

Critical Issues in Managing Long-Term Care Insurance in Germany

Helga Riedel
PKV-Verband, Köln
helga.riedel@pkv.de
+49 221 37662-22

Health Insurance

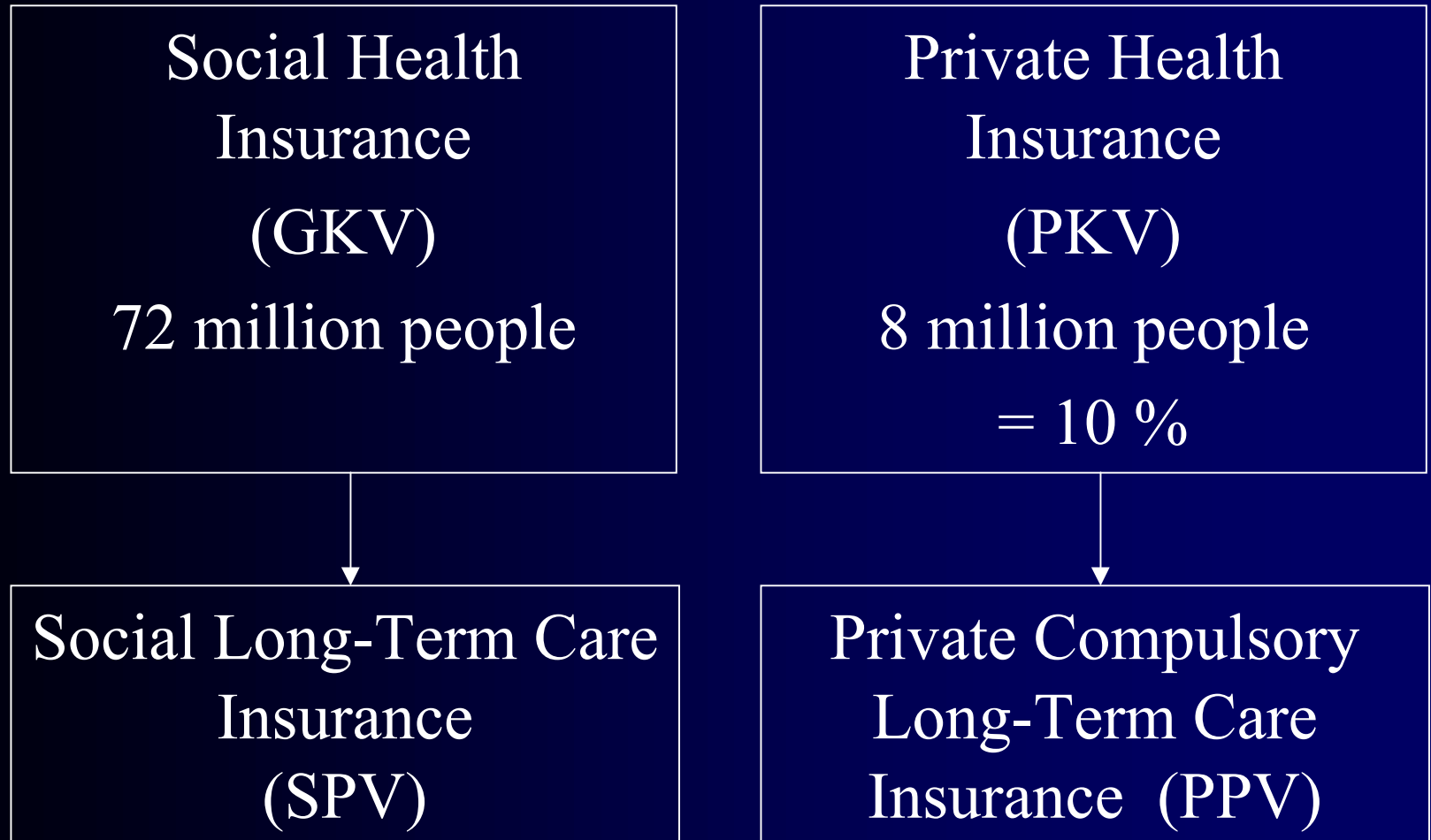
Social Health
Insurance
(GKV)

72 million people

Private Health
Insurance
(PKV)

8 million people
= 10 %

Long-Term Care Insurance



Care follows illness

Legal Regulations for PPV Regarding Benefits

Same benefits as in SPV, i.e.

a maximum amount that depends on:

- 3 degrees of long-term care
- inpatient or outpatient care
- professional or family care (outpatient)

and additional supplies

Legal Regulations for PPV

Regarding Portfolio and Premiums

- Insurance of the whole health portfolio, including the old and the sick
- Premiums are not dependent on the sex
- children are premium-free
- premium of a single person \leq max. social premium
- premium of a married couple together $\leq 150\%$ of the maximum social premium
- net premiums are the same for the whole market
- only costs differ from company to company

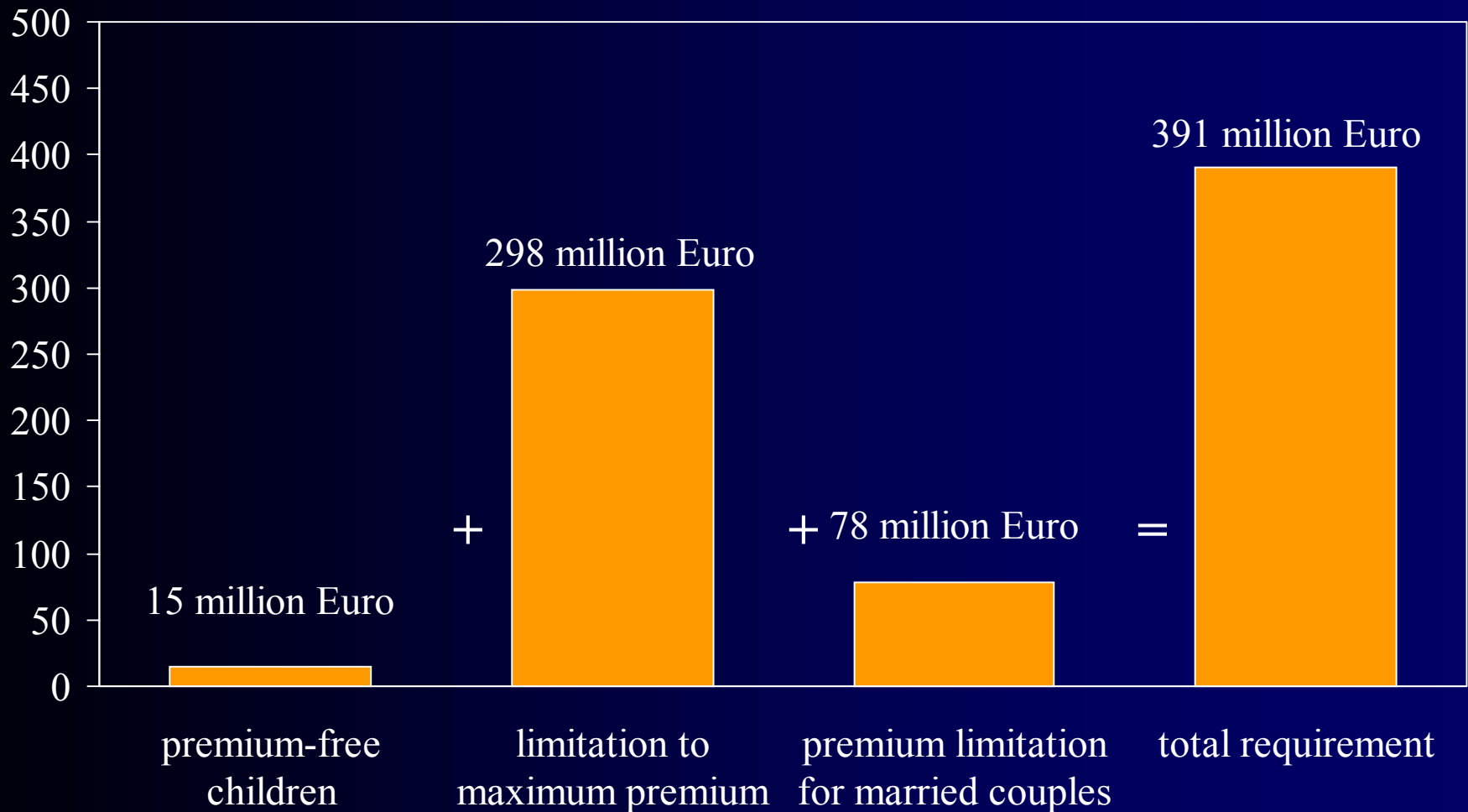
PPV-calculation based on the principle of equivalence dependent on entry-age and sex

Actuarial basis

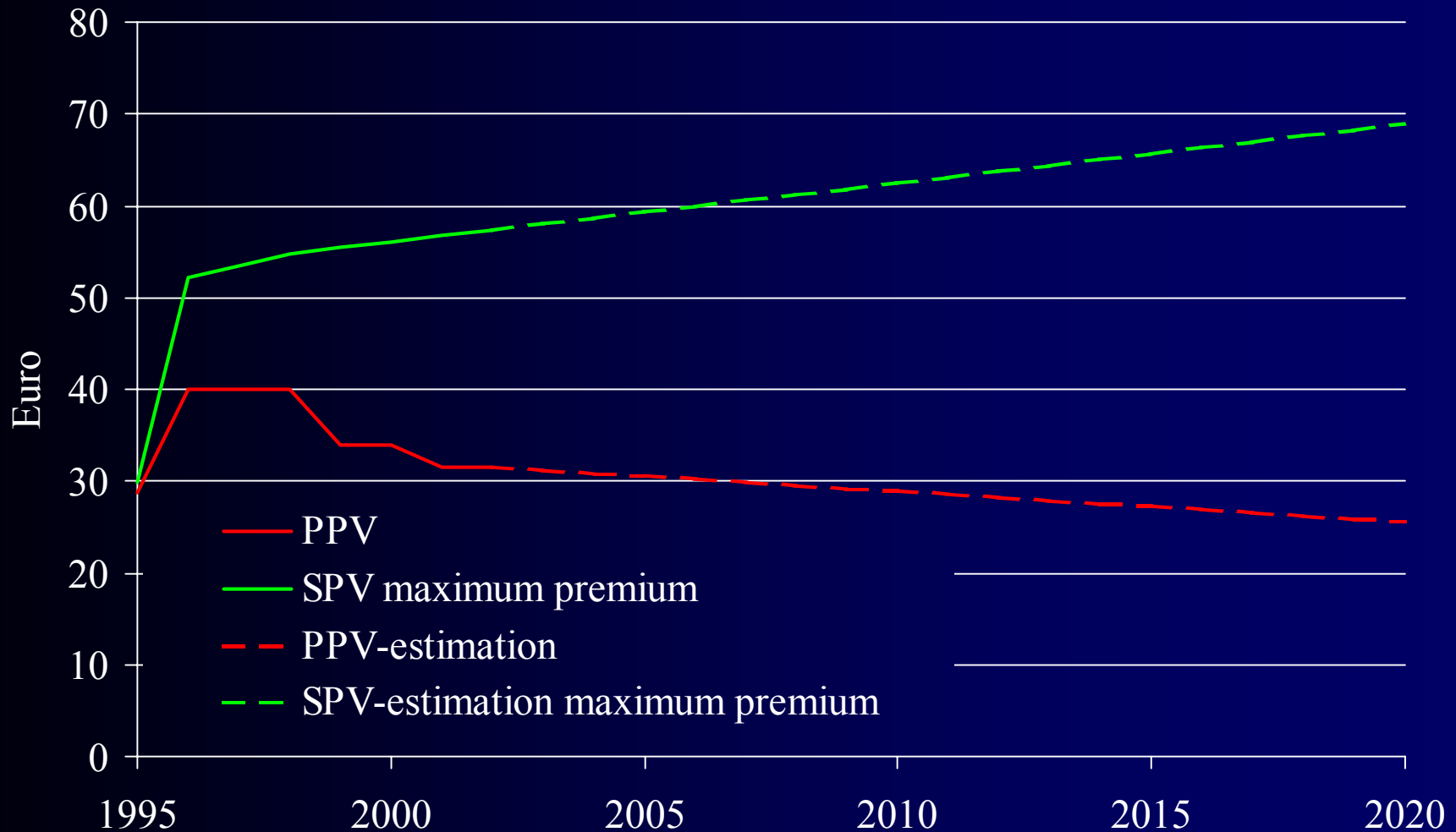
- claims amount per risk (age- and sex-related)
- decrement rate (lapse rate, mortality rate)
- 3.5% interest

$$\begin{aligned} \Rightarrow \text{net premium} & \quad \text{sex-equalisation per age} \\ & + \text{costs} \\ & + \text{transfer-contribution} \\ & + \text{safety loading} \\ & = \text{gross premium} \end{aligned}$$

Premium requirement in 2002 to be covered by transfer-contribution



Development of the entry-premium per month of a 40 year old person in PPV and the maximum premium in SPV



Financial data 2001

Premiums	1.9 billion Euro
interest	0.5 billion Euro
benefits	0.5 billion Euro
appropriation to ageing reserve	1.2 billion Euro
appropriation to reserve for premium refund	0.3 billion Euro
costs / tax	0.3 billion Euro
surplus (profit + increase of equity)	0.1 billion Euro

Development of the provisions

