

UP to speed

The Employment Equality (Age) Regulations 2006

Guidance Note 5 for Advisers - Practical considerations for UnumProvident

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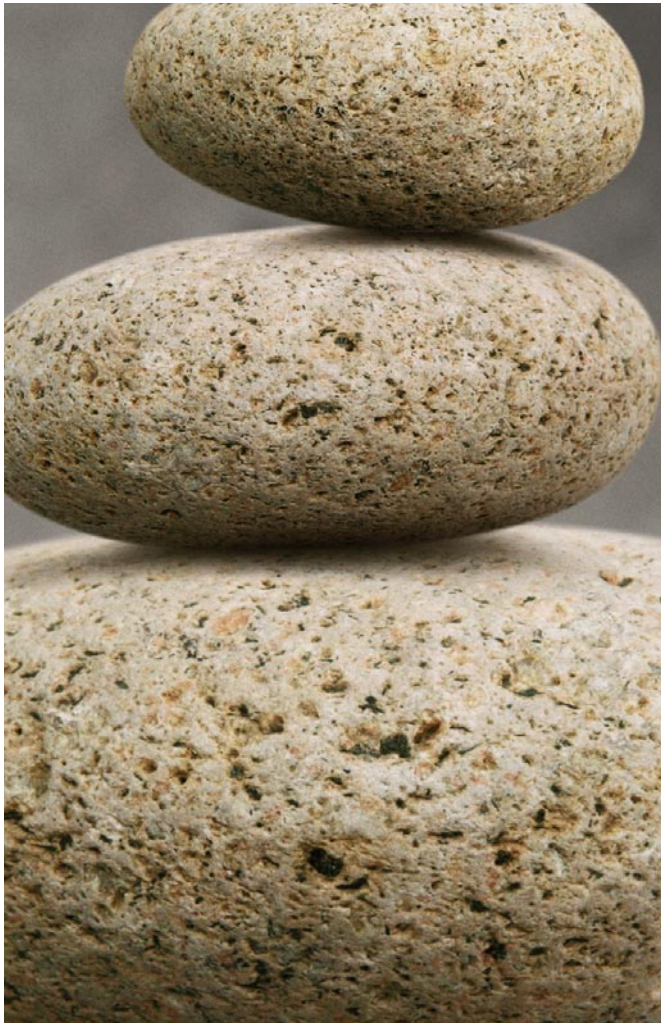
Guidance Note 5

This guidance note is the fifth in a series to help advisers understand the background to important new 'age discrimination' legislation, and to help them work with and guide their clients so that they are prepared in good time to comply with the new Regulations by 1 October 2006. This guidance note looks at the practical approach we will initially be taking to support advisers with clients that have existing group risk policies with UnumProvident.

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The statements in this document do not constitute advice. Employers need to consider their circumstances and should obtain independent legal advice as appropriate to guide actions and decisions.



How will the new Regulations impact on UnumProvident and other group risk providers?

It is important to understand that the Regulations are aimed solely at employers, who will be required to comply with the new rules. There is no direct requirement under the Regulations for UnumProvident or any other UK group risk provider to alter the design and conditions of its insurance contracts, to change the way in which it conducts its underwriting processes, or to change how it assesses and applies necessary premium adjustments following any policy changes.

Nevertheless, as a responsible provider of group risk benefits in the UK we are carefully considering a number of themes arising from the Regulations – specifically the practical implications in terms of how these are likely to impact on employers (particularly in respect of group risk policies), and how we may be able to best provide you and your clients with the necessary support to help them comply with the Regulations wherever reasonably possible.

We hope that by preparing this series of guidance notes we are demonstrating our strong commitment to you and your clients.

The Regulations are complex and impose responsibilities on employers that are wholly independent of any current terms and conditions within existing insurance arrangements. Although we will be closely monitoring any changes to legislation and continuing our consultation with the DTI and our industry colleagues, there are certain themes that we believe should be specifically drawn to the attention of your clients.

Underwriting and policy adjustments

Although UnumProvident will endeavour to be as flexible and sympathetic as reasonably possible to requests to alter policy cover as a direct result of the Regulations, there may nevertheless be situations where we are not able to provide such cover, or where we are only able to provide cover subject to non-standard terms.

Internal age restrictions within the contract terms and conditions

There are certain sections of cover, for example within certain group critical illness (GCI) policies, where cover for a particular illness, condition, or event is inherently linked to an age condition within the contract wording. For example, the standard Permanent Total Disability section under our Extra Cover GCI contract provides a different basis of cover once the individual has attained age 60. Some providers may also impose an age restriction for other conditions e.g. diabetes will not be covered once an individual has attained age 55.

Although we cannot comment on the approach that may be adopted by other providers, we are currently considering whether such internal age restrictions can be lifted within UnumProvident policies, to what age level, and whether any additional premium will need to be applied.

Based upon our current understanding of the Regulations, where any provider is unable to alter any internal age condition to 65 (or any other retirement age as may be allowed under the exemptions) the employer could be in breach of the Regulations. This is because although insurers can impose age limits it would be unlawful for an employer to do so unless specifically exempted by the Regulations. The only employee benefit exemptions provided by the Regulations relate to pension schemes and the provision of life cover for ill-health early retirees. An employer will generally have to provide equal benefits irrespective of age. This means that the employer will have to self-insure or find additional insured solutions for any gap in the group policy cover.





About UnumProvident

UnumProvident is the UK's leading provider of group income protection insurance, with over 35 years of experience. Our critical illness and life insurance products enable our customers to purchase complementary protection solutions that together make a comprehensive protection package.

Our income protection customers benefit from our expertise in the specialist areas of disability, rehabilitation and return-to-work. We enable individuals to protect their incomes, ensuring their financial security if they are unable to work because of illness or injury. For employers, we safeguard one of their most valuable resources by helping employees return to work following long-term absence.

At the end of 2005, UnumProvident protected over 2.3 million lives through almost 20,700 policies. During 2005 we paid total benefit claims of £291 million – of which more than £185 million related to income protection claims.

Our US parent company, UnumProvident Corporation, traces its history back to 1848 and is today the market leader of group and individual income protection insurance in the United States. Premium income for UnumProvident Corporation and its subsidiaries exceeded \$7.8 billion in the year ended 31 December 2005. Total assets were \$51.9 billion at 31 December 2004.

For more information visit www.unumprovident.co.uk