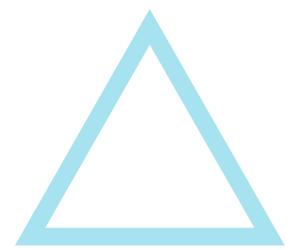


# New Zealand Benefits Overview

JULY 2020

**Angela Richardson**  
Client Executive, Local GBM Lead

**Justin Pipe**  
Business Development Manager



## Speaker – Angela Richardson

### Mercer Marsh Benefits Client Executive, Global Lead and Medical Specialist

- Angela manages an Employee Benefits portfolio with a mixed range of corporate clients throughout New Zealand and Global clients who have employees based in New Zealand.
- Angela is the Medical Specialist within Mercer Marsh Benefits and works with the three main medical providers to offer clients the best options for their business
- Angela delivers a range of employee benefit-related consultancy, focusing on regional benefits management and strategy, healthcare and benefits benchmarking reviews



### Experience

- Angela has over 13 years in the insurance industry both as an Account Manager in New Zealand's largest life insurance company and now a Registered Financial Adviser with Mercer Marsh Benefits

## Speaker – Justin Pipe

### Mercer Marsh Benefits Business Development Manager



#### People Risk Client Solutions Advisor

- Justin works alongside a team of risk-based employee benefits specialists to bring together a suite of People Risk products and services to our clients.
- Justin helps to ensure employee benefits programs are fit for purpose and positions our clients as Employers of Choice, reflecting the varying demographic needs of workforces

#### Experience

- Justin has worked at Mercer Marsh Benefits for over 5 years and has just under 20 years experience (both in the NZ and UK market) as a HR consultant, specialising in talent attraction, engagement and employee benefits.

#### Qualifications

- BSc (Hons) Kings College, University of London
  - Registered Financial Adviser
-

# New Zealand Overview

## Demographics

### Population

5 million people and  
27.3 million sheep

### Life Expectancy

- 82 years old
- Men: 80 years old
- Women: 84 years old

### GDP

#### (Gross Domestic Product):

206billion USD (2017)

Exchange Rate (approx): USD 1 = NZD1.58



### Unemployment Rate

4% and growing

### Minimum Weekly Wage

USD447

### Inflation Rate

1.5%

## Fun Facts about New Zealand



Aotearoa is the Maori name for New Zealand which means land of the long white cloud



New Zealanders are also called Kiwi's but kiwi is not a fruit, it is New Zealand's native flightless bird



New Zealand is one of the least populated countries in the world – 5 million people



The largest city is Auckland although our capital city is Wellington



New Zealanders love cars with 3.4 million cars registered for 5 million people



30% of New Zealand is forest



NZ is the first country in the world to see sunrise! New Zealand is 12 hrs ahead of Greenwich mean time GMT

## New Zealand Overview

### Medical Statistics

- Cancer rate - Just under 1 in 2 males under the age of 75 will be diagnosed with cancer. Cancer is New Zealand's leading cause of death currently
- Almost 1 in 3 adults are obese in New Zealand
- More than 257,000 New Zealanders live with diabetes
- Stress is up by a net 22.9%
- New Zealand lost 7.4 million working days at a cost of \$1.79 billion to absenteeism in 2018
- Critical Illness – 40% of males and 25% of females over the age of 30 will suffer from a critical illness before the age of 65
- Employees without health insurance are waiting twice as long for elective surgery than those with subsidised health insurance
- Around 500 New Zealanders die by suicide every year and more males than females

# Main Employee Benefit Programs in New Zealand Overview

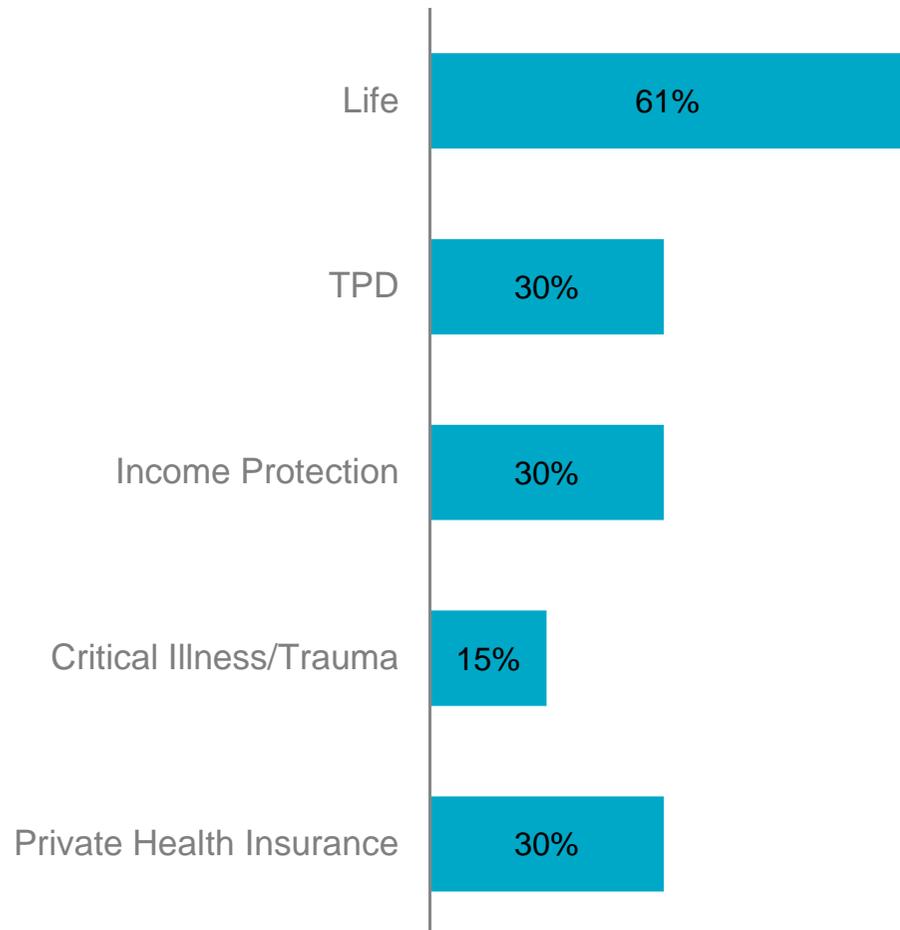
- **Retirement (Mercer)**
- **Insured Benefits (Mercer Marsh Benefits)**
  - Death and Total & Permanent Disablement (TPD) Insurance
  - Income Protection Insurance
  - Critical Illness/Trauma
  - Personal Accident Insurance
  - Private Health Insurance
- **Leave Policies (Individual company HR policies or government legislation)**
  - Parental Leave
  - Annual Leave
  - Personal Leave
  - Other Leave Policies



# New Zealand Overview

## Benefits Offered by Leading New Zealand Employers

Benefit type ■ % of Organisations



Minimum Headcount Requirement for Group Cover: 5 for all covers

# Retirement

**NZ Superannuation** offers a Defined Benefit plan, funded by general taxation for a universal weekly pension to all New Zealand residents who attain 65 years of age and meet eligibility

- Types of Superannuation plans in NZ:
  - **Kiwisaver** (Commenced in 2007 – now most common in the market)
  - **Employer Superannuation schemes** - Supplementary pension plans which are employer funded. The launch of KiwiSaver has affected many existing company-provided retirement (super) plans. Most standalone schemes are now closed to new members

## KiwiSaver:

**KiwiSaver** Commenced in 2007 - a voluntary, work-based savings initiative to save for retirement. Saving's include regular defined contributions from your employer and annual Government funded contributions or tax credits. Things to note:

- Offering KiwiSaver to all employees commencing employment is compulsory for all employers, but new employees can opt out of KiwiSaver and existing employees can opt in if they so wish.
- Most KiwiSaver members build up savings through regular employee and employer contributions from pay
- Minimum company contributions are 3% of taxable income. KiwiSaver members contribution can be 3%, 4% or 8% of taxable earnings (default 3%). 60-83% of employees contribute 3% (i.e. – more senior level employees are likely to contribute 4%)
- Employees can choose their own preferred KiwiSaver provider
- When you can get your money – 65 yrs. old - at retirement or on agreement of financial hardship or deposit for first home

## Insured Benefits – Main Benefits provided by Employers

### *Life and Total & Permanent Disablement (TPD) Insurance*

- Principal Life Insurance benefit covers death and Terminal Illness for most causes including suicide with automatic acceptance limits and no medical underwriting.
- TPD is hard to claim due to policy wordings and can be either own or any occupation definition of disability
- Companies can provide a Life and Total Permanent Disablement program through:
  - Company owned policies
  - Superannuation funds
  - Self insured
- 50% of organisations structure the benefit as a multiple of salaries
- Trend to move away from a TPD benefit to a Critical Illness or Income Protection

## Insured Benefits cont'd:

### *Income Protection Insurance (IP)*

- 30% of companies offer some form of Income Protection insurance, noting that all staff are covered for some form of Income Protection due to accident paid for by the New Zealand Government noting that 60% is illness related. These are payable due to sickness, accident or injury and are integrated or offset against any other income received ( i.e. ACC payments)
  - IP benefits are generally defined as a percentage of remuneration. The maximum insurable percentage is usually 75%, no benefit differentiation for executives or senior management. Subject to personal income tax but not FBT applicable
  - Waiting period after disablement before IP benefits begin is typically 4 or 13 weeks.
  - IP cease age is 65
  - ACC (Accident Compensation-government funded) provides compensation for personal injuries caused by accident or injury (both workplace and non-workplace)
  - ACC is funded by Employees and Employers, based upon levies set at an occupational basis per business.
-

## Insured Benefits cont'd:

- ***Critical Illness – not currently available in Australia under a group plan***
- A tax-free lump sum payable upon diagnosis of a listed medical event or serious illness, with no requirement for absence from work.
- Critical Illness Conditions are across five main categories, namely Cancer, Heart and Arteries, Brain and Nerves, Loss of Function and Other Health Events.
- Typically Cancer, Heart Attacks and Strokes make up the vast majority of all Critical Illness Covers.
  - A 3 month stand-down period applies to specified Critical Illnesses, which includes amongst others, the following: Strokes, Cancer, Chronic Liver Disease, Heart Attack and Multiple Sclerosis.
  - A 14 day “survivorship” provision applies to certain events.

# Main Employee Benefit Programs in New Zealand Overview



## Insured Benefits

- Group Income Protection insurance
- Group life and permanent disability insurance
- Group Critical Illness insurance



## Health & Wellbeing

- Subsidised private health insurance
- Voluntary private health insurance
- Health risk management and wellness



## International Benefits

- Inpatriate/Non-Resident health insurance
- Expatriate health insurance
- Global/regional benefits management
- Multinational pooling



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CONSULTING, ADMINISTRATION & BROKING



INNOVATIVE  
ADVICE



INTELLIGENT  
BROKING



INSIGHTFUL  
CONSULTING

# Health Insurance Market



## Insured Benefits cont'd:

- **Health Insurance**

### Market Practice for Employee Benefits

Employers to fund a base level of “in hospital” cover as well as Specialist and Diagnostic Tests.

Employee have the option to enhance their personal cover by adding immediate family members or selecting additional add-on modules at their own expense

### Who is Eligible?

- are a New Zealand or Australian citizen
- are a New Zealand permanent resident
- have applied for permanent residency (some conditions apply)
- have a valid work visa for 2 years or more and eligible for the New Zealand Public Health System
- are covered by a Reciprocal Health Care Agreement with another country

### New Zealand Public Health System

Government funding of health and disability services means that eligible people may receive free inpatient and outpatient public hospital service, subsidies on prescription items and a range of support services for people with disabilities in the community.

- Accident Cover – ACC
- Hospital visits
- Notifiable infectious diseases
- Pregnancy Services
- Residential care
- Services for Pacific Island people
- Visiting a dentist
- Visiting a doctor

# New Zealand Overview

## Health Cover Modules

### Specialist and Tests

- The Specialist Option covers you for specialist consultations and diagnostic procedures that don't result in hospitalisation.
- There is no excess for this option.

### GP

- The GP Option is perfect for those wanting to cover some of the day-to-day healthcare costs such as:
  - GP visits
  - Nurse consultations
  - Prescriptions
  - Physiotherapy
- There is no excess on this option.

### Vision and Dental

- The Dental and Vision Option is ideal if you have regular trips to the following examples:
  - Dentist,
  - Audiologist
  - Optometrist
  - Prescription Glasses and Contact Lenses
- There is no excess on this option.

# New Zealand Overview

## Canstar Blue Ratings – Health 2020

### Most Satisfied Customers Award

Rated brands	Overall satisfaction*	Value for money	Communication	Claims lodgement	Claims process	Quality of service	Clarity of policy	Claims outcome
	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
	★★★★☆	★★★★☆	★★★★★	★★★★★	★★★★★	★★★★☆	★★★★☆	★★★★☆
	★★★★☆	★★★★☆	★★★★☆	★★★★☆	★★★★☆	★★★★☆	★★★★☆	★★★★☆

# New Zealand Overview

## Southern Cross



New Zealand's main private health care provider since 1961

<p>NZ owned, <b>not-for-profit</b>, values-based organisation</p>	<p>Leading New Zealand health insurer – 50 years' experience, constantly innovating and growing</p>	<p>NZ's favourite health insurer – over <b>850,000 members</b> and almost <b>4,000 business clients</b> incl. over 90% of New Zealand's top 100 businesses<sup>2</sup></p>
<p>Sustainable – managing healthcare costs through our Affiliated Provider programme</p> 	<p><b>Most trusted health insurer</b> – trusted twice as much as the public health system<sup>1</sup></p>	



For every \$1 paid to us in premiums, we paid out an industry leading **92 cents in claims\***

**Special deals for members on everyday health products and services such as dental care and optometry**



**Member discounts** – from Southern Cross Travel Insurance, Southern Cross Pet Insurance and Southern Cross Life Insurance

Provision of **free ACC claims assistance** for declined ACC claims

Child rates up to 21 years of age, **third and following children free**



# New Zealand Overview

## nib



- New Zealand's second largest private health care provider since 2012 in New Zealand

Provides cover to over 1.5 million people across NZ and Australia

Over \$157 million and 100,000 claims paid every year

First Choice Network to help with medical inflation and claim cost

Supports over 2,000 service interactions every weekday

Enables members through different programs to lead a healthier life

# New Zealand Overview

## UniMed

New Zealand's private health care provider since 1979



New Zealand owned mutual organisation

### CLIENT CHOICE

- Customers choose where they want to be treated
- Customers choose who treats them

### PERFORMANCE

- Most claim refunds deposited within 24 hours
- Most prior-approvals done within 48 hours



#### A BETTER EXPERIENCE

A wide range of experience, with most claims handlers having many years in the industry



#### TRULY PERSONAL

A personal service; building relationships with our members is important to us



#### FAST TURNAROUND

Quick turnaround times, 2-3 days for general medical conditions, frequently paid on the same day we receive them



#### REPUTATION TO MATCH

Our members appreciate our reputation for quick and easy claiming



#### EASY PAYMENT OPTIONS

No payment hassle, direct payments arranged to providers, such as hospitals or medical practitioners

### STRENGTH

- A (Excellent) Financial Strength Rating From AM Best
- Top 3 in NZ for group health schemes
- Top 4 in NZ for lives covered
- Over 40,000 lives - Over 400 groups
- Mutuality - Lower Premiums
- Low expense ratio

# New Zealand Overview

## Private Health Insurance



- Private Health premiums are increasing at around 6 times the rate of general CPI currently
- Medical inflation is currently sitting at between 6-8%
- Health insurance premiums are age and sometimes gender rated and depending on the size of the plan can be claims experience rated
- Private Health premiums are usually guaranteed for 12 months only
- Private health insurance runs in conjunction with the public health system and not as an alternative
- Health Insurance benefits consistently rates high on employee benefits wish list
- Fringe Benefits Tax (FBT) is payable on health insurance and a major disincentive to employers funding plans

# New Zealand Overview

## Industry and Employer Challenges



### Absenteeism

New Zealand lost 7.4 million working days at a cost of \$1.79 billion in 2018

One third of employees believe they will suffer greater stress when their colleagues are absent due to a serious condition

### Presenteeism

Presenteeism occurs when employees can't fully function at work due to medical conditions

40% of New Zealanders turn up to work despite being sick

### Company costs:

#### Direct Costs:

Sick pay (with zero output)  
Overtime paid to other employees  
to cover absence or hiring temp staff

#### Indirect Costs:

More administration for HR/Payroll  
Negative impact on other employees (stress, morale,  
missed deadlines)  
Lapse in quality due to overworked employees and  
poorly trained substitutes  
Upset customers who have missed timelines due to  
service quality issues

## New Zealand Overview

### COVID-19

- New Zealand insurance companies have not added exclusions to the Life and Disability benefits related to Covid-19.
- Medical cover is provided under the New Zealand Public Health System and not under the Private Health Insurance.
- New Life and Disability plans may have questions regarding members for example, travelling overseas for work

# New Zealand Insurer Market and Benefits Landscape



## New Zealand Overview

### Who is offering benefits?

#### Industries Offering Rich Benefits

- Dairy
- High Tech
- Professional Services

#### Organisational Values

- Paternalistic employer
- Driven by a genuine desire to look after their people
- Company list 'People' as a key value

#### Unionised Industries

- Construction / Mining
- Manufacturing / Distributor
- Energy / Utilities
- Primary Producer



#### International

- New Zealand headquartered companies with overseas presence
- Overseas headquartered companies with New Zealand presence and employees

# New Zealand Overview

## Insurer Market

### Life and Disability



- AIA acquired Sovereign in 2018, merger in process
- ANZ sold OnePath to Cigna in 2018, and have completed merger
- Reduced risk appetite from insurers leaving some tenders with a small number of participating insurers
- Insurers take 2 to 4 weeks to quote on new business

### Domestic Health



- Southern Cross strongest current offering and largest insurer with approximately 65% market share.
- nib 2<sup>nd</sup> largest with approximately 15% market share
- UniMed has approximately 8% market share
- Remaining providers with 12% market share

### International Health/Personal Accident



- Lines placed in the general market so can also be managed by general broker. Not exclusive to MMB
- Wide fluctuation in risk appetite and pricing
- Much more customisation on policy design when compared to Life market

# The benefits landscape is changing

## Employers are struggling to keep pace



# New Zealand Overview

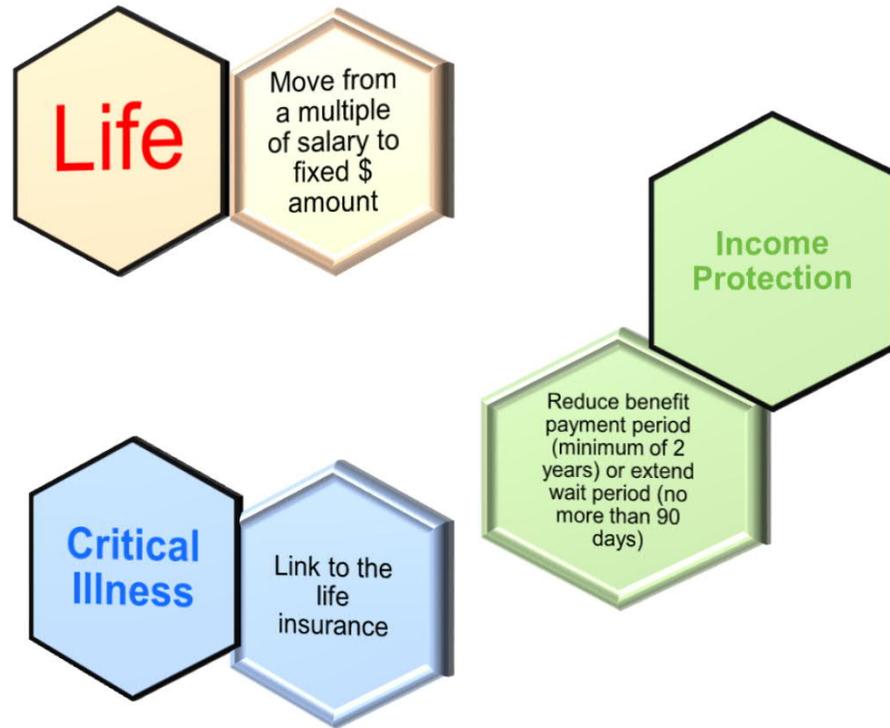
## Cost Containment

### Benefit Design



Health

Reduce benefit to base hospital cover only  
Funding for employee only



## Claims Management & Wellness

Wellnz delivering ACC Accredited Employers Program for injured employees; also able to manage non-work related injuries from a rehabilitation perspective

### WHY CHOOSE WELLNZ?

- 20+ years experience
- Best performing third party administrator
- Unique case management model
- Client centric focused
- Better return to work outcomes



# MERCER MARSH

## BENEFITS™

### ABOUT MERCER MARSH BENEFITS

Mercer Marsh Benefits provides clients with a single source for managing the costs, people risks, and complexities of employee benefits. The network is a combination of Mercer and Marsh local offices around the world, plus country correspondents who have been selected based on specific criteria. Our benefits experts, located in 135 countries and servicing clients in more than 150 countries, are deeply knowledgeable about their local markets. Through our locally established businesses, we have a unique common platform which allows us to serve clients with global consistency and locally unique solutions.

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