



## Fein, Such, Kahn & Shepard, P.C.

C O U N S E L L O R S   A T   L A W

### What does the debt deal debacle mean to your life insurance coverage?

August 12, 2011 by [Deirdre Wheatley-Liss](#)



Many are feeling this week how the congressional quagmire has impacted their portfolios. One other impact that many may be unaware of is that the downgrade of US credit rating has changed the credit rating of major life insurance companies (see below).

**What action should you be taking to review your investment in life insurance?** If you have any kind of policy other than a term life contact your agent or company and request an **"inforce illustration" showing a guarantee rate of 4%**. This is a new illustration/calculation of the health of your policy which takes into account your payments to date, the performance on those payments, and what would happen to your policy if you only got a 4% rate of return. Look to see how long the death benefit lasts. What you may learn is (1) your premiums are going to jump in the future, (2) you may be paying premiums longer than expected, (3) the policy is unsustainable. You

then need to speak to your insurance agent about what can be done *now* to make sure your insurance will still be in place when you need it.

Thanks to [David Robinson](#) of [Lenox Advisors](#) for bringing this to our attention in an alert email:

Following the downgrade by Standard & Poor's of the U.S. sovereign credit rating on Friday, the credit rating agency also announced rating actions on 10 U.S. life insurers.

The following actions were announced by S&P this week:

- Five U.S. life insurers were downgraded from AAA to AA+ and removed from credit watch negative, with outlook remaining negative: **Knights of Columbus, New York Life, Northwestern Mutual, TIAA and USAA.**
- Five U.S. life insurers had their ratings affirmed and outlooks revised to negative: **Assured Guaranty, Berkshire Hathaway, Guardian, MassMutual and Western & Southern.**
- S&P's view of these companies' fundamental credit characteristics has not changed. The actions follow as a result of the downgrade of the U.S. sovereign credit rating on Friday from AAA to AA+ with negative outlook.

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