Institute and Faculty of Actuaries

Independent thinking from the IFoA

September 2026

think

A non-state-led solution to paying for later life social care

by **Lord Syed Kamall**

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Part of the IFoA's purpose is to promote debate within and beyond the profession, and to position our members as leading voices on the biggest public policy challenges of our time.

We aim to showcase the diverse range of expertise and critical thinking both within and outside the profession.

Our 'think' series seeks to promote debate on topics across the spectrum of actuarial work, providing a platform for members and stakeholders alike and sharing views that may differ from the IFoA's house view. In doing this, we hope to challenge the status quo, question the orthodoxy, and shine a light on complex or under-examined issues, thereby stimulating discussion and dialogue to help tackle issues in a different way.

Lord Syed Kamall

Lord Syed Kamall is a Conservative member of the House of Lords who has served as a Shadow Minister for Health and social care since September 2024. In addition, he is also a Professor of Politics and International Relations at St Mary's University, Twickenham where he teaches courses on global governance and international governmental organisations.

Between 2021-22, Lord Kamall was a minister, with a portfolio focusing on technology, life sciences and innovation in the Department of Health and Social Care. From 2005 to 2019, he was a Conservative MEP for London and was elected as leader of the European Conservatives and Reformists political group of MEPs from 19 countries.

Contents

think

Introduction

Soon after being appointed a Health Minister in 2021, I had to defend the government's proposal for a social care cap in a debate secured by a Labour peer, Lord Lipsey.

In his opening speech, Lord Lipsey asked why a Conservative Government was proposing social care reforms to be funded by the state, while as a Labour Peer he was arguing that the government should be looking at what the private sector could do to solve the problem without recourse to public funds. He also challenged me on why the proposed state-led solution subsidised the better-off, suggesting that taxpayers on lower incomes would effectively be paying for people to remain in their more expensive homes for longer.

When it was my turn to respond to the debate for the government, I thanked Lord Lipsey for his well-argued case and acknowledged that he had put me as a Conservative politician, *"in an interesting place when a Labour Peer is explaining the benefits of the private sector."*

I realised that in Lord Lipsey I had come up against an expert who really understood the topic. Therefore, at the end of the debate, I suggested that *"I would like to have a long conversation with … Lord Lipsey."*

Readers may be aware that Lord Lipsey had a long interest in social care, having sat on the 1999 Sutherland Commission, at the end of which he issued a 'dissentient note' arguing that the state should not fund richer people's social care bills. At the time of the parliamentary debate in 2021, he was President of The Society of Later Life Advisers (SOLLA). Before being appointed to the House of Lords in 1999, he had been a political advisor to Labour governments and a respected journalist, including writing the Bagehot column for The Economist.

When I met with Lord Lipsey soon afterwards, I explained two reasons for the government's proposals. The first was that there had been numerous proposals over the last few decades including (but not limited to) the 1988 Griffiths report, the 1999 Sutherland Commission, a 2000 Politeia paper by Professor Philip Booth, the 2011 Dilnot Commission, the 2019 House of Lords report on social care funding and the 2021 paper by Lord Lilley (a former secretary of state for social security). However, none of them had been implemented since they did not receive support from the Treasury.

The proposal which appeared in the 2022 Health and Care Act was in fact the first proposal to be approved, perhaps even supported by the Treasury. Lord Lipsey accepted this but thought it could be improved.

The second was that one of the reasons the then government focused on a state-led solution was due to a view that the insurance sector had not developed any products for later life social care. However, Lord Lipsey told me that there were at least four insurers offering later life care products, based on deferred or immediate annuities.

When I met with *SOLLA* and the insurer Just, they shared results of a survey which found[1]:

- 47% of over 45s are delaying making financial preparations for later-life care until government plans and policies are confirmed. That's 12 million people crossing their fingers and hoping it won't happen to them.
- More than half of over-45s say they are confused by government announcements on funding of residential care. That's 13 million people hanging their hopes on a yet-to-be-confirmed government policy.

As a result of our conversation, Lord Lipsey and I started work on a proposal based on existing and potential insurance products. Since some of the providers are mutuals, this tied in with the rich history of the political left. We also believed that working with non-state providers also would appeal to fiscal Conservatives. We shared our thoughts with a Labour Special Adviser and another Labour peer with a long-standing interest in carers, who encouraged us to develop a joint proposal. When Lord Lipsey was poorly last year, I promised to continue the work and keep him informed. Sadly, he passed away in July 2025.

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1 | Just Group. 'Care Report 2024: Groundhog Day' (October 2024).

The outline proposal

In developing our joint proposal, we agreed on the following points:

1. Most people start thinking about social care in their 40s, 50s or 60s or when an elderly friend or relative needs it.

2. **The government and/or the insurance industry should make people aware that social care is not free at the point of use.** This would hopefully encourage more people to start thinking about planning for their later years.

3. **The government should publish an approved list of providers and policies** from which those who can afford it can select. The FCA may already hold the relevant information, but it should be listed in a simple-to-read format on the NHS website and/or the website of the proposed National Care Service.

4. To make these products more appealing, the government could make it clear that such policies would mean that **no one would have to sell their home in their lifetime.** We were advised that most homes are not left to children to move into but are usually treated as an asset to be divided amongst surviving relatives.

5. An awareness campaign might encourage insurers to offer alternative products for later life social care. This would mean that the **government, i.e. taxpayers, would not have to fund everyone.**

6. The government/taxpayers would be left to fund social care for those who:

   a. do not have sufficient assets

   b. run out of money after paying for their care

   c. live beyond the duration of their policy, since most policies are calculated on the basis that a person needing later life care lives up to 5 years

7. Given the results from the survey by Just, we agreed to focus more on the 40+ age group since they are more likely to need later life social care in the next few years.

8. To postpone consideration of any solutions for younger people and new workers to a later stage, e.g. the feasibility of introducing some form of auto-enrolment, perhaps as part of pensions auto-enrolment.

The government and/or the insurance industry should make people aware that social care is not free at the point of use.

Potential flaws

Having agreed on these points, we identified and consulted with others on potential flaws. These included:

1. While we believed that a non-state-led solution, with taxpayers not being asked to 'fund everyone', would cost taxpayers less than previous proposals (including the 2022 Health and Care Act proposal), ours had not been costed.
2. Some people may refuse to take out a non-state policy on ideological grounds.
3. Some would game the system by selling or moving assets, so this possibility had to be considered.
4. Adverse selection: Nuffield Trust suggested that only those who think they will need it will take out a later life social care policy. They pointed to Germany, which only achieved about 4% uptake of voluntary social care insurance.
5. Given that I was not a government minister and no longer had access to the DHSC officials who had costed the proposals in the 2022 Health and Care Bill, we needed to find experts who could do this.

After searching for organisations, economists and other researchers who might be able to help provide costings for our proposal and identify potential flaws, I was reintroduced to the Association of British Insurers (ABI), whose representatives I had met several times as a Member of the European Parliament working on financial legislation.

In turn, the ABI introduced me to the Institute and Faculty of Actuaries (IFoA). When I met with members of the IFoA Social Care Working Party, they explained their work.

I was interested to find out that a former President of the IFoA (Jules Constantinou) had written in 2018 that *"the actuarial profession has an essential role to play in offering a unique perspective on potential long-term funding solutions.*

"Actuaries have been involved in quantifying and managing long-term care risk in the insurance context since the 1990s, but were assessing mortality, morbidity and investment risk long before this."[2] I was also told that IFoA members had written several reports on adult social care funding, including assessing the viability of self-funding and the balance between state and non-state funding.

From our conversations and the IFoA website, it was clear that they had also been thinking about these issues for a long time, so were ideally placed to help. As part of their public-interest remit, the IFoA Social Care Working Party kindly volunteered to estimate the costs for a range of scenarios, based on our outline proposal.

Disclaimers

While the IFoA kindly agreed to estimate the cost of these scenarios, the IFoA has been clear that this does not mean it endorses the proposal.

In addition, the proposal should not be considered to be from either the Labour or Conservative Parties, but from Lord Lipsey (Labour) and the author (Conservative) as two individuals seeking a cross-party solution.

The actuarial profession has an essential role to play in offering a unique perspective on potential long-term funding solutions.

2 | IFoA. IFoA Social Care Policy Briefing Series: The state of play. (November 2018).

IFoA modelling

A detailed summary of the IFoA's modelling can be found **here**. The key findings were:

- Cost of an awareness campaign: This was estimated to be £5 million over a two-year launch period, after which the campaign could potentially be funded by the insurance industry.
- Behavioural impact: The analysis estimated that approximately 110,000 additional people might restructure their finances to qualify for means-tested support (known as deliberate deprivation), potentially costing the exchequer £8.4 billion. However, this figure is highly sensitive to assumptions and could range from £0 to £20.9 billion over a 10-year period, depending on policy enforcement and public response.
- Insurance uptake: If 20% of eligible individuals purchase insurance, the policy could reduce means-tested benefit costs by £0.2 billion. A pre-funded insurance model (10% uptake among those aged 40–65) could further reduce costs by £3.5 billion.
- Tax implications: Increased insurance uptake could generate £58 million in additional inheritance tax and £1.2 billion in insurance premium tax over ten years.
- Total estimated cost: The base case estimated the total incremental cost of the policy at £3.3 billion (£0.3bn a year), with sensitivity analysis indicating outcomes ranging from annual savings to taxpayers of £0.5 billion to annual costs of £1.6 billion over a 10-year period. This would depend on the scale of deliberate deprivation.

The main limitations of the model were:

- The analysis did not include the cost of the current system, nor did it address the practicalities of accrediting insurance products or maximising scheme take-up.
- There remain key uncertainties, including the behavioural response to the awareness campaign and the feasibility of scaling insurance solutions, given past low uptake and political uncertainty.
- It did not consider the measures, and their effectiveness, that a government could take to minimise deliberate deprivation and encourage responsible insurance uptake.

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Conclusion

While the IFoA did not endorse the proposed policy, it concluded that:

- The proposed policy offers a potentially more sustainable approach to funding social care, balancing government expenditure, individual responsibility and market-based insurance solutions.
- The policy proposal could be more cost-effective than previous proposals.
- The success of the proposal would depend on careful policy design, robust enforcement against asset deprivation and effective public engagement.

The outline of the proposal and the IFoA's costing have been submitted to the Casey Commission on Adult Social Care. While more work will be needed to test the model's robustness, we hope that it will be of interest to the new government. Given Prime Minister Andy Burnham's determination to sort out adult social care, we hope he will work with insurers and actuaries to deliver a National Care Service that costs taxpayers less than previous proposals.

Footnote

I would welcome any feedback however critical (or perhaps even encouraging) to strengthen the proposal. I also wish to pay tribute to the late Lord Lipsey for challenging me and encouraging my interest in developing a proposal that could provide better value for taxpayers in light of the demographic challenges of an ageing population. If this leads to a workable policy for the current government or a future one of whichever political colour, it would be a fitting tribute to a wonderful man, with whom I was fortunate to work for a short time.

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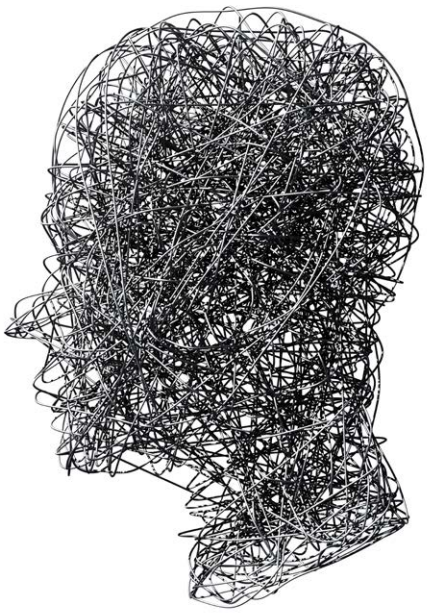

think

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