

By [KATHY SHWIFF](#)

Moody's Investors Service downgraded ratings of Massachusetts Mutual Life Insurance Co. and its U.S. insurance units, citing pressures from investment losses on profit and capital.

In August, Standard & Poor's Ratings Services cut its ratings on the insurer from the top rating of AAA because of its higher leverage, weaker financial flexibility and lower capital quality.

Moody's cut the ratings one notch to Aa2, two steps below AAA, and said it expects MassMutual's credit losses to continue into next year. Senior credit officer Arthur Fliegelman said the company's capitalization has declined modestly since December, although it recently issued \$750 million of surplus notes.

The ratings outlook is stable; MassMutual was put on review for possible downgrade in May.

Life insurers have been battered the past year by billions of dollars in investment losses and write-downs amid the slumping stock market. The woes raised concerns about some companies' capital levels.

Moody's said Monday that most of MassMutual's losses were the result of its significant exposure to residential mortgage-backed securities, especially those backed by Alt-A loans, and it could see more of those losses. In addition, the company, the company, a mutual owned by its policy holders, is likely to see losses on commercial mortgage loans; the downturn in commercial real estate began later than troubles in the residential market.

The credit rater went on to say MassMutual invested in higher-risk alternative investments than its rival as well as in businesses hurt by the economic downturn.

Moody's also expects MassMutual's asset-management operations to be less profitable and to provide a smaller portion of its overall earnings for the near to intermediate term because of a drop in total assets under management.

MassMutual spokesman Mark Cybulski pointed out its ratings are among the highest financial strength ratings of any company in any industry, and the outlook is stable.

"Our fundamental business remains strong in this environment. Our surplus and liquidity levels -- both of which are key indicators of our overall financial strength -- remain very strong," he added