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Yet another insurer bows out of LTC biz

Guardian Life beats relatively swift exit from long-term-care business

By Darla Mercado

Does anyone want to write long-term-care insurance policies anymore?

Increasingly, the answer to that question looks like a resounding 'no.' Today, yet another carrier — Guardian Life Insurance Company of America — announced it will cease sales of its LTC insurance products by the end of the year. Instead, the carrier will concentrate on life and disability insurance.

The company, which has been issuing LTC insurance through its subsidiary Berkshire Life Insurance Company of America, decided to get out of the business after five years in the market. Its departure follows on the heels of MetLife Inc.'s exit from the LTC market and a large rate hike announced by John Hancock Life Insurance Co.

Guardian was a small player in the LTC insurance market, according to Gordon Dinsmore, president of Berkshire Life. "We weren't terribly large to start with, and we were relatively new to the market," he said in an interview. "To some extent, it was a question of whether we really wanted to stay in for enough years to have a bigger presence."

The insurer had about $12.6 million in LTC sales through 2009, according to data from Milliman Inc.. By comparison, Genworth Financial Inc., the biggest seller of such policies, sold $107.5 million in annualized premiums in 2009, according to data from LifePlans Inc.

Guardian informed its sales force last week about the insurer's exit from the LTC market, Mr. Dinsmore said.

Issues that have plagued Guardian's larger rivals — low interest rates and low lapse rates — weren't really a problem for Guardian because of its LTC insurance book's small size and short tenure, Mr. Dinsmore noted. Low interest rates cut into the returns that carriers get on their investments — and those returns go toward paying claims. Meanwhile, low lapse rates — insured individuals living too long and thus receiving claim payments for longer periods of time — strain carriers' ability to make payments.

"Interest rates are a consideration for all in the market, but we're so new that lapse rates wouldn't have been an issue," Mr. Dinsmore said. The company sold its product through a general agency system, but did not sell through brokerage general agencies. If they had, it would have likely sold more.

Guardian's exit sent a shudder through the adviser community, which has been seeing companies bow out of the LTC business.

"This is really alarming," said Greg Olsen, partner at Lenox Advisors Inc. "I'm surprised that they decided to exit the market." He noted that his firm has an arrangement with Guardian's general agency and has sold the product that way.

"The exit doesn't decrease my confidence in the LTCI product line, but I'm not going to have egg on my face with this product," he added. "We're only going with mutuals right now. We like the mutual form of ownership and with a company that has a small portion of business allocated to LTC the way Guardian did."

Others expected smaller players to vacate, as more insurers back off from the traditional medical-care insurance product.

"If the big ones leave, it's only a matter of time before the smaller ones leave, too," said Henry Montag, owner of Henry Montag Associates. "My clients are buying less traditional LTC insurance and are supplementing with new combination products. I'm sure the traditional LTC contract will be extinct down the road."

National Underwriter first reported Guardian's announcement.

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