



10 DOWNING STREET

From the Principal Private Secretary

16 April 1985

Dear Richard,

ASSASSINATION AND DEATH IN SERVICE

The Prime Minister read on her way back from South East Asia the Chief Secretary's minute of 27 March covering a report by officials on the existing arrangements for death benefits and compensation for the families of civil servants assassinated in the course of their duties. She also saw the Foreign and Commonwealth Secretary's minute of 4 April and the Lord Chancellor's letter of 11 April.

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In the light of the Foreign and Commonwealth Secretary's comments the Prime Minister is content for the FCO and the Treasury to have further discussions to see if a common view can be reached. It may be helpful, however, if I let you have her own initial reactions. First, the Prime Minister accepts the two recommendations in the report to increase the transitional pension and the section 11 lump sum to six months, on which the Chief Secretary and Lady Young are agreed.

Beyond that, the Prime Minister would be inclined to increase the minimum widows' pension in respect of the victim of an assassination from 45 per cent to 50 per cent. The Prime Minister recognises the difficulty of increasing further the gap in favour of some one killed as a result of terrorist activity over some one killed, say, in an air crash in the course of their duties. On the other hand, she would not see the same case for increasing the benefits available in respect of a civil servant who dies in service through natural causes. She wonders whether the qualification for more generous treatment can be defined in terms of death from other than natural causes of a civil servant in the course of his duties and the treatment for this category made more generous. Perhaps the discussions between the FCO and the Treasury could cover this point.

There is another point, arising out of the case of Mrs. Whitty, affecting the calculation of compensation payments under the Criminal Injuries Compensation Scheme or its equivalents. It became apparent that compensation for loss of Mr. Whitty's future earnings allowed for the prospect of promotion but made no allowance for increases as

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a result of future inflation. The Prime Minister felt that this might be reasonable as long as the interest rate used to discount those future earnings in turning them into a lump sum was similarly one which did not contain an element for inflation, i.e. if it was based on an expectation of real interest rates in the future. The Prime Minister understands that the interest rate used at present for discounting future income is  $3\frac{1}{2}$  per cent per year post tax: the Prime Minister further understands that this interest rate has been used by the Courts for a large number of years but that the Lord Chancellor's Office may be about to review the calculation of such compensation payments generally. The Prime Minister thinks that the post tax interest rate of  $3\frac{1}{2}$  per cent per year is rather a high figure for an estimate of long-term real interest rates and she would be grateful if the Lord Chancellor's Office would arrange for this point to be looked at in reviewing this matter.

I am copying this letter to Richard Stoate (Lord Chancellor's Office), Len Appleyard (Foreign and Commonwealth Office), Hugh Taylor (Home Office), Richard Mottram (Ministry of Defence), Elizabeth Hodgkinson (Department of Education and Science), John Graham (Scottish Office), John Ballard (Department of the Environment), Steve Godber (Department of Health and Social Security) and to Sir Robert Armstrong.

Yours ever,

Robin Butler

Richard Broadbent, Esq.,  
Chief Secretary's Office,  
H.M. Treasury.

FROM THE PRIVATE SECRETARY



HOUSE OF LORDS,  
LONDON SW1A 0PW

9th May, 1985

MANAGEMENT IN CONFIDENCE

Robin Butler Esq.,  
Principal Private Secretary to  
The Right Honourable  
The Prime Minister,  
10 Downing Street,  
London,  
SW1.

*Dear Robin,*

Assassination and Death in Service

Your letter of 16th April to Richard Broadbent indicated that the Prime Minister wished there to be further discussions at official level between the Treasury and the FCO to see if a common view could be reached on this problem.

However, you also raised a point which falls to this Department. You said that the Prime Minister believes the discount rate used by the courts in calculating compensation for loss of future earnings in personal injury and fatal accident cases to be too high. You also said that the Prime Minister believes this Department may be about to review the calculation of such compensation payments generally. We are wondering if what the Prime Minister had in mind was a report, published last year by HMSO, of a Working Party of actuaries and lawyers working under the aegis of the Government Actuary's Department. The Working Party came to the conclusion that the present discount rate was too high, and suggested instead a rate of 2½% to 3½%. Additionally, this Department has been approached in an attempt to enlist our help in persuading the courts to be more responsive to actuarial evidence.

I should explain that the rate used by the courts is not one over which the Lord Chancellor has any direct control. Unless he were to take such control via primary legislation, it can only be for the courts themselves, and ultimately the House of Lords, to adopt a lower rate. I hope this clarifies the position.

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I am copying this letter to Len Appleyard (FCO), Hugh Taylor (HO), Richard Mottram (MOD), Elizabeth Hodgkinson (DES), John Graham (SO), John Ballard (DOE), Steve Godber (DHSS) and to Richard Hatfield in Sir Robert Armstrong's office.

Yours sincerely  
Richard Stoute

Richard Stoute

CIVIL SERVICE: Assassination &  
death in Service: march '85.

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