



Specialist Solutions

# Care Cover with Whole of Life

Adviser Guide





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This document provides guidance for professional financial advisers and should not be distributed to retail customers.

## Introduction

# We're living longer

The need to make financial provision for the cost of later-life care is not a new issue, and as people are living longer it's becoming increasingly more important.

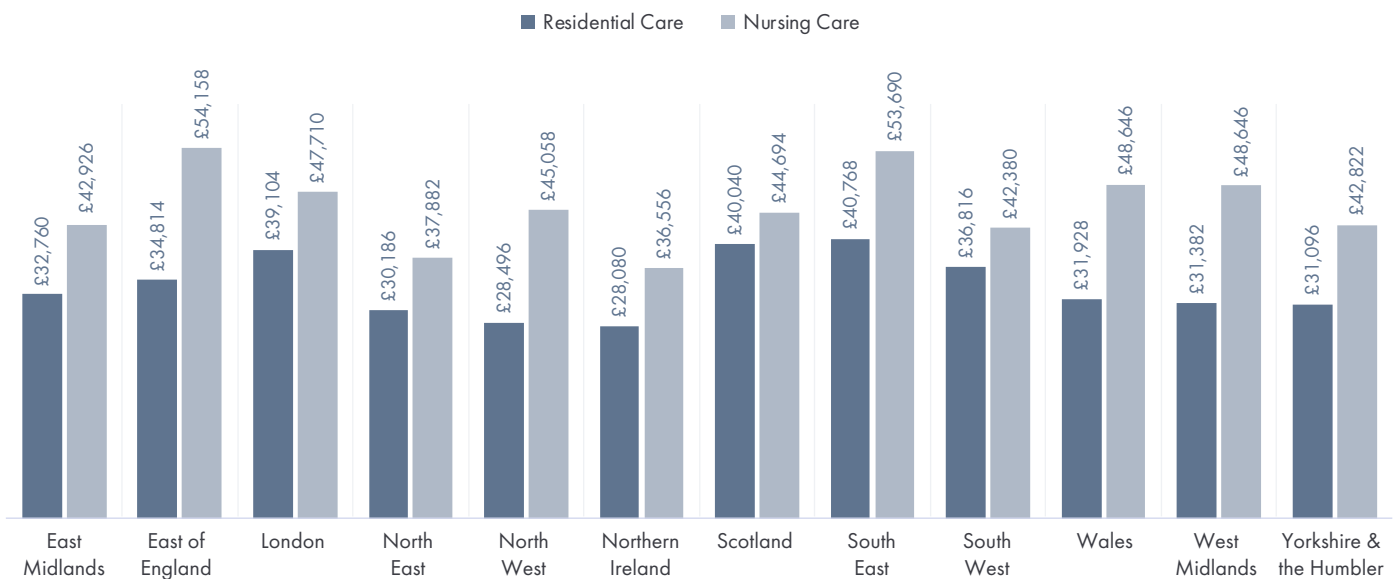
By 2030, 1 in 5 people in the UK (21.8%) will be aged 65 or over, and 10% aged 75 or over<sup>1</sup>. As life expectancy increases, so does time spent living in poor health.

It's estimated that by 2035, 21% of people aged over 75 and 36% aged over 85 will need care on at least a daily basis<sup>2</sup>.

Just two hours of care at home per day can cost £14,000 per year<sup>3</sup>, and the cost of care outside the home is significantly higher:

**Residential Care average**  
£33,789 per year

**Nursing Care average**  
£45,868 per year



Source: [PayingForCare.org](https://www.payingforcare.org/) – How much does care cost? June 2020

<sup>1</sup> Age UK – Later Life in the UK 2019

<sup>2</sup> The Lancet, Forecasting the care needs of the older population in England over the next 20 years, September 2018

<sup>3</sup> Money Advice Service, Care home or home care?, October 2019

## How does the State help?

For people with long-term, complex health needs the NHS may provide or pay for nursing care. All other costs and services associated with care are the responsibility of the individual<sup>4</sup>.

If NHS support is not available, all costs (including nursing) will need to be paid for by the individual. In some cases, local authorities will provide support.

However, the local authority won't contribute anything if the individual has assets worth more than £23,250<sup>5</sup> (in England and Northern Ireland). Some assets are exempt from this (e.g. antiques and paintings), but the home is included if care outside the home is needed, unless there are vulnerable relatives living there.

## Self-funding options

89% of people expect to need some form of care in later life<sup>6</sup>, yet only 10% of over 65s have a plan in place to pay for their care<sup>7</sup>.

Around half of the 1.3 million 'sandwich carers' who currently look after elderly relatives as well as their own children say it affects their physical and/or mental health<sup>8</sup>.

People don't want to be a financial or physical burden on their families or friends in later-life, so finding a way to pay for their care is important.

AIG Life Limited carried out a nationwide study which looked at six options for how people would like to pay for their care:



Option	% of respondents Acceptable	% of respondents Unacceptable
<b>Save into a fund which can be left to your family if not used for care</b>	<b>48%</b>	<b>16%</b>
Pay more income tax	34%	33%
Pay a social care tax after a certain age	31%	30%
Pay more tax on assets or property	25%	40%
Increase the retirement age	24%	45%
Sell family home once you reach a certain age	20%	52%

Selling the family home was the least popular option, whilst saving into a fund which can be left to family if not used for care was by far the most popular.

Source: Research conducted by Opinium on behalf of AIG Life Limited among a representative sample of 3,000 UK adults between 22nd and 27th March 2019

<sup>4</sup> NHS, Continuing Healthcare, October 2019

<sup>5</sup> Money Advice Service, Means tests for help with care costs, October 2019

<sup>6</sup> AIG Life Limited research, March 2019

<sup>7</sup> Association of British Insurers, June 2019

<sup>8</sup> Cover Magazine – Sandwich generation at breaking point

# An insured solution

## Care Cover with Whole of Life Insurance

### What is Care Cover?

Care Cover with Whole of Life is a whole of life insurance product specifically designed to meet the needs of people wanting to prepare for care in later life. It provides a guaranteed tax-free lump sum at whatever age your client meets the claim criteria to pay for their care costs. If they don't use it for care, the policy operates as a traditional whole of life policy, meaning it'll pay out when they die or suffer a terminal illness – having the option to leave a legacy gift to their children, grandchildren or family.

### How does it work?

#### Quoting and applying:

- The sum assured is expressed as the amount to be paid on death or terminal illness
- The maximum sum assured for death or terminal illness is **£400,000** and **£300,000** for the care cover benefit (**75% of the sum assured**)
- Single life, joint life first event and joint life second event basis are available
- There's no maximum term, the cover will last throughout the client's lifetime

#### Qualifying criteria for a Care Cover claim:

- ✓ Permanent and irreversible failure of three of the six 'Activities of Daily Living' (washing, dressing, feeding, continence, mobility and transferring)
- or
- ✓ Severe cognitive impairment (e.g. dementia/alzheimers): "Permanent and irreversible deterioration or loss in intellectual capacity that places a person at risk of harming him or herself or others"

Please refer to the Cover Details for more detail.

### When do we pay?

75% of the sum assured is paid if your client meets the Care Cover criteria. By your client making provisions to pay for care, they're ensuring greater flexibility in getting the best level of care and in turn, are able to afford a better care home.

If they pass away or are diagnosed with a terminal illness without needing that level of care, the cover pays out the full sum assured.

Only one payment will be made under Care Cover with Whole of Life Insurance (for care, death or terminal illness).

The policy can be written into a discretionary trust to ensure the people who need to make decisions on your client's behalf can distribute the claim proceeds based on your client's wishes.

#### Care Cover benefit

The insurance pays a maximum of £300,000 for Care Cover benefit. Your client can increase their sum assured until their 71st birthday, but the Care Cover benefit cannot exceed £300,000.

#### Death or terminal illness benefit

The cover pays a maximum of £400,000 for death or terminal illness. As it doesn't have an end date, if your client doesn't need to claim under the Care Cover benefit, then the policy can be used to provide a legacy gift to their families.

Separate Whole of Life Insurance, up to £52m, is also available without Care Cover, for example if needed to cover an inheritance tax (IHT) liability. To find out more about whether this could be the right option for your client, read our [Whole of Life Insurance sales aid](#), head to our [dedicated product page](#) on our website or speak to a member of our Sales team.

## Care Cover with Whole of Life Insurance in practice

### Protecting a lifetime mortgage

Lifetime mortgages are a type of equity release – the loan and interest is repayable after the borrower dies or has to move into permanent residential care. They're an increasingly popular way for people to unlock property wealth in order to pass it onto their family<sup>9</sup>. A key motive for utilising equity release among 65-74 year olds is to provide a living inheritance, for example to help their children or grandchildren get on the property ladder<sup>10</sup>. This comes with some important considerations:

- If the property wealth is given away now, it won't be available to pay for later-life care if needed
- It reduces the family's inheritance by the value of the loan (and accrued interest)
- The home will have to be sold if the family is unable to repay the loan

Care Cover with Whole of Life can provide peace of mind and financial security to the borrower and their family:

- ✓ Provides funds to contribute towards the cost of later-life care
- ✓ Replaces the family's lost inheritance
- ✓ Gives the family the ability to pay off the loan without having to sell the home

For couples, lifetime mortgages are usually written as 'joint life second death' policies, so the survivor doesn't end up homeless. Where this is the case, the insurance can be written on the same basis.

## More than financial support

Care Cover with Whole of Life insurance includes value added services – extra support at no extra cost.

### ✓ Smart Health\*

Access to a range of health and wellbeing services and experts from on-demand consultations with UK based GPs, to expert case management service with the world's top medical specialists. Smart Health is a convenient way to connect your clients to tools that help manage their health and wellbeing from anywhere in the world, 24/7.

### ✓ Funeral pledge

Once a death claim is approved, we can ease the worry by paying up to £10,000 of the claim in advance towards the costs of a funeral. This can even be paid directly to a funeral company.

### ✓ Claims support fund

A discretionary fund paid during a claim towards services such as travel and parking costs when visiting a hospital for treatment or appointments. There's no restriction on what the claims support fund can be used for.



## Contact us

If you would like to know more about Care Cover with Whole of Life or any of AIG Life's other Specialist Solutions, call or email our Sales team.

 **0345 600 6829**

 **sales@aiglife.co.uk**

\*Smart Health is provided to AIG Life Limited customers by Teladoc Health. It's a non-contractual benefit which can be withdrawn at any time without notice.

<sup>9</sup> Equity Release Council, Spring Market Report 2019

<sup>10</sup> Equity Release Council, Q1 2019 Lending Figures, April 2019