



Agenda

- Background
- The recommendations
- The 'maths'
- Challenges
- Situation
- Opportunities
- Stimulating the Insurance Market
- Summary

Background: Fairer Care Funding

- The Report of the Commission on Funding of Care & Support
- Current adult social care funding system: **not fit for purpose**
- Current system is **confusing, unfair and unsustainable**
- There is **consensus** on the need for reform

Recommendations

- An **increase** in the means-testing upper threshold: £23,250 to £100,000
- A **contribution** to hotel costs from the **individual**: c£7,000 to £10,000
- Introduction of consistent **national assessment** criteria
- Better **information** and **advice** to be made available
- A major campaign promoting **awareness** of the system
- **Eligibility** criteria for Local Authority support to be set at “**substantial**” need – subject to further consideration: 4 levels of need – FACS criteria
- A cap of £35,000 total **contribution** from the **individual** (25K to 50K)

Residential Care: interpretation

Assuming:

- £35k cap
- £10k hotel costs



After funding first £35k:

- £740 per week - self funded
- £260 per week - state funded

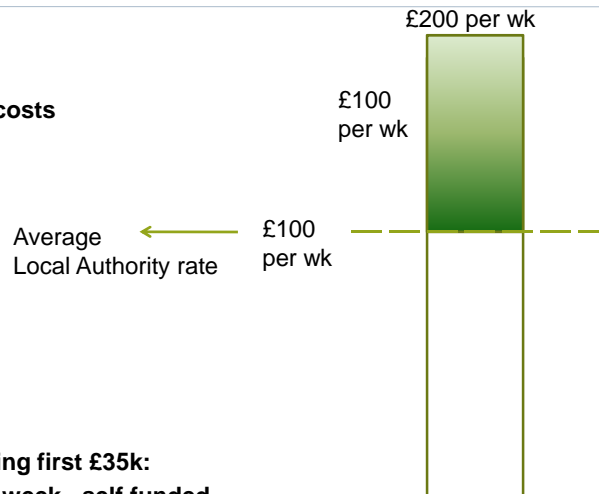
	1	2	3	4	
Now	All Care Costs				Individual Pays £208,000
	£52,000	£52,000	£52,000	£52,000	
Post Dilnot	1	2	3	4	
	£28,500	£28,500	£28,500	£28,500	£208,000
	£13,500 Care	£13,500 Care	£7,800	£5,700	} £19,200 State
	£10,000	£10,000	£10,000	£10,000	
	General Living Costs				Individual Pays £188,800
	Care & Support				

- Incur £134,600 spend before cap kicks in: first 134.6 weeks (2.59 yrs)

Domicillary Care: interpretation

Assuming:

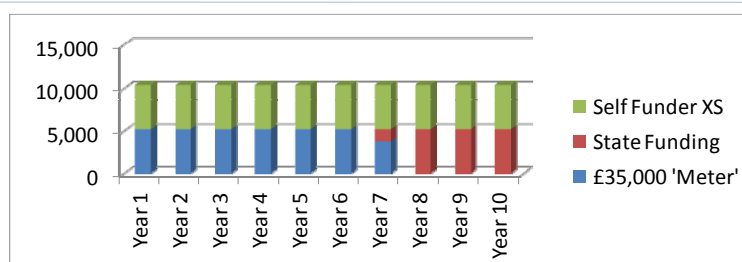
- £35k cap
- No hotel costs



After funding first £35k:

- £100 per week - self funded
- £100 per week - state funded

The 'maths' – a case study £200/week



- Costs above Local Authority procured rate: **self funded for life**
- Incur **£70,000 spend before cap kicks in: first 350 weeks (6.73 yrs)**

Challenges

- Consumer confusion to announcement: **£35,000 cap**
- **Apathy***: wait & see, **BUT** “in practice, the core recommendations are unlikely to be implemented before 2014/15”
- **Long grass***: costs rejected by the Treasury – one front too many?

	2010/11	2015/16	2020/21	2025/26
Additional costs £bn	1.7	2.2	2.8	3.6

- **Conflict**: Localism Bill v consistent national assessment criteria

* Source: Analysis and evidence supporting the recommendations of the Commission on Funding of Care & Support July 2011

Situation

- Health and Care Social Bill
- Progress report on funding
- Cross-party talks on reaching a settlement
 - Labour Party position
 - Commitment to legislate during this Parliament;
 - Not only a discussion about the additional costs of Dilnot, but also about the baseline for adult social care;
 - New money needs to be found;
 - Integration of NHS, social care and mental health budgets: Health and Social Care Bill
 - Coalition position: Budget mention

Situation

- Health Select Committee Report: 1 February 2012
 - “..not dominated by a debate about the technical issues of funding. It is essential that services are shaped by the objective of high quality and efficient care delivery...”
 - “ **...support(s) the implementation of the main recommendations of Dilnot...need for a more integrated care model...**”
 - “..recommends that the Government should look again at the principle of expressing the cap on care costs in terms of the length of time...”

Situation

- “..the Dilnot Commission report is clear that no major financial services providers offer pre-funded insurance..”
- “The Strategic Society Centre told us that the pre-funded insurance market for social care is unlikely to grow under the Dilnot proposals”
- “ABI:...it is unlikely you will find prefunded products developing. It is difficult enough to get people to save sufficient for their pensions without thinking of saving for a product which they may not need for 40 or 50 years.”

Situation

- Dilnot: "I have no doubt at all, having spoken to the really big players...at the highest and most senior level throughout this, that there is enthusiasm for getting into this market."
- "Our view is that there would be significant development in two areas, mainly **housing related** and **pension related**, because these are the two big assets that people build up."
- "Once the cap is in place they will simply treat the funding up to the **cap** as part of their general asset accumulation strategy"
- **"The Government should clarify the likely market for pre-funded insurance, equity release, and immediate needs annuities, as well for pension-related and other products. It should also articulate how it will work with the industry to stimulate the market for these products."**

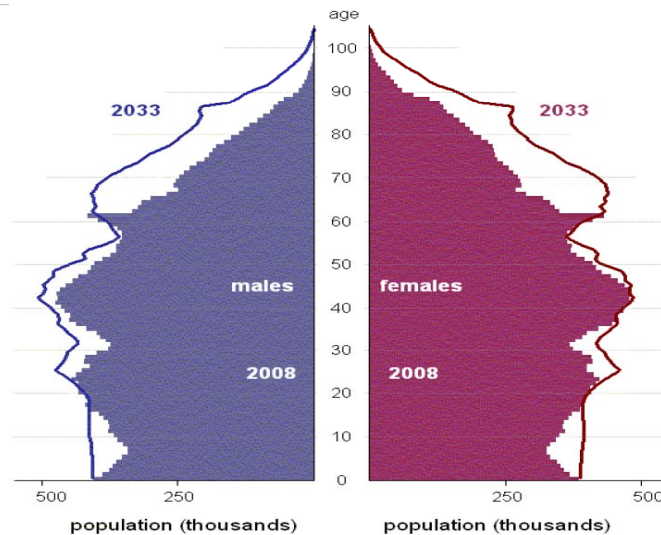
ABI position (end Feb 2012)

Supportive of Dilnot recommendations:

- Experience and Expertise
- Clarity of settlement for the individual
 - Cap
 - National Assessment
- Three generations of potential policyholders
- Better information sources and advice
- Regulatory / legal changes

Size of opportunity (?)

Estimated and projected UK population mid-2008 and mid-2033



Pre-retirement products

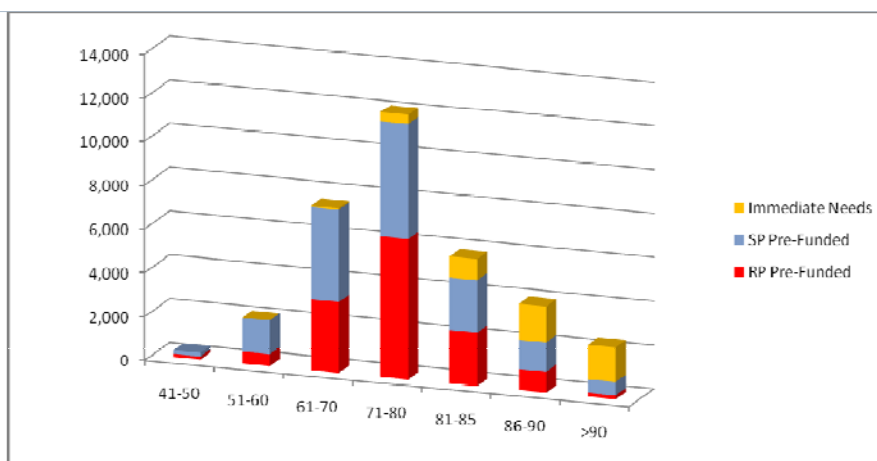
- General consensus: use pension assets
- National Employment Savings Trust: hoping to enrol 6m employees by 2017 / £150bn in assets
- Product: disability linked annuities
- **WHAT SHOULD WE BE ASKING FOR:**
 - tax laws to change to allow pension assets to be used to purchase LTC.
 - For all annuities to be disability linked?

Needing care

- Products for those needing care: next five years say:
 - Immediate needs annuities
 - Equity release combination products
- Competition: Deferred Payment Schemes, death taxes, self fund
- BUT ignorance of available options
- **WHAT SHOULD WE BE ASKING FOR:**
 - **Compulsory signposting and guidance for self funders on their care and financing options**

At and post-retirement

In force (12/2010) by age group



Source: ABI

What are the options?

Past history

- Reviewable premiums
- All-or-nothing products
- Postcode lottery for LA funded care
- Stringent qualification requirements

Potential solutions

- **Cap** will help to limit exposure
- Lump sum products
- Double triggers:
 - Prefunded LTC with death benefit
 - WOL with LTC accelerators
 - LTC ISA
- **WHAT SHOULD WE BE ASKING FOR: fair and consistent national assessment framework**

Other countries



What's missing?

- **Government message / campaign to increase awareness**
- **www.3in4needmore.com**
- **And....credit for doing the right thing.....**

Dilnot Modifications – Stimulating the Insurance Market

Step 1 – Remove the Cap

Step 2 - Modify the disregard limits

Assets	Proposed	Dilnot	Current
<150k	100k	100k	23k
<250k	50k	100k	23k
<500k	0k	100k	23k

Step 3 – Introduce disregard incentives - for every £1 spent on insurance further increase disregard thresholds by £1

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Stimulating the Insurance Market

Enhancement?

150k			250k			500k		
Year	Estate (1)	Estate (2)	Year	Estate (1)	Estate (2)	Year	Estate (1)	Estate (2)
2	150k	100k	2	150k	150k	2	325k	400k
4	150k	100k	4	150k	50k	4	300k	300k
6	150k	100k	6	150k	50k	6	275k	200k

The Assumptions

- Care fees 52k per annum
- Insurance purchased at point of need
- Threshold = 150k

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Stimulating the Insurance Market

Dilnot?

150k			250k			500k		
Year	Estate (1)	Estate (2)	Year	Estate (1)	Estate (2)	Year	Estate (1)	Estate (2)
2	100k	100k	2	100k	150k	2	325k	400k
4	100k	100k	4	100k	100k	4	313k	313k
6	100k	100k	6	100k	100k	6	314k	239k

The Assumptions

- Care fees 52k per annum
- Insurance purchase at point of need
- Threshold = 100k

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Dilnot Modifications: Conclusions

- Insurance market stimulation (pre-funded and immediate needs)
- Simple to implement – no administrative burden of 'starting the meter'
- Political acceptability – wealthy have less initial protection
- Potentially reduced cost – lower thresholds than Dilnot combined with increased insurance cover

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Summary

- Dilnot Report: **Recommendations only & no certainty**
- Earliest implementation: **2014/15**
- Insurance Industry Opportunity: **Still time to influence!!!**

Questions or comments?

Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

