

Prudential to bail on sales of individual long-term care

Joins rivals in retreating from segment; cites 'challenging economics'

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Prudential Financial Inc., the second-biggest U.S. life insurer, said it will halt the sale of individual long-term care policies, joining rivals in retreating from the industry.

The company will continue to offer group long-term care insurance, Newark, New Jersey-based Prudential said today in a statement distributed by Business Wire. Existing contracts are guaranteed renewable and won't change, Prudential said.

Insurers including CNO Financial Group Inc. have been burned by coverage sold in the past when they underestimated the number of claims, the cost of care or the life expectancy of their clients. MetLife Inc., the No. 1 U.S. life insurer, said in 2010 it would stop sales of new long-term care coverage, citing "financial challenges" in the business. Prudential said it faces "challenging economics" in the market.

“It’s a smart move,” said Dan Theriault, an analyst at Portales Partners LLC who has a “sector perform” rating on Prudential shares. Prudential, MetLife and other companies scaling back “can’t price the product appropriately, and instead they’ve decided to exit the business.”

Prudential advanced 1.8 percent to \$60.84 at 3:38 p.m. in New York and has gained 21 percent this year. New York-based MetLife has risen 22 percent since Dec. 31.

Deterioration in long-term care business pushed Unum Group into a \$425 million fourth-quarter loss and prompted the Chattanooga, Tennessee-based insurer to announce its exit from sales of the products to groups.

Prudential’s Expansion

Prudential Chairman and Chief Executive Officer John Strangfeld is expanding outside the U.S. and spent more than \$4 billion last year to buy two Japanese subsidiaries from American International Group Inc. Net income rose to \$3.53 billion in 2011 from \$2.71 billion a year earlier.

Long-term care policies provide coverage to help pay for home-health aides or residence in nursing homes or assisted- living facilities. Lower interest rates pressured the business, limiting investment income on funds set aside for claims.

“The decision to exit the individual long-term care business reflects the challenging economics of the individual market,” Malcolm Cheung, vice president of long-term care for Prudential, said in the statement. Prudential will focus “our resources and capital on the group market where we see the greatest opportunity.”

--*Bloomberg News*--