



Social Care and Insurance

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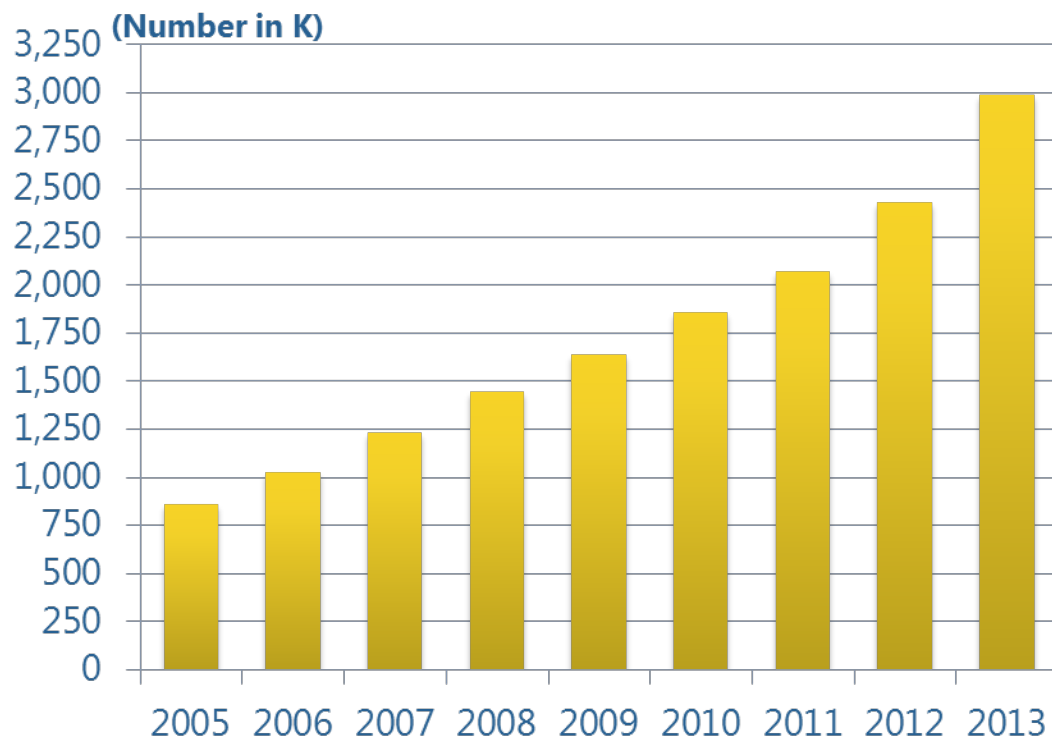
- **Brief look at LTC insurance globally**
- **LTC products: existing and new**
- **Some numbers**
- **The future**



Existing markets



Private LTC market in Germany



- Average growth of number of policies in force (life insurance products) 2005-2013: **+17% p.a.**
- 84% of Germans fear the risk of becoming in need of care, 56% even have great fear
- 67% of Germans consider private supplemental LTC insurance to be necessary

Source: GDV, PKV-Verband, Continentale Krankenversicherung a.G.

Why don't customers buy?



Not interested
in LTCI (27%)

Too expensive
(30%)

Other priorities
(disability, pension)
(53%)

Think they are
otherwise protected
(47%)

There are better
alternatives
(10%)



Source: Gen Re, V.E.R.S. Leipzig GmbH, IfNW: „Private Pflegeversicherung – Sichtweisen und Optimierungsansätze im Vertrieb“; Photo © Thinkstock



- State scheme: 2002
 - Universal scheme: "Allocation Personnalisée d'Autonomie" (APA);
 - Funded by contributions from the state, public pension and part from a special tax (0.1% of wages), and local authorities;
 - **Means testing** of benefits: none over €2,622 monthly income;
- Private market:
 - 3.4m top-up policies



- Minimal Medicaid (for the poor) and Medicare (nursing services) support from the US Government;
- In 2010 the reported total earned premium for the industry was \$10.4 billion, up only \$257 million over 2009.
- Almost \$9 billion of that is on individual policies and the rest is group business.
- There are more than **7 million lives in force**.
- New sales around 400,000 a year.



- New policies per annum in 2010-2014: **1,228 (2012)**
- New policies in 1998: **7,000**
- In force end 2013: **26,840 policies**
- In force at its peak: **46,106 policies**
- Claims in payment: **£100m per annum**

Source: ABI



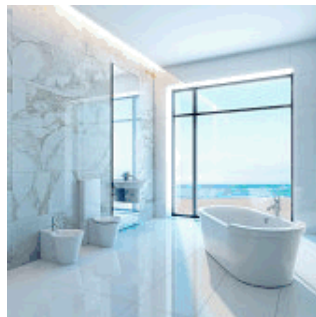
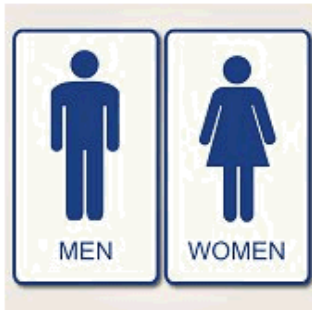
Products

The classic product: Pre-funded with regular premiums



Product features

- Pays monthly annuity (whole life or limited) to cover care costs for a regular premium
- Benefit trigger usually based on local definition if public scheme exists or based on the Activities of Daily Living (ADLs)
- Often separate dementia trigger is used





- Dressing
- Bathing
- Contenance and Toileting
- Transferring
- Feeding
- Mobility

UK – Product(s) on the market



- No “Pre-funded” product on the market any more (i.e. pay in while healthy to pay for future potential care needs)
- All products available now are **immediate needs annuities**:
 - Annuity which pays a regular, tax-free income to the insured’s registered care provider
 - Payment starts immediately and continues until death
 - Financed by a single premium based on age, gender and state of health
 - At death in the first six months, a percentage of the capital invested will be returned (included only in some products)
- To date, uptake of immediate needs annuities has been small and largely focused on wealthy, single people



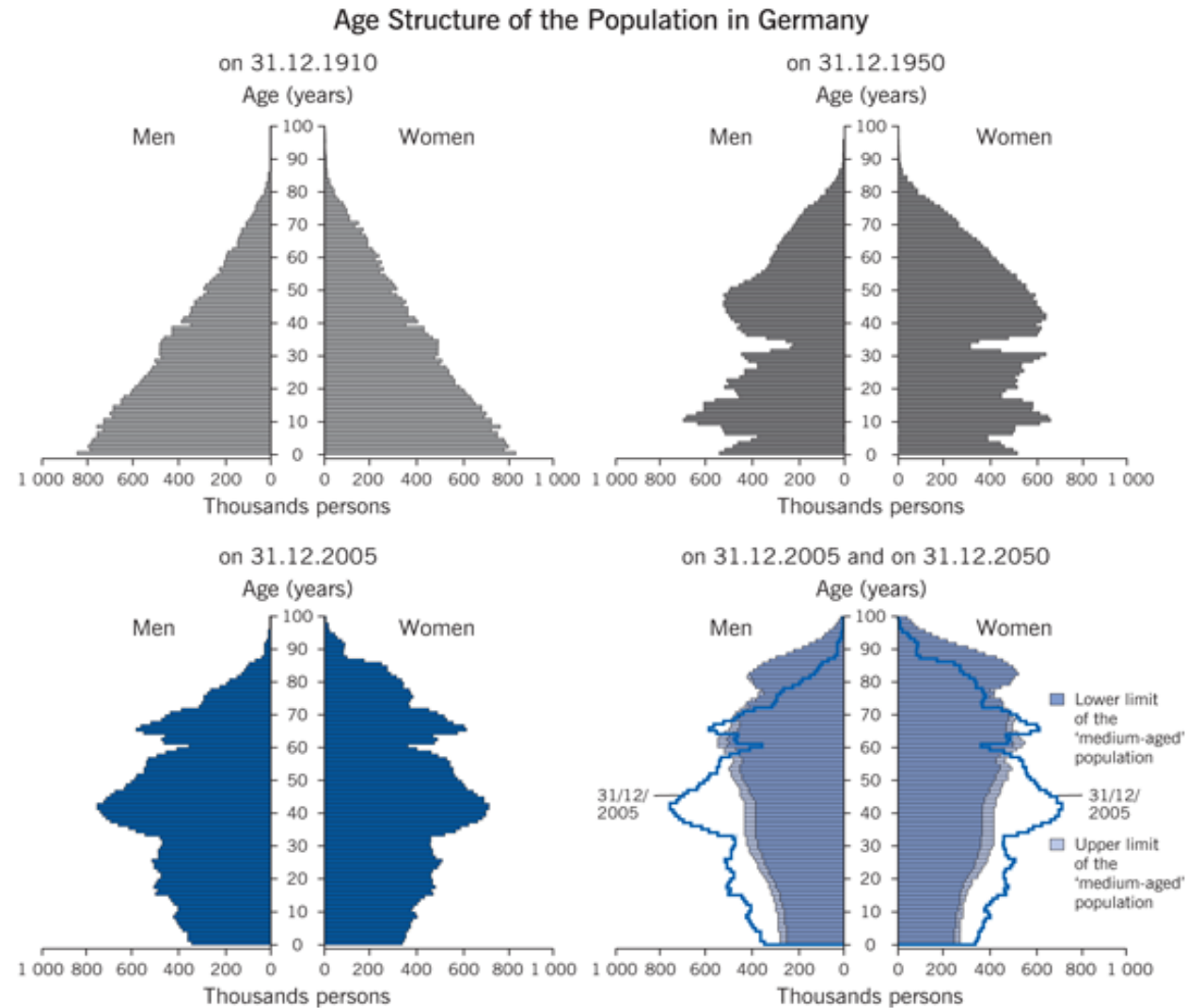
- Reviewable premiums (prefunded)
- All-or-nothing products (prefunded)
- Means testing
- LA postcode lottery (Care Act 2014)
- Lack of awareness: (Care Act 2014)
 - NHS anomaly
 - Availability of products / advice



Size of the opportunity



Figure 1. The age structure of the population in Germany is changing dramatically, 1910–2050

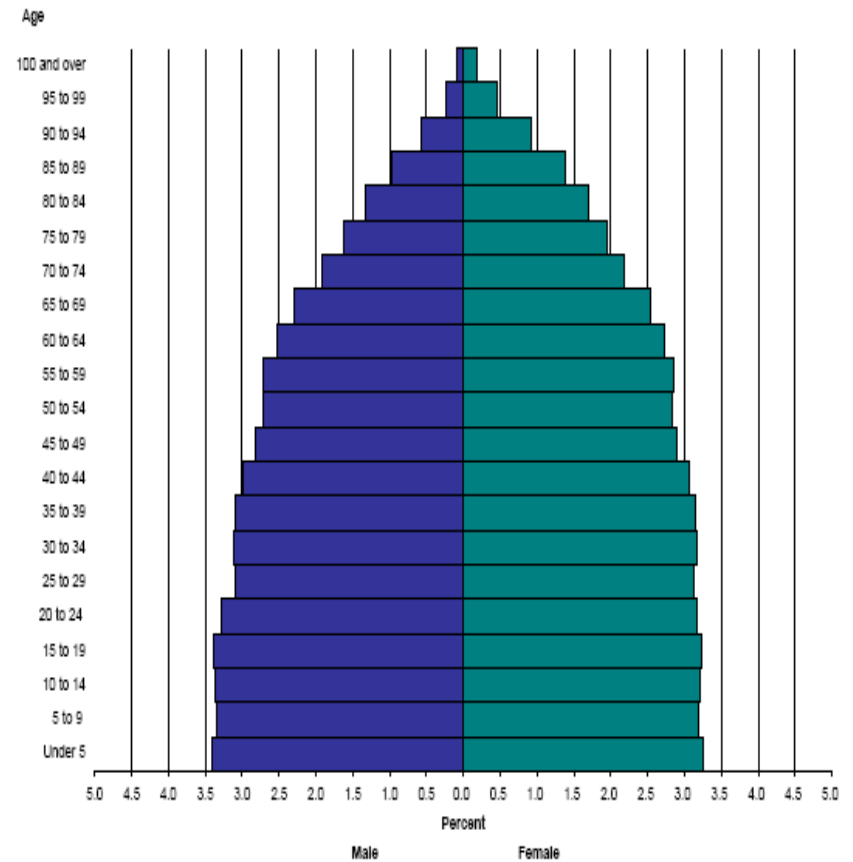
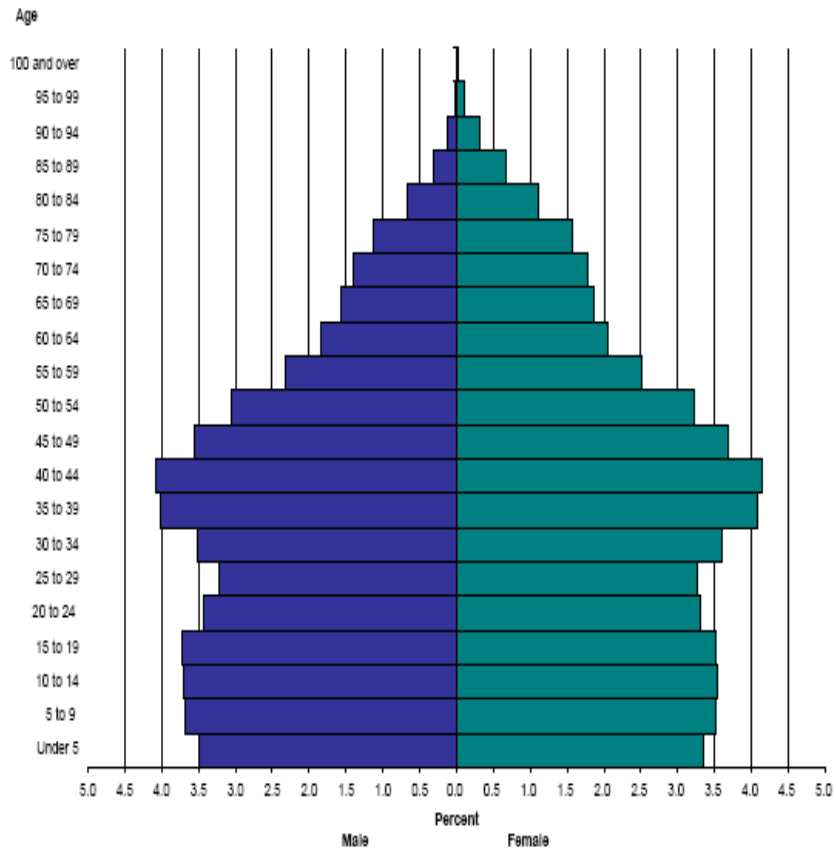


Source: Federal Statistical Office. *Germany's Population by 2050. Results of the 11th Coordinated Population Projection*. Wiesbaden: Federal Statistical Office, 2006 [7].

US Population

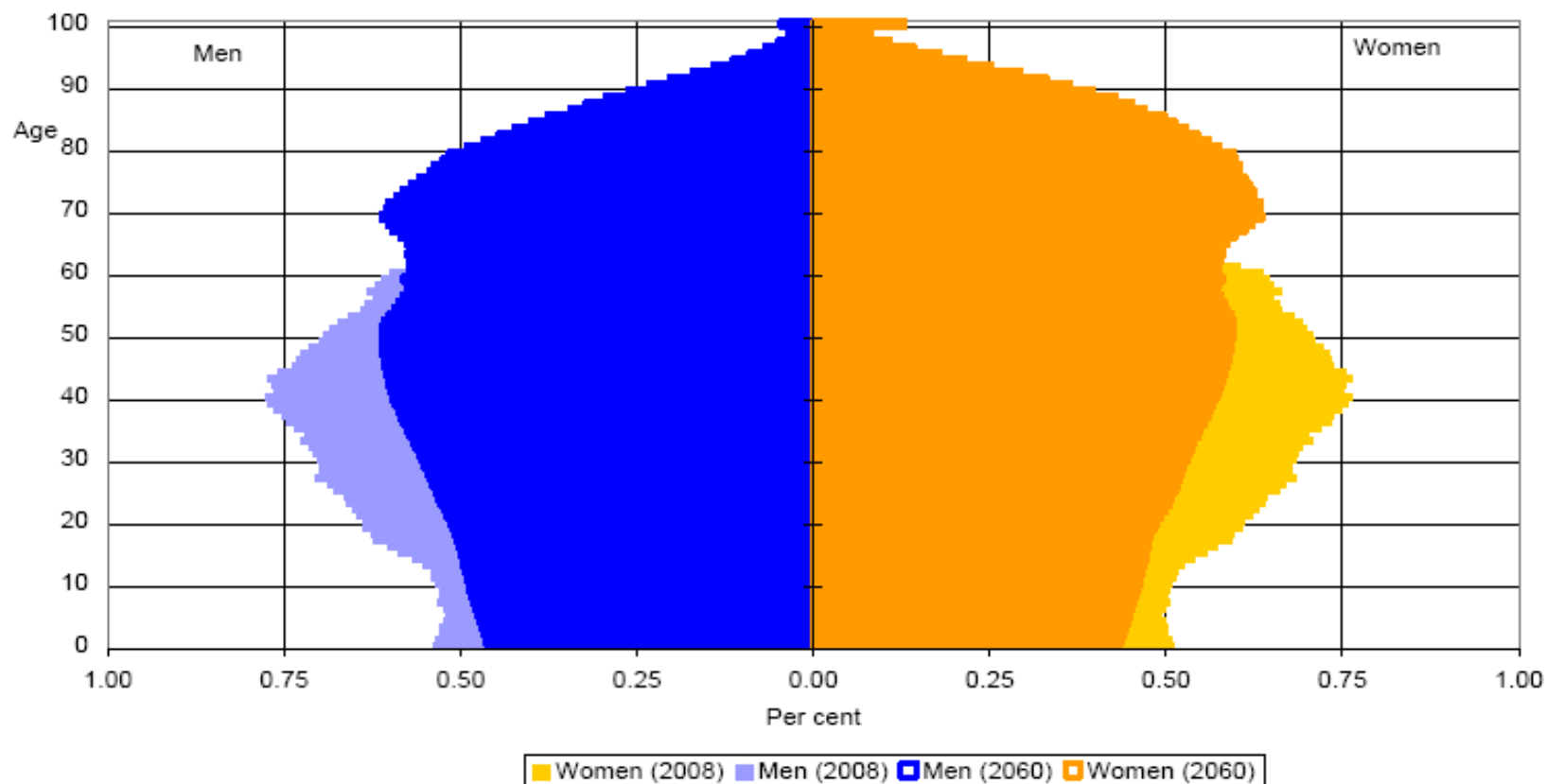


(NP-P2) Projected Resident Population of the United States as of July 1, 2000, Middle Series (NP-P4) Projected Resident Population of the United States as of July 1, 2050, Middle Series.



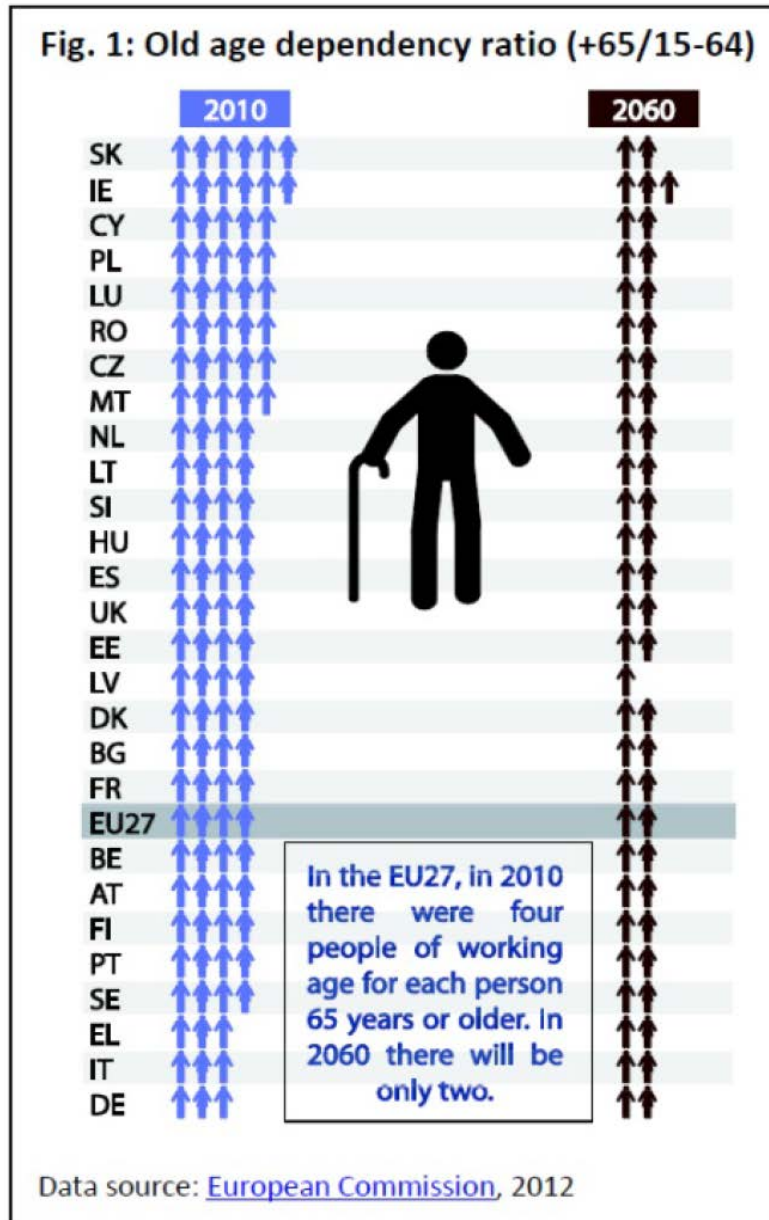
Source: National Projections Program, Population Division, U.S. Census Bureau, Washington, D.C. 20233

United Kingdom



Source: Eurostat, EUROPOP2008 convergence scenario

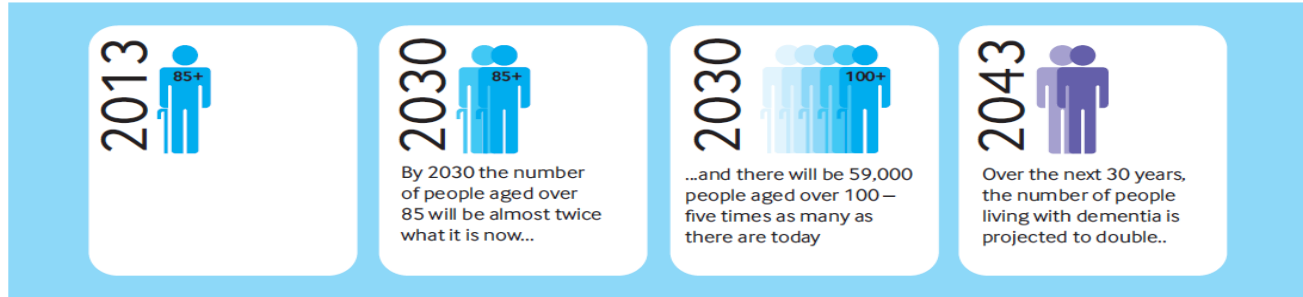
Old Age Dependency Ratio



ADULT SOCIAL CARE WORKFORCE RISKS AND OPPORTUNITIES



DEMOGRAPHICS

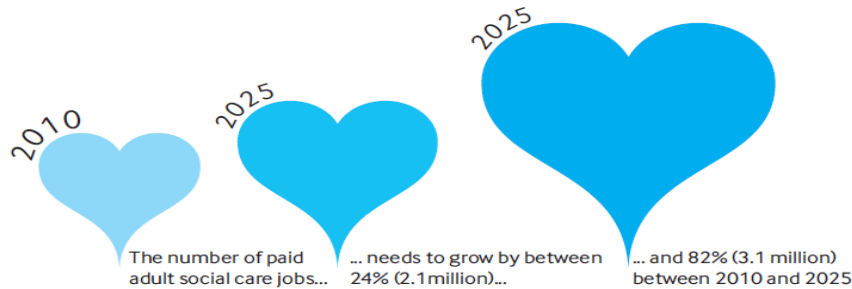


WORKFORCE



care and support workforce
5 million
care for a relative or friend

Social workers
There are currently over 1.6 million people employed in the care and support workforce, including over 20,000 social workers. 5 million people care for a family or friend.



Source: Her Majesty's Government (2012) Caring for our future: reforming care and support [online]. Available at <http://tinyurl.com/8hncarewhitepaper> [accessed April 2013].



The Future

Where will the money come from?



“save more to fund for your later life needs”

- Pensions (AE and new pensions reforms)
- Home equity release
- Immediate Needs Annuities
- Joint life products
- Intergenerational products
- Products for carers
- Whole of life LTC combination product
- Extend existing products



The LTC market is one of the future markets



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