

Two Major Life Insurance Companies Will Not Participate In The Government's Rescue Program

By Steven Wevodau

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Financial crisis also spells the end of property & casualty soft market conditions

The recent Treasury Department rescue plan allows for a number of insurance companies to seek governmental capital infusions. In a bold move, two major insurers this week announced that they would not need any type of governmental intervention.

Massachusetts Mutual Life Insurance Co. and New York Life Insurance Co., two very large life insurance companies, both said they are financially strong and have sufficient capital to meet their goals without the government aid.

The recent financial crisis has caused many insurers' investment portfolios to decline as many invest heavily in the equities markets and other vehicles that are directly tied to the failing real estate market. Such declines erode the insurer's equity, or surplus, diminishing the ability to meet claims obligations.

"The potential erosion is not contained to any particular market segment geography" said Steven Wevodau, an insurance industry consultant. Wevodau added "Insurance companies are bearing rising labor and construction costs and a large number may be in danger of having the rating agencies downgrade them. Besides several seeking government capital infusions, it goes without saying that many property and casualty companies will certainly be implementing rate increases over the next several months. This, after several years of rate reductions, marks the potential end of the soft market cycle."

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