



NEWS RELEASE

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A.M. Best Removes from Under Review and Downgrades the Ratings of Standard Life Insurance Company of Indiana

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A.M. Best Co. has removed from under review with negative implications and downgraded the financial strength rating (FSR) to B (Fair) from B++ (Good) and the issuer credit rating (ICR) to "bb" from "bbb" of **Standard Life Insurance Company of Indiana** (Standard Life) (Indianapolis, IN). Both ratings have been assigned negative outlooks. Standard Life is owned and managed by Capital Assurance Corporation (CAC), a privately owned holding company.

The downgrades reflect a substantial decline in Standard Life's absolute capital and surplus levels due to large investment losses taken in the third quarter due to credit deterioration. The substantial decline in capital and surplus levels—in excess of 35%—has weakened Standard Life's risk-adjusted capitalization on both the Best's capital adequacy model and the NAIC's RBC model. While CAC has been successful in the past in its capital raising initiatives to sustain and improve Standard Life's capital levels, current capital raising initiatives, which are continuing, have been slowed by the present credit market turmoil and worsening economic climate. Without a meaningful capital infusion, A.M. Best believes Standard Life's risk-adjusted capitalization will be challenged to improve in the near-term and its financial flexibility severely constrained.

The negative outlook reflects A.M. Best's concern that further deterioration in the credit markets could prompt additional investment losses which would further weaken the company's risk-adjusted capital position. Additionally, A.M. Best continues to review the impact of the current market environment on Standard Life's remaining investments backed by subprime mortgage collateral, which constitute a material portion of capital.

Offsetting these negative factors are Standard Life's overall profitable operating performance, enhanced by active spread management and effective asset/liability management and hedging techniques in support of its interest-sensitive liabilities. Furthermore, A.M. Best notes that CAC continues to explore several capital raising initiatives which could materially increase Standard Life's statutory capital and surplus. If a sufficient amount of capital is raised so as to materially improve the company's risk-adjusted capital position, A.M. Best would consider upgrading the ratings.

For Best's Ratings, an overview of the rating process and rating methodologies, please visit Best's Rating Center.

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