



## Insurance bailout falls on backs of taxpayers

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An expert on financial regulation says the Treasury Department's decision to bail out private insurance companies was unnecessary and ignored potentially negative long-term ramifications.

The Treasury has granted preliminary approval for some of the nation's largest insurance companies to receive a taxpayer bailout under the government's Troubled Asset Relief Program, or TARP. Among the bailout recipients are Hartford, Prudential, Allstate, Ameriprise, Lincoln National, and Principal Financial Group.

Mark Calabria, the director of financial regulation studies at the [Cato Institute](#), says there is no overwhelming need to bail out the six insurers. "None of these institutions are arguably systemically important, and they all have state guarantee funds to back up whether they go insolvent or whether they fail, so that policyholders are going to be paid anyhow," he points out.

The Treasury Department, Calabria argues, is not considering the long-term ramifications of the insurance industry bailout.



Calabria

"The way that the insurance companies have gotten into this...the ones that have been able to tap this have all become bank holding companies. This raises a lot of questions in my mind going forward," he admits. "Suddenly we're going to have a large number of insurers that are also banks -- and does that ultimately transfer some of the risk of the insurance industry into the banking industry and closer to the backs of the taxpayer?"

Calabria says as long as the treasury has TARP money around, it seems willing to spend it on something; and as long as the Federal Reserve has the ability to inject money, bailouts of private industry are not likely to end anytime soon. He contends the Treasury needs to start returning repaid TARP funds back to taxpayers.





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