



Is the Industry equipped to provide Insurance Solutions for Self Payers?

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24th March 2011





Is the Industry equipped to provide Insurance Solutions for Self Payers?

YES! but



Current ways to self fund

- Immediate Needs Annuities
- Equity Release
- Utilise existing assets: Pension, House, Other Savings



Potential for market to innovate – but how does insurance work?



- Insurance all about pooling risk
- Based on principles of mutuality
- Helps individuals manage the major risks they face in their lives
- Shares out the costs of rare but extreme financial events



Individuals face three care risks:-



- Risk 1: Will I need care in old age?
- Risk 2: How much will it cost me if I do?
- Risk 3: How long will I need it for?

Look at 3 generations separately



Who will need care?



The working generation – for these purposes, typically aged 45+

- Risk 1 (Will I need it?): Almost impossible to predict with medical advances
- Risk 2 (How much?): Almost impossible to predict with medical advances and changing social policy
- Risk 3 (How long?): Almost impossible to predict with medical advances

So savings is the answer for now.





Who will need care?

The retired generation not yet needing care – typically aged 65+

- Risk 1 (Will I need it?): Becoming easier to predict
- Risk 2 (How much?): Easier to predict provided stable social policy
- Risk 3 (How long?): Varies widely – could be 15 days or 15 years

The older the individual, the easier it becomes to price these risks in a value for money way.

Major concern with this group is that they no longer have ability to earn and build up savings and assets. They have done all the savings they will ever do.

Insurance solutions need stable policy and recognition of need.



Who will need care?



The Generation in care or needing care now – typically aged 85+

- Risk 1 (Will I need it?): Already happened!
- Risk 2 (How much?): Pretty good idea
- Risk 3 (How long?): May need for 15 days or 15 years – **the biggest risk of all in meeting care costs from savings**

Insurance data and expertise now well developed to provide value for money insurance solutions to meet Risk 3 for this generation.



Those who need care now – How do Immediate Needs Annuities currently meet needs?



Immediate Needs Annuities

- The care annuity is the only financial services product which has been designed to provide an income to fund the costs of care for life.
- 53,000 self funders every year TODAY
- Far too many run out of money
- Only 7,000 take suitable financial advice
- Only 2,000 take out insurance against living too long
- Two recent independent reports conclude market for INAs today should be 6-7 times current market



Domiciliary Care

- Mustn't forget domiciliary care.
- Insurance industry has skills and products to facilitate utilising home asset plus capping total cost of care so don't run out of money.



What does the future look like?



Healthy, vibrant insurance market needs more innovation, competition, hugely increased awareness.

Insurance solutions can be developed

- Current products in the market deal with that generation requiring care now.
- The future lies in developing products that fit the other two generations that don't need care yet.
- Insurance solutions can be developed for all credible funding solutions. For example, insurance can play a significant role for self funders in a broader partnership context, for example as a supplement to the public long term care system – where the system of financing and providing long term care is mixed.



We need from the Government

- **The ‘well-defined gap’.** Clarity around how much care will cost and how much individuals/families will need to contribute. If the Commission does anything, we hope this is it.

- **All party consensus**

- People need **access to easily understood information** on how care works in both public and private (eg signposting and appropriate financial advice).

- Flexibility in the regulatory regime to allow for more innovation.

Without any changes to the current system, it remains difficult for insurers to achieve the natural market size for Immediate Needs Annuities, let alone to appropriately price products for those not yet needing care. We remain optimistic that given the right regulatory environment we could see the insurance industry play a much greater role in this market. We hope that the Commission on Funding of Care & Support comes to this conclusion also.

