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Questions Dog Insurers on TARP Lack of Details, Concerns Over Timing Put a Ceiling Over Share Gains

By SCOTT PATTERSON

Life insurers got a lift from the government's plan to extend rescue funds to the industry, but questions about timing and details trimmed gains in the share prices of potential aid recipients.

The Treasury Department has decided to include a number of life-insurance companies among the financial firms eligible for capital infusions from the Troubled Asset Relief Program, people familiar with the matter said on Tuesday.

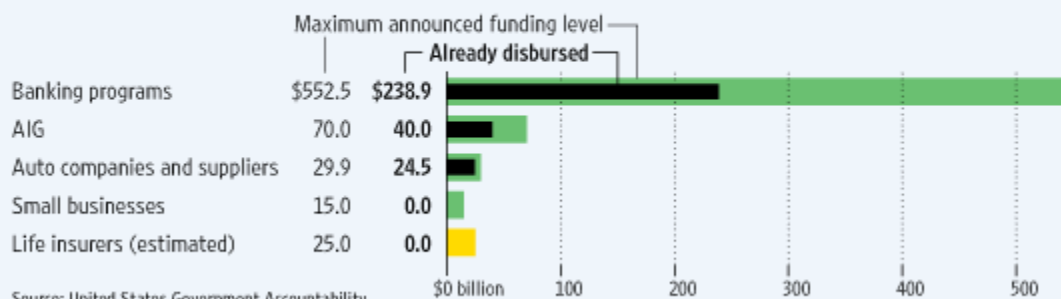
[Hartford Financial Services Group](#) Inc., [Genworth Financial](#) Inc. and other insurers soared in early trading Wednesday, but later gave up some of those gains. In 4 p.m. New York Stock Exchange composite trading, Hartford rose 13%, or \$1.14, to \$9.59, while Genworth rose 11%, or 24 cents, to \$2.33. [Lincoln National](#) Corp., which has suffered from concerns about its liquidity, jumped 33%, or \$2.26, to \$9.15.

Treasury officials told insurers in late 2008 that they could become eligible for federal assistance if they owned bank-holding companies. **Several insurers struck deals to buy banks just to become eligible for government aid.**

But as weeks passed with no TARP announcement and as **the financial woes of insurers worsened**, some analysts and investors wondered if government officials had changed their minds. Last week, [Protective Life](#) Corp., of Birmingham, Ala., let its deal to buy a small Florida bank-holding company fall through because of uncertainty about whether life insurers would get TARP funds.

TARP Allocated So Far

Status of Troubled Asset Relief Program funds as of March 27:



Source: United States Government Accountability Office, CreditSights (life insurer estimates)

In a statement Wednesday, the Treasury said "there are a number of life insurers that met the requirements for the Capital Purchase Program because of their thrift or bank-holding company status and applied within appropriate deadlines. These are among the hundreds of financial institutions in the CPP pipeline that will be reviewed and funded as appropriate on a rolling basis."

A Treasury official said the agency still projects the capital infusions available to financial institutions under the program to total \$218 billion. About \$199 billion has been spent so far, leaving about \$19 billion. The remaining funds will need to be spread among life insurers and hundreds of banks that have filed applications to receive capital injections.

Compared with some banks, insurers mightn't need much of a life line, at least not immediately. Research firm CreditSights estimates that the life-insurance industry requires \$20 billion to \$25 billion in government funds. [Principal Financial Group](#) Inc. has estimated that it would be eligible for as much as \$2 billion in TARP funds. Hartford estimated that it would be eligible for \$1.1 billion to \$3.4 billion.

Analysts said sums in that range could help give life insurers sufficient breathing room to survive a crisis. A capital injection would help "even the most thinly capitalized institutions weather a prolonged and protracted credit cycle," Credit Suisse analyst Thomas Gallagher wrote in a note to clients Wednesday.

Still, Citigroup analyst Colin Devine cautioned against jumping "on the bandwagon that the world is saved." Investors in insurers that get infusions are likely to see their stakes diluted as the government becomes a shareholder.

One benefit could be a let-up in rating-firm downgrades that have plagued the life-insurance industry in recent months. "The receipt of TARP capital, assuming it's a meaningful amount, could mitigate against the downward ratings pressure," said Joel Levine, senior vice president at Moody's Investors Service. Access to TARP funds wouldn't trigger upgrades, he said.

Speculation also swirled about whether access to TARP could spark consolidation. Citigroup's Mr. Devine said [MetLife](#) Inc. could use TARP funds to finance a purchase of [American International Group](#) Inc.'s Japanese operations.

MetLife, which bought a bank-holding company in 2001, has given no indication about whether it would take TARP funds. The insurer declined to comment Wednesday.

The Treasury's decision to expand TARP to life insurers could further inflame anger in Congress, where the list of grievances over rescues of financial companies already is long.

The move also could provide momentum to legislation aimed at toughening federal oversight of the financial-services industry and strengthen the hand of lawmakers calling

for insurers to be overseen by a regulator that would monitor risk across all segments of the financial-services sector.

Assisting life insurers also is likely to raise pressure on the Obama administration to develop an exit strategy for government interventions in the economy, and to more clearly show how and when taxpayer dollars are going to be repaid.

—Greg Hitt and Michael R. Crittenden contributed to this article.

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