

TARP the life insurers? This is nuts

by *Lawrence_Kudlow*

Is bailout nation about to strike again? Sure looks like it. According to a bunch of front-page news stories, life-insurance companies are about to get TARPed. This is nuts.

The public is clamoring for an end to TARP and bailout nation. That's a key message coming from the heartland tea parties that are cropping up spontaneously around the country. This is turning into a real populist uprising against rising taxes (especially state, local and property taxes), TARP and all the federal bailouts and the trillions of dollars of deficits and debt being used for financing.

If Team Obama ignores this uprising, it has a political tin ear.

While commercial banks of all sizes are increasingly profitable and want to pay back their TARP money, the Treasury Department is now proposing to extend bailout funds to life-insurance companies, most of which are in no danger of failing. And for those that are in danger, surely it's time for a bankruptcy proceeding instead of more taxpayer money.

We are already on the hook for banks, GM and Chrysler, and lube jobs for guaranteed government-backed GM warranties. And the banks themselves may go to war against an Obama administration that wants to maintain control over the big-bank sector and prevent these financial institutions from paying down TARP. It's as if Team Obama is saying: "Don't worry about the taxpayers. Just keep expanding government control over the economy."

And now comes life insurance. But when will this country stop saving losers and start rewarding winners?

Meanwhile, no one has proven that life-insurance companies constitute true systemic risk to the financial system. No one. This is nothing but a bailout. Actually, it's a precautionary bailout, since none of these insurers has failed.

Despite the stock market rally and proliferating signs of an economic comeback, a new TARP regime is being prepared in case insurers lose more money in their stock portfolios, or their bond investments, or their residential- and commercial-mortgage purchases. (By the way, corporate bonds which are heavily owned by life insurers to pay out retirement contracts are rallying big-time, with prices rising and yields declining.)

But for those insurers who may lose money on their investments, tough luck. A lot of these insurers own variable annuities, which are retirement products that guarantee minimum returns no matter what happens to the stock market. Most of these products won't come due for 10 years or more. And the break-even point is something like 600 on the S&P 500 index, which is now above 850 and rising.

Not all life insurers would be eligible for bailout funds — only those that own federally chartered banks or thrifts, like Hartford Financial, Genworth, Prudential, MetLife and Lincoln National. But a recent Wall Street Journal article indicates that a number of life insurers are doing very well and still have triple-A gilt-edged ratings. These include MassMutual, New York Life, Northwestern Mutual and TIAA-CREF.

A senior executive at a large Midwestern insurance company e-mailed me to say he's against an insurance-industry TARP: "Those that are in trouble, including Conseco, Genworth, Phoenix, The Hartford, etc., should go the way of the dodo bird. Imagine some Treasury bureaucrat investing your 401(k) or retirement-plan money, or worse, setting prices on your insurance policy."

A recent Bloomberg accounting of the federal financial-rescue package puts the grand total at \$2.5 trillion for taxpayers on the hook. That's a lot of future debt. And that total does not include the Federal Reserve's \$1.7 trillion, which is about to grow by at least another \$1.5 trillion. It's unclear right now how much money the life insurers might get from TARP. And with members of Congress on recess — and undoubtedly hearing a mouthful from constituents who are fed up with bailout nation — it remains to be seen if our elected lawmakers will actually back up the Treasury's life-insurance bailout.

But is there any limit to this administration's intentions to interfere and perhaps control large swaths of our economy? And do these life-insurance mavens know what they're getting into by going on the hook to Congress? And does anybody remember that free-market capitalism is about success and failure?

Just say no to expanded TARP for insurance companies or anybody else. That's the real message of the homegrown tea-party revolts against bailout nation and the higher taxes, deficits and debt being used to finance it. Folks tried to tell Washington on the April 15 tax day that enough is enough. They can't take it anymore.

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