

Maternity risks – are you prepared for long term absence?

The Senior Underwriter at The Education Broker talks about how a maternity risk could affect your budget and what you can do to protect your school...

In April, the maternity budget is being delegated to our school – do I need to spend this money on maternity insurance?

You can either self insure putting the money aside for maternity absence and carrying it over to next year's budget if you don't use it. Alternatively, you can buy commercial insurance.

So I don't have to spend it on maternity insurance but it's a good idea to keep it back even if a pregnancy doesn't occur?

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Yes, the money is given to you for that provision and if you have a risk it will catch up with you at some point.

Can any school buy commercial insurance?

Absolutely, it's worth checking whether your schools forum have requested the LA run a specific maternity scheme, if not then you should approach the commercial insurance market. Be aware, in the commercial insurance market you will probably only be able to buy a maternity product alongside a staff absence insurance policy. This is because the cost involved in someone going on maternity leave is perhaps not as great as you first think.

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What happens behind the scenes is that the

LA reclaims a large proportion (92%) of the statutory element of the maternity pay, leaving you to pay the replacement member of staff with what was originally allocated in the budget. So if you take an average teacher on a £28,000 salary, there is only £4,500 worth of cost. Compare this to a teacher who is absent with stress for a full year, which could cost more than £20,000. Sickness is more frequent and over a long period, more costly than maternity absence.

How do I claim statutory maternity pay?

That is carried out for you by the people who offer your pay roll services, every month they prepare a NI statement and bill, then they will take account of the 92% reclaim of the statutory maternity pay.

So if I am looking at buying an insurance product, how would I know how much it is going to cost?

There are probably one or two approaches an insurer can take, some will quote a flat percentage on top of their supply teacher insurance premiums and some will base the price on risk and request the age profile of your female staff. Those that are offering cover that will meet the risk are likely to do the latter, as that is the biggest single signifier of how likely you are to make a claim in a year.

But what about men, they may go off for paternity leave or adoption cover?

From the claims that we have seen, adoption leave is largely taken by females and is a small proportion of the leave taken. Paternity leave is a relatively small liability offering a maximum of 10 days leave, which will have a much smaller impact on the budget than a maternity or a sickness claim.

Will you consider adjusting the cover to support the shared maternity leave if both parents choose to take it?

When we know the exact details of the legislation we will update the policy. We will ensure we are involved in the consultation and once this is complete and the government announces its intention, from 1st April 2015 we aim to have a product that is ready to issue.

So at the moment, when I am buying maternity insurance, I don't have to pay for male members of staff?

For the Education Brokers products, That's correct.

Do we have the option to remove maternity from a policy throughout the year, or is it one big decision we have to make now?

I think to chop and change your decision about maternity cover would

“...to chop and change your decision about maternity cover would be to waste money”

waste money, so it is wise to make the decision at the beginning of the year. However, if you were to decide it is something you no longer wanted, then provided you hadn't made a claim, we could allow a return premium for some of the maternity costs.

I would urge everyone to be making the decision for the long term, particularly because **most maternity cover has a qualifying period in it**, during which you are unable to claim because it would be regarded by the insurers as a known event. Many insurers will not pay a claim if the due date is less than 9 months after the start of the maternity cover (known as a moratorium period). Other insurers will base the moratorium on when the school is most likely to have been notified and provide a

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7 month moratorium. If you take out a short term policy, you are never going to get through the

moratorium period so you are never going to get the value of the cover.

What happens if the baby is born early and falls within the moratorium period?

Our policies work from the expected due date decided by the doctor, if you have an early birth it doesn't change the expected due date, therefore there is no impact.

At the moment we review our policy every year, with maternity the moratorium takes up a large proportion of that, so should we review less often?

You need to make sure that what you are going to buy will deliver what you are expecting; some policies only pay once the person has returned to work, which in most cases would be in the second year. As a result you have had to notify the insurer prior to the renewal date, to make the claim after the renewal date, so you have to have a lot of certainty of the terms they are going to offer you at renewal, to ensure the school actually benefits from the cover. There is the potential for the insurer to manipulate premiums accordingly, so that needs to be carefully thought about.

Some insurers are very transparent about it, they will charge you a fixed percentage of the premium in the first year because of the moratorium clause, and charge 100% of the premium then in the second year. As long as you stay insured with that insurer you will have continuous cover for your maternity losses.

Is there anything else you think I should look for?

The other issues you may want to take into account are actually not about the maternity cover, but instead the sickness cover. Most insurers will include cover for maternity related illnesses but often have a clause that they will exclude illness as you get closer to the due date. The very best terms I have seen are policies that will stop paying these claims 4 weeks prior to the expected due date, because at this point it is possible for the school to oblige the staff member to start their maternity leave. But some other policies, maternity related illnesses can be excluded from 20 weeks, which result in 16 weeks of absence. A claim for 16 weeks absence is about £12,000 compared to £4,500 for the maternity short fall.

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Some policies offer maternity suspension, for

if a teacher is advised not to work because of their health during pregnancy or because of a health condition at the school such as an out break of slap cheek, they are advised to be away from work. Some policies will also pay those claims, so there are some extra benefits you could secure.

How would we be sure our maternity insurance covers the costs of a supply teacher?

The cost of the supply teacher is covered by the budget originally allocated to pay the salary of the teacher on maternity leave. Maternity insurance covers the shortfall between what you can claim back by paying reduced NI contributions which is effectively 92% statutory maternity pay. So the difference between that amount and the occupational maternity that a teacher is entitled to in their contract will equate to about £4,500.

You may be able to choose a replacement member of staff in a long term temporary contract on a lower pay

rate, where you would be making an additional contribution to the budget, or you may pay slightly more for the replacement teacher than the person who is on maternity in which case you will have a small deficit, but the amounts involved are relatively minimal. The purpose of the £4,500 is to plug the gap that you know you are going to have and make sure that you are in the best possible position.

If we have a teacher that is a part-time member of staff, do we receive part of the payment?

That is correct, we make it proportionate to the staff member that is going on leave.

If I buy a policy that will give the school more than £4,500 that will allow me to employ a teacher which is on a higher salary than the original teacher who is off.

Some of the policies that are available say in the small print they will only pay the shortfall. There are policies out on the market that use headline figures such as £10,000 but if your actual short fall is only £4,500 despite the fact you bought a policy that said £10,000 you may still only get £4,500. One needs to be very careful about the small print.

Should you want to cancel your policy whilst someone is on maternity leave, some policies will pay you pro-rata of the maternity leave claim, other policies will not pay until the staff member returns to work and you will get nothing.

Also some insurers will only pay a maternity claim if the staff member returns to work on exactly the same terms and conditions, including the FTE (Full Time Equivalent). As most people coming back from maternity leave will choose to reduce their hours, it is unlikely you will receive a payment.

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When should we expect to receive payment? A teacher may become pregnant in one budget year, go off in the next budget year, and return in the following budget year, which budget year will we receive payment?

The earliest I am aware of is after 18 weeks of maternity leave being taken, but it varies. Generally speaking, policies that look to pay on the return to work are the ones that you should pay particular attention to the small print on. You need to be careful as they will not pay anything at all if you are not insured for maternity at the date which they say they will pay the claim.

There sounds like quite a lot of things to look for, how much time do I need to spend looking at maternity insurance?

Well I am bound to say if you were to engage with someone like The Education Broker to look for your quotes, they would make it simple for you by highlighting the differences between the policies they offer. If you look outside the products they offer obviously somebody has got to make that comparison for you. However, you can use the key differences from The Education Broker, and use those to ask questions to alternative providers. So it should be quite easy for you to establish what you need to know.