a couple of conversations with insurers about whether we can turn off the value-added benefits. And the answer is ‘No. What you see is what you get.’

Nick Homer, head of market management at Zurich says the provider’s approach allows value-added benefits to operate independently of one another. Although having a single supplier makes it easier to present the complete product to the client, having only one source makes a company more vulnerable.

“You can try and get them all from one supplier, which clearly sometimes helps with the presentation. But on the downside the overall negotiations with that particular supplier leave you more vulnerable to operating with only one supplier, but it certainly helps on the due diligence.

“One of the advantages is that we take the best of breed approach to the suppliers and we will get the one we think meets our needs best whilst we try and present them in a coherent manner. They actually operate independently. So for us, we can (turn value-added benefits off). You can happily pick and choose ours, and you don’t need to be too concerned about not being able to ►

value-added benefits that come along with policies.

“When I first joined the industry, you had a group life policy and income protection policy, a PMI policy. Maybe there would be an EAP attached to income protection and there might be a bit of bereavement counselling, but now the value-added benefits that are being offered by pretty much all of the insurers is bewildering.

“You can get access to a virtual GP through group life, income protection and income protection and a client could have policies that offer those. We’re having lots

of conversations with them to actually unpick the value-added benefits to actually say, do you know what this one is?”

#### **Benefit turn-off?**

O’Neill outlined the way multiple added value services caused complexity for communication of benefits. “Typically the literature from each insurer will list all of the value-added benefits when actually we may not, or the client may not want to promote certain aspects of those value-added benefits. They may be an SME that does not have the money to tailor all of the engagement documentation for the staff.

access the EAP separately from the virtual GP service.”

White noted that while you can turn off added value services, you normally won't get a reduction in price for not using them.

White added that use of off-the-shelf added value services was much more prevalent in the SME space. “A large corporate is going to have a more complex plan and more complex design access to more benefits, potentially their own in-house occupational health,” he added.

### **Engagement premium**

When it comes to how claims experience influences the approach advisers use when dealing with large and small clients, Fromant emphasised the distinction between brokers who “sell on price” and consultants who assist the client in engaging with the product.

He said: “It's so much more important to sell that upfront investment to get the buy-in. I've spoken to clients that have said ‘we've got this great protection, but we never see any claims’. When you start asking about their absence management, they probably had a handful of people that would have been ideal early intervention candidates.

“But because their previous intermediary hadn't really engaged with it. That is where you really know the difference between a broker and a consultant. A broker will just sell on the price but a consultant will really help them engage with the product.”

### **Remote challenge**

Engagement is arguably more of an issue now because of the prevalence of remote and hybrid working, with many employers experiencing a culture shift that they are still attempting to adjust to on all fronts.

Amanda Gill, senior health and risk consultant at Gallagher said: “We're now seeing lots of employers with two different cultures. You've got the culture of the people in the office and the culture of people at home, and their needs are very different.

“Values will differ, so our role is to actually help the client with that engagement - making sure that the benefits and the value-added benefits that are on offer are actually promoted correctly to both sets of the workforce.”

### **Gender differences**

Benefits should also reflect the different needs and values of people across the workforce. For example, specific added value support such as women's health issues, particularly fertility and menopause, are becoming more prominent services.

**Amanda Gill,**  
senior health and  
risk consultant  
at Gallagher



**“We're now seeing lots of employers with two different cultures. You've got the culture of the people in the office and the culture of people at home, and their needs are very different”**

O'Neill said: “The conversations we're having now with clients is bringing this in, especially under structures such as healthcare trusts, where you can tailor your scheme and bring more of these benefits in. If that can come under income protection policies and is an added extra, I think that would be highly valued. Definitely with things like menopause, now that is really a discussion point.”

The debate moved further towards the topic of diversity and inclusion, which is rising up the agenda for the group risk sector.

Diversity and inclusion falls within the 'social' part of ESG, and is of real importance for the group risk sector said Gill. She argued that the benefits currently available might not accurately reflect the experiences of all employees, and suggested work was needed to ensure risk

benefits were relevant and communicated effectively to all employees.

Gill said: “More employers want to bring D&I to the top of the agenda. I'm not entirely sure how to do it. We are having those discussions, making sure everyone has access to benefits. There is a drive to make sure that these benefits are more inclusive to everyone and more balanced.”

### **Culture push**

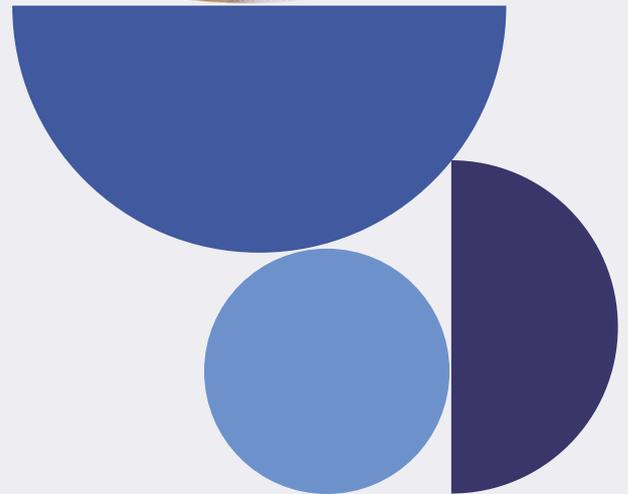
Gill added: “We're starting to have conversations with clients about their ESG agendas and what they're looking at and again, that comes back to culture. Some are trying to meet each criterion with ESG. How can we help them play a part and do that through insurance? ESG is in its infancy within group risk, and it will be driven by other markets in the general insurance side.” ■

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## OPINION

## WHAT PLANET ARE YOU ON?

» Peter Hamilton head of market engagement at Zurich UK



**'What if a cascading chain of collisions between near-Earth objects and space debris result in a saturated Low Earth Orbit that renders space practically unusable for further commercial development?'**

I'm not suggesting that as an opening line at a party, but it is one of many questions asked in the World Economic Forum Global Risks Report 2022. There's a lot in it, but it's a very accessible read, and draws out a range of global and societal challenges, not least the crowding and competition in space.

Closer to home, back on planet earth, the top risks cited are the climate crisis, growing social divides, heightened cyber risks and an uneven global recovery, as the pandemic lingers on.

#### Why should employers care?

Issues such as sustainability, diversity and inclusion have often in the past been seen as a side issue, the responsibility of a small team somewhere. Today it's a regular boardroom issue, part of who the company is.

Increasingly, the ability to raise finance will depend on an employer's sustainability credentials. We have a generation now that is passionate about sustainability, and who have high standards when it comes to ethics and transparency. Companies who can authentically point to how they are building a sustainable future and workforce, through the support and benefits they provide to their employees, will have a head start attracting new talent, including those who see that economic growth has limitations as a measure of societal success.

Recent research in America highlights this. The number voluntarily leaving their jobs in December was 4.33 million. It's been called "the Great Resignation", people quitting at record rates, disrupting businesses all over the world. Pay, feeling valued and relationships with managers and colleagues all play a part but when asked in a recent study 'what made the grass greener', 75 per cent said 'more

meaningful work.' People want to work for companies that make a difference.

#### What are Zurich doing

Zurich has a bold but clearly stated aim to be 'one of the most responsible and impactful businesses in the world'. I'm very confident that statement and the associated actions is one of the reasons that Zurich UK was awarded a 'Glassdoor Employers Choice'

One CEO told of how they examined their supply chain and recognised that gas burners to dry paint on cars represent their biggest single carbon impact, so they are focusing on different processes – they are literally paying people to watch paint dry

award, recognising it as one of the UK's Best Places to Work in 2022, the only insurer featuring in the top 50.

In the UK, we've developed a sustainability strategy, which sets out our commitments and actions to deliver on three key themes: changing climate; confidence in a digital society; and work sustainability.

On climate individual insurers can make a difference, but the real power for change will come through collaboration. A recent ABI reported that between now and 2050, some £2.7trn will be needed to transition our economy to a low carbon one, but that insurers together have the investment muscle to contribute as much as a third of that total, which is a huge impact.

It's not just investments though - it's how we adapt and foster the innovation of green products and technologies. Companies increasing will be looking at their supply chain – and in time I think employers will want to better understand the sustainability credentials of, for example, their group risk insurer.

At a recent conference, one CEO told of how they examined their supply chain and recognised that gas burners to dry paint on cars represent their biggest single carbon impact, so they are focusing on different processes – they are literally paying people to watch paint dry.

We want customers to feel assured that the data they share with us is in safe hands and is being used for their benefit. And the world of work is changing dramatically. We're committed to making our workplace fit for the future, piloting new ways of working, re-skilling and upskilling our employees.

We have apprenticeship schemes, graduate schemes and a 'Next' generation group that is ensuring a voice for our young talent, a generation that is passionate about sustainability in all its guises, is heard in the boardroom.

For anyone looking for insight into what we can all do - governments, companies and individuals, I'd recommend Mike Berners-Lee's 'There is no Planet B'. There may be one or two billionaires flying into space, avoiding the debris while they look for one, but most of us need to work together to look after the one we're on. ■



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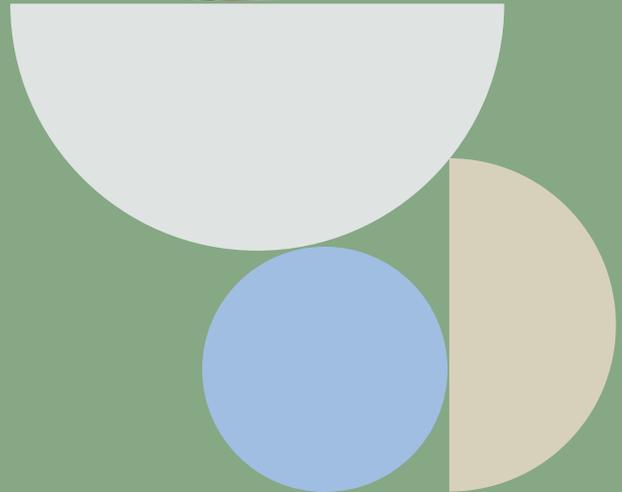
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