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When a Safety Net Is Yanked Away

By **RON LIEBER**

November is long-term care awareness month, and to celebrate, a big player in the long-term care [insurance](#) industry [announced on Thursday](#) that it wanted to get as far away from the business as possible.

Citing well-known challenges to the long-term care insurance industry (but without really saying what they were), [MetLife](#) said that it would stop underwriting new long-term care policies for individuals after Dec. 30. The company will also cease new enrollments to group and other plans, say, through an employer.

The company added that it would continue paying claims on existing policies as long as customers continued paying premiums. Many of them may not, however, since MetLife recently asked state insurance regulators for permission to raise premiums on many policies by as much as 44 percent.

It wasn't the only company not charging enough for its policies. The two leading players in the industry are trying to raise prices, too. Genworth Financial is seeking an 18 percent increase on older policies held by about 25 percent of its customers. And John Hancock has filed for permission to raise premiums for about 80 percent of its customers by an average of 40 percent. It has also temporarily stopped offering new long-term care insurance plans through employers while it tries to figure out what to charge.

State regulators may not bless these requests. But it suggests how far off the companies were in pricing their products.

So now that you're aware of the situation, a question presents itself: Is long-term care insurance doomed?

Let me start by saying that this is a separate question from whether you should plan ahead for the possibility of many hundreds of thousands of dollars in long-term care costs. You should. One big risk here is facing down a \$100,000 annual care bill for years on end and having no savings or insurance. Even if you have a decent amount of savings, you could spend everything and leave your spouse (more often than not a woman) with nothing to live on.

Wealthy people can pay for their own care. And [Medicaid](#) covers long-term care for people with no assets, though they may not be able to get the care they want where they want it.

Everyone else either has to save for the possibility that they'll need care for years or buy insurance to cover the cost. If you're wondering how likely you may be to make a claim, well, the insurance industry has had some trouble figuring that out, too.

Want some evidence? In the last decade, 11 companies that were once in the top 10 in market share in this area have bailed out, according to Limra, an industry research group.

A MetLife spokeswoman, Karen Eldred, didn't want to add to [the company's statement](#) from Thursday. She was more communicative earlier this month when I was finishing a [column about long-term care planning](#).

Here's what she said then: "Assumptions used to initially price many long-term care insurance products have changed. Evolving assumptions and their impact on pricing is a challenge the industry is facing over all. The primary assumptions that have changed since the initial pricing of these products include: interest rates, persistency, morbidity and mortality experience, which have not materialized as expected."

Let's translate that a bit, shall we? Interest rates are low, so the premiums that MetLife invests aren't earning what they once were. But the costs of care are still rising, so the insurer needs more money to pay for claims.

Morbidity is about figuring out the number of claims and how long they will last. In the old days, long-term care insurance mostly covered [nursing homes](#). People tend to move there as a last resort, when they're fairly frail. So they don't usually live long, and thus the claims don't last that long either.

But when the insurance policies started covering assisted-living residences and in-home care, the companies were in new territory. Those claims turned out to last longer and some people still ended up in nursing homes at the end of their lives, increasing the costs to the insurer.

For Genworth, persistence has been the biggest problem. It expected 5 percent of its policyholders to stop paying premiums and give up the policy each year. Instead, about 1 percent did.

In the [Bizarro World](#) of long-term care insurance, it's a bad thing when too many people keep paying you money. After all, if a customer quits after 10 years of premium payments and never makes a claim, that's pure profit.

But if you're a customer, you'd be crazy to do that, since in most instances you'd be leaving all of those dollars behind.

Quitting on principle when a company raises your rates 40 percent may feel good, but if you're 74 years old with [osteoporosis](#), you may not be able to get insurance elsewhere at any price. So people stick around.

MetLife (which provides long-term care insurance coverage to New York Times employees, none of which I buy) also suggests that it isn't the only one who messed up, noting that this is an industrywide challenge.

Well, not exactly. The Hartford Insurance Company has twice looked at entering the long-term care insurance market and was scared off. "The experience studies were just not long enough and fulsome enough for us to have credible pricing," said Brian Murphy, executive vice president of [life insurance](#) at Hartford.

It does offer something called a LifeAccess Accelerated Death Benefit Rider, which allows people with certain life insurance policies to use the benefit early to pay for care and other costs under certain circumstances.

Representatives of Genworth, John Hancock, MassMutual and New York Life all say they are committed to the long-term care insurance business. And now that many of the things that could go wrong already have, they want you to believe that they've worked out the kinks.

"How do you have confidence that the product we are selling today will have relative rate stability?" asked Buck Stinson, president of United States life insurance products for Genworth. "We took that persistence assumption down to 1.5 percent in the early 2000s and it was 1 percent by 2005."

That is cold comfort to [Bob Goldman](#), a [financial planner](#) in Sausalito, Calif. He and his wife bought long-term care insurance from John Hancock, after seeing \$100,000 annual bills for assisted living and other costs for his mother.

But now he fears that the price increases John Hancock is seeking have ruined the product. "Would you buy insurance that you may not use for 20 years and will cost you three or four thousand dollars a year, and by the way, at any time, we're going to increase it 40 percent?" he said.

Then, there's the ever-present concern that insurers will fight every claim tooth and nail.

So talk to your doctor. Or talk to your financial planner. Or talk to a doctor who is a financial planner, like [Steve Podnos](#), a pulmonary and intensive care physician in Merritt Island, Fla. When he first started practicing a few decades back, there wasn't a lot he could do for [heart attack](#) victims other than watch them carefully in the hospital. "We'd sit on them for two or three weeks and hope they did O.K.," he said.

Nine years ago, Mr. Podnos switched careers to become a financial planner, opening a business called Wealth Care. Having seen how much medicine has advanced, he now advises couples to plan on at least one of them living until 95 or 100.

And if he were working for a long-term care insurance company? He'd abandon any policies that offer unlimited lifetime benefits. "There will be long-term care insurance," he said. "But more of the risk is going to be shifted to the consumer."

Which is really too bad. Insurance is supposed to be for unexpected things that would cause catastrophic losses. But if Mr. Podnos is right, you may end up paying more than you expected for decades on end for a policy that covers only part of your bills.