

The PAX Scheme offers members of the Armed Forces and their families personal accident and life insurance cover. Aon Ltd is the contracted administrator of the PAX schemes and AIG UK Limited is the provider of the personal accident insurance. The scheme is specifically tailored to meet the needs of Service personnel and their families. It provides financial compensation in the event of accidental death and permanent disabilities, on and off duty, worldwide including active service. PAX also includes benefits for other specified injuries which are not permanent but can have a short term impact on lifestyle or finances. These include fractures to the arm, wrist, leg and ankle or burns. It also covers hospitalisation following bodily injury.

PAX is an optional scheme. The MOD already provides cover for injury and death under the Armed Forces Compensation and Pension Schemes. Armed Forces Compensation Scheme payments have recently increased, up to £570,000 and a tax-free index-linked Guaranteed Income Payment for the more seriously injured. This payment begins as soon as the individual is discharged from HM Forces and is paid monthly for life; it has the potential to be worth many hundreds of thousands of pounds over a lifetime. The Armed Forces Pension Schemes pay out three or four times pensionable salary as a lump sum on death in Service. Dependents can also receive pensions (children and spouses).

It is a matter for individual Service personnel to decide whether they wish to enhance the cover available to them under the Armed Forces Compensation and Pension Schemes by additionally joining PAX or any other insurance scheme.

PAX has provided valuable cover since 1989 and this is only the fourth price increase. In recent years, the number of troops on operations and the frequency of their deployment, in addition to a rise in claims against the scheme generally, have meant that PAX claims payments in 2008 (adjusted for the increased number of policy holders) are double the level of claims in 2004. 73% of all claims by number are for non-operational accidents.

For a number of years now the cost of PAX claims has exceeded premiums. The Personal Accident premium was last increased in early 2008 to help address the number and value of claims being received. After a thorough review by Aon and AIG UK Ltd, it is considered necessary to increase premiums again to reflect the continuing level of military activity and resulting claims.

The basic structure of the scheme and other scheme benefits are unchanged. Existing scheme members (policy holders) on 1 April 2009 will automatically continue on the PAX scheme, but with the revised personal accident premiums outlined below:

The revised monthly premiums for a single unit are as follows:

- PAX Individual £3.55 per unit (previously £2.75, - an increase of 80p per unit)
- Family £5.00 per unit (previously £3.90, an increase of £1.10 per unit)
- This represents a 29% increase.

Policyholders can buy cover in units, up to a maximum of 15 units.

Optional Life premiums will again remain unchanged. Life premiums have not increased since this cover first became available in 1991.

Policy holders can change or cancel their insurance cover at any time by visiting their Unit HR Office. A table detailing the new cost of premiums from 1 April 2009 is provided on the next page.

PAX Premium Table with effect from 1 April 2009

Units	PA Only		Additional Life Pm	
	Individual	Family	Individual	Family
1	3.55	5.00	1.00	1.50
2	7.10	10.00	2.00	3.00
3	10.65	15.00	3.00	4.50
4	14.20	20.00	4.00	6.00
5	17.75	25.00	5.00	7.50
6	21.30	30.00	6.00	9.00
7	24.85	35.00	7.00	10.50
8	28.40	40.00	8.00	12.00
9	31.95	45.00	9.00	13.50
10	35.50	50.00	10.00	15.00
11	39.05	55.00	11.00	16.50
12	42.60	60.00	12.00	18.00
13	46.15	65.00	13.00	19.50
14	49.70	70.00	14.00	21.00
15	53.25	75.00	15.00	22.50