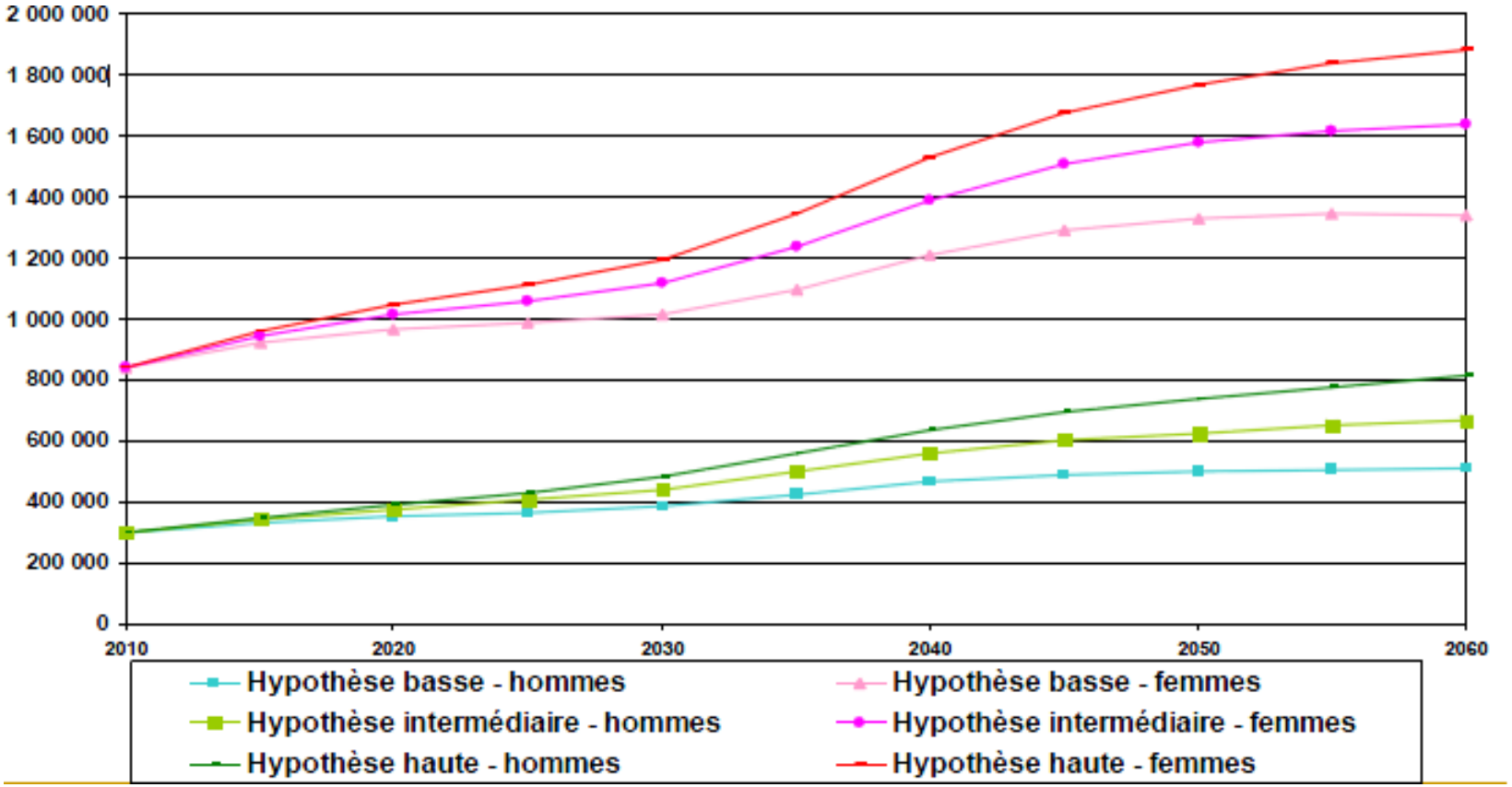
French Private LTC experience: application to ElderShield scheme??

Agenda

1	Introduction to French LTC scheme
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France – LTC needs is a strong social concern

Forecast of dependant people (French public scheme scale) from 2010 up to 2060 (source: DREES)

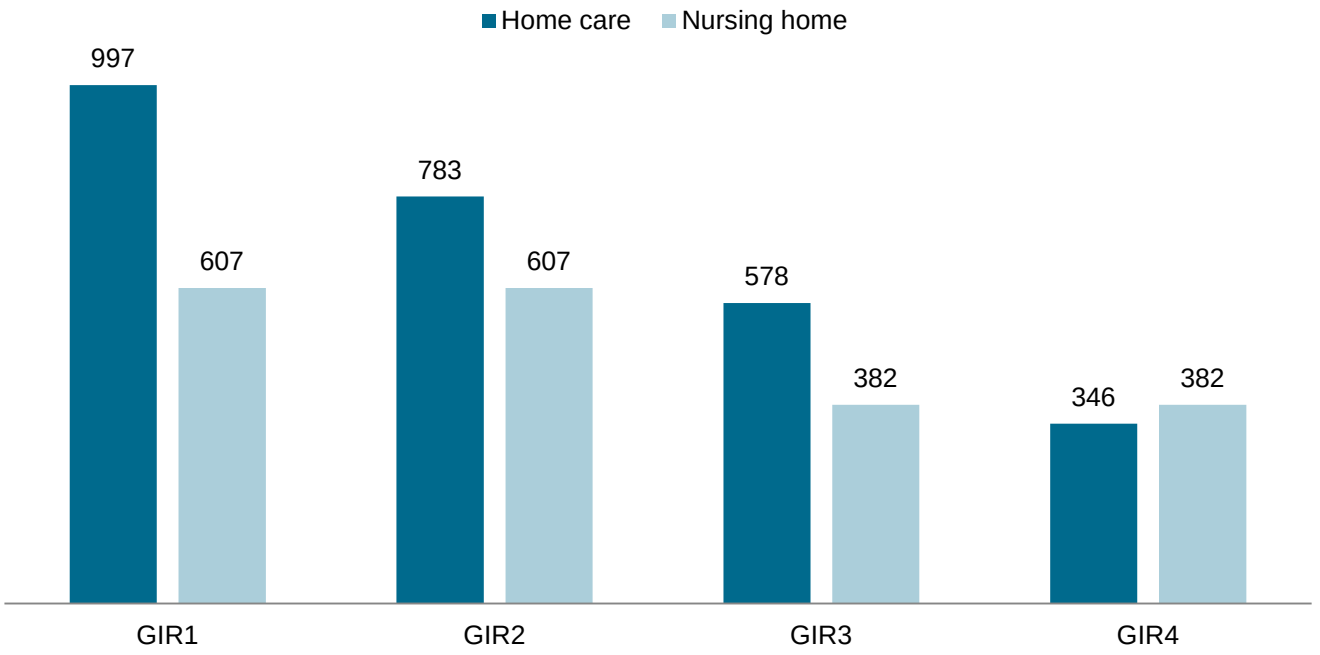


The LTC framework in France – Social Security Part

- Public scheme APA (started in 2002), succeeding a previous system (PSD) which began in the 1970's
- Financed by taxes
- Basic financial security for people from age 60.
- Evaluation of LTC degree by AGGIR tables
    - GIR 1- 3: Complete loss of autonomy
    - GIR 4 – 5: Partial loss of autonomy
    - GIR 6: Occasional need of help
  - Benefit depends on income and LTC degree (Only GIR 1 – 4)
- Over 1.1 million of beneficiaries (As of June 2009)
- EUR 491 monthly average APA benefit for home cared people (61% of the beneficiaries), EUR 329 in a nursing home.

The LTC social framework in France

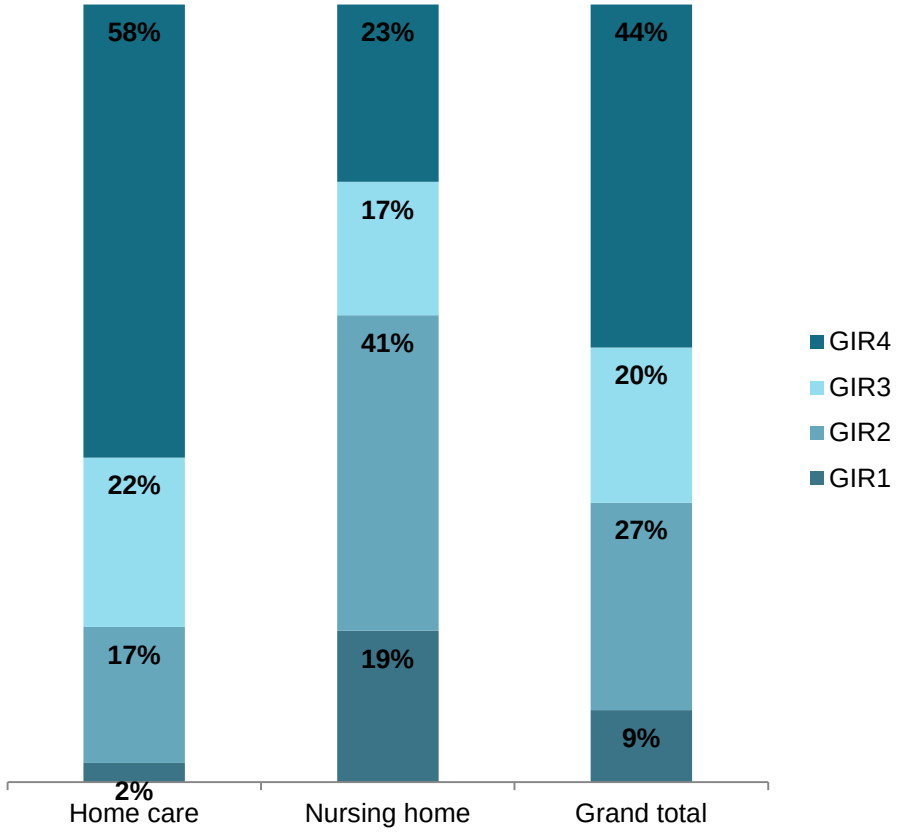
- Average paid monthly APA benefit (in €) according to LTC degree and type of care (dec 2011)



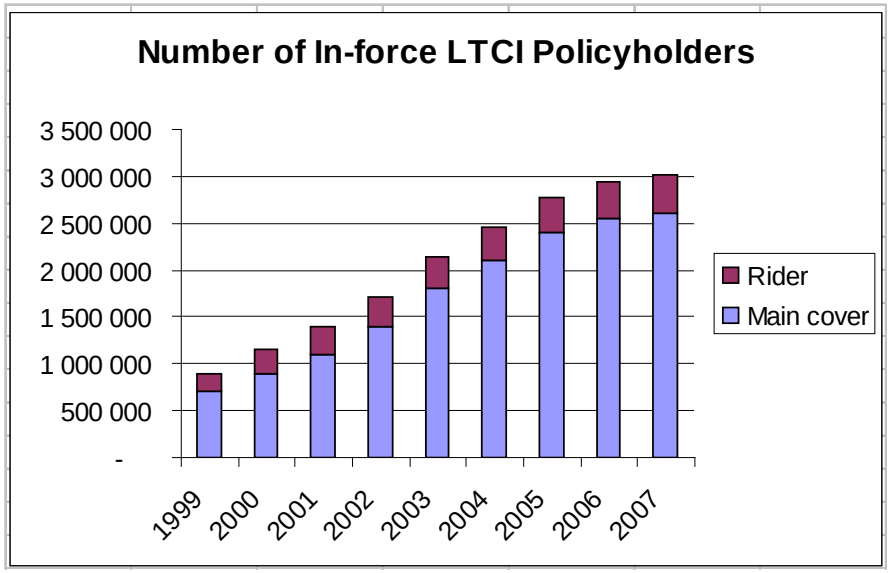
The LTC social framework in France

1,2 m of APA beneficiaries, thereof:

- 721.000 in home care
- 478.000 in nursing home



France: a Leading private LTC Market



Source: Scor Global Life est. taking into account FFSA figures (Insurers), and Mutuals and Institutions de Prevoyance figures

- The average cost of LTC per person: EUR 2,500 to 3,000 per month. This compared with the average pension, which is about EUR 1,200 per month
- Gap to be financed: average EUR 1,500 per month and APA only offers a small fraction of this as benefits

⇨ Development of the private LTC insurance

- Around 3.5 million policyholders (end of 2010)
- 15% average annual growth (2000-2007), slowing down in 2006-07, stagnation after due to an eventual public reform.

Three generations of LTCI products in France

- 1st generation: « total » LTC (= severe loss of autonomy)
  - ✓ Inability to perform 3 out of 4 ADLs (equivalent to 4 or 5 out of 6)
- 2nd generation: « total » + « partial » LTC
  - ✓ Partial loss of autonomy is covered (2 out of 4 ADLs) (=2 or 3 out of 6)
- 3rd generation: 2nd generation + some additional benefits
  - ✓ For example: remote medical assistance or advices, introductions to assisting networks

French Private LTCI products: key features

- Relatively simple products
  - ✓ Pre-defined benefit (cash benefit)
  - ✓ Relatively simplified underwriting (6 to 7 health questions) relying on waiting periods (3 years waiting period for dementia, 1 year waiting period for other illnesses)
  - ✓ Affordable price: 340 EUR average annual premium for individual LTCI
- Direct and efficient distribution
  - ✓ Often based on affinity relationship with clients
  - ✓ “Asset protection” used as sales message
- Good tracking and experience record :
  - ✓ No failure or withdrawal of any player
  - ✓ Large and consistent experience data basis
  - ✓ Some rate increases have been implemented, but fairly moderate (eg 5 to 10%)

The LTC framework in France – Next Phase

- Limited payouts from Public scheme led to rapid growth of private LTC. However growth now stagnating.

- LTC Market needs a new life

- Government / Parliament currently working on a new comprehensive framework
  - ✓ Towards a reshaped public system
    - ✓ Means/Wealth tested benefits
  - ✓ And giving way for a large private insurance market
    - Make LTC premiums a tax deductible component (currently no tax incentive)
    - New products to combine LTC & saving components
    - More comprehensive covers, including more services and assistance. May also introduce reimbursement features as while existing cash benefit design leads to flexibility on how to use the cash benefit, it generally does not cover the full cost of LTC and does not fit into the actual need of services

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History of Eldershield

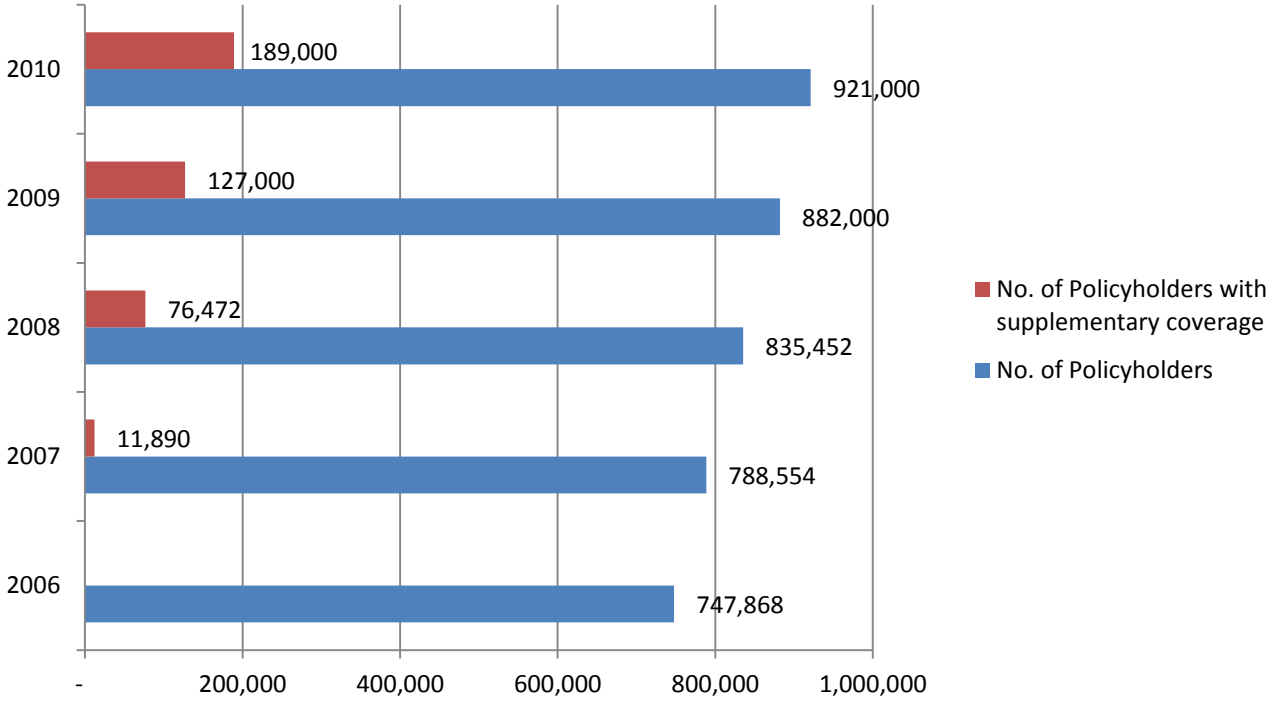
- Eldershield is a Long Term Care Insurance scheme launched by Ministry of Health (MOH) in 2002 but run by private insurers
  - A social long term care insurance scheme in partnership with private insurance industry
- Eligibility
  - All Singaporean citizens and permanent residents
  - Scheme operates on an OPT-OUT basis like in Medishield
  - Entry age is 40-70 years old.
- Benefits
  - Lifetime coverage is provided
  - If policyholders cannot perform 3 out of 6 ADLs (Activities of Daily Living), policyholders will get CASH PAYOUT of SGD300 (approx. Euro 160) per month, up to a maximum of 60 months.
  - Payout starts after 90-day deferment period (no longer imposed)
- Premiums
  - Payable till age 65 although coverage is lifetime
  - Can be payable from one's Central Provident Fund (CPF) Medisave account
- Eldershield Rebate
  - Every 5 years, policyholders shall be entitled to 50% of accumulated surplus
  - First one was in 2007

History of Eldershield

- In 2002, 2 private insurers, Great Eastern Life Assurance and NTUC Income, were invited to run the scheme for 5 years
  - CPF members are randomly assigned an insurer
  - CPF members can choose to switch insurers before policy commencement
- A new tender process in 2007
  - In 2002, only Great Eastern Life Assurance and NTUC Income
  - One more additional participating insurer elected in 2007 – Aviva!
- Improved scheme for new entrants
  - Benefits increased from SGD300 to SGD400 per month, up to a maximum of 72 months
  - Increase in monthly premiums – only SGD2!
  - No auto-upgrade of benefits for existing policyholders
  - Must undergo medical underwriting
  - Must pay one-time off premium adjustment as well
- Policyholders can top-up benefits with Eldershield Supplements offered by Private Insurers.
  - Up to S$ 600 per annum of premium for approved Supplement plans can be paid from Medisave
- Rebate in 2007
  - About 7% of premiums or around S$ 60 million (approx. Euro 32 million) was given back to policyholders
- Next Tender expected in 2012.

Eldershield Current Status

- Based on published figures as at end 2009, number of ElderShield policyholders reached 882,000 (55% of those eligible for coverage) of which 127,000 (14%) has purchased *Supplemental ElderShield plans*. Opt out rate has dropped from 38% (launch of scheme in 2002) to around 14% in 2006 and is said to be under 10% in recent years.



Source: Ministry of Health Singapore

Eldershield experience to-date

- Only 1 known publicly available experience data analysis to-date
  - The Ministry of Health published a study in 2007 on the Eldershield experience from 2002 to 2007
  - Of course valuable experience data exists but remains with the Ministry and the participating insurers.

Table 3: Breakdown of Successful Claims by Age Group (as at end-2006)

Age at Claim (Years)	No. of Successful Claims	As a Share of Total Successful Claims	Claim Rate per 1000 population
40 – 49	303	13%	1
50 – 59	613	26%	3
60 – 69	1,079	46%	12
70+	371	16%	16
TOTAL	2,366	100%	3

- A caveat. The claims rate per 1000 population in Table 3 is the aggregate from 2002 to end 2006.
- Still a quick comparison against French experience shows the Eldershield experience to be significantly higher. Possible reasons – Opt-out nature of Eldershield (no underwriting) as compared to French private LTC market which is opt-in and underwritten.

Eldershield Experience

> 13. As ElderShield is only in its fifth year of operation, it remains early to draw any concrete conclusion about the scheme. This is because ElderShield is a long-term policy and it is important that we make appropriate allowance for the claims experience in 10-15 years' time. In the US for example, similar insurance plans were offered for the first time in 1975, and 3 decades later, this was still being described as "a developing market with emerging experience"[4].

- Eldershield which began in 2002 covered lives below age 65. By end 2012, the oldest insured alive will still be under age 80.
- As we shall see later, the underlying parametric bases escalates significantly at ages beyond age 80

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A comparison of France & Singapore LTC schemes

	FRANCE	Singapore
Products/Benefits	Cash Benefits	Cash benefits
Benefit period	No limit	5/6 years
Underwriting	Yes, simplified	Opt-out basis for auto inclusion cohort
Experience	~ 25 years	~ 10 years
Premium	• Payable throughout lifetime. • Rates non-guaranteed • Level Premiums at entry	• Limited premium payment term till age 65 • Level premium at entry • Premiums subject to review but only during premium payment period

A comparison of France & Singapore LTC schemes

	FRANCE	Singapore
Paid-up value	Yes	Yes
Surrender value	No	No
Elimination period	90 days	90 days
Waiting period	3 years for dementia 1 year for other diseases None for accident	90 days but none for auto cohort

A comparison of France & Singapore LTC schemes

	FRANCE	Singapore
Coverage	Whole Life	Whole Life
Claims Definition	• At least of 3 out of 6 ADLs for physical impairments • MMSE test for mental impairments	• At least 3 out of 6 ADLs. • No separate test for mental impairments

- Schemes quite similar in nature but some differences do exist.
- French private LTC market is smaller than the US but due to the consistency in product design, this has allowed experience to be gathered more effectively
- In theory, French insured experience data could be a useful reference point esp. for older age groups where currently Eldershield lacks the experience. Of course, this necessitates some adjustments.

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French Insured Experience – A credible base

- SCOR's Reinsured Portfolio born in the 1980's

Reinsured	1,300,000 (1/3 of total private LTC portfolio in France
Exposure	More than 15 million insured-year
Claims	More than 25,000

- A large and reliable insured experience till age 95 although data exists beyond age 95

- Extended towards older ages using various methodolgy e.g. Kannisto and then adjustments using PAQUID studies* for older ages beyond.

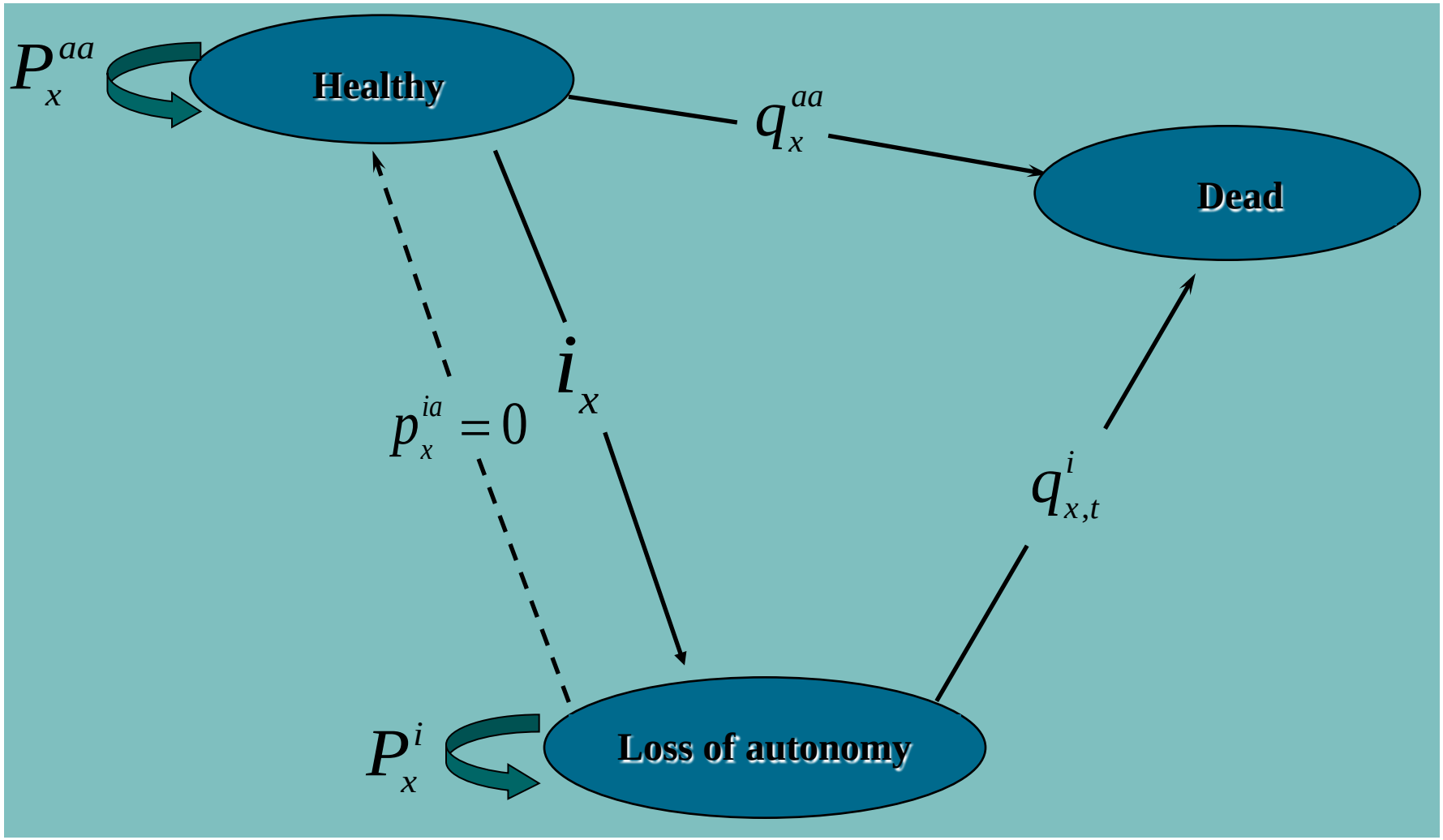
** A Epidemiological study dedicated to ageing and its related pathologies study in France of a cohort of around 4000 lives aged 65 or above since 1988 and still on-going. PAQUID's Relevance for Insurance esp in Long-Term Care Risk Definitions, prevalence of severe and moderate disability for very old people*

A recap of what we is needed to price for LTC

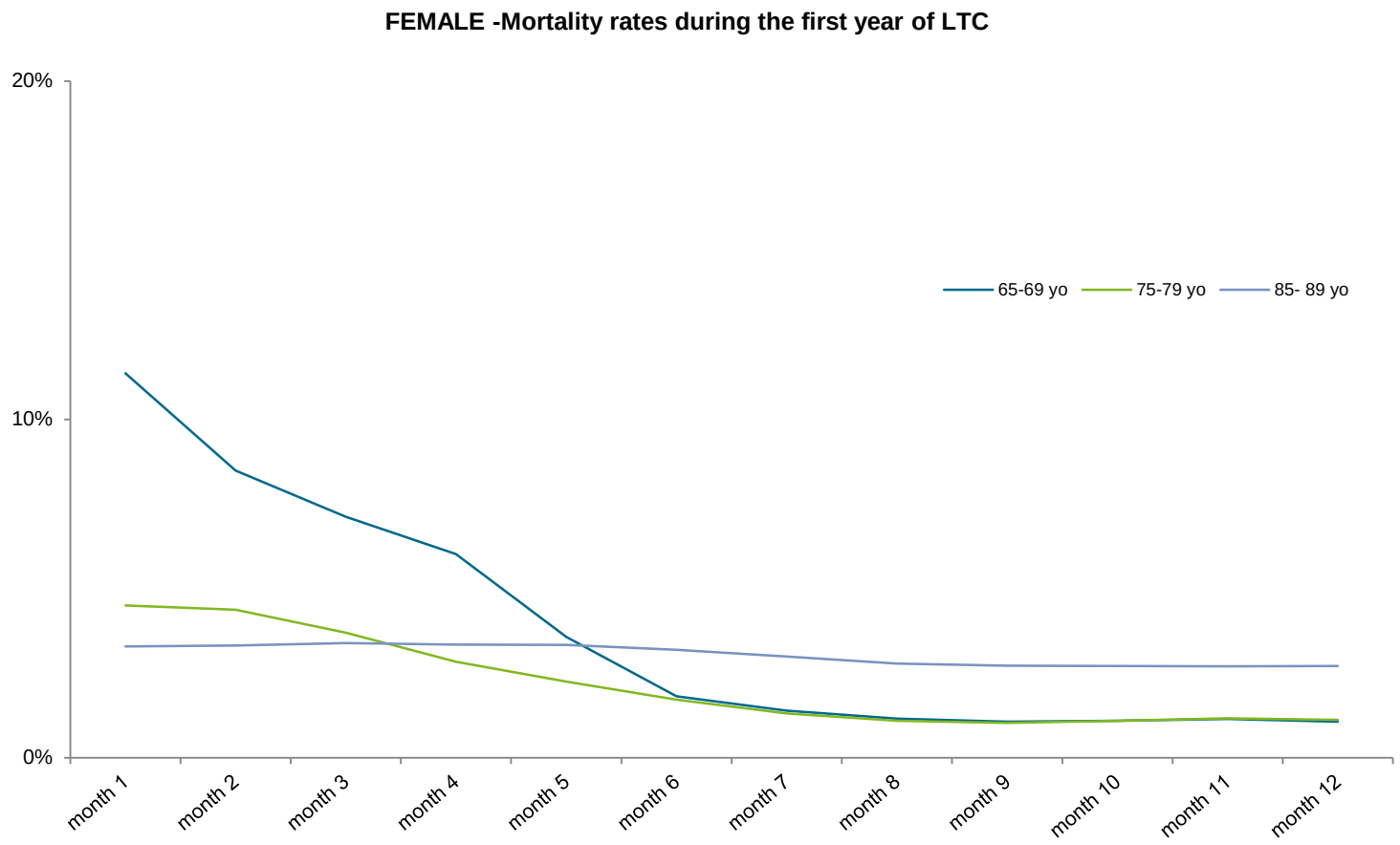
- What do we need to know to estimate the price of LTC ?
  - How long do people live in a state of autonomy?
  - How many people will enter in LTC?
  - How long will the LTC period last?

- 3 transition probabilities
  - Longevity of active people
    - Depends on age, sex, life expectancy without severe disability
  - Incidence of dependence
    - Depends on age, sex, the medical selection effect
  - Longevity of dependent people
    - Depends on age, sex, time already spent in LTC, the main disease responsible for dependence

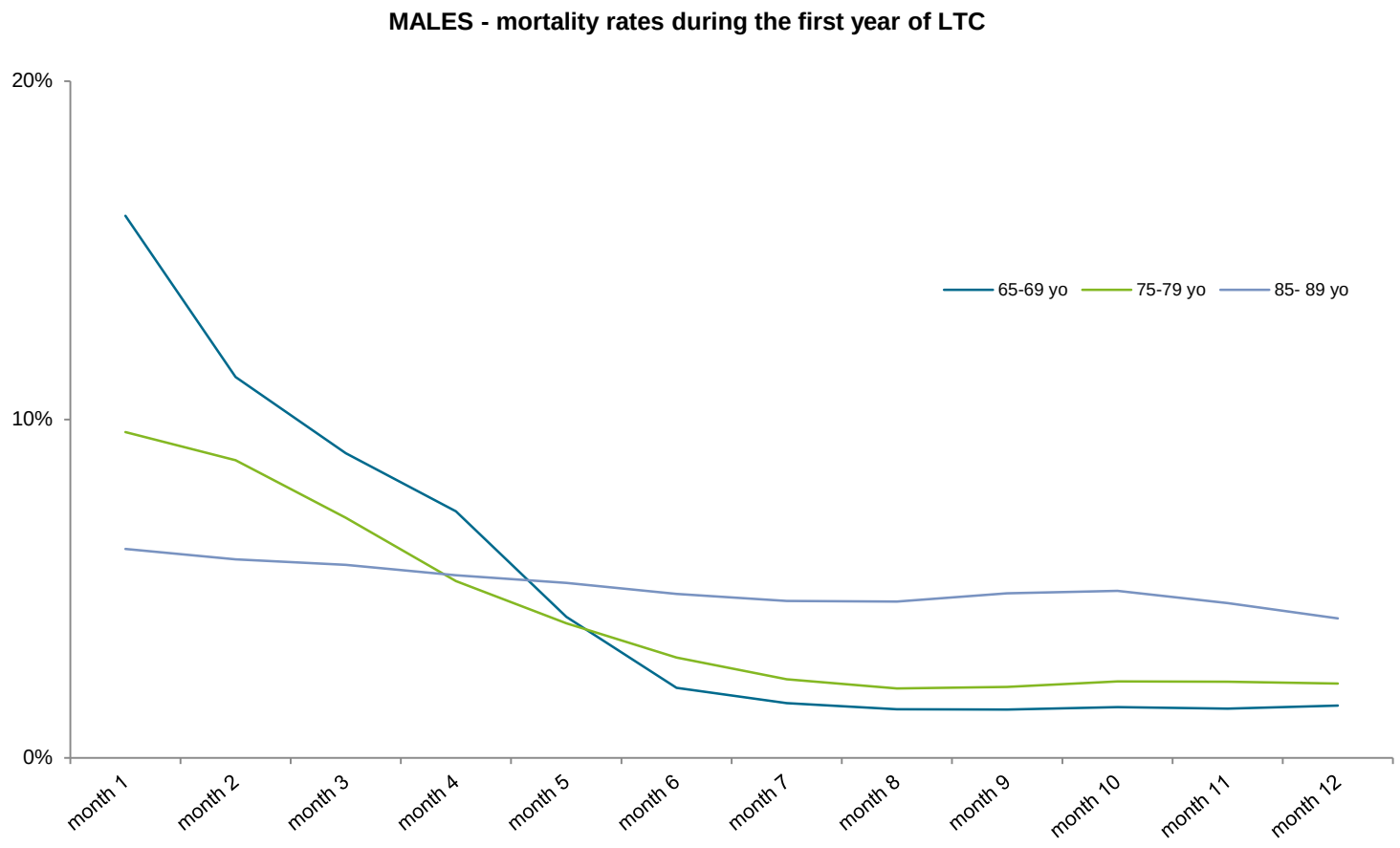
A recap of what is needed to price LTC



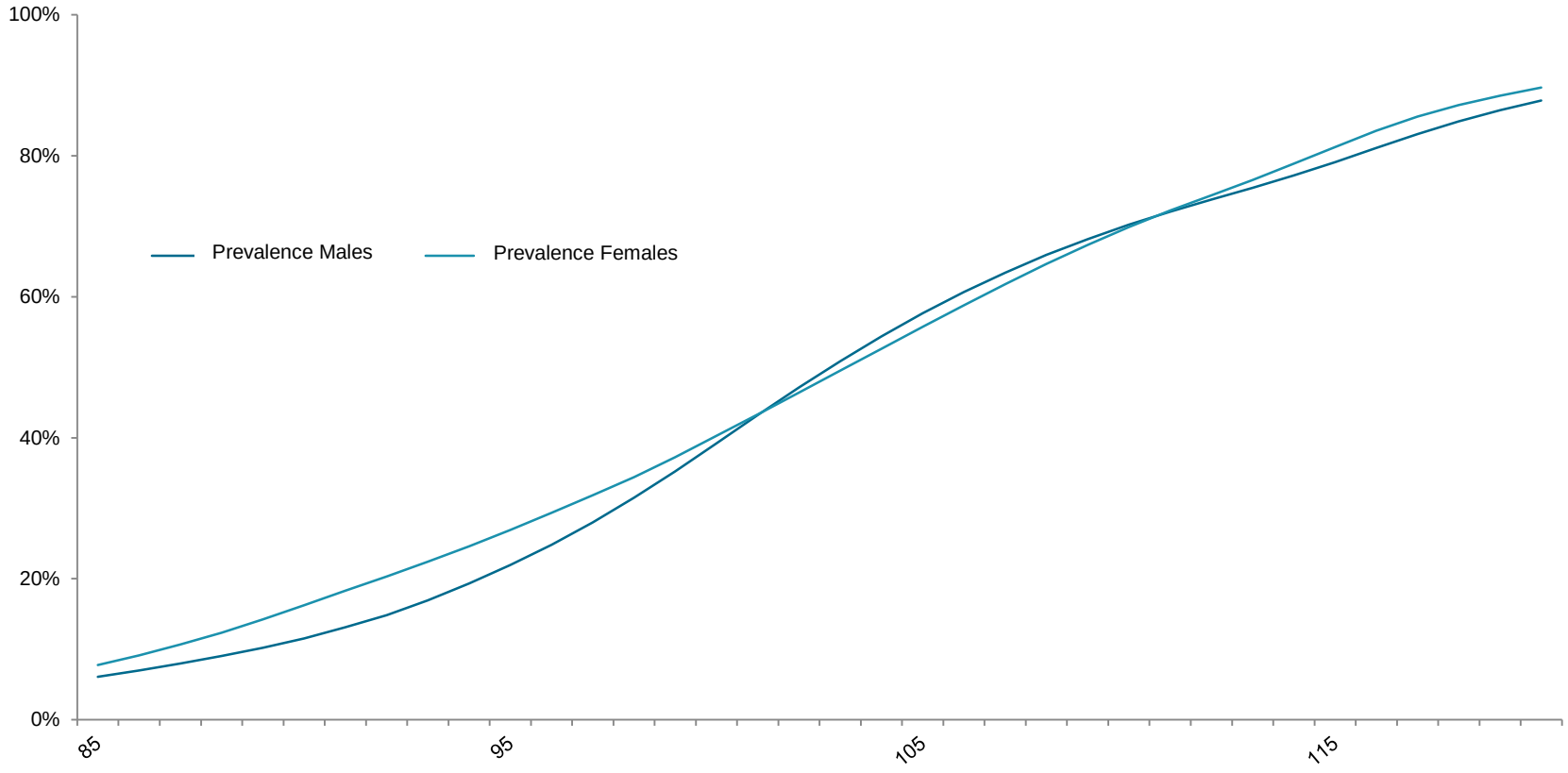
French Experience: the lessons



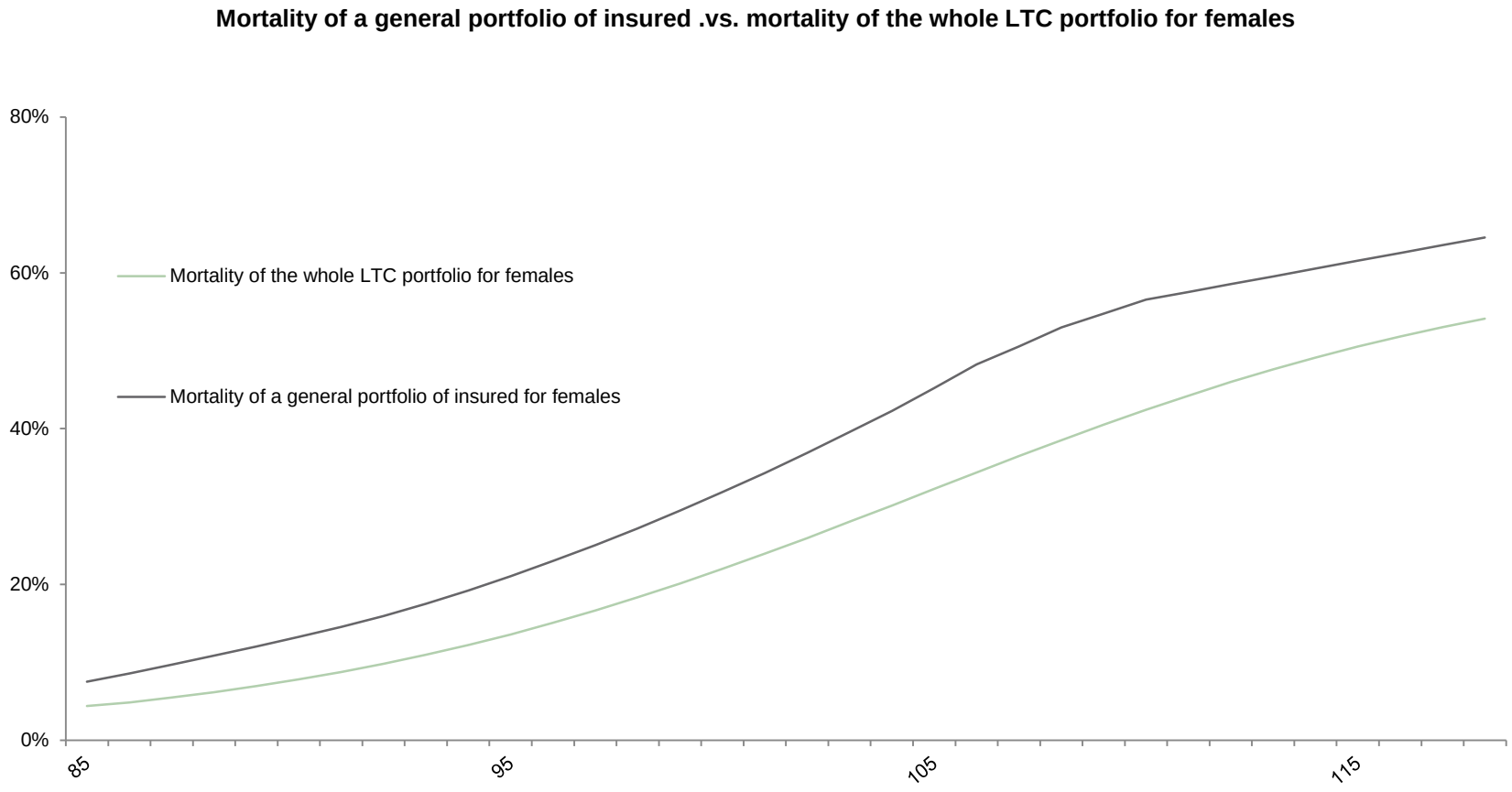
French Experience



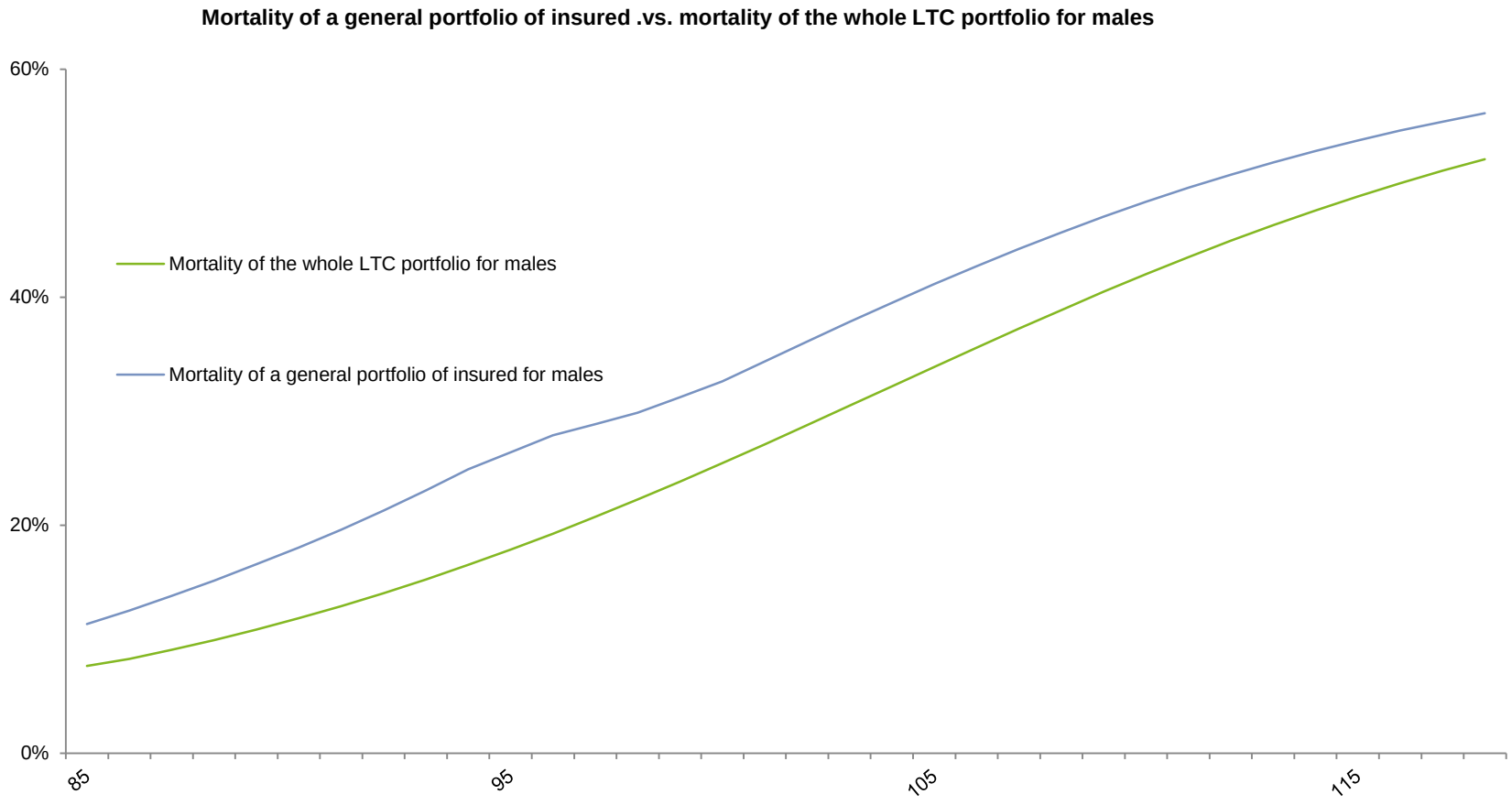
French Experience



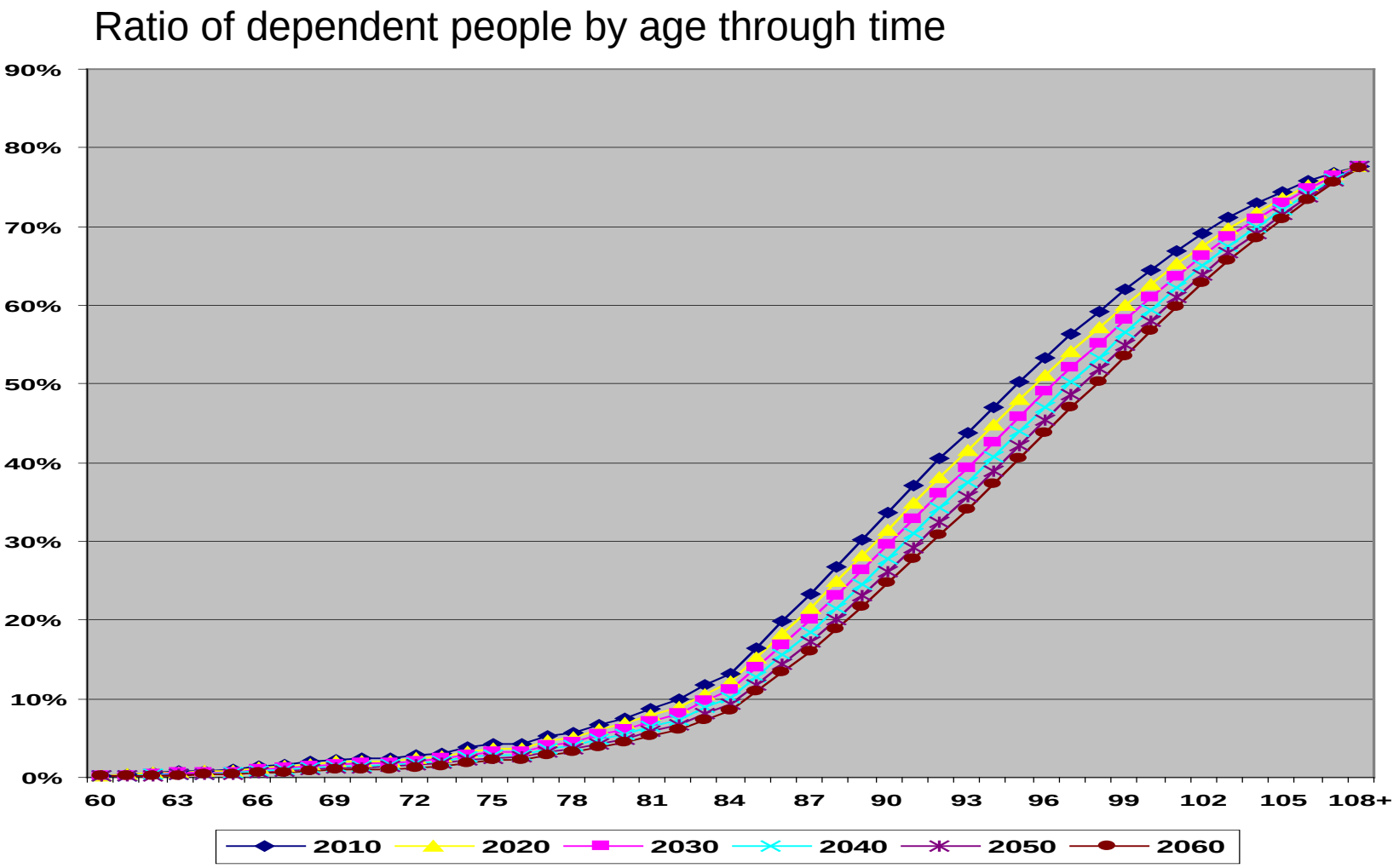
French Experience



French Experience



French Experience



French Experience

- Thanks to the medical progress, Healthy Life Expectancy without severe disability is increasing quicker than Life Expectancy : recent trends however show a slowdown in the increase. Also there seems to be a slowdown in the increase in the duration of severe disability

- This explains the shifting of the prevalence curve as shown in previous slide

French Experience

- The longevity in an LTC state depends on the underlying diagnosis and this diagnosis depends on age and gender:

Diagnose	Rate (depending on occurrence age)	Length
Dementia	30% - 50%	2 – 10 years (long)
Cancer Cardiovascular diseases	15% - 30% 15% - 30%	4 months – 2 years (short) 1 – 6 years (medium)
Neurological diseases	10% - 20%	2 – 7 years (long)
Rheumatism Accidents Ophtalmological diseases	2% - 10% 5% - 15% 1% - 3%	2 – 4 years (medium)

- More cancer and cardiovascular diseases in men
- More dementia and polypathology in women
- Neurological diseases equally distributed
- Men lose their autonomy earlier than women (one to two years)
- At equal age of loss of autonomy, men have lower life expectancies when dependent

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French Experience – How to use it for Singaporean basis ?

- Some Insurance Companies have data till age 80 that could be useful to calibrate the risk.
- Statistical methods (using exposure) allow to have the various rates from these data and build experience tables till 80
- The fact: life expectancy in Singapore is comparable to life expectancy in France (OECD).
- Comparison between Singapore experience data and various foreign experiences on ages where results are reliable → the shapes of the Singaporean experience and the French experience are comparable

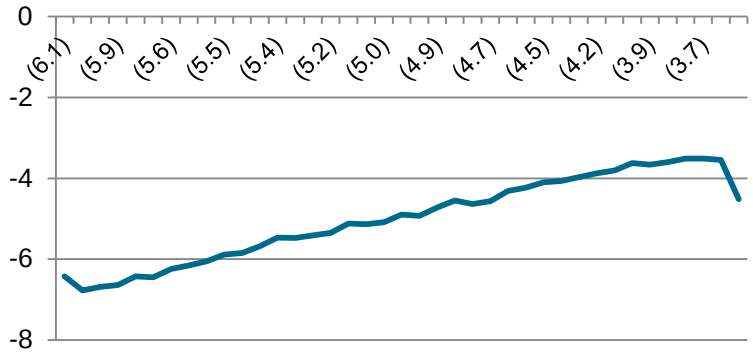
→ the French experience could be useful to derive the entire tables to price

French Experience – How to use it for Singaporean basis ?

- Using longevity method and French experience, Brass Model for example or Cox Model or Hannerz Model, it is possible to extend the Singaporean experience at the oldest ages

Brass Model (1971) $logit(q_x) = \propto + \beta\ logit\ (q_x^{ref})$

Where $logit(x) = \ln(\frac{x}{1+x})$



Conclusion

- We have noticed that the French private LTC scheme bears quite similar characteristics to Singapore Eldershield scheme but there are also differences.
- However we could still possibly use a relational model to compare available Eldershield experience against French experience and then use the derived relationship results to produce possible experience for ages where current Eldershield experience is not available.
- The above exercise will no doubt be interesting especially with the upcoming premium rebate exercise to be announced. It is hopeful that an element of future proofing is already/will be introduced to guide against uncertain developments in the experience. As we all notice, the bases increases significantly beyond age 80.
- In addition, Eldershield's unique pre-funding component brings with it own set of challenges. Currently it is unclear whether insurers will be allowed to alter existing benefits or request non-premium paying insureds to pay a special premium in case results are worse than expected.
- With the continuous popularity of Eldershield supplements which is an underwritten product, the French experience may also e an good guide to future developments.

Thanks for your attention