Life Insurer Capital and Surplus Grew in 2009

By Editor Test *Tue, Apr 27, 2010*

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U.S. life insurers enjoyed double-digit growth in total capital and surplus last year, according to a new report from Moody's Investors Services, Inc., *National Underwriter* reported.

Moody's rated compani es reported a 13% growth in capital and surplus for the year ended 2009. Capital and surplus, including asset valuation reserves (AVR), rose to $237 billion from $210 billion.

Fueling the increases in capital and surplus were improvements in operating income to $41 billion from a loss of $9 billion in 2008. The "robust equity markets" markedly improved earnings in both group and annuity operations.

Offsetting the gains in operating earnings were large realized and unrealized losses in derivatives, the result of losses from hedging variable annuities. In 2009, net realized and unrealized losses totaled $36 billion, as compared to $56 billion in 2008, observes Moody's.

Other factors contributing to the improvements in companies' capital and surplus in 2009, says Moody's, were gains in the carrying values of non-insurance affiliates and equity holdings, both of which show up in unrealized gains (losses). Life insurers also replenished capital by reducing dividends to stockholders (e.g., holding companies) to $4 billion in 2009 from $14 billion in 2008.

Given the substantial capital raises during 2009, operating entities of publicly traded companies were under less pressure to support the needs of affiliated holding companies, says Moody's. That enabled companies to retain more capital.

A comparison of individual life insurers shows that Hartford Financial Services Group Inc., Hartford, Conn., raised the most capital among Moody's rated companies in 2009. The total, $6.7 billion, was secured through the federal government's troubled asset relief program (TARP), plus debt and equity issues.

The three next highest capital raises-$3.65 billion, $2.79 billion, $2.44 billion-were secured, respectively, by Prudential Financial Inc., Newark, N.J., Metropolitan Life Insurance Company, New York; and Lincoln Financial Group (Lincoln National Corp.), Radnor, Pa.