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MetLife Steps Back From Long-Term Care Market

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MetLife Inc. said it will halt sales of long-term-care insurance, a type of coverage that repeatedly has flummoxed insurers and forced some to pay significantly more in claims than they expected.

MetLife is among the bigger sellers of the coverage, with about 600,000 policyholders, or about 8%, among the eight million who have long-term-care insurance in the U.S., according to the company and an industry trade association.

MetLife joins a parade of insurers that have exited the business rather than try to fight for customers in the small market. Many life insurers, having suffered losses in the financial crisis, have been rethinking product lines from long-term care to retirement offerings to reduce their exposure to volatile markets.

In addition, they said, customers have held on to the policies at a rate many insurers didn't expect. Those lower lapse rates in the first years of the policy translate into more people filing claims years later.

"In any environment, it's expensive for the companies that sell it, and it has tremendous future risks associated with it," he said. "The current economic situation makes this an especially difficult business right now."

Allianz SE and Minnesota Life Insurance Co., a subsidiary of Securian Financial Group Inc., are among the companies that halted sales of long-term-care insurance in the last two years. Cutting off new sales doesn't affect existing customers as long as they keep paying premiums.

Policies sold years ago still are creating problems for some companies. CNO Financial Group Inc., formerly Conseco Inc., spun off a long-term-care company with more than 140,000 customers to an independent trust in 2008 to cap its losses after plowing more than $1 billion into the unit that sold the policies.

Though Broker World magazine ranked MetLife fourth in U.S. sales of individual long-term-care policies in 2009, the coverage has never been a major part of its business. Its 600,000 customers with the policies are a fraction of its 90 million customers overall. It began the coverage in 1986.

Its $36 million in sales last year were dwarfed by perennial industry leaders John Hancock Financial, at $116 million, and Genworth Financial Inc., at $108 million, according to Broker World. John Hancock recently said it would ask state regulators for an average 40% increase for about 850,000 of its 1.1 million long-term-care policyholders. The insurer, a unit of Manulife Financial Corp., also suspended sales of new long-term-care plans to employer-benefits programs.

Despite the difficulties, some companies said they have figured out how to price the coverage. New York Life, which has sold the product since 1988, said it never has raised rates for customers once they have purchased a long-term-care policy. Northwestern Mutual said it hasn't raised rates at all since it started offering the coverage in 1998.

Michael Gallo, the senior vice president in charge of long-term care for New York Life, said the company's coverage used to be "significantly more expensive than some other companies. But, frankly, we didn't really chase market share." Now, he said, there is less of a difference in prices as rivals have been forced to boost rates.

For consumers interested in the product, brokers suggest looking for a carrier with a history of price stability. Claude Thau, an insurance broker who, as president of Thau Inc., also is a consultant to insurers, suggests choosing a policy issued under a new product line because it is likely to be "priced with more-current assumptions." The premiums on such policies may be higher but are more likely to remain stable over time, he said.

Those concerned about future premium increases can ask the carrier to let them make higher payments over a shorter period of time, such as five or 10 years, to avoid premium increases that would hit those still paying on an annual basis after that.

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