

## The Importance of Group Salary Continuance Insurance

The practice of good management is about identifying and solving problems before they ever arise. Interestingly one of the common management issues we come across with our clients that is often overlooked is the planning to deal with the not uncommon event of employees becoming seriously ill or injured and having to be off work for an extended period.

Being suddenly faced with the problem of an employee who is unable to work for an extended period can be a major problem for an employer!

The problems are:

- ✓ Do you continue to support them past their statutory entitlements? If you do, for how long? What about setting a precedent that may not be appropriate for all staff?
- ✓ Should you terminate them at the end of the statutory entitlements period? Does this create an equally difficult problem with the remaining employees?
- ✓ If the person who is ill is key to your business, could you afford the risk of them recovering and returning to work for someone else?

All these are real problems that happen every day! Some employers cope with the issue very well yet many find themselves facing a series of conflicts involving financial responsibility, maintaining staff moral, retaining key skills in the business.

The key for companies to manage this difficult event is planning. Those companies that have thought about the issue and developed a strategy are able to minimise business distraction and financial obligations.

What a company may choose to do will vary based on their own circumstances. Some employers choose to do nothing and terminate employees when statutory entitlements expire, which is not an unreasonable approach for certain circumstances. Most importantly however if an employer decides on this approach is to ensure they communicate the decision to their staff clearly and in writing. The reality is that Australians assume there will be support from their employer should the worst occur. This is evidenced in the massive divide in the purchase rate of disability insurance cover between employees and the self employed. It is this mismatch between expectations and reality that cause so many problems for employers.

An alternative strategy that many employers are turning to is implementing their own salary continuance program. This is an insurance policy that covers all the staff and management against loss of income due to illness or injury. Because such program is purchased on a group insurance basis they are extremely cost effective with effective solutions available for less than 1% of insured payroll.

### *Finserve Private Clients*

If you wish to explore the benefits of group salary continuance insurance consult an adviser on **02 9957 2544** or **info@finserve.com.au**