

Long-Term Care: Risk Description of a Spanish Portfolio and Economic Analysis of the Timing of Insurance Purchase

#Montserrat Guillén, Jean Pinquet*

Abstract

This paper analyzes the rationale of long-term care insurance purchasing, from a statistical analysis of insurance data and a life cycle model. We make a short survey of the pros and cons of LTC insurance purchase. Then risk distributions in the occurrence and duration dimension are estimated on a Spanish portfolio. Calendar effects are estimated besides age and gender. These statistical results are integrated in a life cycle model of savings and insurance purchasing. A numerical illustration is also provided, which leads to an optimal age of forty years for insurance purchase.

Keywords: long-term care insurance; Lee-Carter models; life cycle approach; calendar, gender and age effects