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**Life and Health Insurers' Capital Gains up 87.4%  
in First Quarter 2005 While Profits Decline 5%**

*Industry Separate Accounts Increase \$110 Billion; Junk Bond Holdings Decline 8%*

JUPITER, Fla., August 22, 2005 – Capital gains of the nation’s life and health insurers jumped \$221.4 million, or 87.4 percent, to \$474.8 billion in the first three months of 2005, according to Weiss Ratings, Inc., the nation’s leading independent provider of ratings and analyses of financial services companies, mutual funds, and stocks. Despite this increase in capital gains, profits were down 5.3 percent as compared to first quarter 2004. This is the second year in a row that the industry has reported positive first quarter investment results following three years of large capital losses.

Insurers reporting the largest year-over-year increases in capital gains include:

Company	Headquarters	Weiss Risk Rating	Capital Gain (Loss) (\$Mil)		
			1 <sup>st</sup> Qtr 2005	1 <sup>st</sup> Qtr 2004	\$ Change
Metropolitan Life Insurance Co.	New York, N.Y.	A-	196.2	(52.2)	248.4
Sunamerica Life Insurance Co.	Los Angeles, Calif.	B-	14.5	(43.0)	57.5
American Life Insurance Co.	Wilmington, Del.	B	27.5	(16.0)	43.5
ING USA Life & Annuity Insurance Co.	Wilmington, Del.	B-	19.1	(15.6)	34.7
Provident Life & Accident Insurance Co.	Chattanooga, Tenn.	C	19.1	(10.6)	29.7

Weiss Risk Rating: A=Excellent; B=Good; C=Fair; D=Weak; E=Very Weak; F=Failed; U=Unrated

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## Industry Separate Accounts<sup>1</sup> Increase \$110 Billion

As a result of the improved equity markets, insurers reported a \$109.9 billion, or nine percent, increase in separate account holdings, reflecting renewed interest in variable life and annuity products. The industry reported that separate accounts rose to \$1.3 trillion in the first quarter of 2005, compared to \$1.2 trillion in the first quarter of 2004.

Life and health insurance companies reporting the largest increases in separate accounts include:

Company	Headquarters	Weiss Risk Rating	Separate Accounts (\$Bil)		
			1 <sup>st</sup> Qtr 2005	1 <sup>st</sup> Qtr 2004	\$ Change
Prudential Retirement Ins. & Annu.	Bloomfield, Conn.	C-	32.9	0.0	32.9
John Hancock Life Ins. Co (USA).	Bloomfield Hills, Mich.	B+	54.9	44.7	10.3
Hartford Life & Annuity Ins. Co.	Simsbury, Conn.	B+	62.2	55.4	6.8
Lincoln National Life Insurance Co.	Fort Wayne, Ind.	B-	48.2	42.3	5.9
Hartford Life Insurance Company	Simsbury, Conn.	B+	85.6	79.8	5.8

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“With flat product sales and an increase in policy surrenders, the boost in capital gains wasn’t enough to drive year-over-year profit growth,” said Melissa Gannon, vice president of Weiss Ratings, Inc. “However, industry profits remain at near-record levels.”

## Junk Bond Holdings Decline by 8%

Insurers’ junk bond portfolios declined \$11 billion, or eight percent, from \$137.8 billion in the first quarter of 2004 to \$126.8 billion in the first quarter of 2005. This reduced the proportion of junk bonds to invested assets from 5.23 percent to 4.52 percent.

Life and health insurance companies reporting the largest reductions in junk bond holdings were:

Company	Headquarters	Weiss Risk Rating	Junk Bonds (\$Mil)		
			1 <sup>st</sup> Qtr 2005	1 <sup>st</sup> Qtr 2004	\$ Change
American Family Life Asr. Co. of Col.	Columbus, Ga.	B	270.7	999.1	(721.2)
MONY Life Ins. Co. of Amer.	New York, N.Y.	C	67.7	167.0	(99.3)
Madison Life Insurance Company Inc.	Middleton, Wis.	B-	10.1	43.4	(33.3)

<sup>1</sup> A separate account is established by an insurer to fund variable annuities, variable life insurance or other contracts where investment returns are based on segregated assets.

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Banner Life Insurance Co.	Rockville, Md.	C+	0.0	31.8	(31.8)
William Penn Life Ins. Co. of New York	Garden City, N.Y.	C+	0.0	31.8	(31.8)

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### Notable Upgrades and Downgrades

Among the 843 insurers recently reviewed by Weiss, 46 companies were upgraded and 14 were downgraded. Notable upgrades include:

- Prudential Insurance Co of America (Newark, N.J.) from B- to B
- Unum Life Insurance Co. of America (Portland, Me.) from C- to C
- Allmerica Financial Life & Annuity (Worcester, Mass.) from D to D+

Notable downgrades include:

- United States Life Insurance Co. Inc. NYC (New York, N.Y.) from B to B-
- Globe Life & Accident Ins. Co. (Wilmington, Del.) from A- to B+
- United Insurance Co. of America (Chicago, Ill.) from B+ to B

The Weiss Risk Ratings are based on an analysis of a company's risk-adjusted capital, five-year historical profitability, quality of investments, liquidity, and stability. The latter category combines a series of factors including asset growth, premium growth, strength of affiliate companies and risk diversification.

Weiss Ratings, Inc. reviews more than 8,000 stocks daily, including all those traded on the New York Stock Exchange, the American Stock Exchange, and Nasdaq. Weiss also issues investment ratings on more than 12,000 mutual funds, covering equity, fixed-income, and closed-end funds, and provides financial risk ratings on more than 15,000 financial institutions, including banks and insurance companies. It is the only major rating agency that receives no direct or indirect compensation from the companies it rates. Ratings and analyses are available through [www.weissratings.com](http://www.weissratings.com) or by calling 800-289-9222.

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**Note to editors:** The Weiss Risk Ratings were formerly named the Weiss Safety Ratings. National and state listings of strongest and weakest life, health, and annuity insurers are available, [click here](#).