



# Comprehensive Claims Management

## Proportionate Benefit – Information for Employers

Because everyone needs a back-up plan



Proportionate Benefit helps claimants to return to work on a partial or gradual basis in either their own or an alternative occupation. Claimants should be financially better off by returning to work part-time, but still have a financial incentive to return to full-time work.

### The main principles of proportionate benefit are:

The Employer should pay salary to the employee for the work undertaken in addition to our benefit.

We will reduce our benefit by a percentage equal to the percentage of salary received (e.g. if the claimant receives 40% of their salary, we would pay 60% of their benefit).

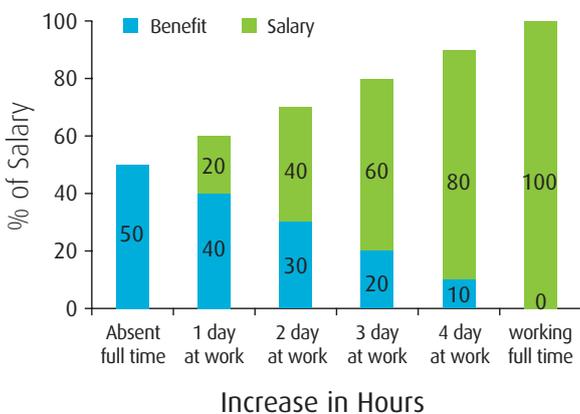
The total money received by the claimant will increase as the weekly hours worked (or duties undertaken) increases (and vice versa).

Proportionate benefit cannot exceed Basic Benefit.

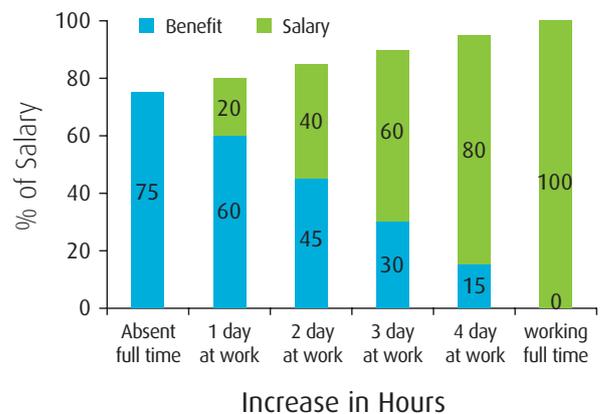
Please note: The below graphs are basic examples reflecting an average working pattern of 5 equal days per week to represent the “philosophy” of proportionate benefit and as such does not cover salary enhancement, benefit escalation, or state benefits.

**Your Claims Management Specialist will calculate the proportionate benefit payable in each case, based on the employee’s return-to-work plan. If you would like to know the level of proportionate benefit payable in any specific instance, please contact your Claims Management Specialist who will be happy to provide a calculation.**

Benefit Basis 50% of Salary



Benefit Basis 75% of Salary



Proportionate benefit example

## Proportionate Benefit Example

Proportionate benefit is calculated using the following formula:

### Proportionate Benefit =

$$\frac{\text{Enhanced Pre-Incapacity Salary - New Salary}}{\text{Enhanced Pre-Incapacity Salary}} \times \text{Full Benefit}$$

### The Terms:

#### Enhanced Pre-Incapacity Salary:

This is the pre-incapacity salary enhanced by the increase in the Retail Prices Index from the Date First Absent to the Date of Return to Work.

#### New Salary:

This is the salary earned for the new role / work undertaken. This may be a new full time role but with less responsibility, or it could be the same or new role but on fewer hours.

#### Full Benefit:

This is the amount of basic benefit payable if the employee had not return to work.

Where a deduction has taken place for ESA Benefits (or state long term incapacity benefit), this is added back in to the full benefit figure.

For Net Pay, **full benefit** is re-calculated using the 28 or 41 week rates with no ESA deduction.

The full benefit figure will include any escalations due on the claim. Escalation is calculated after the ESA has been added back in.

### Example:

Mrs Brown's pre-incapacity salary was £30,000 per annum.

The **enhanced pre-incapacity salary (EPIS)** is £30,000 multiplied by the increase in RPI from the Date First Absent to the Date of Return to Work—assume 3.5%

$$\text{EPIS} = 30,000 \times 103.5\% = \mathbf{£31,050}$$

Mrs Brown's benefit is 50% of her pre-incapacity salary less ESA Benefits (assume £4,000):

$$\text{Benefit} = £15,000.00 - £4,000$$

$$\mathbf{\text{Basic Benefit} = £11,000}$$

**Full Benefit** is the benefit with the ESA benefits added back in plus any escalation due to the date of the return to work (assume 3%)

$$\mathbf{\text{Full Benefit} = (£11,000 + 4,000) \times 1.03 = £15,450}$$

Mrs Brown's **New Salary** while working part time is **£12,000.00**.

### The Calculation:

$$\text{Proportionate Benefit} = \frac{\text{EPIS} - \text{New Salary} \times \text{Full Benefit}}{\text{EPIS}}$$

$$\text{Proportionate Benefit} = \frac{£31,050 - £12,000 \times £15,450}{£31,050}$$

$$\text{Proportionate Benefit} = \mathbf{61\% \times £15,450}$$

$$\text{Proportionate Benefit} = \mathbf{£9,425}$$

## What is the Difference?

	Working Full Time (pre-incapacity)	Absent Full Time	Return to Work Income	Working Full Time
<b>Salary</b>	£30,000	0	£12,000	£31,050
<b>Basic Benefit</b>	0	£11,000	£9,425	0
<b>ESA Benefit</b>	0	£4,000	0	0
<b>Total Income</b>	<b>£30,000</b>	<b>£15,000</b>	<b>£21,425</b>	<b>£31,050</b>

Please refer to Unum's Technical Guides for full details of proportionate benefit.

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