



Concentration of risk Questions & Answers

An essential part of any group risk insurer's responsibilities, and indeed an important FSA requirement, is to understand and manage risk.

The vast majority of life claims paid are single claims due to accident or natural causes. Occasionally multiple claims occur, for example as a result of terrorist activity, an air accident or a natural event. For any employer, the worst situation is where a significant number of their employees lose their life as a result of a catastrophic event.

At Canada Life, we have recently reviewed our exposure to Concentrations of Risk i.e. where significant sums assured for clients are covered in close geographic proximity.

We have produced this document to answer some possible questions about how this risk will be managed for your clients in the future.

Q1 Are event limits to apply across all Canada Life products?

No. It only affects Group Life business.

Q2 Why are you changing the way you determine event limits?

We are explicitly linking event limit(s) granted on a policy to the current location of members. The limit will usually be set at 25% more than the Total Sum Assured at a location, subject to a maximum. By managing risk more precisely Canada Life hope to cover other clients in the same and nearby locations.

Q3 Will there be a reduction in event limits?

We will aim to provide a postcode event limit set at 25% more than the Total Sum Assured (TSA) at a location. If the TSA is small, that may mean a reduced event limit from that previously provided, but one that will cover the entire scheme risk at that location with considerable room for growth. That will allow us to cover other clients in the same and nearby locations.

In some cases, if we are already on risk for a significant number of clients in one location, we may need to provide an event limit lower than the usual value (see Q2) to ensure we appropriately manage our own risk.

Q4 Do your event limits apply per policy?

No, event limits are applied to all Group Life policies insured by Canada Life for a client and at each postcode that the client operates.

Q5 How do you define a client?

For these purposes we treat a client as being all the companies, partnerships or organisations which together form all or part of the same group for corporation tax purposes.

Q6 When will you look to apply your new approach?

- For **new business** placed with Canada Life on or after 1 September 2009.
- For **existing business** at the next rate review on or after 1 December 2009.

Q7 Your new limits are being calculated on the postcode of the membership. What postcode are you going to use?

We will use the full postcode appropriate to an individual's normal place of work.



Q8 What is an individual's normal place of work?

The location at which they usually carry out their work duties. This will not normally be the employee's home address. If an individual works regularly at multiple locations we would need to know the location that they work at most of their time.

Q9 Have you made any changes to the definition of a 'catastrophic event'?

Yes. The definition of a catastrophe is now being classed as four or more lives, defined in our policy conditions as:

'one originating cause, event or occurrence or a series of related originating causes, events or occurrences resulting in the deaths of four or more members, irrespective of when or where the members die'.

Q10 How are you going to advise the revised limits?

All quotes will show the client specific postcodes event limits. These limits will also be detailed within the Policy Document.

Q11 What will the new event limits be?

We will look to offer limits that are appropriate to the risk insured and so aim to set limits as the TSA at each location plus 25% to allow capacity for growth. The limit would be subject to a normal maximum of £100 million. There will be a minimum of £10 million (£5 million for EC or E14 postal areas) for any postcode locations not notified.

Q12 How are you going to calculate the new limits?

The limit granted will be based on the exposure Canada Life holds at the specific postcode where the members work. The allowed limit will also depend on what other risks Canada Life holds in the same area/postcode.

Q13 What happens if the total sum assured at a particular postcode increases?

When setting a limit we will aim to allow a higher sum assured than is immediately required to a maximum of 25% in excess of the TSA at quotation.

Q14 My client is expecting to grow rapidly over the next few years – can you offer a higher event limit?

If given an indication of planned growth we can look to provide quotation terms for unit-rated schemes that will allow for a higher event limit and rate stability for a two year guarantee period.

Q15 In light of the changes, will you require additional information from the client?

Yes. We already get geographical locations of the workforce. Moving forward we will require the information broken down by full postcode for each member. Many clients are already providing data with this information, particularly for clients operating in London.

Q16 Following the introduction of limits, will you still guarantee quotes for 3 months?

Yes, in the majority of cases. However, where the membership is located in an area with limited capacity (known as 'hotspots') the quote will be guaranteed for one month; this will be made clear on the quotation.

Q17 Can the quote be extended on request?

Yes, you will be able to extend the quote subject to capacity still being available.

Q18 Will you confirm when and what your exact requirements are for existing business?

Yes, this will form part of our normal annual revision pack, which is normally issued 3 months in advance of the rate review date.



Q19 What will happen if the postcode information is not provided for a quote for business not insured with Canada Life?

We will request the additional postcode information. Where this cannot be provided promptly we will issue illustrative quotes offering our minimum event limit for all locations. Full information will be required before risk can be assumed.

Q20 What will happen if the information is not provided for an existing Canada Life client?

For cases already insured by Canada Life if the information is not received within 3 months of the rate review date, we will apply our minimum postcode event limit of £10 million (£5 million in EC or E14 postal areas).

Q21 Can we provide postcode information without membership data?

Yes, we can make an initial assessment of the risk and assign event limits. This will ensure an event limit is assigned if full rate review data is not available.

Q22 Will you stand by limits shown when indicative rates are provided?

Our quotations will continue to have a guarantee (see Q16). Normally rates and event limits will not be affected by membership changes of up to 15%. Our full 'review' criteria are printed on the quote produced and have not changed.

Q23 Are you willing to accept first 3 or 4 digits of postcode?

No, this will not be sufficient to identify the location accurately enough to determine the event limit allowable.

Q24 Is postcode information required for each member on Single Premium costed schemes?

Yes, because we will calculate the event limit in exactly the same manner as we do for unit rated schemes.

Q25 As you don't currently issue quotes on existing Single Premium cases how are you going to inform us of the imposed limits?

The limits will be shown within an updated Policy Document, which will be provided at the same time as the annual revision accounts.

Q26 Where data has not been provided on a scheme for a number of years, will you still allow the 'old style' event limit?

No, the new minimum will be applied if the postcode information is not received within three months of the next review date.

Q27 Our client previously provided postcode data and has postcode event limits above the minimum. In future years will you stand by the previous limits if data is not provided within three months of a review date?

Yes, but these will not be increased until such time as data has been received and we have been able to re-assess the limits.

Q28 Will you look to review the limits if the risk is amended on a scheme?

Yes, if this affects the location or sums assured of any of the existing membership. We will also need to assess the limit allowable if any new groups or companies are added to the scheme.

Q29 You are now imposing an event limit on business travel. Can this limit be increased?

Yes, subject to our agreement this can be increased as a 'one off' or we may provide a higher amount on a permanent basis. An additional premium may be required. Please contact us at least two working days in advance if this cover is needed.

Q30 When would the Business Travel Limit take effect?

When those travelling together commence their journey.



Q31 How will Canada Life assess the event limit at a location?

If you have a single site and the event occurs there, then we will simply assess the maximum amount payable in relation to the catastrophe limit at that location.

If you have multiple sites and only one location is affected then any deaths that occur at that location will be assessed against the catastrophe limit at that location (whether the members who have died are normally based at that location or not).

If you have multiple sites and more than one location is affected, then the deaths at each location will be assessed against the catastrophe limit at each location, however we will limit the combined maximum amount payable to £100 million.

Q32 What happens if the event occurs away from the normal place of work?

If an event takes place at a location which isn't the normal place of work but within 800m of a declared location, the location limit will be used.

If an event takes place at a location which isn't within 800m of the normal place of work, the travel limit will be used.

Q33 My client is holding a conference away from the office. They are travelling separately but are together at the conference. What event limit will apply?

The travel event limit of £20 million will apply and will cover many such situations. If a higher limit is required please contact us at least two working days in advance and we can assess an increased limit based upon the end location.

Q34 My client employs home workers. Do you want their home postcode?

We would prefer these postcodes if you are able to provide them. However we can also accept data that shows these as home workers and apply the minimum event limit of £10 million (£5 million in EC or E14 postal areas). For home workers this will usually be sufficient.

Q35 My client has employees who work on sites that change on a regular basis. What should we show on data?

If these employees have an office base you should normally give that postcode.

Cover at any regular site will be given at the minimum event limit of £10 million (£5 million in EC or E14 postal areas) as standard, but this can be increased if you have details. Occasional visits to sites are covered under 'travel'. We will be able to offer different policy terms for companies with many employees in this situation e.g. civil engineers.

Q36 My client has employees who have been seconded abroad. They do not have a UK postcode?

We will usually accept data showing city and country. If cover in a city overseas is over £10 million we may ask for more details.

Q37 My client has employees who work on oil rigs. They do not have a UK postcode?

We will require data showing the oil rig on which they work.

Q38 How will event limits apply on CLASS?

Postcode event limits will not be shown on CLASS policy conditions. The event limit for each location you advise will be the sum assured covered at that postcode plus 25% subject to a maximum of £100 million (£50 million in EC or E14 postal areas).

Q39 Will CLASS quotations be available in all locations?

In some areas where capacity is limited (known as 'hotspots') your CLASS quote will be referred to our underwriters for review. We may need to decline the risk or offer a non CLASS product with a lower event limit.



Q40 Now that Swine Flu has been declared a pandemic would an 'Event Limit' be applied?

No. We will not apply an 'Event Limit' regarding the Swine Flu pandemic.

Q41 Have you imposed any travel restrictions on policies because of Swine Flu?

We have no restrictions on overseas travel within our policy conditions.

If you have any further questions please speak to your usual account manager or contact us on **0845 223 8000**.

Our forms are available to download from our website: www.canadalife.co.uk/group

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GRP640 – 809R



Canada Life Limited
3 Rivergate, Temple Quay, Bristol BS1 6ER
Telephone 0845 223 8000