



ALLEVIATING THE FINANCIAL PAIN

A recent survey by *France-Info- Le Monde* concludes that more than one out of two persons is 'concerned' about the problem of loss of autonomy.

Hardly surprising, since the improvements in medicine lead to longer lives and increase mathematically the likelihood that one day recourse to a medical home or qualified assistance may become a necessity.

More statistics:

- Each year in France 225 000 more people are afflicted by degenerative illnesses.
- Thirty percent of men and forty-five percent of women aged 65, and living in this country today, will be confronted with total dependency.
- It is estimated that to look after a dependant person at home requires five and a half hours on average each day.

The French government has identified the problem and its potential cost and given it a name: *Le 5ème Risque*, which needs no translation. It was part of President Sarkozy's electoral program, but whilst the will is still there the means (for the State) to provide solutions have clearly diminished in recent times. In these circumstances we believe that fiscal incitation is very unlikely – perceived by the left as another gift to the rich and also contrary to the government's formal intention to reduce the impact of fiscal niches. It is probable that the destitute will be taken care of (as now) and the wealthy left to look after themselves. For the middle (economic) class a formula called *Allocation Unique Dégressive* (AUD) is envisaged, involving a mortgage on assets, recovered by the State at the time of death as a deduction from family inheritance.

This is where the insurance market comes in (or not).

The insurance companies and mutuels that play a significant part are as follows, in alphabetical order:

ACM, AG2R La MONDIALE, ALLIANZ France, ANTARIUS (Crédit du Nord), AVIVA (formerly Commercial Union), AXA, CNP Assurances, GENERALI, GROUPAMA-GAN, Groupe PREVOIR, MAAF, MACIF, MALAKOFF MEDERIC, NATIXIS Assurances, PREDICA, SAFBTP and SAPREM.

The pattern of cover offered is similar:

- Maximum age at subscription is from 70 to 77 years old.
- 'Pure' risk products – no claim meaning money down the drain, just like motor insurance.
- Maximum protection of 2000 Euros (can be indexed) per month.
- 10% reduction in cost for couples.

- Partial dependency can be covered, at an additional cost of roughly 50 percent.
- Reduced guarantee maintained after a number of years of consecutive premiums.
- Waiting periods of one year for general illness dependency, going up to three years for Alzheimer.
- Practical assistance should the problem arise.

The cost (monthly premium) varies little, since everyone is referring to the same actuarial tables and medical experience.

Further facts:

- There are currently some 8000 specialized 'retirement' homes, averaging seventy beds, and their prices vary from 1200 Euros to 4800 Euros per month.
- The average age at which people subscribe to such an insurance policy is 62, which suggests that individuals are choosing an insurance solution from 50 to 75 years of age.
- The earlier the person starts the lower the monthly premium.
- Indemnities can be paid overseas.

An example:

A man or woman subscribes at 62 years of age and selects a monthly indemnity at the level of 1400 Euros (These indemnities are tax free.). Approximate monthly premium is 66 Euros. If a spouse enters the scheme at the same time, in many cases both premiums will be reduced by 10 percent. Assuming the spouse four years younger (58) the combined monthly premiums will be in the region of 110 Euros. After eighteen years of uninterrupted premium payments (in this case at the age of 80) the insured may retain a guarantee of 600 Euros even if no more premiums are paid.

We consider that such an insurance policy can seriously soften the blow financially should lost of autonomy occur. It may enable a family to afford qualified assistance at home or help finance the cost of a high standard medical residence, without resort to selling precious belongings. It is particularly relevant for a couple, when the sale of the family home is not an option to contemplate; It may be psychologically difficult for a person to insure his or her own dependency and so there could be a case for bringing in the children, (who may have to become involved financially) on the decision.

It might be worthwhile to weigh up the pros and cons of protecting yourself against *la double peine*; loss of autonomy and loss of money.

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For more information

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