

LOS TRES PILARES DE DEPENDENCIA EN ESPAÑA THREE LEVELS OF DEPENDENCE COVERAGE IN SPAIN

INTRODUCTION

Legal cover has been provided to dependant members of society base on a set of illness related aid or dependency related condition in Spain since 2006. Until 2006 the care coverage which was delivered by a loose network of social services groups was not uniformly provided. Currently, it is responsibility of the government to give a level of coverage but it does not limit the autonomy of people to be able to cover by themselves by other way.

Now a day there is a crisis that it is affecting the European economy and more specifically the Spanish economy. As a result this protection is under risk of disappearing, due to the many cuts forced by the European recommendations. So, more than ever it is necessary to find alternative funding to protect the most vulnerable people. And this alternative comes by the private sector by way of individual initiative or employer coverage. The aim of this work is to develop the technical principles for successful coverage of the dependence into the nowadays economical situation in Europe and concretely in Spain.

The individual initiative comes by providing financial and actuarial products or property conversion products by the private sector. Other countries such as France, UK, Germany and United States have insurance products to cover the dependence having long tradition in producing this kind of products. But in Spain the insurer has not been too successful to protect these contingencies, because –among other arguments– there was no legal security to do so.

Spanish government has chosen the way of promulgate several laws such as the Mortgage Law, with the aim of providing real estate feasibility conversion operations such as reverse mortgages, but there are other ones, as the rent for the house that there are not taken into account.

One of the safest ways to provide coverage is through an employment pension scheme. However this product has the problem of obtaining the dependence rates and the mortality rates of dependent persons. With this kind of coverage there is not a double coverage or double benefit when the employee becomes retired and a dependent at the same time. The beneficiary will receive the pension according to his/her situation: retired or dependent.

DEPENDENCE LEVELS UNDER LAW

The Law to promote to personal autonomy and the care of the dependent person (LAPAD) sets a net of coverage with public and private services (Real Decreto 504/2007, de 20 de abril).

LEVEL I	BASIC COVERAGE	Guaranteed by the General Administration
LEVEL II	BASIC PLUS COVERAGE	Cooperation (agreements) between the General and the Local Administration
LEVEL III	PREMIUM COVERAGE	Development by the Local Administration ant the Private Sector

After the technical and medical evaluation of the dependent person a level of benefit is given (Fernández & De La Peña, 2013)

Degree and level of dependence	Services	Economic Benefits
<p style="text-align: center;">Degree III and Levels 1 & 2</p>	Prevention and of Promotion of the personal autonomy	<p>Care in the familiar environment; Personal assistance; Benefit linked to a service.</p>
	Teleassistance	
	Help at home	
	A Day Center	
	A Night Center	
	Residential Attention	
<p style="text-align: center;">Degree II and Levels 1 & 2</p>	Prevention and of Promotion of the personal autonomy	<p>Care in the familiar environment; Benefit linked to a service.</p>
	Teleassistance	
	Help at home	
	A Day Center	
	A Night Center	
	Residential Attention	
<p style="text-align: center;">and Levels I and Levels 1 & 2</p>	Prevention and of the personal autonomy	<p>Care in the familiar environment; Benefit linked to a service.</p>
	Teleassistance	
	Help at home	
	A Day Center	
	A Night Center	

Nowadays this benefit is not enough.

PRODUCTS AT THE THIRD LEVEL

There is private complementary additional dependence coverage (Fernández & De La Peña, 2012).

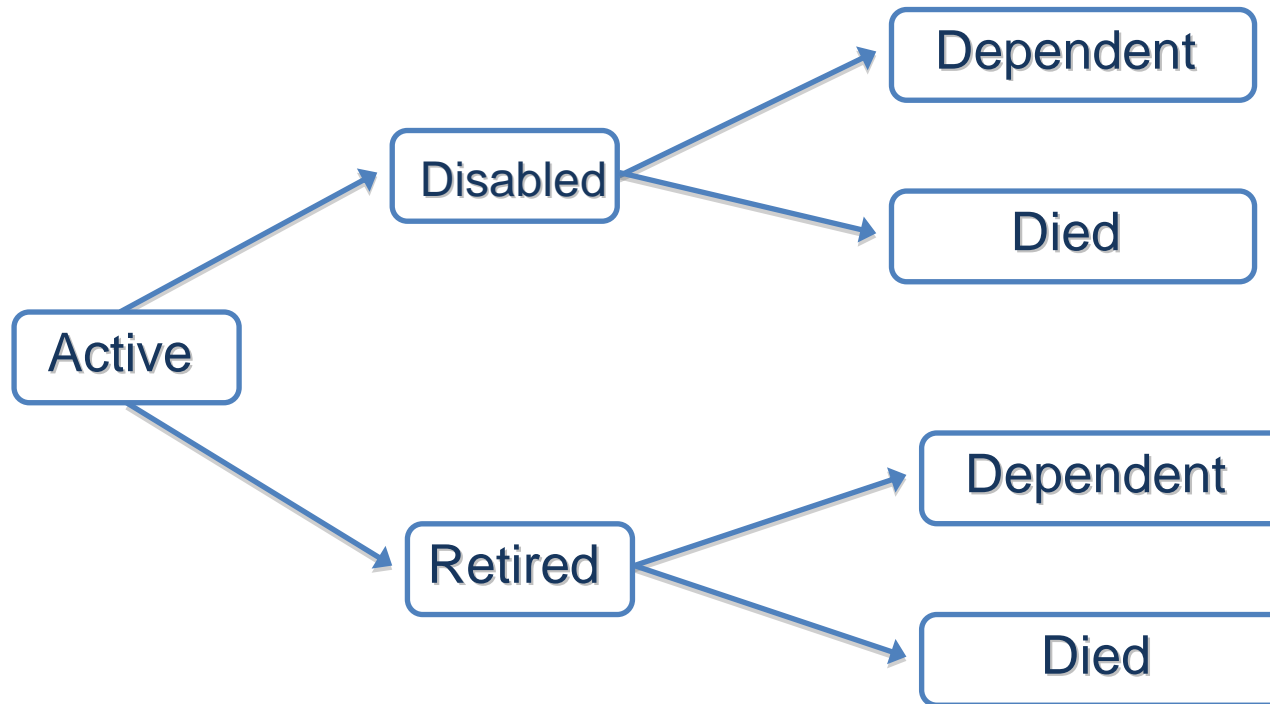
Financial and actuarial products

Life insurance	Life annuities	Dependence insurance	Retirement insurance
A quantity stipulated in the contract to be paid if the insured dies or survives at a certain future date.	A guarantee of a periodical payment to one or several persons up to the death of these, in whose case stops the above mentioned payment.	The insurer assumes the payment (cash or service) in case of dependence (entry or survival)	Payment of a capital, deferred until the policyholder reaches at a predetermined retirement age
Pension plans /Schemmes	Individual save accounts	Assured pension plans:	
A product with periodical contributions to fund a capital to be received at retirement, survival, widowhood, orphanhood or disability.	A long-term saving product with tax advantages. At the maturity the capital it is transformed in a life benefit totally exempted from taxation	Financial product with the same tax advantages than the pension plans and with the technical feature life insurances, assuring profitability during the whole period of the contract of the assured plan.	

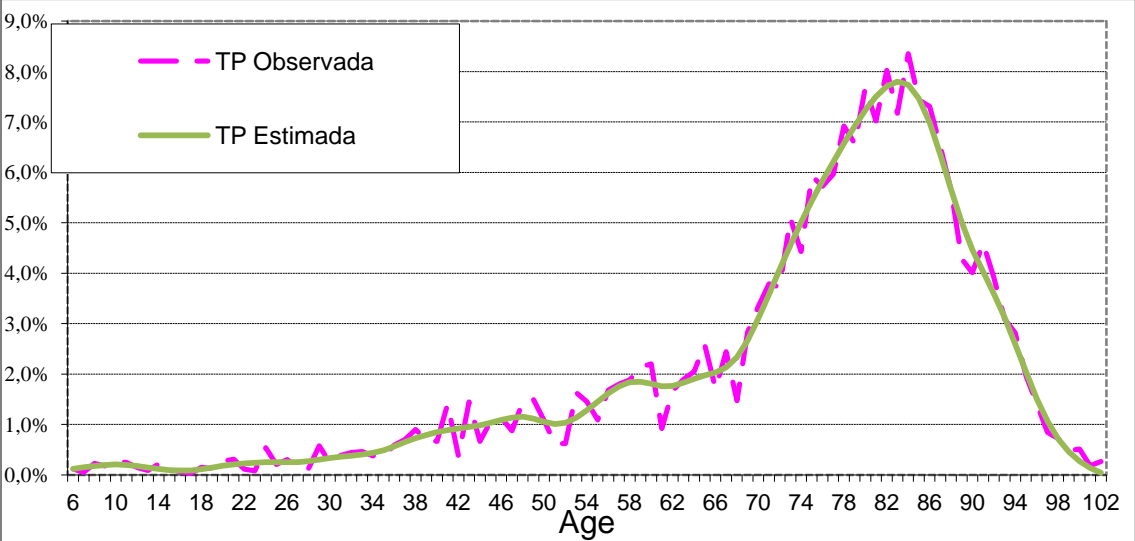
A new product: Dependence benefit into a pension scheme

The clue: Relations between dependence situation

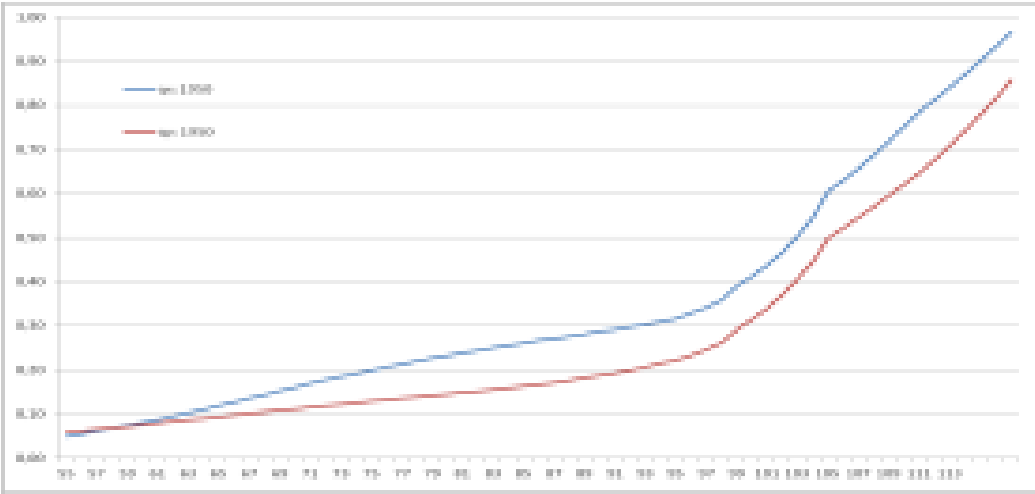
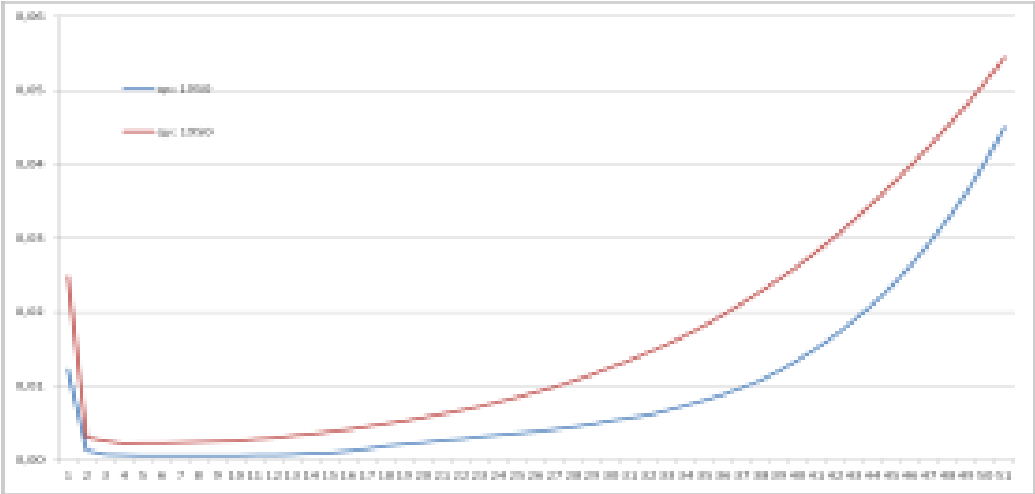
(Herrera, 1995) for an active worker



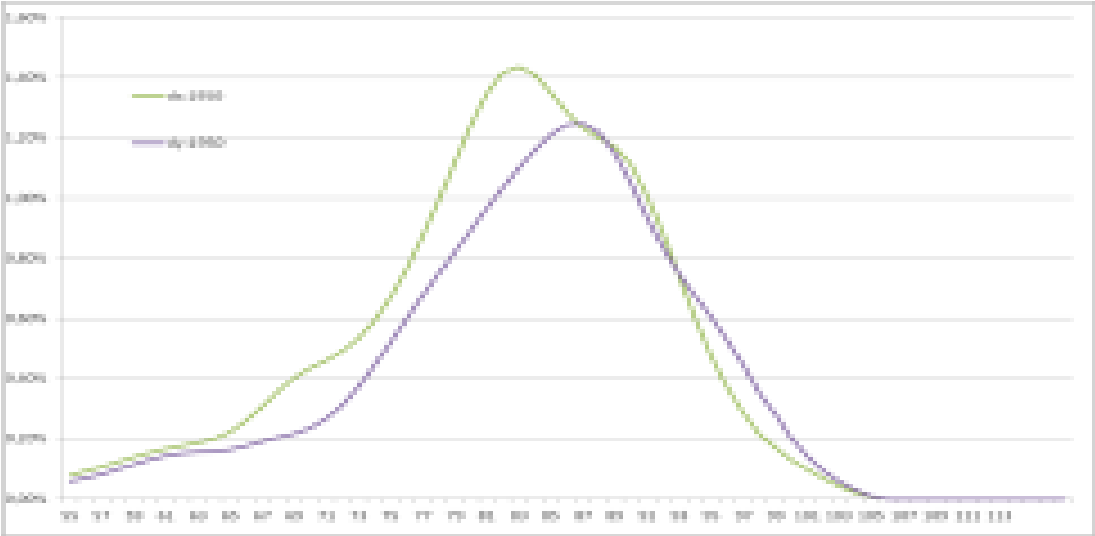
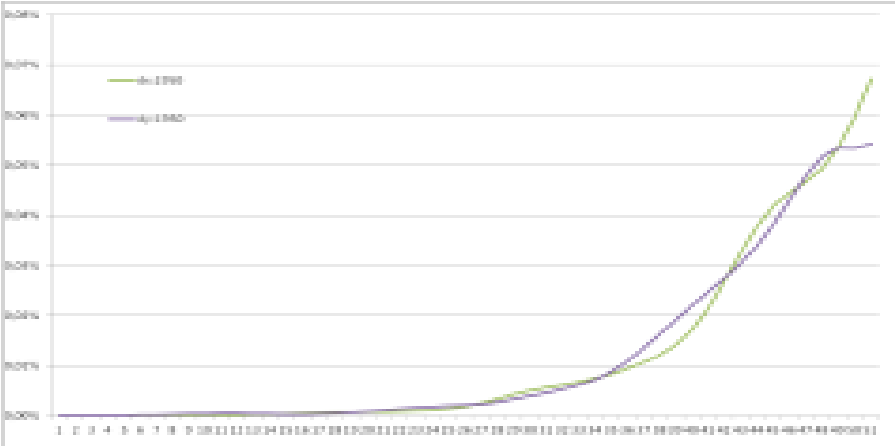
Observed prevalence proportion (TP) and adjusted one using Whittaker–Henderson graduation method ($h=9; z=3$)



Mortality of the dependent person using PE-2000 mortality tables, and additive adjustment (Rickayzen y Walsh, 2002)



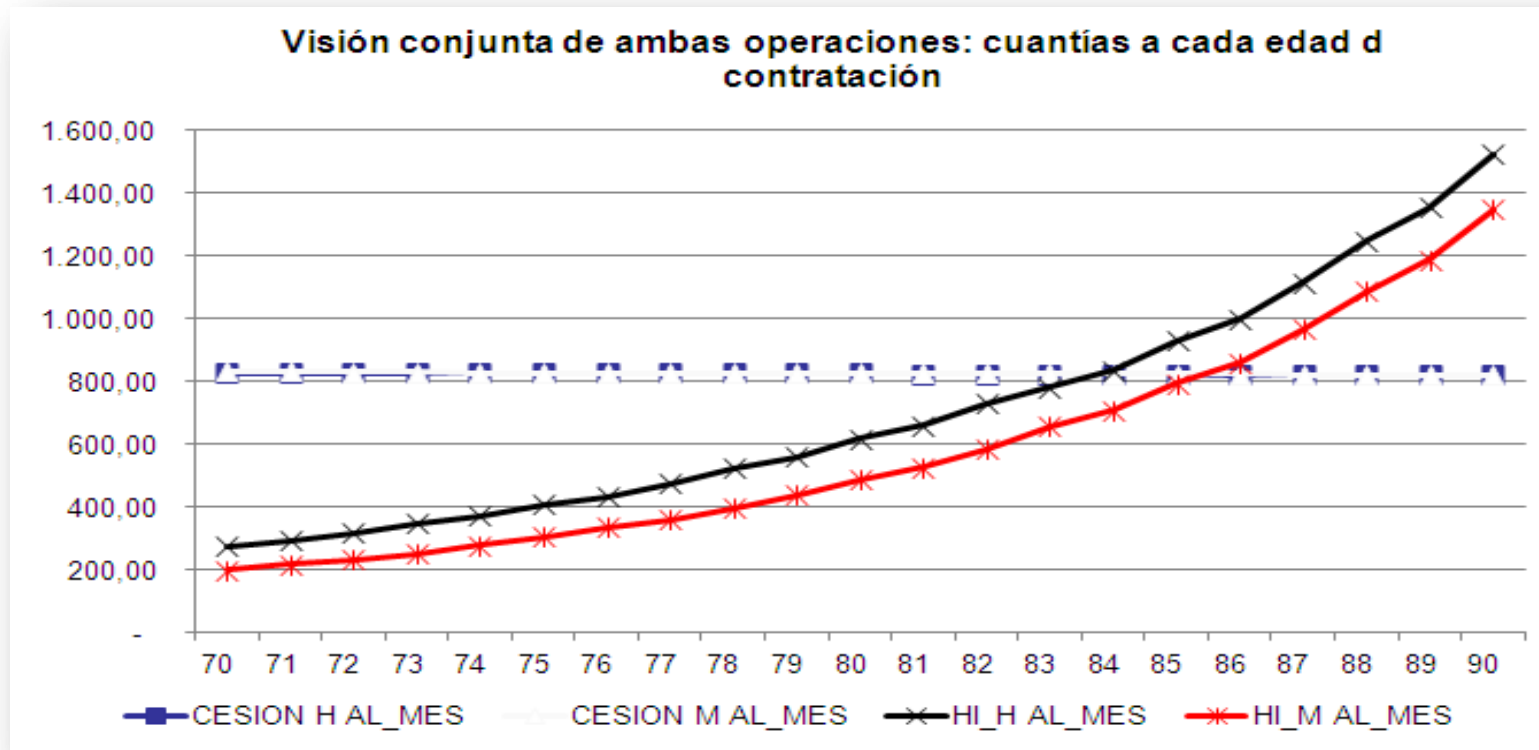
Probability of high dependence: severe and higher (Haberman & Pitacco, 1999; Pitacco, 2002; Pociello & Varea, 2004)



Real-estate products

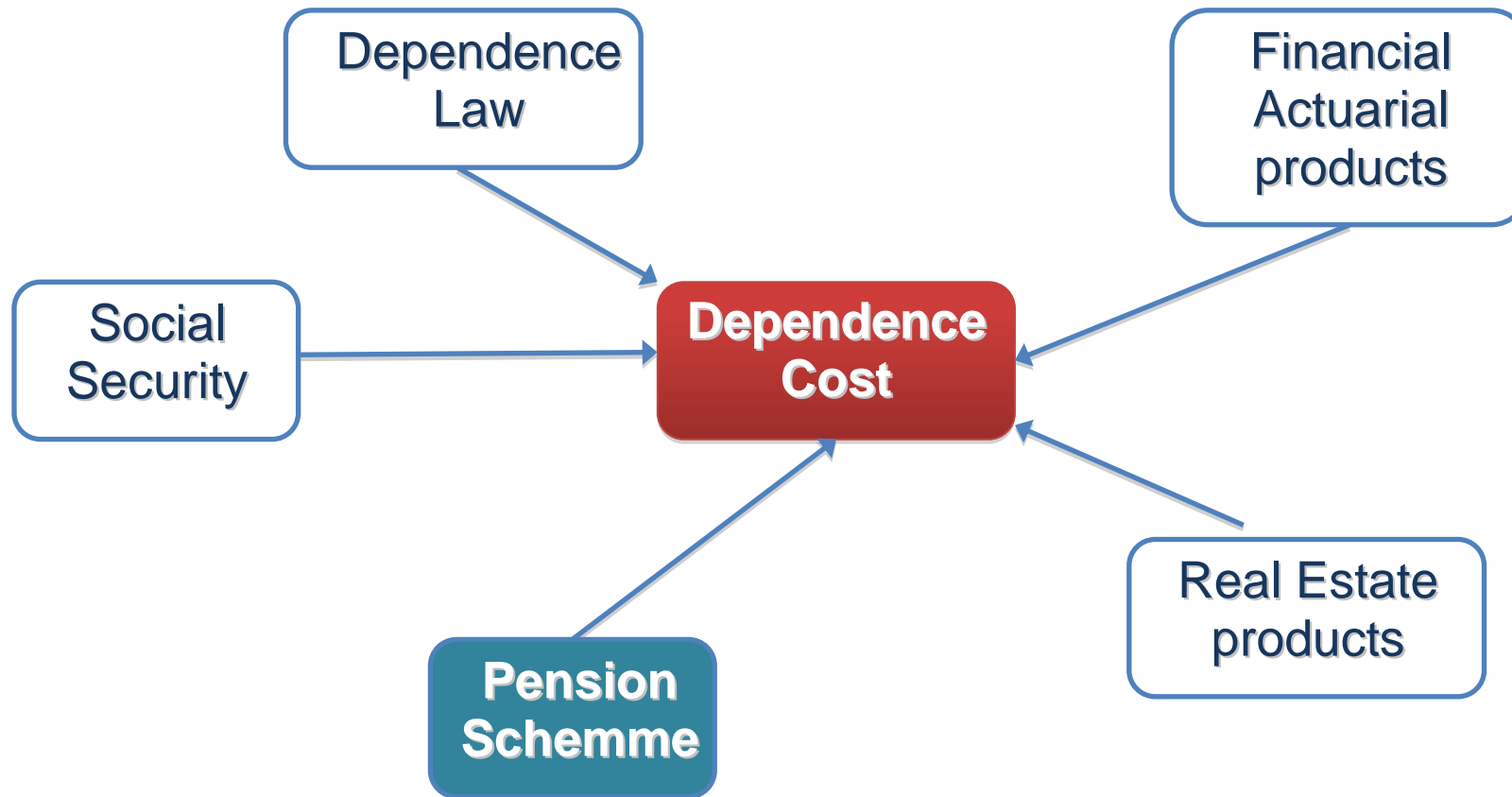
Housing pension	Mortgage pension	Inverse mortgage
<p>The sale of the house is used to write a life insurance or annuity insurance. So, the property of the housing it is lost (Duque, 2007).</p>	<p>It consists of the subscription of a loan where housing mortgage is the guarantee. With the obtained amount an annuity insurance is contracted and allows to the owner to improve in addition his standard of living. Generally, in this type of operations the mortgage the inheritors have the possibility of replacing the debt (Duque, 2007)</p>	<p>It is a credit policy with real-estate guarantee which maturity is in the habit of being linked to the death of the holder of the housing. At this moment, the inheritors can decide between reimbursing debt and keeping the property, or that the house is sold to satisfy the debt. (Castelo, 2008).</p>
Mixed Inverse mortgage	Transfer rent	
<p>It consists of the contracting of an inverse mortgage with the solicitor, the inheritors and a financial institution, of the fact that every part offers a monthly disposition of an amount determined during a period of time. (Ortiz, 2008).</p>	<p>It consists of the rent of the housing. That rent is a part of the total income obtained to the owner. To be able to realize this operation is necessary that the dependent person leaves the house. It limits the suitable circumstances of this just product to the moment in which the owner is in very advanced situations of dependence and needs permanent care (Duque, 2007)</p>	

Income for age according to Transfer Rent or Inverse Mortgage



CONCLUSIONS

1. The protection is articulated in different scopes and they all together must cover the dependence situation:
2. It is necessary to do a forecast before the dependence situation happens. By technical construction, the products where appears a forecast are the pension plans and the dependence insurances.
3. In pension plans, there is a technical difficulty to obtain the mortality of the dependant as well as the probability of dependence itself since "ad hoc" measurements do not exist in Spain. The survey EDDAD 2010, as well as the additive adjustments (Rickayzen and Walsh, 2002) to mortality rates allow us to solve the problem.
4. Once the dependence situation is acquired the most viable solution are the real-estate products. Between others, the transfer – rent is the best solution for dependent people at low ages. In the opposite way the inverse mortgage is a good solution for dependent people at higher ages.
5. The public sector must be the basic and necessary level of coverage. The local administrations must adapt the coverage in the nearest environment to the dependent persons. The voluntary coverage at the third level (premium level) must allow the well-being according to the preferences of the own dependent beneficiary.



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