

# Single premium rates and year two costs

## What are single premium rates?

We believe in charging the exact premium due for the cover provided. We do this by providing a table of single premium rates that give a different rate for each age. These rates are usually guaranteed for two years. This differs from the unit rate method, where the rate charged for each employee is the same.

When the policy starts and on each anniversary thereafter, we calculate the age of each employee at their next birthday and look up the corresponding rate in the rate table. For each employee, premiums are calculated using this rate, the amount of cover and number of days they've been covered for. This means **employers pay accurate premiums for the exact amount of cover provided in each policy year**, so as the benefit and ages of the employees change, the premium paid changes.

## How can I estimate the premium in the second year?

In practice, most businesses will see staff and scheme membership changes that in turn affects scheme premiums. For example, if an older employee leaves the business and is replaced by a younger employee on the same benefits, premiums for the joiner would be lower than for the leaver. Scheme premiums in the second year could therefore be less than in the first year. Conversely, if a younger employee is replaced by an older employee insured for the same benefit, premiums in the second year could be higher than in the first.