MARSH

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Employee benefits market trends (UK)

The latest pricing, claims and legislative trends.



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Overview

Driven by inflationary pressures, rising utilisation and widening healthcare provision, and compounded recently by geopolitical impacts on energy and supply chains, the UK employee benefits market remains in flux.

Our renewal analysis from the last quarter shows the first signs of easing medical inflation: Private Medical Insurance claims rated pricing for large corporates has fallen to +6% and to +7% for age-rated schemes. Protection lines have seen marginal reductions across Group Life, Group Income Protection, and Group Critical Illness.

Despite this easing, early warning signs persist. Sustained Group Income Protection claims above historic norms could push pricing higher if the trend continues, and providers are monitoring experience closely. Employers therefore face a delicate balance: locking in more affordable cover now, while remaining prepared to respond to potential cost pressures ahead.

This report examines these developments in more detail, highlighting where cost relief is emerging, which risks are new or lingering, and what employers should prioritise when reviewing benefits strategy through 2026.



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Market conditions

01

Group Private Medical Insurance[1]

The Group Private Medical Insurance (PMI) market is stabilising after several turbulent years: claim volumes are steady but still above pre-COVID levels. The main pressure for providers is rising claim costs, driven by medical inflation, higher treatment prices and geopolitical factors.

Providers are responding with technology investment, streamlined care pathways, and preventative services to speed up claimant journeys and contain long-term costs. These measures will remain a focus going forward.





Employers face tougher decisions on who to cover and at what level. We're seeing more Merger & Acquisition activity, scheme redesigns, and benefit contractions. Lower-cost, digital-first products (virtual GPs, digital mental-health programmes, online physiotherapy) are being used to broaden access, but they can dilute the overall value proposition and risk harming recruitment and retention. Mercer Marsh Benefits' research shows mental and physical health are top employee concerns, underscoring demand beyond what the NHS can deliver.

For organisations that keep full PMI, rising — and possibly prolonged — treatment costs (notably cancer) must be built into budgets. Regularly reviewing the balance between cost and cover is essential as the market and employee expectations continue to evolve.

At a glance

+6%

Claims rating pricing for large corporates **(down from 11% as March 2026).**

+7%

Age rated schemes for SMEs **(down from 8% as March 2026).**

£1,918

Average cost per claimant is £1,918 **(up from £1,902)**, and around one in three members files a claim. Providers improving care pathways and integrated healthcare could help contain costs even if utilisation increases.

Group Protection[1]

The Group Protection market signals show claims volumes and values stabilising, and some market reviews have identified potential savings.

However, some providers are reassessing pricing for Group Income Protection after a period of increased cancer-related claims. This response isn't uniform, so whole-of-market benchmarking is increasingly important as perceptions of risk vary widely between providers and result in divergent pricing.

The full disclosure of material facts is drawing greater scrutiny at claims stage. Clear capture and reporting of relevant employee health information — beyond just serious illnesses — supports certainty of coverage and speeds up claims handling. Robust absence management and consistent reporting frameworks are therefore critical to reduce delays and disputes.

The group protection market is evolving toward broader employee support that spans before, during and after a claim. Digital services, rehabilitation pathways and mental-health programmes are increasingly embedded in provider value propositions. In a cost-conscious environment, employers should focus on understanding what additional features policies include, how provider services complement wider benefits, and where true value lies versus headline price. Regular, market-wide reviews and a holistic view of cover are essential to balance cost, risk, and employee outcomes.



At a glance

Group Life Assurance

+/- 0%

Across medium and large corporate clients **(up from -3.6% as March 2026).**

-2.5%

For clients with fewer than 250 insured lives **(down from 0% as March 2026).**

Claim volumes are generally decreasing across the condition types we monitor (cancer, heart attack, stroke, and suicide). One provider reported a quarter-to-quarter increase, but this appears to be an outlier versus the wider market. Claim values are steadying.

Group Income Protection

-2%

Across medium and large corporate clients **(down from -1% as March 2026).**

-2%

For clients with fewer than 250 insured lives **(down from 0% as March 2026).**

Overall claim volumes remain stable with early signs of reduction. Volumes by condition (mental health, cancer, cardiovascular, musculoskeletal) show little change; cancer claims remain elevated compared with pre-COVID levels, but do show signs of stabilisation. Claim values are steadying.

Group Critical Illness

Stable

pricing as March 2026. There is no change in either claim volume or claim value for Group Critical Illness.



Cash Plans[1]

Cash Plans continue to see rising demand as employees use virtual GPs and claim more prescription and wellbeing benefits — signalling greater awareness of broader health needs.

Employers continue to adopt cash plans to manage rising PMI costs and broader affordability pressures, driving scheme growth and more company-paid covers over the past 12–24 months.

Providers are shifting from simple reimbursement models toward digitally enabled, preventative propositions. Investment in apps, digital care pathways, and virtual services is increasing, with new focus areas including menopause support, neurodevelopmental assessments, and wider wellbeing programmes. These enhancements aim to improve engagement, speed up access to care, and reduce long-term costs.





Overall, the cash-plan market is evolving into a more holistic, tech-driven part of employer health strategies rather than just a low-cost reimbursements product — making it an increasingly important lever for cost control, employee well-being, and advancing organisations overall employee value proposition.

At a glance

Stable

Core cash-plan use is stable; dental, optical, and physiotherapy drive most claims. As more employers adopt cash plans, we're watching for new users pushing utilisation above historic levels — sustained increases could raise renewal premiums in future years.

Legislation update

02

Defined contribution (DC) pension schemes

Recent developments are reshaping the DC pensions landscape — from the Second Pensions Commission's interim findings on adequacy and decumulation, to the Pension Schemes Act 2026 and forthcoming limits on National Insurance Contribution (NIC) relief for salary-sacrifice (also known as salary exchange) contributions.

The Second Pensions Commission Interim Report

When the second Pensions Commission ('the Commission') was launched by the Government on 21 July 2025, it was set the task of "building a strong, fair and sustainable pension system fit for the middle of the twenty first century", thus "finishing the job" started by the first Pensions Commission over 20 years ago.[2]

The Commission's interim report, "Pensions 2050: Evidence and Future Priorities", was published on 19 May 2026, setting out the scale of the challenge. The Commission will engage with stakeholder groups through 2026 and publish final recommendations to the Government in Spring 2027.

One of the key findings in the report is widespread under saving for retirement. Around 15 million working-age people (about 43%) fall short of retirement income targets set by the first Commission, with Generation X (born 1965–80) particularly exposed.[3] Women, carers, disabled people, and some ethnic-minority groups are especially likely to be under-saving and the report calls for wider public policy to address these disparities.[3] Some people are not saving at all, most notably many of the self-employed.[3]

Automatic enrolment (AE) has increased saving, but not enough for lower and middle earners to achieve adequate incomes in retirement.





This group are more likely to be enrolled at minimum levels. The Commission will examine future changes to AE eligibility, income thresholds and minimum contribution rates to improve adequacy. Any changes in rates would not be for the current Parliament; any reforms would need notice and phased implementation to allow employers to plan.[3]

Pension Schemes Act 2026

The Pension Schemes Bill has now received royal assent to become the Pension Schemes Act 2026. It affects both DB and DC schemes and introduces some significant changes. Many of the measures affecting DC pension schemes were highlighted in our previous report. The changes introduced for DC schemes do not have an immediate impact and will, at this stage, mainly pave the way for consultations on draft regulations and guidance.

The National Insurance Contributions (Employer Pension Contributions) Act 2026

The Government announced in the 2025 Autumn Budget[4] that it is changing how salary sacrifice for pension contributions works. The foundations for this change have now been implemented by the National Insurance Contributions (Employer Pensions Contributions) Act 2026.

We await regulations which will provide the detail.

A word on inheritance tax

The Finance Act 2026 received Royal Assent on 18 March 2026. It brings reforms to Inheritance Tax on pensions into effect for deaths on or after 6 April 2027. These reforms were initially announced in the Autumn Budget 2024.[5]

Default funds and private markets

The Mansion House Compact and Mansion House Accord have accelerated the move to include private market investments in DC default funds. Employers need to understand the trade-offs: private markets could improve long-term returns and diversification but introduce liquidity, timing, and cost complexities that affect member outcomes.

What private markets offer

- Illiquidity premium: private assets are less liquid (usually slow and/or difficult to convert to cash) and investors expect higher long term returns as compensation. With sufficient scale, skill, and access, they could outperform public markets — although this is not guaranteed and with intermittent periods where public markets lead.
- Diversification: private assets are less frequently revalued and can show lower measured correlation with public markets, smoothing headline volatility.
- Complementary risk exposures: e.g., private credit commonly has floating rates and can react differently to interest rate moves versus fixed rate public credit, so holding both can diversify interest rate sensitivity.





- Access to higher growth: private equity/venture capital (VC) can capture parts of the growth curve that public investors often miss.

Key risks and practical mitigations

- Liquidity: private assets are usually slower and harder to convert into cash at fair value. Mitigate by using FCA authorised LTAFs, keeping a liquid buffer and/or restricting private exposure to the growth phase of saving.
- J-curve: early negative returns. Mitigate with secondaries, co-investments, open-ended funds, vintage diversification, and income generating assets.
- Cost: private assets are more expensive than public assets and often include performance fees, which are more complex to navigate.

Market direction

Most peer default funds in our peer group are investing in private markets but there are different approaches, and some have favoured lower risk/return assets, e.g. real estate and debt, over higher risk/return private equity/VC. Premium solutions are also available from some providers, with 20–25% private allocations (vs. ~7% average), but they carry higher costs and greater complexity. Long-Term Asset Funds (LTAFs) are new, so performance records are limited and simulated performance requires scrutiny.

What should you do?

1. Understand your membership profile (turnover, time to retirement, risk appetite, and sustainability requirements).
2. Seek clear asset allocation, liquidity, and fee disclosures across the different phases of saving.
3. Consider whether your default fund should include modest private exposure (c. 5–10%) or a premium option with a larger allocation and weigh the extra cost against potential long term value for members.

At Mercer Marsh Benefits, we can help review your default fund and/or explore private market options. Get in touch for more information.

Navigating the market

03

A case for absence management



With UK absence and its cost base well above pre-pandemic levels,[6] employers face growing long-term sickness risk that drives productivity loss and higher benefit spend.

Group Income Protection (GIP) can be a central tool for managing rising sickness absence. Where employers have GIP cover, employees can access Early Intervention Services (EIS) and Vocational Rehabilitation (VR) to identify issues early, coordinate clinical and workplace support, design graded return-to-work plans, and monitor sustainable outcomes — interventions that directly address the drivers behind the sustained elevated GIP claims noted earlier in this report.

Provider delivery models and clinical capability vary materially. Some providers operate fully in house EIS/VR teams, others use a mixed model (internal management with specialist referrals), and some outsource most services to third party providers. Clinical expertise also ranges from occupational health nurses and physiotherapists to mental health specialists and occupational therapists. These differences affect referral timing, case management quality, the breadth of interventions available, and the claimant experience — all of which influence return to work outcomes and claim duration.

Integration with employer processes is critical. When selecting or moving a GIP provider, confirm how EIS/VR will plug into your HR, line manager and occupational health (OH) workflows, who



owns referrals, expected referral timing, how communications with employees and managers are handled, and the format and cadence of management information (MI). Misaligned processes or unclear ownership can slow interventions and reduce the chance of timely, sustainable returns.

Complementary wellbeing and signposting services — for example, Employee Assistance Programmes (EAPs), digital health platforms, and third sector referrals — add value when they are joined up to a single, clear pathway. Agreeing how these services are signposted and governed avoids duplication, improves employee experience, and makes MI easier to interpret.

At Mercer Marsh Benefits we can help employers benchmark provider capability, map EIS/VR into existing absence management workflows, and mobilise practical, measurable interventions to reduce long-term absence and related claim costs.

Endnotes

1 Please note, pricing and claims trends are in accordance with confidential industry data obtained from Mercer Marsh Benefits' data and provider partners. Pricing movement indicated is the median average rate. Experience will differ from client to client and those with high claims could see renewal pricing well above this level.

2 Finishing the job: Launching the Pensions Commission — GOV.UK

3 The Second Pensions Commission — Pensions 2050: Evidence and Future Priorities — Interim Report

4 Changes to salary sacrifice for pensions from April 2029 — GOV.UK

5 Technical note: Inheritance Tax on pensions — GOV.UK

6 Workplace absence levels soar to nearly two working weeks per employee each year | CIPD

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