



Reward and Retirement Provision

Assignment 2 Notes

(Part 2 – Health and Risk Benefits)

Recommended Time: 3 hours

- 1. You are the adviser to a large defined benefits scheme. The Trustees are concerned about the cost of ill-health early retirement pensions to the Scheme. They have asked you to provide a report which describes the advantages and disadvantages of implementing a fully company paid income protection scheme as an alternative. Detail all of the criteria that would need to be included to facilitate the implementation of such a scheme.**

35 marks

Format: Report providing a summary of information in clear paragraphs.

Style: Professional and formal; may be included within document pack for Trustee meeting.

Answer should cover:

- When an ill-health early retirement pension (IHERP) is applicable
- How a successful IHERP submission is determined
- The features of an insured income protection scheme including: design; exclusions; taxation
- How any implementation is communicated to employees

(Relevant sections of the manual are Part 2: Chapters 1.3, 1.4, 1.5 and 1.6)

- 2. Explain the options available to help contain the cost of private medical insurance.**

15 marks

Format:

Style:

Answer should cover:

- Managed Care
- Directional Care
- Deferred Access Plans
- Excesses and no claims discounts
- Co-insurance

(Relevant section of the manual is Part 2: Chapter 2.4)



3. Outline the advantages and disadvantages of fully insured, cost plus and self-insurance medical cover.

10 marks

Format:

Style:

Answer should cover:

- An overview of self-insured, cost plus and fully insured plans

(Relevant section of the manual is Part 2: Chapter 2.2.2)

4. You are an HR Business Partner at a large multi-national company. An employee is incapacitated due to an accident at work which has resulted in their permanent and total disability. Your company currently provides the following company-paid benefits:

- **Income protection benefit**
- **Personal accident**

Prepare an email to the employee detailing which (if any) benefits may be payable. Your email should include:

- **When the benefit commences and ends**
- **Any restrictions to cover**
- **How the income protection benefit is paid**

15 marks

Format: Email providing a summary of information in clear separate paragraphs (subtitles would be appropriate).

Style: Informal

Answer should cover:

- A summary of each benefit
- Any benefit restrictions under the personal accident policy
- Any exclusions on the income protection benefit
- How an income protection benefit is paid

(Relevant sections of the manual are Part 2: chapters 1.3, 1.3.1, 1.4, 2.7.1, 2.7.2 and 2.7.3)



5. A company is concerned about the potential impact of the untimely death or disability of the Technical Director who is key to the successful implementation of a 5 year project. Write a letter to the Financial Director describing how the company might protect itself against such an eventuality.

15 marks

Format: Letter setting out information in clear separate paragraphs.

Style: Formal

Answer should cover:

- Examples for “key person”
- A description of sum insured
- The tax position on this type of cover

(Relevant section of the manual is Part 2: Chapter 2.9.1)

6. List the main areas of treatment which would typically be covered under a private medical arrangement.

5 marks

Format:

Style:

Answer should cover:

- In Patient Hospital Charges
- In Patient Surgical and Medical Charges
- Out Patient Charges
- Home Nursing Charges
- World Coverage

(Relevant section of the manual is Part 2: Chapter 2.1.1)



7. Identify the main exclusions from a private medical policy and give 5 examples of other possible exclusions.

5 marks

Format:

Style:

Answer should cover:

- Except for large employer paid group plans, the norm is that members are not covered for known pre-existing medical conditions at the time of joining. Other exclusions found in the market place vary between PMI providers.
- Answer must include 5 examples of other possible exclusions (with any caveats); examples include the following:
 - optical care
 - routine dentistry
 - routine maternity care
 - prophylactic surgery
 - primary care (GPs)
 - chiropody
 - psychotherapy
 - alcohol and drug abuse related conditions
 - geriatric care
 - cosmetic surgery
 - long term psychiatric care
 - chronic medical conditions
 - alternative medicine – such as Homeopathy

(Relevant part of the manual is Part 2: Chapter 2.1.3)