



SCHIFF'S

The world's most dangerous insurance publication™

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INSURANCE OBSERVER

Ratings So High They Don't Even Exist

Deceptive Advertising

There are many why reasons insurance companies are disliked. People pay their premiums every year but most don't have claims. If they do have a claim, they still don't like their insurance company because they're merely getting what they paid for. (It's even worse when it's life insurance.) Insurance companies deny claims—sometimes fairly, sometimes unfairly. Insurance companies go bust and don't fulfill their obligations. Insurance is dull—exceedingly dull. Reading an insurance policy is boring. There's often some exclusion you never heard of before. Insurance companies are always raising prices, or, if they're lowering them, well, then they were charging too much before.

Ask almost anybody who isn't affiliated with the insurance business what he thinks of insurance companies and he'll tell you they're a bunch of crooks.

When your industry's reputation is that bad, you'd expect that the better insurance companies would be extra careful to be clean and fair. You'd expect that they'd work hard to develop a reputation for honesty. (As David Brady used to say, "If you develop a reputation for getting up early, you can sleep all day.") You'd expect that they wouldn't lie, finagle, or deceive. And if they *are* going to lie, finagle, and deceive, you'd expect that they'd do it where they usually do it—in private—rather than in an advertisement.

Let's focus on one ad run by a company that has a better reputation than most.

On its website, MassMutual claims that it's "committed to acting with integrity in all of [its] business practices." It also claims to adhere to IMSA's (Insurance Marketplace Standards

Association) "Principles of Ethical Market Conduct," which include the following: "Insurers will provide advertising and sales material that are clear as to purpose and honest and fair as to content."

Its principles and commitment to integrity notwithstanding, MassMutual doesn't seem to mind using falsehoods and deceptions in its advertising. The company's current ad campaign — "*You can't predict. You can prepare.*" — which was named "best in the industry" by the Financial Communications Society, provides a good example.

The April 28 edition of *The National Underwriter* includes the full-page version

of the MassMutual ad below. The ad shows ten financial headlines clipped from newspapers ("The Index Takes Another Beating," "Widespread Declines," "Economy Dips," etc.). On opposite sides of the headlines MassMutual's text states, "Highest ratings then" and "Highest ratings now." At the bottom of the ad, next to MassMutual's logo, the text states that MassMutual "has among the highest financial-strength ratings in *any* industry [Standard & Poor's Corp., AAA (Extremely Strong); Fitch Ratings, AAA, (Exceptionally Strong); and A.M. Best Company, A++ (Superior)]."

This ad raises a good question: Is it re-

• Highest ratings then

Highest ratings now •

Your client relationships depend in great part on the performance of the companies you represent. Massachusetts Mutual Life Insurance Company (MassMutual) has among the highest financial strength ratings in *any* industry [Standard & Poor's Corp., AAA (Extremely Strong); Fitch Ratings, AAA (Exceptionally Strong); and A.M. Best Company, A++ (Superior)]*.

At MassMutual brokerage, we help you meet your commitments with a broad portfolio of competitive and innovative products.

To find out more, just call 1-800-240-2077.

You can't predict. You can prepare.®

Retirement Services/401(k) Plans • Life Insurance • Disability Income Insurance • Long Term Care Insurance • Annuities • Trust Services • Oppenheimer Funds/Investments • For our nearest office, contact massmutual.com/2002
Massachusetts Mutual Life Insurance Company, (MassMutual), Springfield, MA 01111. Securities offered through MML Investors Services, Inc., MML Distributors, LLC, MassMutual subsidiaries, members SIPC, and Oppenheimer Funds Distributor, Inc. Trust services are offered through MassMutual Trust Company, Inc. *Ratings are as of 2/2003. Ratings are subject to change.

MassMutual does not have the "highest ratings."

ally necessary for MassMutual to run a false, deceptive ad? MassMutual, you see, *did not* have the “highest ratings then” (assuming that “then” refers to any time after July 19, 1991), and *does not* have the “highest ratings now.”

MassMutual does indeed have the top ratings given by S&P, Fitch, and Best. For the past 12 years, however, it has had the *second-highest* rating given by Moody’s: “Aa1.”

A number of MassMutual’s competitors have Moody’s highest rating: “Aaa.” Companies with that rating include AIG, Northwestern, State Farm, and TIAA-CREF. There are also a number of companies that have the same “Aa1” rating that MassMutual has. These include American General, The Guardian, New

York Life, Thrivent Financial for Lutherans, Travelers, and USAA.

MassMutual is in excellent financial condition, which is reflected in its high ratings. But it doesn’t have the “highest ratings now,” nor has it had them in the past 12 years. Of course, it makes for better advertising copy to say you have the “highest ratings” than to say you have the “highest ratings from three of the four major rating agencies.”

Other Mass Mutual ads also boast of the company’s “highest” ratings, and invariably omit any mention of the Moody’s rating. MassMutual’s CEO, Robert O’Connell, also ignores the Moody’s rating when it’s convenient to do so. In his letter to policyholders and clients included in MassMutual’s annual report, O’Connell says that MassMutual has the “highest possible financial-strength ratings” issued by S&P, Fitch, and Best. He doesn’t mention Moody’s. (If you search MassMutual’s website you’ll eventually find “Financial Strength Ratings.” Click on that and you’ll see all four ratings.)

Although MassMutual is strong and sound, it seems unable to resist inflating its accomplishments. A series of ads that ran in the late 1990s stated the following: “With over \$160 billion under management and excellent ratings, MassMutual and its subsidiaries have the financial strength to help families and businesses keep their promises.”

That statement was deceptive because it implied that the fact that MassMutual had \$160 billion under management gave it the financial strength to keep its promises. As Mass Mutual surely knows, a company’s asset base is no measure of its financial strength. People who are not financially sophisticated, however, probably don’t know that. Furthermore, \$100 billion of the \$160 billion of assets cited in the ad were assets managed by MassMutual’s *asset-management subsidiaries*: Oppenheimer Funds, David L. Babson & Company, and Cornerstone Real Estate Advisors. MassMutual’s balance sheet actually had about \$60 billion in assets.

MassMutual’s “highest ratings” advertisement does not meet the IMSA requirement that an ad be “honest and fair as to content.” And running a deceptive ad is inconsistent with MassMutual’s stated commitment to integrity.

Since MassMutual didn’t reply to us the last time we wrote to it about its advertising and marketing, we didn’t write to the company about its current ad. We suggest that

policyholders, agents, and regulators ask MassMutual the following questions:

Why does MassMutual state that it has the “highest ratings” when, in fact, it does not?

Does MassMutual intend to continue running ads stating that it has the “highest ratings” when, in fact, it does not?

If anyone learns the answers, please let us know. ■

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