

Alternative Products



International Market

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ILTCI

14th Annual Intercompany Long Term Care Insurance Conference

Alternative Products



The Israeli Experience

Yair Babad

Prof. (Emeritus)

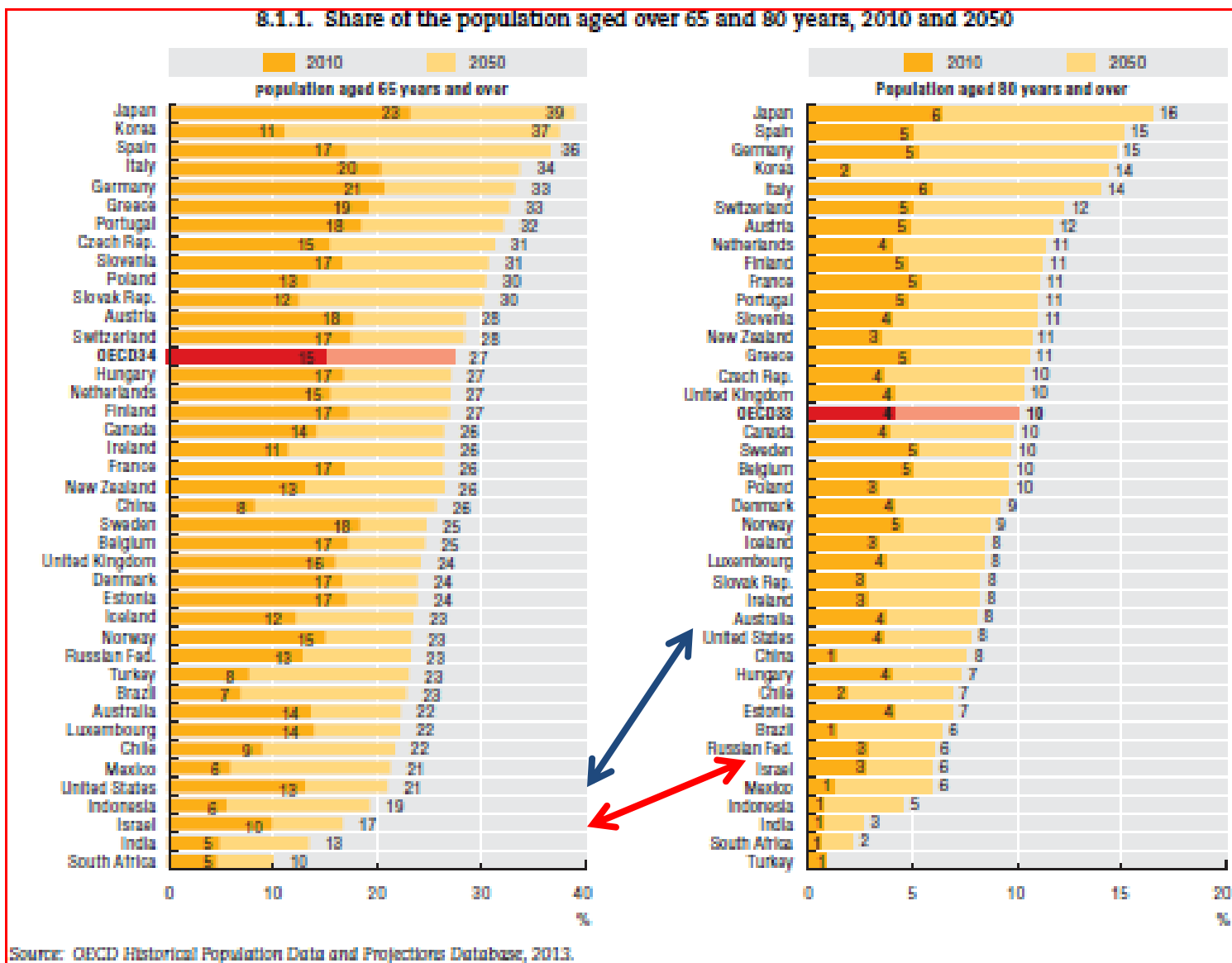
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Demographic Overview – Aged Population

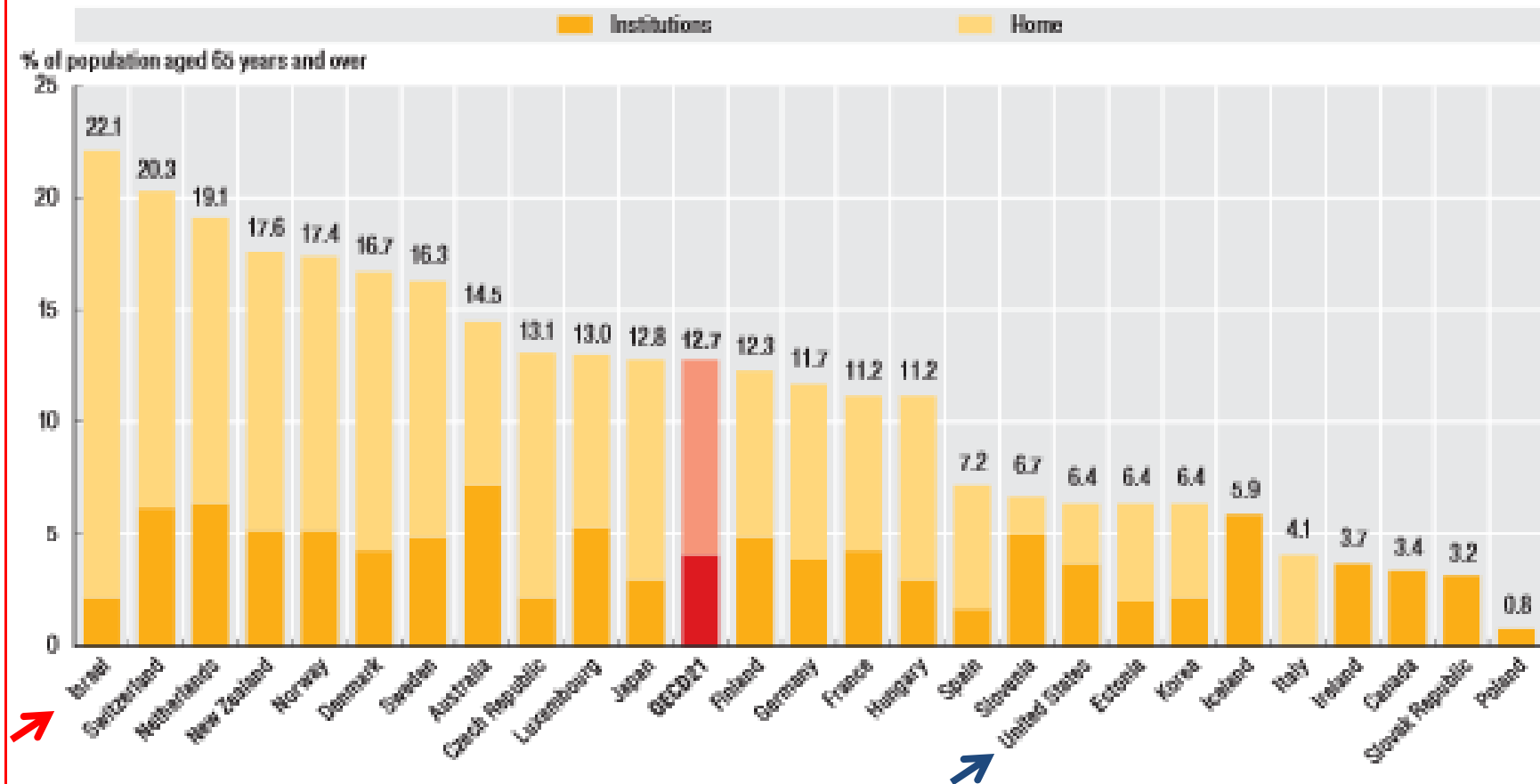
8.1.1. Share of the population aged over 65 and 80 years, 2010 and 2050



Demographic Overview – LTCed Aged Population



8.5.1. Population aged 65 years and over receiving long-term care, 2011 (or nearest year)



Source: OECD Health Statistics 2013, <http://dx.doi.org/10.1787/health-data-en>.

LTC / Nursing Availability



	Health Insurance	Private LTC Insurance ~ 7% / population
National Health Act (4 HMOs)	Supplementary Health Services	Collective LTC ~ 53% / population
	National Health Basket Geriatric and Complex Nursing Support	
Nursing Act (INII = Israeli SSA)	<i>Retirement age</i> <i>Israeli citizen</i> <i>Community living</i> <i>Income test / ADLs</i> <i>9 - 16 - 18 weekly support hours</i>	Light Nursing for Community Retirees ~ 15% / aged
Ministry of Health	<i>Geriatric hospital</i> <i>Income test & copay</i> <i>3 - 24 months</i> <i>Cost ~12-15K NIS / subsidy ~3K NIS</i>	Supports Nursing Hospitalization ~ 3% / aged

LTC Coverage – Policies Comparisons (1)



POLICY TERMS	HMO Collective Policy	Insurer Personal Policy
Number of insurers	4 HMOs	7 insurance companies
Underwriting	Yes	Yes - as reduced monthly pay
Premium	Unisex / cross-subsidization Changes beyond 65	Up to 65 - fixed or increasing with savings / After 65 - fixed
Max age	75	70 - 85
Premium change	Usually 3 years	After 5 years with approval only
Cash value		Yes - as reduced monthly pay
Renewal	3-7 years	Policy for life
Continuation	Individual policy - same terms	

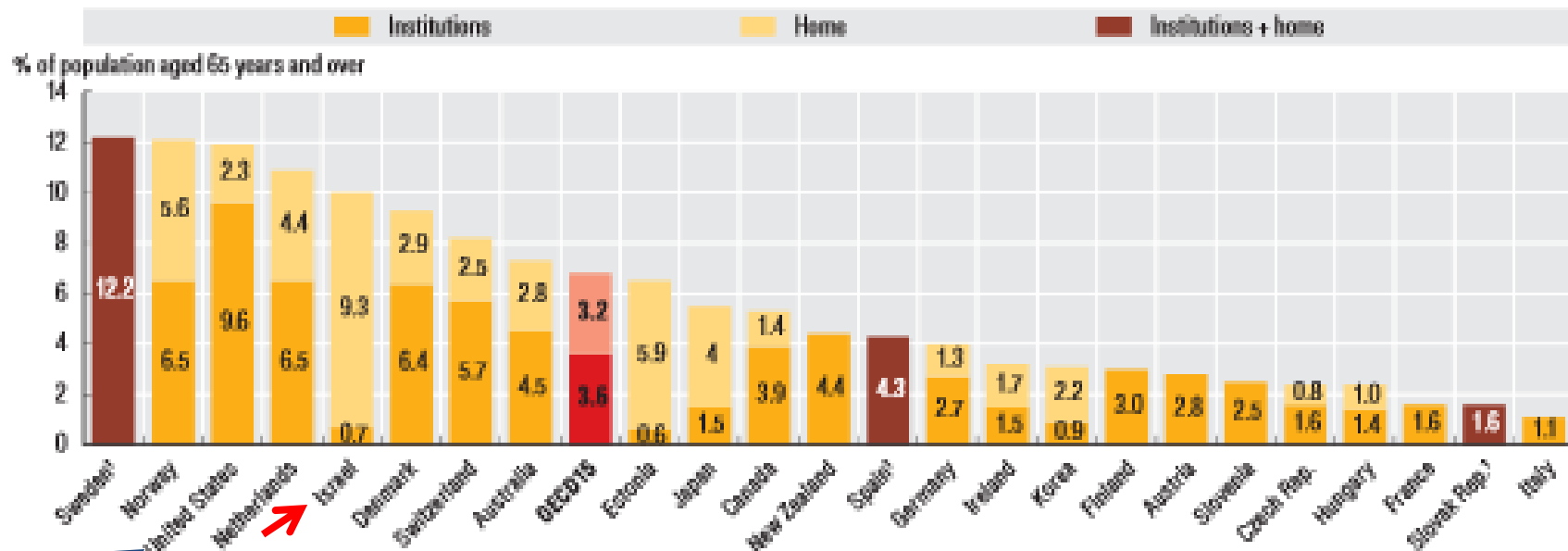
LTC Coverage – Policies Comparisons (2)



COVERAGE	HMO Collective Policy	Insurer Personal Policy
LTC case	3 ADL or Dementia	3 or 1 + toilet
Waiting period	1-3 months	1-3 months, can be extended
Payments options		
At home	Foreign 6*24 hours Israel 36 hours/week or 5,000-3,000 NIS/month	Fixed amount per month Up tp 20,000 NIS
Institution	9,000-4,5000 NIS/month	
Duration	100% years 1-3 75% years 4-5	3 - 5 - 8 years or whole life
Life extension	Discounted personal policy	
Linkage	Premiums and amounts usually linked to CPI	

LTC – Family / Society Support

8.7.1. Long-term care workers as share of population aged 65 and over, 2011 (or nearest year)

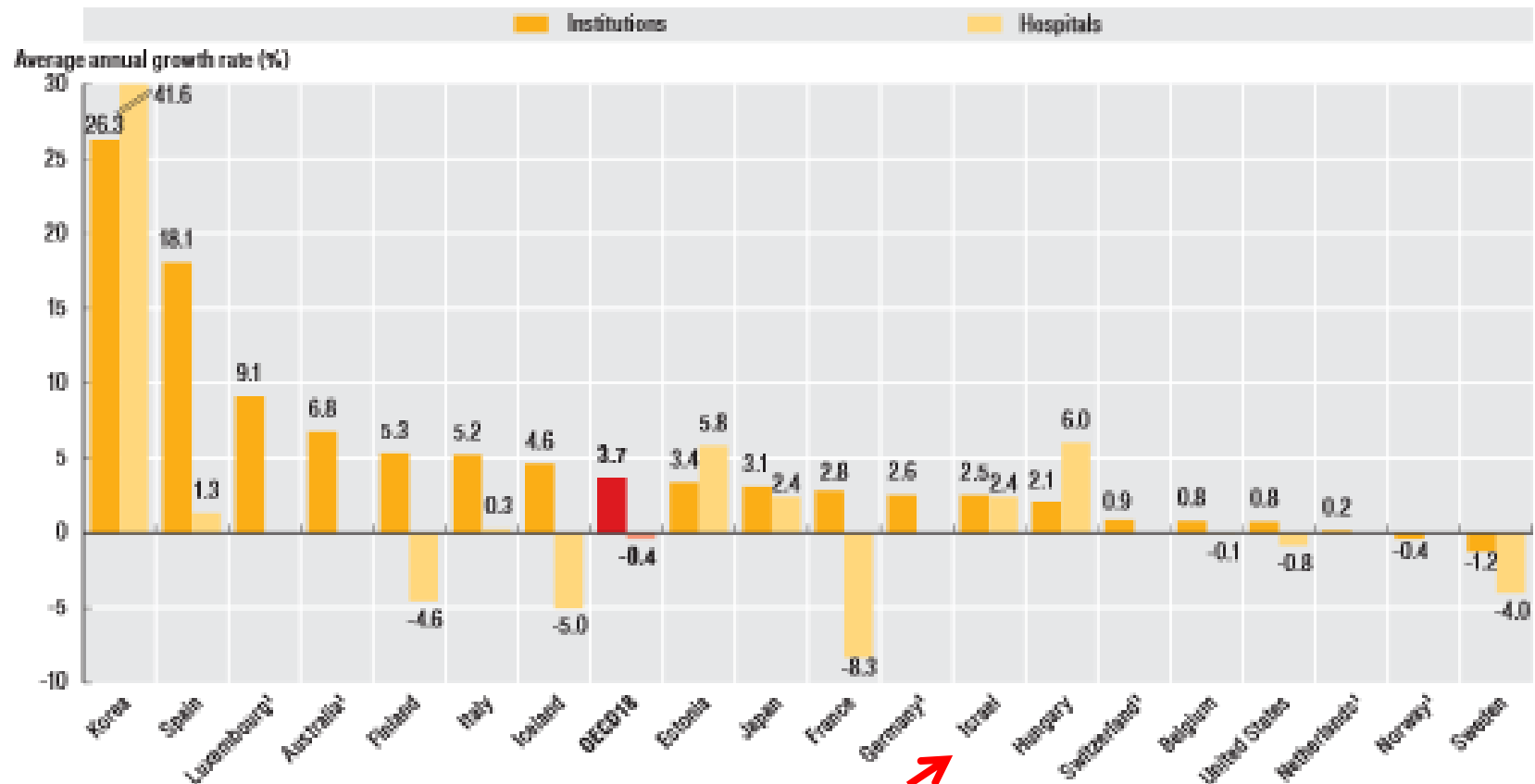


1. In Sweden, Spain and the Slovak Republic, it is not possible to distinguish LTC workers in institutions and at home.

Source: OECD Health Statistics 2013, <http://dx.doi.org/10.1787/health-data-en>.

LTC Hospitalization Trends

8.8.2. Trends in long-term care beds in institutions and in hospitals, 2000-11 (or nearest year)



Note: The OECD average excludes Korea (due to the extremely high growth rate).

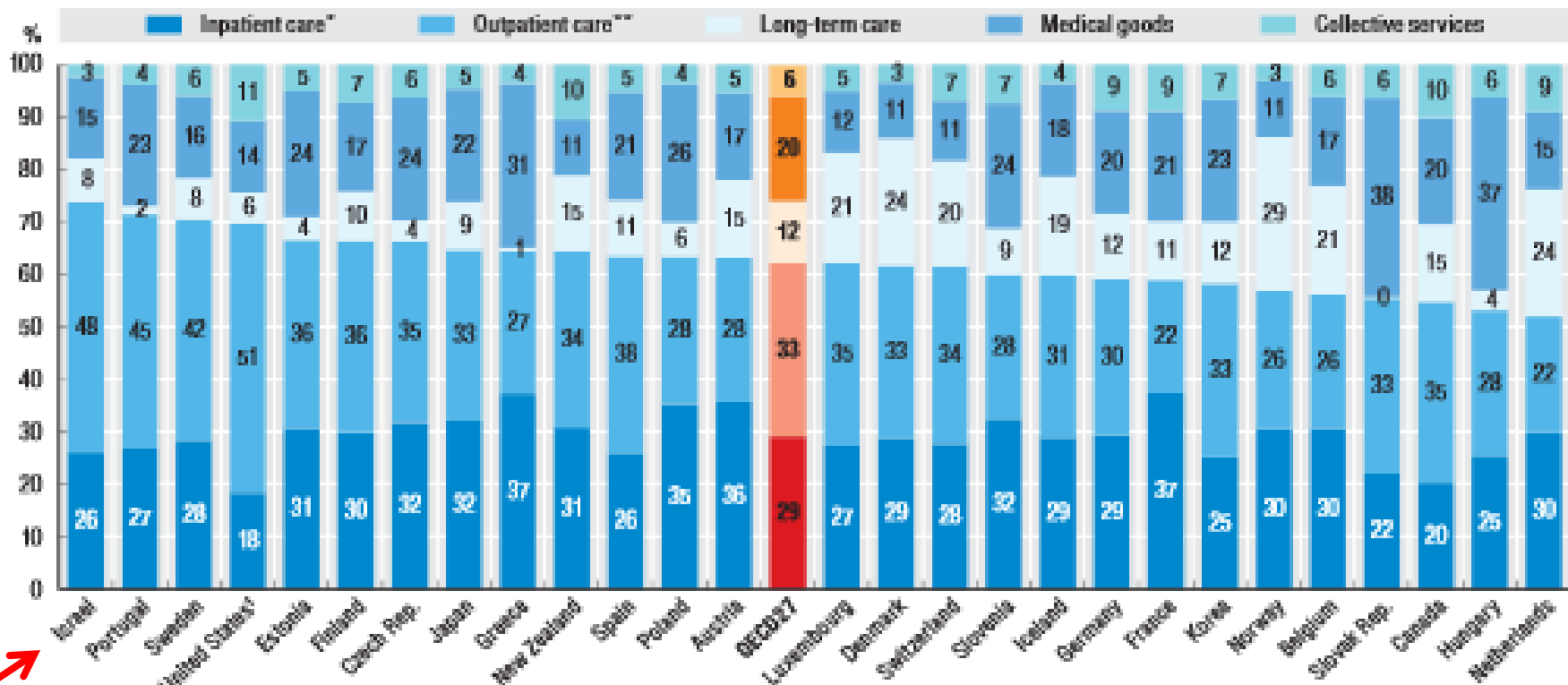
1. Australia, Germany, Luxembourg, the Netherlands, Norway and Switzerland do not report any long-term care beds in hospital.

Source: OECD Health Statistics 2013, <http://dx.doi.org/10.1787/health-data-en>.



Healthcare Expenditure by Function

7.3.1. Current health expenditure by function of health care, 2011 (or nearest year)



Note: Countries are ranked by curative-rehabilitative care as a share of current expenditure on health.

* Refers to curative-rehabilitative care in inpatient and day care settings.

** Includes home-care and ancillary services.

†. Inpatient services provided by independent billing physicians are included in outpatient care for the United States.

Source: OECD Health Statistics 2013, <http://dx.doi.org/10.1787/health-data-en>.

- **Ministry of Health (2011)**
 - Include LTC in National Health Act
 - Single responsibility: HMOs
 - Financed by addition to health tax on income
 - 0.5 - 1.0% addition to 3.1 (up to 60% of average salary) - 5.0%
 - In discussions
- **Commissioner of Insurance (2011)**
 - Convert private-market collective LTC coverage to individual
 - Issues: short-term risk-premium & cross-subsidization
 - Particularly onerous to (relatively) closed group
 - Public risk: canceling LTC coverage at old age with no alternatives
 - Delayed 8/2011 → 1/2013 → 1/2014 → to 2015
 - Same collective coverage for all HMO (2014)
 - Allow price differences (premiums and cross subsidization)

“Private Long-Term Care Insurance in Israel”

S. Brammli-Greenberg, R. Waitzberg and R. Gross, the Myers –
JDC – Brookdale Institute, 2012,

<http://brookdale.jdc.org.il/?CategoryID=192&ArticleID=296>

“Health at a Glance 2013: OECD Indicators”

OECD Publishing, 2013,

http://dx.doi.org/10.1787/health_glance-2013-en

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Long Term Care Solutions in the UK

Mark Dearsley

Managing Director - International
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- Partnership is a specialist provider of financial solutions for people with health / lifestyle conditions
- We aim to offer higher incomes by taking account of people's health and lifestyle conditions
- The largest provider of Long Term Care Insurance products in the UK since 2005
- Also provide underwritten reverse mortgages
- Partnership is listed on the London Stock Exchange and is a member of FTSE 250

- Residential care spend £15bn
- Private Care Homes 204,500 beds (£7bn)
- Private Nursing Homes 244,500 beds (£6bn)
- Public sector 38,800 beds (£2bn)

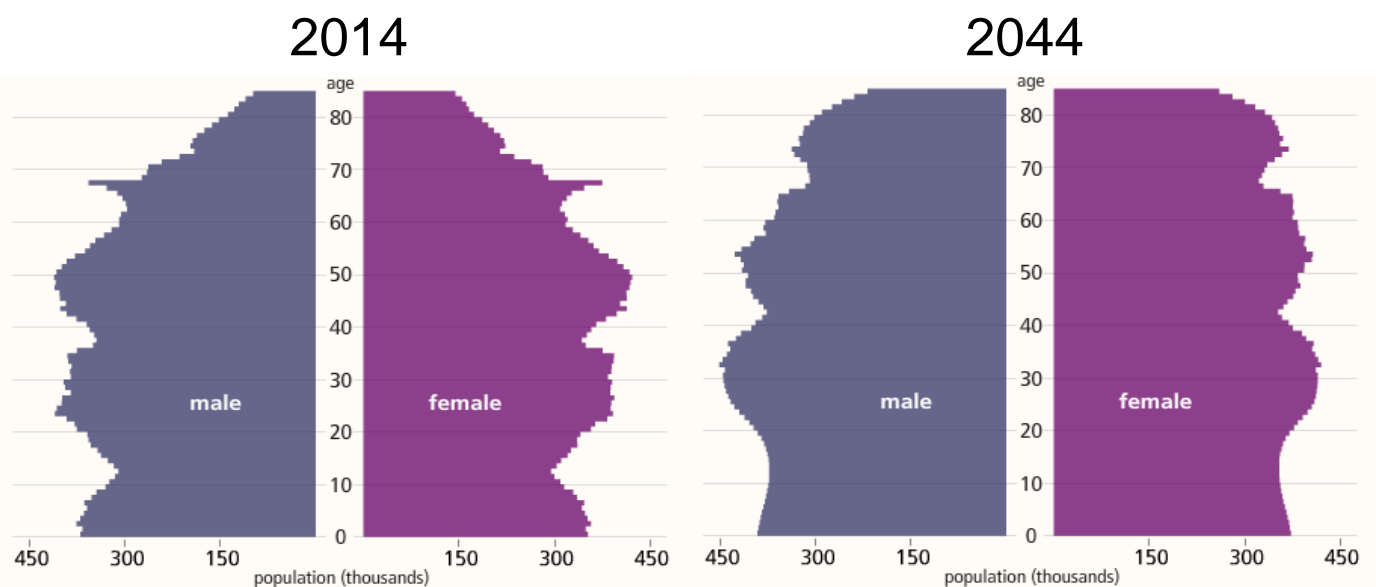
- Home care – estimated £6bn spend – but significant voluntary provision

Source: Laing & Buisson 2012/2013

Demographics make care funding key issue



- The UK population is rapidly ageing and people are living longer



- Four key demographic drivers
 - Longevity, birth rate, immigration, urbanisation
- Opportunity for private sector solutions

Source : Office for National Statistics – Interactive population pyramid / England and Wales

Low awareness leads to poor preparation



- Reluctant to think about the personal impact of ageing and disability
- Don't believe they will (or should) have to pay for care
 - Underestimate life expectancy and need for care
- Don't buy protection – only 59% of people have home contents insurance and 29% have life insurance that pays out on death Source: The Financial Capability of the UK – Money Advice Service
- Assumption that state will provide – NHS lifetime “entitlement” culture

As a result LTCi failed in UK



- No one wanted to buy it
- No one wanted to sell it

At its height, penetration was less than 1%¹

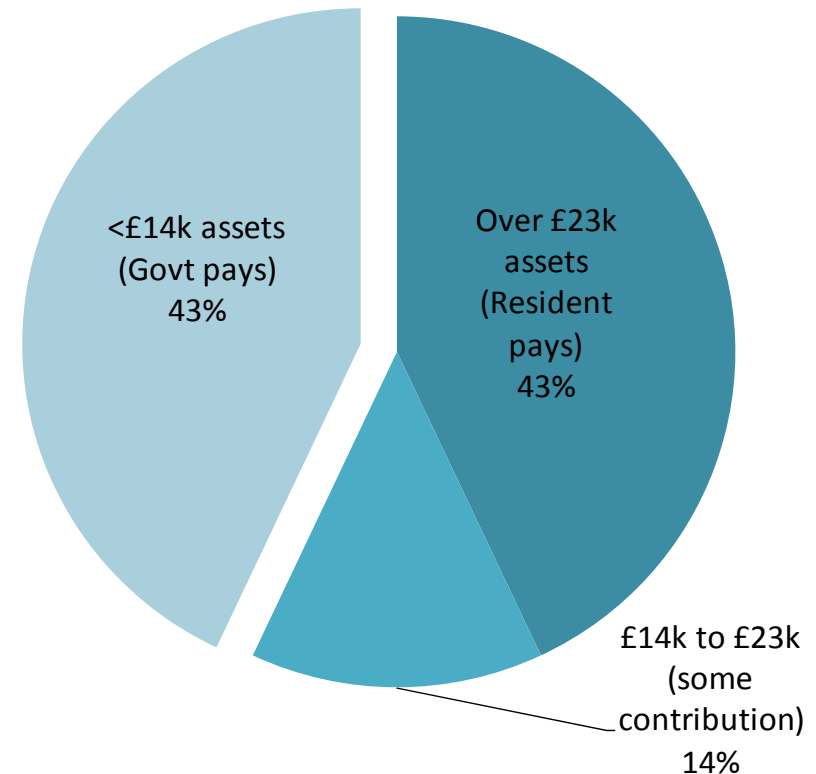
The last pre-funded care policy sold by Partnership in October 2010

¹ Source: Association of British Insurers

The State provides a safety net...



- Local government is required to fund all care for those with less than £14,000 of assets
- Those with over £23,000 of assets entirely fund their own care
- Stretched budgets mean care is rationed and qualification is difficult



Source: Laing and Buisson

...but the majority face a significant cost...



- Single room with nursing in the South East of England (the highest cost region) costs £46,000 (\$75,000) a year

Source : Laing and Buisson Care of Elderly People, UK Market Survey 2012/13

- Average stay for a private payer is 4 years

Source : Partnership data

- 24% of self funders deplete their assets prematurely and fall back on state funding

Source: LGiU report – “Independent Ageing 2013”

...and the impact is far-reaching

- Being asked to relocate
- Reduced service / shared room
- Asking children for help
- Falling back on Medicaid

Customer



- Care for parent
- Loss of inheritance
- Needing to pay

Family



- Empty beds
- Lower yield

Senior Living Facility



- Cost of Medicaid

Government



- There have been a number of significant reviews of the social care system in the past decade
 - Royal Commission (1999)
 - National Care Service (2009)
 - Personal Care at Home (2009)
 - Law Commission (2011)
 - Dilnot (2011)

- Following the 'Dilnot Report' - legislation will be passed this year to reform adult social care in England
- Three key initiatives
 - Cap on maximum care costs
 - Increase access to financial advice
 - Insurance industry seen as a key partner

“Cap” increases confusion



- This legislation will place a ‘cap’ on personal social care costs of £72,000¹
- Does not cover:
 - Living costs (around £12,000¹ each year)
 - Anything above the standard rate paid by the local council
 - Anyone assessed as not having ‘eligible care needs’
- Partnership estimates a personal contribution of about £180,000² before reaching the cap, and over £18,000² per annum thereafter

¹ Source: Department of Health consultation paper

² Source: Payingforcare.org, care cap calculator – single residential nursing room in South East of England

- Need for advice
 - Poor awareness of options
 - Regulation backdrop
- Quality of advice
 - Specialist qualifications for advice on care
 - Society of Later Life Advisers (SOLLA)
- Availability of advice
 - Encourage more advisers to serve this customer segment

- ABI Working Group on product innovation
 - No providers planning to reintroduce LTCl
 - Solutions focused on medically underwritten SPIA provides lifetime income to cover shortfall in return for single premium
- Solution for those who haven't planned at point of need
- Strong customer appetite
- Tax advantaged
- Classic insurance proposition

Underwritten SPIA resonates with wide range of interested parties

- Certainty of lifelong income to help fund care
- Protection of residual assets
- Avoid Medicaid dependency

Customer



- Peace of mind
- No immediate call on family resources
- Potential early access to residual assets

Family



- Self-funder fees guaranteed
- Marketing opportunity for new residents

Senior Living Facility



- Positive solution to address key policy area
- Reduction in Medicaid costs

Government



- Clarity of state vs personal provision
 - Avoid confusion
 - Promote awareness
- Self-reliance vs safety net
 - Safety net reduces “risk” and incentive to insure
- Access to financial advice is paramount
- Right product can gain traction

Alternative Products



Long-Term Care in France

Etienne Dupourque

ILTCI

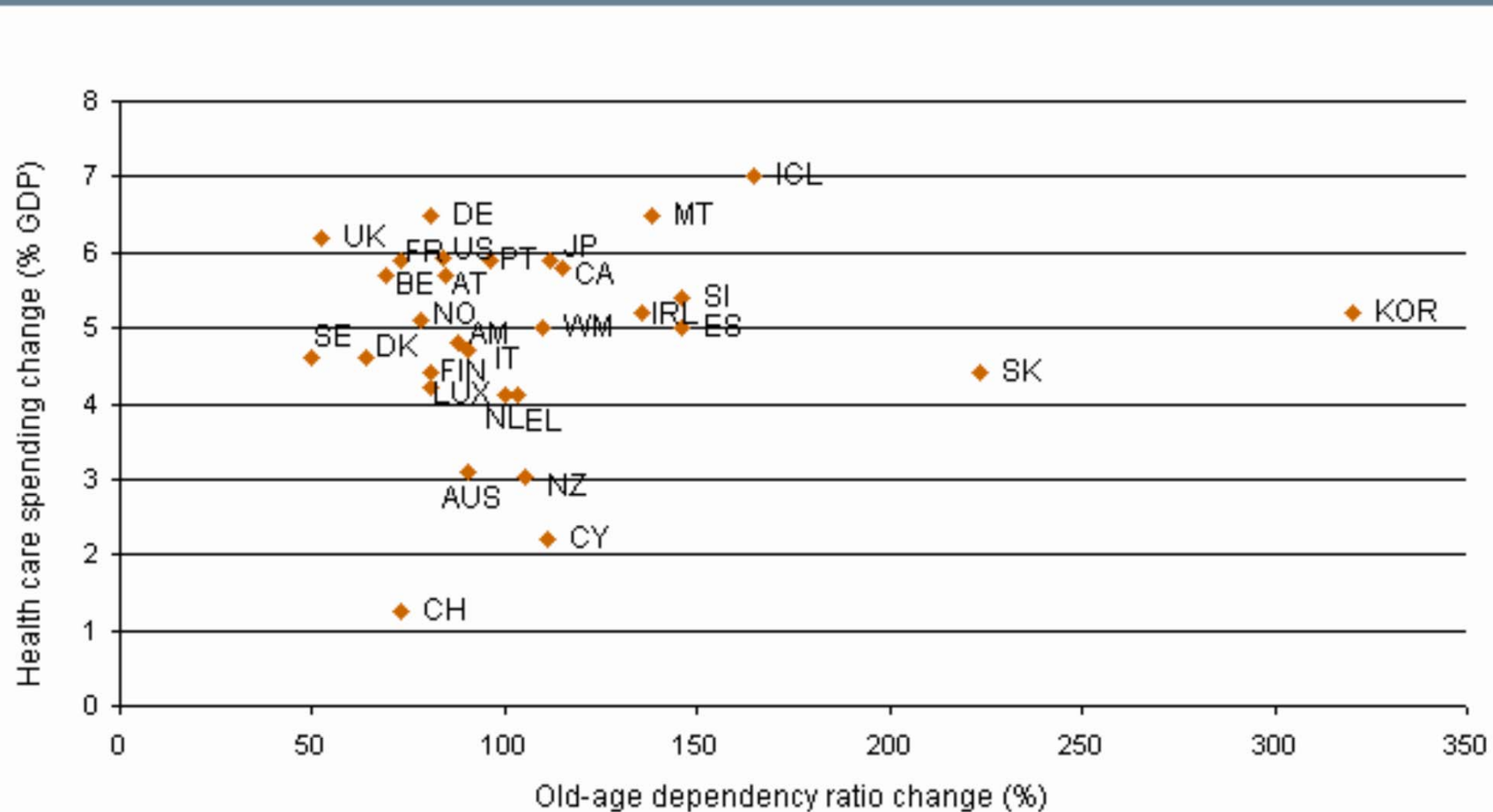
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2010 profiles

	US	France
• Population	309,000,000	63,000,000
• Over 65:	13%	17%
• Death rate /1,000:	8	9
• Male to Female:	.97	.96
• Life expectancy @65:	19 years	21 years

Partners in Costs

Advanced Sovereigns: Health Care And Old-Age Dependency Ratio Change 2010-2050

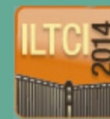


Source: Economic Policy Committee and European Commission, International Monetary Fund, U.N., national projections, and Standard & Poor's. WM--World median. AM--Advanced economies median.

© Standard & Poor's 2010.

- 1.25 million people receive government benefits
- Three fourth of dependents receiving government benefits aided by family members
- Children: 53%
Spouse: 26%
In-law children: 7%
- Law: Descendant obligation toward parents

Providers and Availability



- 1,500,000 dependents
- Mutuelles: 38 million covered
- Non family home care: 400,000 professionals
- Illegal immigrants
- EHPAD: Etablissement d'hébergement pour personnes âgées dépendantes
- 500,000 beds
- Average daily cost €90

Allocation Personnalisée d'Autonomie

- | | Beneficiaries | Cost |
|---------|---------------|-----------|
| • 2002: | 605,000 | €2Billion |
| • 2013: | 1,228,000 | €5Billion |
- 2002 costs: 50% National 50% Regional
 - 2013 costs: 20% National 80% Regional
 - Income tested, not means tested
 - Claim evaluation system: Autonomie
Gérontologique Groupes Iso-Ressources

2010 expenditures on dependency

- €34 Billion
 - 70% Public
 - 30% Private
- 1.7% of GDP
- Insurance benefits: € 94 Million
Less than 1% of total cost

2010 French Long Term Care Insurance

	Insured		Premium collected		Paid Benefit	
	Millions	%	€ millions	%	€ millions	%
Assurance	1.6	29	403	77	150	89
Mutuelles	3.6	65	97	18	18	11
Prévoyance	0.3	6	25	5		
Total	5.5		525		168	

Typical Individual Product



- Monthly life annuity, with proof of eligibility
- 2011:
 - 1.1 Million insured
 - €358 average annual premium
 - 18,000 claimants
 - €584 average monthly benefit
- Partial or Full benefits
- Waiting Period (in years):
 - Accident: 0, Normal: 1, Alzheimer: 3
- Premium can vary as stated in contract

Garantie d'Assurance Dépendance (GAD)

- 3 month maximum elimination period
- €500 minimum monthly benefit (Full)
- Minimum Issuable age: 70
- No underwriting under 50 (w exceptions)
- Maximum waiting periods
- Change in benefit & premium disclosure
- Common terminology

- Government-led review of Long Term Services and Supports
- 80-90% sales are non commissionable
- No prior approval, but audits
- Europe (Unisex tables)
- Solvency II (neither Life nor Health)
- Principle-Based Reserves
- Minimal underwriting
- Mandatory group coverage

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Questions?

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