

ABI response to Lords Committee inquiry into the ‘invisibility’ of adult social care

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The UK insurance and long-term savings market and the ABI

The Association of British Insurers is the voice of the UK’s world-leading insurance and long-term savings industry. A productive and inclusive sector, our industry supports towns and cities across Britain in building back a balanced and innovative economy, employing over 321,300 individuals in high-skilled, lifelong careers, two-thirds of which are outside of London.

The UK insurance and long-term savings industry manages investments of over £1.9 trillion, contributes over £16bn in taxes to the Government and supports communities across the UK by enabling trade, risk-taking, investment and innovation. We are also a global success story, the largest in Europe and the fourth largest in the world.

The ABI represents over 200 member companies, including most household names and specialist providers, giving peace of mind to customers across the UK.

For the purposes of this response, ‘insurers’ refers to insurance, reinsurance and long-term savings companies.

Executive summary

Our industry is well-placed to help customers plan and prepare for social care costs in order to have as much choice as possible and our members offer a variety of financial products to help self-funders meet the costs. We believe people should have the freedom to choose how and where to get the support they need to lead fulfilling lives and be incentivised to plan in advance to be able to afford to make these choices should they need care. To allow a market to develop, people need to have a clear, simple and long-term state offer in order to establish what level of support they would get from the state and what liabilities they would face. We are keen to work with the Government and stakeholders to find the best ways to support people at different stages in the journey to and through care, and people with different financial means.

Introduction

It is in everyone’s interest that people are able to decide how they want to receive the care they need whilst being as independent as possible. In order to do so, people need to understand what support and care they would get from the state and what they would be liable to pay or to arrange themselves so that they can plan and prepare in advance. The simpler and clearer the rules about what the state will provide, the easier it will be for insurers to support customers to meet the cost of care.

Our industry, which provides insurance, long-term savings and equity release, is well-placed to support consumers in meeting these challenges, based on its vast experience in helping people build savings over time, release equity from their property and protect themselves against unfortunate events, such as the financial consequences of both long-term and short-term disability, with the support of financial advice.

Some of our members are **already offering a variety of financial products** to help self-funders meet care costs.

Products already existing which can support customers' care costs

Care fees plans, or immediate needs annuities – pay out a guaranteed income for life to help cover the cost of a customer's residential care fees in exchange for a one-off lump sum payment at the point where the customer goes into residential care.

Life insurance policies with care cover included – pays out a sum assured on death or crucially, if they suffer an illness which leaves them permanently incapable of looking after themselves.

Pensions, investment and retirement income products – the pension reforms introduced in 2015 allow customers to use their pension pots far more flexibly than in the past, which can help fund the costs of care, and pass it to dependants if it is not needed for care.

Equity release/lifetime mortgages – allow customers to release some of the capital in their home to provide either a lump sum, a regular income or both, which can be used to meet social care costs

One of the barriers to a private market for social care funding has been the lack of demand. The industry and policy-makers have struggled to encourage people to plan for retirement and later life generally, though this has been improved by automatic enrolment into workplace pensions. Planning to pay for care faces even greater challenges, which is partly thought to be down to people's unwillingness to think of the possibility of needing care, and the fact that social care is often a taboo topic. This may be associated with what the committee has described as the invisibility of care, which could therefore have an effect on people's financial preparedness for care needs at old age.

We know that many people would not be able to afford to prepare for care and care-related costs in advance. That is why it is important that the care journey is inclusive: that the system works well for everybody and that people are actively supported to find, and encouraged to use relevant information, advice and guidance and can make the right decisions for them. The level of complexity of the new charging reform heightens the need for awareness and support to navigate the social care system and we are keen to work with the Government and stakeholders to address this significant challenge.

Question 1: One of the fundamental challenges facing adult social care is that it is 'invisible'. Do you agree? What do you think explains this?

1. Yes, adult social care can be described as 'invisible' in multiple senses. As the Committee notes, the needs of people who use care, and their carers, are often invisible. But related to this, social care is 'invisible' in that it is absent from the later life plans of the vast majority of the population, despite the likelihood of needing care. Furthermore, the needs and experience of self-funders within the care system are invisible in a policy context, though the Government and ONS are taking steps to address this. Very little is known about self-funders, their sources of funding and their use of care, and they are often not a priority for local authorities to support.
2. We often hear of social care in the media, but commonly stories are negative, pointing out the lack of resources, staff shortages, and the pressure these factors puts on the quality of care in some cases. The heartbreaking accounts of the separation of those in care homes from their families during the pandemic also received much media attention. All these issues are important, and it is right they are given so much attention, but they also conjure up an overall negative picture of care. It is less often we hear of stories of empowerment of those in care, being supported to enjoy the things they can and live a full life to the extent their limitations permit them.
3. The negative emotions that most social care stories trigger may be the reason why people don't want to think and talk about care and the possibility of needing care.
4. However, needing care is highly likely and the fact that people do not engage with the topic has implications for their finances. Every one of us is likely to need care especially as we grow older. 36% of

people aged 65 to 74 and 55% of those aged 75 years or older have a limiting illness or disability¹. But few people prepare for this eventuality. Despite the high likelihood of needing care, at the end of 2018, ABI found that 9 in 10 of over 65s in the UK had made no plans to meet their care costs.

5. Some positive angles or stories in the social care debate are available in our industry. Although few products are currently sold specifically to pay for care, many are still in force and help people to meet their care costs. Our members offer solutions that address some of the risks and concerns of people with care needs and help them have a better experience and feel more empowered. For instance, immediate needs annuities help people have certainty of being able to pay for a care provider of choice, in their preferred location and under the terms agreed for the rest of their life, taking the stress and uncertainty out of the picture. Similarly, equity release products help homeowners with little cash to afford preferred care or home adaptations that allow them to lead a more independent fulfilling life. The same is true for life insurance policies that pay out early when a customer has a care need.
6. But awareness of such product options is low. It will be important for the care funding proposals to raise awareness of these options and equip people with information, guidance and advice that enables them to identify funding options that could help meet their needs and feel more in control of the care they receive.

Question 6: What are the key challenges that people who draw on care and support and carers will face in the future, which are not factored into current assumptions related to the social care system, for example the fact that some families will age without children to care for them? How are these challenges different for younger and for older adults who draw on care? What should be done now to address them?

7. Generation X are at greater risk of reaching retirement with inadequate income. This is due to the decline in Defined Benefit pensions, a lower proportion of people receiving State Pensions and an increased likelihood of renting and indebtedness.² The new government reform extends the means-tested support and, therefore, it is uncertain what effect their lower retirement income would have on the extent of asset depletion due to care costs. This is because lower income means greater state support. However, it could mean that they will have to be more reliant on Local Authority support and might not be able to afford to pay for a top-up to choose the care provider they want, the facilities or location of preference or the intensity of care.
8. To enable better use of retirement income and reduce risks of harm to customers, pension providers should be allowed to give customers personalised guidance to nudge them towards better outcomes. Government and industry need to increase awareness, drive up the take-up of guidance and advice and increase early engagement. We have also called for automatic enrolment eligibility to save earlier in life and from the first pound earned, which would especially help younger generations and those working part-time.

Question 17: It is often difficult for people who draw on care and support and carers to exercise choice and control if they do not know what good support looks like or what kinds of care and support might be available. What information and support could be helpful to address this and how could it be made available more easily?

9. This answer focuses on information, guidance and support needed to help people prepare financially for social care costs and have a greater choice should they have a care need at old age.
10. We've heard from many stakeholders that people often struggle to navigate the social care system and that the reform adds another layer of complexity to the complicated charging system. We are concerned that, without sufficient support, people will not be able to grasp what the new social care rules mean for them, what the care journey looks like, what liabilities they may face and therefore what their next steps should be and how to plan. That is likely to have an effect on their ability to exercise choices.
11. A holistic approach is needed, looking at how people are prompted to learn about the social care system, where NHS care ends and where social care starts, how they can access care, what costs they could face, and how they can prepare both in advance and at the point of need for care costs they may face. People need to be informed and guided, ideally before a care need arises, and throughout the care journey. For this to happen there needs to be coordination among the different parts of the state that come together to deliver the new system and in partnership with the care sector and parts of the financial sector that can equip people with the support they

¹ DHSC, 2021 'Evidence review for adult social care reform: summary report'

<https://www.gov.uk/government/publications/evidence-review-for-adult-social-care-reform/evidence-review-for-adult-social-care-reform-summary-report>

² PPI, 2019 'Generation vexed: solving the retirement income puzzle' <https://www.pensionspolicyinstitute.org.uk/sponsor-research/research-reports/2019/2019-11-07-generation-vexed-solving-the-retirement-puzzle/>



need.

12. Firstly, once the full effects of the reform are understood and it becomes clear what different groups of consumers should be encouraged to do to address care associated risks before and along the care journey, a national awareness campaign should be designed accordingly. The campaign must be well-resourced, funded and coordinated at the national level with consistent messages throughout the country is essential. It must raise awareness of the fact that most people are likely to face substantial costs if they have a care need, including non-care costs. It is also important to raise awareness of the chances that one will need care at some point in old age, as our response to Question 1 explains.
13. Secondly, people should be signposted to a main information platform that should connect them to guidance and advice. It is important that information on navigating the care system is integrated as much as possible with financial information, advice and guidance. We would expect the main information platform to sign-post people to Money Helper and we welcome the Money and Pensions Service's commitment to developing new later life guidance, including social care, and look forward to working with them to develop that, and ways for it to reach the people who need it.
14. Thirdly, the role of local authorities in providing information, advice and guidance is critical. DHSC should revisit the 2015 practice guidance to support Local Authorities to facilitate access to independent financial information and advice under the Care Act 2014. However, on their own, local authorities are unlikely to be able to give people who need care, and their carers, all the support they need. While local authorities will be the first port of call for those who are already in need of care, they would not be the most direct avenue to reach people before then. If we want people to plan and prepare for care costs in advance, they would need prompts from other entities they interact with, such as GPs, pension providers and employers, before a care need arises.