

Fitch Ratings Affirms Pan-American Life's IFS Ratings at 'A'; Outlook Stable

Fitch Ratings-New York-28 May 2008: Fitch Ratings has affirmed the 'A' insurer financial strength (IFS) rating of Pan-American Life Insurance Company and its wholly owned subsidiary, Pan-American Assurance Company, collectively referred to as Pan-American. The Rating Outlook is Stable.

Pan-American's rating is supported by its balance sheet strength and its niche position in the Latin American and Hispanic markets. The rating also recognizes the significant progress management has made in streamlining operations and in addressing legacy issues which had caused considerable volatility in past results.

Fitch views Pan-American's risk-based capitalization as very strong based on Prism, Fitch's capital model. Pan-American's year-end 2006 Prism score indicated that the company's available capital was 122% of required capital at the 'AAA' level, and Fitch anticipates that the score will remain in the 'AAA' range for 2007 and 2008. The company grew surplus by \$17 million in 2007 due primarily to improved statutory earnings. The company has no exposure to subprime mortgage-related securities, collateralized debt obligations (CDOs) or collateralized loan obligations (CLOs), and total risky assets in relation to total adjusted capital are well below average. Operating leverage is very low.

Fitch believes that Pan-American's operating profitability continues to improve and become more stable as management focuses on streamlining operations and addressing legacy issues. Management is also improving transparency and expects to have audited GAAP statements by the end of 2008.

Fitch's concerns include Pan-American's continued lack of scale and the company's ability to grow profitably in its target markets. The company's primary earnings driver currently is a closed block of U.S. ordinary life business, which is not part of the target market going forward. Fitch also continues to focus on the prudent and effective deployment of capital as the company seeks to grow in its target markets.

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