

MARSH

March 2026

# Employee benefits market trends (UK)

The latest pricing, claims  
and legislative trends.



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# Overview

The UK employee benefits market continues to experience significant change, reflecting broader shifts in the nation's health landscape.

Driven by persistent cost pressures, evolving employee expectations, and other influential factors, such as the Government's Keep Britain Working report and the Employment Rights Act 2025, the market is poised for a sustained period of change over the next two years and beyond. This report provides an in-depth analysis of the key trends and developments observed during the second half of 2025. It offers valuable insights for stakeholders navigating this dynamic environment.



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# Market conditions

01

# At a glance

## Pricing Trends

### Group Private Medical Insurance

+11%

Claims rating pricing for large corporates (down from 13.4%, as Oct 2025)

+8%

Age-rated schemes for SMEs (down from 18%, as Oct 2025)

### Group Critical Illness:

Pricing remains stable

### Group Life Assurance

-3.6%

Across medium and large corporate clients

+/-0%

For clients with less than 250 insured lives

### Group Income Protection

-1%

Across medium and large corporate clients

+/-0%

For clients with less than 250 insured lives





## Claims Trends

### Private Medical Insurance

Claims incidents are rising overall, but mental health claims have decreased, and cancer claims are now rising at a slower rate

The average cost per claimant has increased 2% to £1,902, with 1 in 3 members making a claim.

### Dental

Claims levels and values are increasing, with higher increases on treatment expected when the NHS costs increase in April. Preventative treatment claims seeing more growth than restorative treatment.

### Group Protection

The volume of Group Income Protection claims remains stable, while Group Life claims continue to decline. Cancer related claims are steady for Group Income Protection but decreasing for Group Life. Claims values are rising for Group Income Protection, with little change in Group Life values except for a drop in cancer related claims.

### Cash Plans

Claim volumes for Cash Plans rose 16% from 2024 to 2025. Dental remains the top benefit, making up around 30% of claims, while physiotherapy, diagnostics, and prescriptions show steady growth.

Please note, pricing and claims trends in accordance with confidential industry data obtained from Mercer Marsh Benefit data and insurer 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.

# Private Medical Insurance

The Private Medical Insurance (PMI) market continues to face ongoing challenges from supply, demand, costs, and changing products.<sup>1</sup> Q2 2025 saw a slowdown in private healthcare admissions,<sup>2</sup> but this does not capture the full picture of PMI benefit use.<sup>3</sup>

Since the COVID pandemic, PMI premiums have consistently increased, mainly due to rising medical inflation.<sup>4</sup> With claims stabilising in the second half of 2025, providers are now forecasting medical inflation to fall below double digits for the first time in five years.



# +11%

Claims rating pricing for large corporates  
(down from 13.4%, as Oct 2025)

# +8%

Age-rated schemes for SMEs  
(down from 18%, as Oct 2025)

# £1,902

The average cost per claimant rose  
2% to £1,902

# 1 in 3

Members making a claim

## Pricing<sup>5</sup>

Claims rated pricing for large corporate clients continues to rise but at a slower pace, dropping to +11% in Q4 2025 (from +13.4% in our last report in October 2025). Age rated schemes for small and medium clients improved significantly, with median increases of +8% compared to +18% previously. However, pricing will vary by client, and those with high claims may face much higher renewal costs.

## Claims<sup>6</sup>

PMI utilisation and claims incidents continue to rise, but, for the first time, claims for mental health are decreasing and the rate of increase for cancer has reduced year on year. While it is too soon to know if this is a lasting trend or just a seasonal change, we will monitor this issue closely in 2026.

Claims spend, which looks at total costs and how they are distributed across treatments, tells a different story. Overall spend keeps rising, with one provider reporting a nearly 20% increase in cancer related costs. However, mental health

spend under PMI is falling. This is possibly due to the greater use of other support services or improvements in mental health, though it is too early to confirm. Use of Employee Assistance Programmes associated with Protection Insurance remains steady.

Across our provider partners and client data, the average cost per claimant rose 2% in 2025 to £1,902, with 1 in 3 members making a claim. This supports the view that PMI claiming patterns are stabilising.

## Premium Impact

Although claims are still rising, the rate of increase is stabilising, leading fewer clients to exceed their budgeted claims funds. While individual results vary, this suggests a return to the predictability seen before the COVID pandemic.

This does not mean that premiums will not rise — claims are still increasing — but insurers expect less volatility in future premium changes.

# Group Protection

The UK Group Protection market remains steady, with stable claims volumes and generally positive pricing trends. While some variations exist between providers and product types, the overall picture points to a market gradually stabilising after recent fluctuations, with encouraging signs of improved mortality and controlled claim costs.



# -3.6%

Medium and large corporate schemes saw a median rate decrease in Group Life Assurance pricing of 3.6% in Q4.

# -1%

Medium and large corporate schemes had a median rate decrease of Group Income Protection pricing of 1% in Q4.

## Pricing

Pricing trends show improvement since our last report.

### Group Life Assurance:

- Medium and large corporate schemes saw a median rate decrease of 3.6% in Q4.
- Small schemes (under 250 lives) remained flat.

### Group Income Protection:

- Medium and large corporate schemes had a median rate decrease of 1% in Q4.
- Small schemes remained flat.

### Group Critical Illness:

Pricing remains stable, though the smaller market size can cause fluctuations.

## Claims Trends

Claims volumes remain stable across major health conditions for Group Income Protection, with only minor insignificant variations between providers. In contrast, Group Life claims have been steadily declining over the past three reports, suggesting fewer working age deaths, though official data is still awaited. Notably, cancer related Group Life claims are also decreasing, while cancer claims for Group Income Protection remain steady.

Regarding claims values, Group Protection providers have limited influence compared to PMI. For Group Income Protection, claim values are generally rising, with fewer clients adjusting their insured benefits to manage costs. Group Life claim values are mostly stable, except for a decrease in cancer related claims. This may be due to lower benefit payments for cancer deaths among lower paid workers, though this remains unconfirmed.

## Premium Impact

The recent positive movement in Group Protection premiums is encouraging, particularly given the ongoing rise in PMI premiums. However, a key concern remains the persistent ill health and absence rates in the UK, which show little sign of improvement. If this continues, it is likely to increase Group Income Protection claims. Additionally, an aging workforce and more people working beyond retirement age may worsen the overall risk profile, which could indirectly lead to higher protection insurance costs.

# Cash Plans

Cash Plans remain a popular, flexible option offered as a fully funded benefit or through flexible schemes. Providers continue to expand beyond dental and optical to include deeper mental health support, virtual GPs, and digital health platforms. The increasing use of technology is improving benefits delivery and claims processing, keeping cash plans affordable and evolving.

Providers regularly update products to meet changing needs, but frequent changes — especially on reward platforms — mean leaders must stay vigilant to keep employees informed.



+16%

Claims volumes rose 16% from 2024 to 2025.

29-30%

Dental remains the most used benefit, accounting for about 29% to 30% of claims.

+8.3%

Physiotherapy claims grew (7.1% to 8.3%)

-6.4%

While chiropractic claims declined (7.5% to 6.4%)

### Key insights

- Claims volumes rose 16% from 2024 to 2025.
- Dental remains the most used benefit, accounting for about 29% to 30% of claims.
- Physiotherapy claims grew (7.1% to 8.3%), while chiropractic claims declined (7.5% to 6.4%), as did those for osteopathy (5.2% to 4.5%).
- Diagnostics and prescription claims steadily increased, matching higher GP and diagnostic service use.
- EAPs were the most used third party service in 2025.
- Top GP outcomes: 38% advice/reassurance, 30% prescriptions and 11% referral letters.



# Dental

The corporate dental market continues to evolve as providers refine and update products to meet workforce needs. This is also being done to cover gaps in NHS access, which affects 14 million adults.<sup>7</sup> Insurers aim to deliver affordable, easy to use plans with benefits that suit both employers and employees. They are placing more emphasis on preventive care and using technology to highlight value and simplify claims.



+2%

Increase in corporate dental book (premium).

+5%

Private dental market expected to grow at a compound annual growth rate of 5% from 2024 to 2029.

### Key insights<sup>8</sup>

- +2% increase in corporate dental book (premium).
- Private dental market expected to grow at a compound annual growth rate of 5% from 2024 to 2029.

### NHS dentistry reform

- England, Scotland, and Wales are reviewing NHS dentistry to improve care through technology and reforms.
- England published its response to the dentistry contract consultation in December 2025, with changes starting in April 2026.<sup>9</sup>
- Scotland released its Operational Improvement Plan in March 2025 and announced increased dental student numbers in January 2026. The aim is to grow the workforce by 2029.<sup>10</sup>
- Wales closed its dentistry consultation in June 2025.<sup>11</sup>
- Northern Ireland has no updates yet.



# Navigating the market

The winners in the current market are those who are disciplined about value, relentless about simplicity, and confident in using benefits as a strategic tool rather than a collection of perks.

See right for our top five tips:

If you require further guidance on navigating the employee benefits market, please [get in touch](#).

## 1 Audit what you already have before investing in anything new

Many employers are paying for benefits that are poorly understood or underused. Start with a clear audit of costs, take up, and outcomes across pensions, PMI, wellbeing, and voluntary benefits. Identify duplication, low value spend, and gaps. This often frees up budget that can be reinvested into higher impact areas without increasing overall cost.

## 2 Prioritise benefits that tackle absence and financial stress

Focus spend where it genuinely reduces risk to the business. These areas include mental health support, early intervention healthcare (e.g., virtual GP and musculoskeletal) and financial wellbeing tools. These are directly linked to sickness, absence, presenteeism, and attrition. They are easier to justify at board level than “nice-to-have” perks.

## 3 Simplify and personalise the employee experience

Complexity kills engagement. Use a clear benefits platform or structure that helps employees understand \*what’s relevant to them\*, when they need it. Where possible, introduce choice — even small amounts of flexibility can significantly increase perceived value without materially increasing cost.

## 4 Renegotiate and challenge providers regularly

The market is competitive, however many employers stay on legacy terms. Regularly test pricing, underwriting terms and service levels — especially for PMI, group protection, and platforms. Ask providers to demonstrate outcomes, not just features, and be prepared to switch if value is not clear.

## 5 Treat benefits as a communication strategy, not just a reward strategy

Even strong benefit packages fail if employees do not understand them. Build a simple, year round communication plan tied to life events (joining, promotion, illness, financial pressure, parental leave). Measure engagement, not just enrolment, and use employee feedback to continuously refine what you offer.

# Legislation update

02

# The Employment Rights Act 2025

Royal Assent was granted on 18 December 2025, and the Bill is now an Act: The Employment Rights Act 2025. The Government has published an updated timeline for implementation, including some measures that have already taken place.



### As of 18 Feb 2026<sup>12</sup>

Various trade union measures have been put in place. These include the repeal of most of the Trade Union Act 2016, the removal of the ten year ballot requirement for trade union political funds, the simplification of industrial action and ballot notices, and dismissal protections against industrial action.

- Employees newly eligible for 'day one' paternity and unpaid parental leave can give notice.

### Taking effect April 2026<sup>12</sup>

- Collective redundancy protective award (this will double the maximum period of the protective award to 180 days' pay).
- 'Day one' eligibility for paternity and unpaid parental leave. Currently, employees must have 26 weeks of qualifying service for paternity leave eligibility, and one year's service for unpaid paternity leave.
- Extension of whistleblowing protection to sexual harassment complaints.
- Introduction of Bereaved Partners' Paternity Leave. This will enable fathers and partners to take up to 52 weeks of leave if the mother or primary adopter dies within the first year of the child's life. This will apply to bereavements that occur on or after April 6, 2026. NB: The

qualifying period for bereaved fathers and partners to take paternity leave was removed at the end of 2025.

- Removal of the Lower Earnings Limit and the waiting period for Statutory Sick Pay entitlement (currently paid from the fourth day).
- Voluntary introduction of gender equality action plans and menopause support for employees (these plans will become mandatory in 2027 for organisations with 250 or more employees).
- Issuance of menopause guidance.
- Simplification of trade union recognition process. The government published a public consultation on 4 Feb 2026, inviting comments through to 1 April 2026.
- Establishment of the Fair Work Agency, a new state enforcement body that will consolidate the different enforcement bodies that currently exist.

### Coming in October 2026 and 2027<sup>12</sup>

In October 2026 more measures will be introduced. Some will require you to review and update policies and procedures, so prepare promptly to stay compliant. The remaining changes will be implemented in 2027. Many measures will be subject to further consultation and secondary legislation. The issued consultations to date can be viewed [here](#).

## Take action

1. Review the roadmap and timelines to familiarise yourself with what is ahead and allow time to plan for changes.
2. Consider now whether changes to systems such as IT and payroll will need to be made.
3. Small and micro businesses should also consider what tailored support they need.
4. Assess current policies and practices to understand what needs to be changed and when.
5. Update parental leave, dismissal protections, trade union recognition, and harassment prevention policies.
6. Develop or revise gender pay gap and menopause action plans.
7. Review zero hours contracts and agency worker arrangements.
8. Consider your engagement with trade unions and your wider workforce communications.
9. Stay updated on developments and consider appropriate communications with trade unions and workers.
10. Train HR, management and line managers to bring them up to speed with all relevant developments.

# Pensions and salary sacrifice

In the 2025 Autumn Budget, the Chancellor announced a change to the Optional Remuneration Arrangements (OpRA) for pension contributions from April 2029. These arrangements are commonly known as 'salary sacrifice' or 'salary or bonus exchange' for pension contributions.



The change introduces an annual threshold for pensions salary sacrifice of £2,000. This will also apply to bonus sacrifice. Any salary/bonus sacrificed above the threshold will be treated like an ordinary employee pension contribution and be subject to both employee and employer Class 1 National Insurance contributions (NICs). The change does not affect how much employees can pay into their pension scheme, and it does not affect the income tax relief given on pension contributions.

The news surrounding this announcement has led to confusion around what is changing and its impact.

### **Should clients continue to launch and pursue salary sacrifice pension contributions given the forthcoming changes in 2029?**

This question should be addressed from several angles:

The changes are not effective until **6 April 2029**. This means that between now and March 2029 employees can still use salary sacrifice and bonus sacrifice for pension contributions and take full advantage of the potential savings in NICs currently allowed, if it is appropriate for them to do so. Employers will also continue to benefit from NIC savings.

After **April 2029**, employees can still benefit from the NIC exemption up to the £2,000 per annum limit. Whilst NIC savings for employers will also be restricted for each participating employee, a high number of salary sacrifice participants may still benefit from worthwhile savings.

It is important to note (as covered later in this document) that ordinary employer pension contributions which are not associated with salary sacrifice will not see any change, only the salary sacrificed contributions.

Salary and bonus sacrifice provide benefits to employees beyond just NIC savings. Employees can receive income tax relief at their marginal rate in the current tax year, without the need to reclaim any tax relief above the basic rate through their annual tax return or tax code. It can also be used by employees as a way of receiving Tax Free Childcare or Child Benefit and the Government has confirmed this will continue to be the case.<sup>13</sup>

### **Will bonus sacrifice still be possible when the £2,000 limit is introduced?**

Yes, bonus sacrifice will still be possible, but employers may wish to consider what to do.

The change being introduced from April 2029 is an annual limit on the amount of salary and bonus sacrifice that will be exempt from Class 1 employer and employee NICs. It does not prevent employees from sacrificing earnings above this amount.

#### **The Government has confirmed that:**

Affected individuals will now be liable to pay Class 1 primary National Insurance contributions on the relevant amount of salary or bonuses, above the contribution limit of £2,000, that they have sacrificed in favour of employer pension contributions.<sup>14</sup>

Salary/bonus sacrifice can continue above the £2,000 limit. We await further information on how the cap will be applied and how this will work in practice.

Employers will need to consider whether bonus sacrifice remains viable from April 2029. This is because employees may reach their £2,000 limit over the year using salary sacrifice. As part of this decision, it is important to remember that bonus sacrifice provides employees with benefits beyond just NIC savings which can make it worthwhile. Ultimately it makes it easy for employees to boost their pension savings, get immediate income tax relief and support their retirement goals.

#### **Are all pension contributions impacted?**

No. The Government has confirmed that the income tax relief on employee and employer pension contributions and NIC relief on traditional (non salary sacrifice) employer pension contributions remain unchanged.<sup>14</sup>

#### **Will contributions made by salary sacrifice, over £2,000 per annum, be taxed before being added to pensions?**

Any salary and bonus sacrifice of more than the £2,000 threshold will be treated like an ordinary employee pension contribution and NICs will be payable by the employee and the employer.

Income tax is different. Based on the 2025 Autumn Budget announcement, employees will continue to receive income tax relief at their marginal rate on all pension contributions up to limits set by His Majesty's Revenue & Customs (HMRC). This does not change if the contributions are paid by salary sacrifice. The £2,000 cap does not apply to income tax relief.<sup>13</sup> Consequently, pension contributions continue to be a very tax efficient way of saving for the future.

#### **Does this mean that employees can only contribute £2,000 per annum to their pension via salary sacrifice?**

No. The £2,000 per annum limit is not an overall cap. It is purely a limit over which contributions made via salary sacrifice will be subject to primary and secondary Class 1 NICs. Employees can continue to contribute above this level and still benefit from the advantages of using salary sacrifice that are outlined above.



# Endnotes

- 1 [Private medical insurance in the UK: Key trends and challenges in 2025 | London Daily News](#)
- 2 [Fewer private hospital admissions \(-2%\) than Q2 2024 | PHIN](#)
- 3 Confidential industry data obtained from Mercer Marsh Benefits insurer partners.
- 4 [CPIH INDEX: Medical services \(S\) 2015=100 - Office for National Statistics](#)
- 5 Confidential industry data obtained from Mercer Marsh Benefits insurer partners.
- 6 Confidential industry data obtained from Mercer Marsh Benefits insurer partners.
- 7 [bda.org/news-and-opinion/blog/nhs-dentistry-fund-it-or-lose-it/](#)
- 8 Confidential industry data obtained from Mercer Marsh Benefits insurer partners.
- 9 [england.nhs.uk/long-read/nhs-dentistry-quality-payment-reforms/](#)
- 10 [gov.scot/news/scottish-dentistry-student-numbers-increase/](#)
- 11 [gov.wales/reform-nhs-general-dental-services/](#)
- 12 [Plan to Make Work Pay and Employment Rights Act: timeline update - GOV.UK](#)
- 13 [Changes to salary sacrifice for pensions from April 2029 - GOV.UK](#)
- 14 [Salary sacrifice reform for pension contributions - GOV.UK](#)

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