Health Insurance Awards 2010

THE INTERMEDIARY WINNERS

Madeleine Davies speaks to double-winner Nicky Cave of Eldercare Solutions, whose commitment to excellence in long-term care advice saw her win both this category and our coveted Intermediary of the Year award.

Nicky Cave of Eldercare Solutions receives the 2010 Best Long-term Care Intermediary Award from Ian Owen, chairman of category sponsor Partnership, and celebrity host Patrick Kielty

BEST LONG-TERM CARE INTERMEDIARY

Last year a tombstone bearing the inscription "R.I.P. off" appeared on billboards across England. It was the culmination of a highly-charged political debate on the best way to fund the nation's rising long-term care costs in which the opposition accused the Government of levying a "death tax" on estates. While the general election undoubtedly brought an important issue up the political agenda, the in-fighting did little to educate elderly people and their families about their options for funding care. Months later, headlines continue to focus on the "scandal" of people selling their homes to pay the bills.

The fact remains that the British public is woefully uneducated about who pays for long-term care and how much it costs. A survey of people over 50 by long-term care insurer Partnership found that 38% believed the Government should cover the full cost of long-term care. In fact, 41% of those entering a residential home are "self-funders".

The lack of understanding is perhaps unsurprising given the fact that few families access financial advice about long-term care. Partnership-commissioned research found just 14% of the thousands of self-funders entering care in 2009 received financial advice and only 7% received appropriately qualified financial advice. Three-quarters (76%) of people surveyed did not know about any of the products available to help them fund their care.

Given this context, it is perhaps unsurprising that our Health Insurance Awards judges were keen to reward an individual dedicated to providing the elderly and their families with some clarity and reassurance. In fact, they were so impressed by the service offered by Nicky Cave, managing director of Eldercare Solutions that they made her Health Insurance Intermediary of the year.

Like our judges, she's acutely aware of the extent of the challenges posed by an aging population reliant on the media for information. She's seen first-hand the impact of the politicisation of the issue.

"There is so much misinformation out there," she says. "There's a notion that the state will take the house; people almost have a vision of a social worker coming round with a repossession order. We need to clarify that you do not have to sell the house – you could rent it out for example. While standard equity release products typically do not work if the house is not vacant, Partnership now offers a Care Plan Payment Option [a fixed rate loan that enables people to fund their long-term care, without having to sell their family home]. There is also the deferred loan scheme from local authorities which has been put in place for many years."

While the British public is undoubtedly attached to property, Cave believes that most people just want reassurance that they can use some of the equity in their house while retaining a substantial portion to pass on to their dependants.

Although the family featured in her winning case study sold a house to pay for care, they retained £100,000 of the proceeds after buying an immediate needs annuity [a policy that will fund the lifetime cost of care for a fixed sum] for just under £80,000.

'VIRTUAL ESTATE AGENT'

Given the fact that people aged over 60 in the UK own an estimated £1 trillion in un-mortgaged equity, is looks likely that houses will have to be sold to pay for care. Interestingly, 59% of over-50s surveyed by Partnership this year said the elderly should make a contribution to the costs of their care. But what happens once the decision to sell a house has been made?

The client in Cave's winning case study was typical of many families in the UK. A son needed to sell his mother's house in order to pay care home fees but he lived more than 100 miles from the property, making it difficult for him to deal with the sale.

Cave's solution was to offer him the services of her in-house property advice service (Eldercare Property Partners) which managed the sale and secured £180,000 within 3 months, £40,000 more than the original valuation.

Families using this service pay a fee, typically 2.5% of sale price, and delegate the hassle of the process to Eldercare's 'virtual estate agent' – someone who will project manage the sale who has a stake in negotiating the best possible price. Cave believes it is common to secure more than the original valuation, particularly if the family has not had time to speak to more than one agent.

"We're protecting a potentially vulnerable family's best interests," she explains.

Eldercare also offers an in-house bridging facility, enabling families to purchase an immediate needs annuity while the house is being sold, with the cost of the loan offset by the savings to be made from putting a policy on risk earlier.

"The British public have a thing about borrowing but borrowing money to release money is a very different concept," says Cave.

The family in her case study saved over £4,000 by gaining an extra three months of benefit from the immediate needs annuity.

GETTING TO GRIPS WITH BENEFITS

While Cave's business is firmly focused on self-funders, an important part of her role, and something which impressed our judges, is an in-depth understanding of what costs the state will fund, another area of confusion for the elderly and their families.

"The whole benefits system is generally made more difficult than it needs to be," she says. "People are not easily signposted to where they need to go. So many people think that they cannot claim Attendance Allowance and are not aware that the NHS will make a contribution to the costs of nursing care."

Thanks to Cave, the family described in her case study found they could claim a higher rate of Attendance Allowance (an additional £1,196 a year). They were also unaware that their mother could be assessed for a contribution towards the cost of nursing case, worth at least £5,647 a year.

Another under-publicised fact is that councils must ignore the value of a self-funder's property for the first 12 weeks of their stay in care.

"I don't want to be broadbrush critical but a lot of people haven't been told about the 12 week property disregard," says Cave. "There is no strict procedure that makes sure that every single home owner knows there will be some help available for the first three months."

While Cave says that some councils are "brilliant", she believes that much more could be done to ensure that people understand care funding and their options. Her experiences reflect the findings of an LGiU survey of councils which found that just 3% provided self-funders with a list of IFAs who could give advice about care funding products. This is despite the considerable cost of care.

"Local authorities simply don't like the concept of linking with commercial organisations," reports Cave. "But I think that, obviously in the current economic climate, they are realising the importance of preventing people from running out of money unnecessarily."

This is certainly the view of the LGiU report which cites research indicating that 25% of self-funders fall back on state care at a cost of £3.2m to each local authority every year.

Some councils are now addressing this issue (Nicky is part of a panel of IFAs selected by Buckinghamshire council) and Cave believes that the Society of Later Life Advisers (SOLLA), which aims to promote accredited advisers, can offer councils reassurance that they are referring people to sources of trustworthy advice.

Currently, the majority of Eldercare's work comes via care homes. The company has secured valuable positions as one of only two preferred providers of advice for Bupa Care Homes and the sole provider of advice for the Anchor Trust. These relationships, which have taken a decade to build, enable Cave to secure peace of mind for her clients by negotiating fee capping arrangements, as demonstrated in her case study. About 20% of work comes from other IFAs, a source of referrals she would like to expand.

"While everyone thinks it's a growing market it is a tough market to get established in," she concludes. "I hope that more IFAs get to know about immediate needs annuities and that they become more aware of our brand."

With the number of people aged over 85 set to double by 2033, and the Government committed to ensuring that individuals share the bill for the rising costs of care, demand for her services can only increase.

Inspired to promote your achievements as a financial adviser? Turn to page 18-19 to find out more about this year's awards.

LONG-TERM CARE IN NUMBERS

- **About 20% of men and 30% of women will require long-term care at some point in their lives** *(Source: ABI)*
- **The average cost of care in a residential home in the UK is approaching £25,000 a year, rising to £39,000 a year if nursing care is also required** *(Source: ABI)*
- **25% of people who receive a quote for an immediate needs annuity purchase one** *(Source: Partnership)*
- **Partnership customers live for 4 years, on average. This will cost them on average between £121,000 and £178,000. Ten per cent will live for 8 years in care, costing them on average between £242,000 and £356,000**
- **In 2009 only 14% of self-funders entering care received financial advice and only 7% received appropriately qualified financial advice** *(Source: research commissioned by Partnership with Oliver Wyman).*
- **79% of care homes have no relationship with an appropriately qualified financial adviser** *(Source: Partnership)*
- **Of the 30,000 financial advisers in the UK, only 3,300 have achieved the CF8 qualification from the Chartered Insurance Institute which is necessary to give financial advice about care funding** *(Source: Partnership)*