concern. The risk of insolvency was identified in the audit I mentioned above; avoiding insolvency and a consequent forced dissolution of the Fund is my highest priority whilst there remain viable means to sustain the Fund. To that end the Committee has decided that the Fund can no longer sustain being the lone insurer of our kind which does not apportion premiums (subscriptions) according to risk. The details of our decision and the necessary general meeting are later in the newsletter.

In conclusion, we continue to face turbulent times and, while we are not alone in this challenging fiscal climate, we are a unique fund with perhaps greater exposure to the turbulence than most in our sector. Under my leadership, your Committee remains dedicated to safeguarding the future of Lady Grover's Fund for as long as we can and for the benefit of you, our members.

I hope that you have a peaceful and pleasant Christmas and above all, a healthy and happy New Year.

2019 Lady Grover Committee Report

Partnership with the OA

As announced in the previous newsletter, The Officers' Association (OA) took over the administration of our Fund on 1 July 2018 following the vote on the proposal and its accompanying contract at our AGM on 31 May 2018. Some 17 months on, the bedding-in period is over and we are now looking at ways to streamline the conduct of our business administration to cut the cost of administration and so maximise the percentage of your subscriptions that go to paying claims.

As we mentioned last year, the roles of the CEO/Secretary of the Society have changed. Since it isn't legal for our CEO or Society Secretary to be a salaried member of the OA staff, the roles of the CEO/Secretary of the Society have been redefined. Mike Vickery remains our CEO/Secretary, but now performs only those functions which for legal and regulatory reasons must be vested in an individual directly answerable to the Committee of Management and which as a result cannot be delegated to a contractor. Nigel Hare, Operations Director of the OA is the Membership Secretary and it is his team that now looks after the membership and claims elements of the Fund.

The OA staff cannot, at present, offer any advice on the validity of any claim nor on the suitability of LGF membership for any individual. So, while Mike remains busy with governance and best practice and has now mostly stepped back from overseeing the claims and membership processes, he remains the authorised contact for advice. We are seeking the necessary regulatory permissions for this to pass to the OA staff as part of the new CEO solution which will allow Mike Vickery to retire after long service. We are currently looking for a regulator-approved CEO whose salary will not push us into insolvency; until then Mike has very kindly agreed to remain in post longer than was planned.

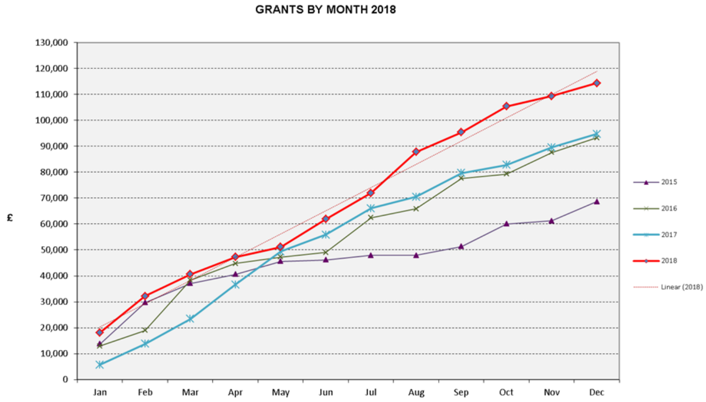
2018 and 2019 Membership and Claims Statistics

Membership

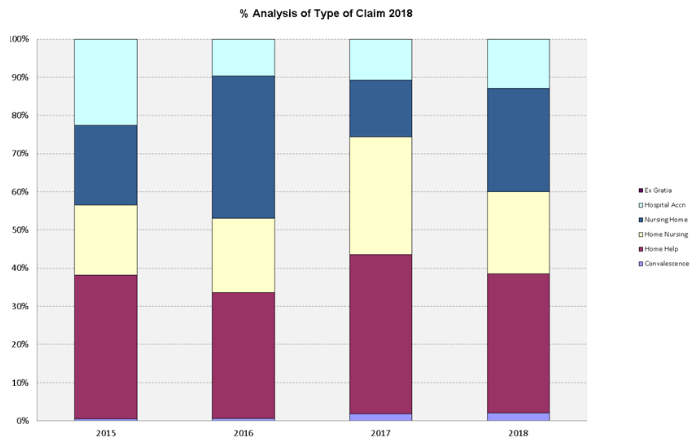
Membership continued to decline in 2018 and we had 2868 members at the end of the year, 147 fewer than at the end of the previous year. This was an increased outflow on the 103 that had left in 2017. Although membership has continued to decline in 2019, the rate has reduced, and we are seeing an increase in enquires to join the Fund. We believe this is due in part to the OA marketing department trying new avenues through which to promote the Fund. As a result, we have seen 49 new members join this year compared to 23 in total last year. Nonetheless 81 people have cancelled their membership so far in 2019. The change in how we process and collect direct debits and the transfer of the financial aspects of claims to the OA's Salesforce system have improved our ability to process and understand membership and claims data and there is more work to be done with just over 200 members still being chased for their subscriptions for this year.

Claims

As already mentioned, total claims for 2018 were the largest ever seen by the Fund. You can see from the first graph to the right the increase in claim amounts over the past three years ending with a total of £114,362 last year. This year end was a warning shot across our bows and has led to your Committee spending most of 2019 looking at all options for the future of the fund. That work is ongoing and continuous.

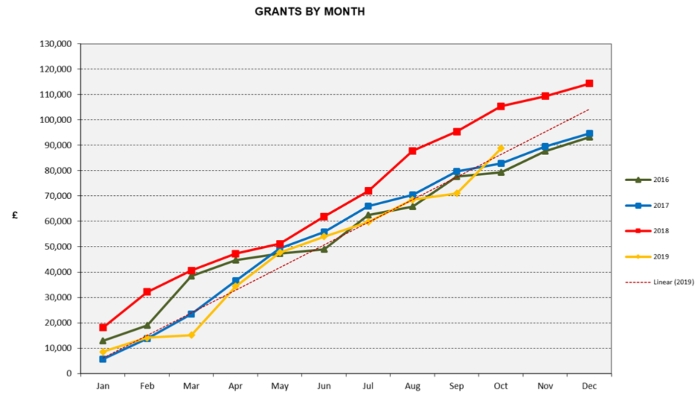


The bar chart to the right shows an annual comparison of the types of claims paid out since 2015. It shows a steady increase in the amount awarded for hospital accommodation fees between 2016 and 2018. This type of claim, and those for nursing home fees, tend to be the largest individual claims we pay and the increase in both types of claim over the past couple of years has raised the average amount of each claim. While the proportion of claims for home help has fluctuated over the past 4 years it remains the largest proportion of all claim types in terms of money paid out.

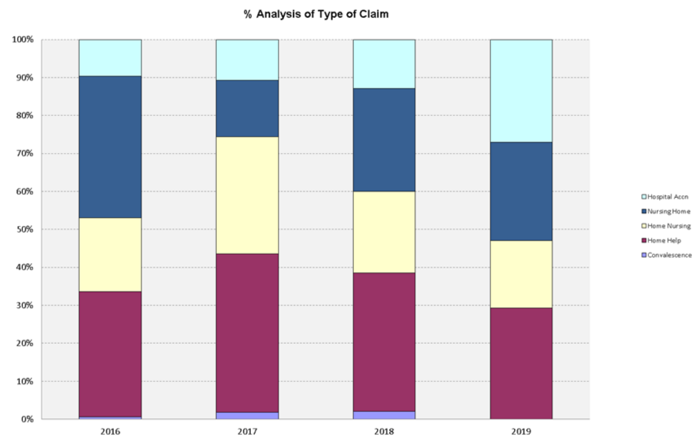


2019

After an exceptionally low claim rate in early 2019, the summer and early autumn periods have seen an increase and the total paid out until the end of October was almost £90k. As the graph to the right shows, although this is lower than the equivalent amount paid at this time last year, a similar claim rate for the final quarter would see total payments exceed the £100K mark for the second successive year; adding further to the fiscal pressure on the Fund.



So far in 2019, as the bar chart to the right illustrates, we have seen a decrease in the proportion of claims paid for home help and home nursing while there has been a slight increase in the percentage of claims paid for nursing home fees and a bigger rise in hospital accommodation claims. The most significant trend, however, has been in the average payment per claim which has risen significantly from £775 last year to £1280 by the end of Q3 this year.



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Rule Changes

The rule changes which we proposed in the Chairman's June letter have now all been ratified by the Prudential Regulation Authority. As a reminder, we have changed the way we collect your Direct Debit, tidied up some of the more arcane membership qualifications and widened our membership to include officers in civil partnerships, same-sex marriages and cohabiting couple relationships.

Life Members. There used to be a category of Life Members whereby a Member could pay a fixed, reduced fee for life .The amount a life member could expect to claim was also fixed and thus became less valuable as time elapsed, due to inflation and the increase in healthcare costs. Since we have not taken on any new Life Members since 1969 and we have none remaining now, we have changed the rules to delete that category. Don't confuse that with the fact that you are all "members for life" – you remain that for as long as you pay your subscription!

Unmarried daughters/sons over the age of 50**.** The rules required that that these potential members were over the age of 50 on joining and had been dependant on a deceased parent who had been a member in the last 2 years. We have had no new joiners under this rule since 1999 and have deleted it. Existing members under this rule will, of course, retain their membership.

Finally, we have broadened the definition of "spouse" in accordance with UK law and indeed Armed Services' regulations to include officers in civil partnerships, same-sex marriages and cohabiting couples.

You can find all these rule changes on our website www.ladygrover.org.uk. They are easy to find as they are all annotated with "2019" after them. Thank you for your helpful comments which encouraged us to propose these rule changes.

Future Subscriptions

As explained by the Chairman, our solvency remains a constant concern to your Committee. You will have seen from Nigel Hare's figures in the Claims paragraphs above that our expenditure on claims has risen year on year, with 2018 being a particularly expensive year for the Fund. One reason for this rise is that the cost of healthcare is rising at a higher rate than overall inflation. While the costs of Home Help and Home Nursing have not really moved in recent years, the claims for Hospital and Nursing Home accommodation are driving up the average cost of a claim. It's not just that the straight cost of the accommodation has risen; a further factor is that when a patient goes into a National Health hospital for a hip or knee replacement, for instance, the hospital tends to discharge the patient within four or five days. The difference in the columns of the table below reflects that a spouse will usually have a home, complete with spouse, to recover in. A widow or widower is likely to need to go into a nursing home for a time to recover. At the same time, our membership is aging despite our efforts to recruit younger members. As you will see from the table below, claims rates vary significantly according to the age of the contributor.

Average Cost of Claims by Age Group

At our last valuation the annual claims rates were:

	Spouse benefits	Widows' Benefits
Age	**£pa**	**£pa**
Up to 55	11.00	11.00
55- 65	11.00	53.00
65- 75	13.00	95.00
75- 85	31.00	170.00
85-100	155.00	360.00

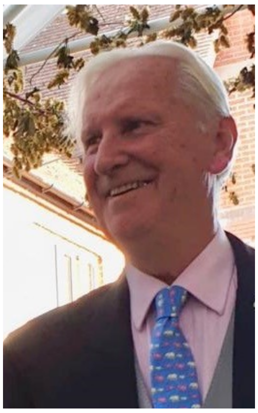
The majority of healthcare insurers reflect this age-related increase in claims costs by charging premiums according to age. This is something we have resisted up to now, but we can no longer do so as the claims burden threatens to drive us out of existence if we do not address this differential.

Tiered Subscriptions

Accordingly, we sought the advice of our actuary, who produced a range of figures based on the information from the table above, giving us options of age bands and charges. The Committee examined and discussed these options at length in our October meeting. We were keen to increase our solvency to a comfortable margin without being greedy but with an eye to future-proofing so that we don't have to have large price hikes in the future. We wished, too, to limit the increase for the older age group who have been members of the Fund for many years.

The analysis concluded that we should tier subscriptions into three bands, reflecting risk, in order to sustain the solvency and viability of the Fund. The proposed bands are: Under 50, 50-69 and 70+. We felt it reasonable to keep the present subscription of £60 pa for the 50-69 age group and increase the subscription for those aged 70 + to £70 pa. At the same time, and in line with our wish to attract more young members, we would propose to drop the subscription for those under 50 to £50pa. For the present, we will keep the benefits available unchanged. So, for the maximum possible annual benefit of £8000, a member in the 70+ age group would be paying the equivalent of £5.83 per month. This satisfies the aim of your CEO, who always tells potential members that they would pay less than the cost of a gin and tonic per month. All of these rates are subject to future CPI increases and any changes in the Insurance Premium Tax burden set by governments, but these tiers will form the base for the period from 2020 and will allow the Fund some breathing room and solvency margin whatever the General Election may throw in our direction.

This proposed new model of subscriptions would require a rule change at our next General Meeting in order to take effect. Given the current fiscal climate and the narrowness of the current solvency margin, the Committee is calling a Special General Meeting (SGM) on Tuesday 28th January 2020 at 1.30pm in Mountbarrow House, 6-20 Elizabeth Street London SW1W 9RB to propose this change in order to ensure solvency. We would welcome your comments on this departure from over a century of having a single subscription for all members. We would welcome your thoughts on the proposal as soon as possible. Please write to us at Mountbarrow House or email ceo@ladygrover.org.uk using New Subscriptions as the title of your email. If you wish to attend the meeting, please inform the CEO as soon as possible so that we know how many will be attending, and in any case before 1 January 2020. If the proposed subscriptions are voted in and subsequently approved by the PRA, we shall apply them immediately in order to gain the benefit of them in the year 2020. Just to remind you, the subscription currently stands at £60 a year (from 1 Jan 19), and that is what will be collected by us on the first banking day of 2020.



Parish Notices from the CEO

Electronic Direct Debit System

In July we moved our paper-based direct debit (DD) mandates onto an electronic DD system with a new DD service provider. Not only does this make your subscriptions easier to manage, it also allows new members of the Fund to apply online via our website, which l helps us to attract more members. You should have all received a letter or email from us telling you about the change of the email service provider.

Unfortunately, the former service provider failed to remove the old DD mandates from the inter-bank BACS payment system. This means that for the next couple of months, if you look at the list of the DDs listed against your account, you may see two DD mandates for Lady Grover's Fund. Please do not worry about this - you will not be charged twice. If you have deleted one, and deleted the wrong one by mistake, the new DD service provider will let us know and Andrea Oliver (our Accounting Manager) should get in touch with you to confirm whether you want to reinstate your DD. If you have any questions about this you can give us a call.

Direct Debits and Standing Orders

The great majority of you pay your subscriptions by Direct Debit and so are always up to date with changes in subscriptions. **If you are paying less than £60**, it is likely that you are paying by Standing Order and have not updated it for some time. If this is the case, please get in touch with us, either by email to secretary@ladygrover.org.uk or by letter and we will help you sort it out and set up a Direct Debit. If you continue to pay old rates of subscription, you will only be able to claim at the rates pertaining when that subscription was in force, which will be considerably less than today's rates.

Governance

Stephen Anderton resigned as a trustee just before this year's AGM after 11 years of much valued service as a committee member and trustee. Stephen helped to see the Fund through one of its biggest changes for many years and I'm sure you will join the Chairman and Committee in wishing him all the very best. The opportunity was taken after Stephen's departure to review the governance structure of the Fund and Lee Holloway of the OA and committee member Jon Brittain were elected as trustees.

Email Addresses

I repeat my annual plea for email addresses. If you received this newsletter by post, we don't have an email address for you. If you do have email, we would prefer to use it rather than paying for printing and postage. Your help with this has driven down the number of members whose emails we lack to less than 150; that's a great help and saving, but we would like to see it drop further. I do understand, however, that there are some members who don't use email!

2020 Annual General Meeting

Next year's Annual General meeting will take place in June 2020. We will let you know in good time when that will be.

Conclusion

I hope that you have found this newsletter of interest. Your Committee seeks comment from you on our plans to keep us in business by introducing age-related subscriptions.

Meanwhile the Chairman and Committee of Lady Grover's Fund wish you all a Happy Christmas and a prosperous New Year.