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U.S. Slates \$22 Billion for Insurers From TARP

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The Treasury Department will make federal bailout funds available to a number of U.S. life insurers, acting on the embattled sector's long-running effort to get government help.

The Treasury is prepared to inject up to \$22 billion into the insurers under the rescue plan launched last fall as the Troubled Asset Relief Program, said a person familiar with the matter.

- [U.S. to Offer Aid to Life Insurers](#)
04/08/2009

The capital infusions mark the first new round of federal rescue funding since the biggest banks got more help around the turn of the year. Aid for the struggling life-insurance industry was expected, but the companies had been waiting for weeks since The Wall Street Journal [reported in early April](#) that the Treasury had decided to give federal money to qualified companies in the industry. As far back as November, some companies were taking steps such as agreeing to buy savings and loans in order to become eligible.

[Hartford Financial Services Group](#) Inc. said Thursday it has preliminary approval to tap \$3.4 billion in federal funds. A Treasury spokesman said the government has agreed to provide funds, as well, to [Prudential Financial](#) Inc., [Principal Financial Group](#) Inc. and [Lincoln National](#) Corp.

[Allstate](#) Corp. also will receive aid, said the Treasury spokesman, Andrew Williams. Allstate is mainly a car and home insurer but has a sizable life-insurance business. In addition, the Treasury said it will provide funds for [Ameriprise Financial](#) Inc., a wealth-management company that sells life insurance and annuities.

It wasn't immediately clear whether there remain other insurance companies that are eligible for funds. Prudential declined to comment; the other companies didn't immediately return calls or emails seeking comment.

Previously, the giant insurer American International Group Inc. became a huge federal aid recipient, though its problems didn't stem from its life-insurance operations but from derivatives bets that went bad.

Status Check

Stock prices showed gains yesterday for recipients of TARP money

	Thursday's close	Change from Wednesday
Principal Financial Group (PFG)	\$18.86	▲ \$0.31
Allstate (ALL)	25.25	▲ 1.02
Hartford Financial Services Group (HIG)	14.75	▲ 2.19
Lincoln National (LNC)	16.24	▲ 1.82
American International Group (AIG)	1.84	▲ 0.24
Ameriprise Financial (AMP)	25.06	▲ 0.60
Prudential Financial (PRU)	39.37	▲ 2.35

Source: WSJ Market Data Group

Technically, many life insurers weren't eligible for the part of TARP set aside for banks, known as the Capital Purchase Program. TARP is now a collection of different initiatives targeting banks, securities markets, mortgage modifications and aid to auto makers. The Capital Purchase Program is designed to shore up banks' capital bases by having them sell preferred stock to the government.

The life insurers getting aid managed to become eligible under the CPP either because they already were bank holding companies or because they have moved to obtain that status, such as by agreeing to acquire a savings-and-loan institution.

"These life insurers met the requirements for the Capital Purchase Program because of their bank holding company status, and each applied for CPP capital investments by the deadline of Nov. 14, 2008," said Mr. Williams, the Treasury spokesman. He added that the companies were among "the hundreds of financial institutions in the CPP pipeline that will be reviewed and funded as appropriate on a rolling basis."

The spokesman declined to provide figures on how much capital each company could receive. In return for aid, the government will get warrants as well as preferred shares that initially pay a 5% dividend.

Many life-insurance companies, like others in the financial sector, got caught carrying too much risk when the financial crisis hit. Some were hurt by their variable-annuity businesses, under which they sold products often linked to equity markets that promised minimum payouts even if markets fell. Insurers also lost money on investments in bonds, real estate and other assets that back their policies.

The government support will come as a relief to some companies in the sector that have been scrambling to shore up their balance sheets. Hartford Financial is a case in point. The insurer moved in October to bolster its finances by securing a \$2.5 billion investment from German insurer Allianz SE.

When that didn't stop its slide, the company agreed in November to buy a small S&L in order to reconfigure itself as a bank holding company and gain access to the government program. In February, the company cut its dividend by 84%, and jobs are being cut, too. Still struggling,

Hartford has been forced to back away from new business in markets like the U.K. and Japan, and it's shopping around its profitable property and casualty business.

On April 30, Hartford reported a \$1.2 billion loss for the first quarter, largely due to a charge related to its variable annuity business. Meanwhile, Principal Financial raised \$1 billion through a common-stock offering announced Monday.

Management Scrutiny

The injections for insurers will inevitably draw more attention to management decisions on issues such as compensation, not to mention federal regulation. Just Thursday, on Capitol Hill, lawmakers discussed whether the federal government should play some role in overseeing the state-regulated insurance industry, with supporters and detractors using the financial crisis to bolster their claims.

The life-insurance industry is a lynchpin of the financial system, providing millions of Americans with a safety net, and is an important source of savings and wealth management. An erosion of confidence in the industry could cause customers to redeem policies and create a cash crunch for some companies. Insurers also are big sources of capital throughout the economy, as they invest the premiums they receive from customers into bonds, real estate and other assets. Access to federal aid should help life insurers avoid further credit-rating downgrades and the need to raise capital under onerous terms.

On Thursday, an industry trade association hailed the news. "By extending funds to certain insurers, Treasury is taking the right step toward helping restore lending and liquidity to the marketplace," said Frank Keating, President and CEO of the American Council of Life Insurers.

Final approval for insurers to receive capital injections depends on completion of paperwork. Funds are typically received within a month of preliminary approval.

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