

- 9. Investment Safety Index** An index that measures the exposure of the company's investment portfolio to a loss of principal and/or income due to default and market risks. It is the composite of a series of elements, some of which are shown on the right pages. Each investment area is rated by a factor that takes into consideration both quality and liquidity. (See the table on the next page for the levels which we believe are critical.)
- 10. 5-Year Profitability Index** An index that measures the soundness of the company's operations and the contribution of profits to the company's fiscal strength. The Profitability Index is a composite of five factors: (1) gain or loss on operations; (2) consistency of operating results; (3) impact of operating results on surplus; (4) adequacy of investment income as compared to the needs of policy reserves; and (5) expenses in relation to industry averages for the types of policies that the company offers.
- This factor is especially important among health insurers including Blue Cross Blue Shield companies that rely more heavily on current earnings than do life and annuity writers. After factoring out the normal cycle, companies with stable earnings and capital growth are viewed more favorably than those whose results are erratic from year to year. (See the table for the levels which we believe are critical.)
- 11. Liquidity Index** An index which measures the company's ability to raise the necessary cash to meet policyholder obligations. This index includes a stress test which considers the consequences of a spike in claims or a run on policy surrenders. Sometimes a company may appear to have the necessary resources, but may be unable to sell its investments at the prices at which they are valued in the company's financial statements. (See the table for the levels which we believe are critical.)
- 12. Stability Index** An index which integrates a number of factors such as: (1) risk diversification in terms of company size, number of policies in force, use of reinsurance and other items related to spread of risk; (2) deterioration of operations as reported in critical asset, liability, income or expense items such as surrender rates and premium volume; (3) former problem areas where, despite recent improvement, the company has yet to establish a record of stable performance over a suitable period of time; (4) a substantial shift in the company's operations; (5) potential instabilities such as reinsurance quality, asset/liability matching and sources of capital; plus (6) relationships to holding companies and affiliates. (See the table for the levels which we believe are critical.)
- 13. Stability Factors** Indicates those specific areas that have negatively impacted the company's Stability Index.

INSURANCE COMPANY NAME	DOM. STATE	RATING	TOTAL ASSETS (\$MIL)	CAPITAL & SURPLUS (\$MIL)	RISK ADJUSTED CAPITAL RATIO 1	RISK ADJUSTED CAPITAL RATIO 2	CAPITALIZATION INDEX (PTS)	INVEST. SAFETY INDEX (PTS)	PROFIT-ABILITY INDEX (PTS)	LIQUIDITY INDEX (PTS)	STAB. INDEX (PTS)	STABILITY FACTORS
TRANS OCEANIC LIFE INS CO	PR	B+	149.4	32.4	1.94	1.32	7.5	4.6	7.0	7.6	6.4	DGI
TRANS WORLD ASR CO	CA	B+	342.7	86.4	2.78	1.96	8.4	5.9	6.9	8.4	6.7	ADI
TRANS-WESTERN LIFE INS CO	TX	U (3)	--	--	--	--	--	--	--	--	--	Z
TRANSAMERICA FINANCIAL LIFE INS CO	NY	B	32110.1	992.2	2.78	1.35	7.5	5.3	4.9	8.2	5.7	AFIT
TRANSAMERICA LIFE INS CO	IA	C+	137910.0	5888.9	1.39	1.03	7.0	6.3	3.6	6.9	4.4	T
TRINITY LIFE INS CO	OK	D- (1)	314.2	12.3	0.46	0.30	0.6	0.7	5.2	3.5	0.6	CDFILT
TRIPLE S VIDA INC	PR	B- (4)	696.4	55.4	1.08	0.70	5.1	4.3	6.1	5.8	5.1	ACI
TRIPLE-S BLUE II	PR	D+ (4)	13.9	2.2	0.77	0.63	4.0	8.2	1.8	7.5	2.5	CDFI
TRUSTMARK INS CO	IL	B+	1789.2	328.9	2.56	1.45	7.7	4.8	4.3	7.0	6.5	I
▲ TRUSTMARK LIFE INS CO	IL	A-	298.0	189.4	8.30	5.71	10.0	7.5	7.7	7.0	6.9	ADIT
TRUSTMARK LIFE INS CO OF NEW YORK	NY	B	10.8	6.8	2.80	2.52	9.3	8.4	2.8	7.1	5.3	D
UBS LIFE INS CO USA	CA	U (3)	--	--	--	--	--	--	--	--	--	Z
UNICARE LIFE & HEALTH INS CO	IN	B	783.5	238.4	4.39	2.93	9.9	4.7	5.6	0.0	4.9	GILT
UNIFIED LIFE INS CO	TX	B	221.4	25.5	1.51	0.94	6.5	3.9	5.5	4.2	6.0	FGIL
UNIMERICA INS CO	WI	B-	456.4	237.0	4.71	3.68	10.0	8.5	8.5	7.0	5.2	ADT
UNIMERICA LIFE INS CO OF NY	NY	B-	35.5	23.5	4.62	4.16	10.0	8.5	8.2	8.4	3.7	AFGT
▲ UNION FIDELITY LIFE INS CO	KS	D-	20204.8	736.4	1.56	0.78	5.8	3.3	2.7	2.6	0.9	CFIL
UNION NATIONAL LIFE INS CO	LA	B	35.4	17.2	4.88	2.44	8.0	9.2	8.2	7.0	5.6	AG
UNION SECURITY INS CO	KS	B	2752.0	132.6	2.97	1.51	7.8	5.4	6.0	6.0	5.6	AFIT
UNION SECURITY LIFE INS CO OF NY	NY	C+	55.0	42.8	6.10	5.49	10.0	8.1	5.4	10.0	4.1	T
UNITED AMERICAN INS CO	NE	B	721.2	192.1	1.57	1.19	7.3	6.2	6.6	4.8	5.5	AFILT
UNITED ASR LIFE INS CO	TX	D-	2.4	0.8	0.95	0.86	5.9	9.4	2.1	9.3	1.0	AD
UNITED BENEFIT LIFE INS CO	OH	U (3)	--	--	--	--	--	--	--	--	--	Z
UNITED FARM FAMILY LIFE INS CO	IN	B+	2448.2	351.2	3.36	2.01	8.5	6.9	4.6	6.1	6.7	I
UNITED FIDELITY LIFE INS CO	TX	C	861.8	613.4	0.85	0.84	5.7	2.8	6.7	6.9	4.1	CDI
UNITED FUNERAL BENEFIT LIFE INS CO	OK	D	55.8	8.7	0.91	0.72	4.8	5.6	7.3	6.8	2.1	AD
UNITED FUNERAL DIR BENEFIT LIC	TX	D	143.4	8.0	0.65	0.58	3.6	1.0	6.0	5.3	2.1	CDI
UNITED HEALTHCARE INS CO	CT	C	22038.8	8844.2	1.23	1.04	5.1	6.4	9.5	1.4	3.4	L
UNITED HERITAGE LIFE INS CO	ID	B	629.9	72.3	2.23	1.11	7.2	3.9	7.9	6.4	5.7	I
UNITED HOME LIFE INS CO	IN	B	107.9	22.6	2.62	2.36	9.0	7.6	3.2	6.5	5.5	D
UNITED INS CO OF AMERICA	IL	B-	4958.2	408.1	1.29	0.77	5.4	3.8	5.9	4.7	5.3	ACGIL
UNITED LIFE INS CO	IA	B	2024.1	158.5	2.13	1.00	7.0	4.3	6.4	6.0	5.9	AGI
UNITED NATIONAL LIFE INS CO OF AM	IL	B	43.1	14.9	1.99	1.43	7.6	7.8	8.7	7.5	5.9	AD
UNITED OF OMAHA LIFE INS CO	NE	B	27732.9	1919.9	2.11	1.19	7.3	5.1	7.4	5.9	6.0	IT
UNITED SECURITY ASR CO OF PA	PA	E+	43.9	12.0	2.14	1.92	8.4	8.6	1.9	7.3	0.5	D
UNITED STATES LIFE INS CO IN NYC	NY	C+	30202.4	1714.3	2.21	1.05	7.1	4.8	4.0	5.2	3.7	AIT
UNITED WORLD LIFE INS CO	NE	B+	142.3	52.2	3.31	1.37	7.6	7.6	5.3	6.4	6.1	AF
UNITEDHEALTHCARE LIFE INS CO	WI	C (3)	239.3	136.6	2.42	1.93	8.4	8.0	3.3	6.4	4.3	DT
UNITY FINANCIAL LIFE INS CO	OH	C-	336.4	16.5	1.58	0.83	5.9	3.8	4.5	7.2	3.2	DI
UNIVANTAGE INS CO	UT	U (3)	--	--	--	--	--	--	--	--	--	Z
UNIVERSAL FIDELITY LIFE INS CO	OK	B-	19.4	6.1	2.00	1.58	7.9	6.1	6.3	5.8	4.5	T
UNIVERSAL GUARANTY LIFE INS CO	OH	C+	340.9	66.6	2.18	1.27	7.4	3.4	4.1	6.4	4.8	DFI
UNIVERSAL LIFE INS CO	PR	B+	2008.5	150.0	2.24	1.20	7.3	5.6	8.9	7.9	6.3	GIT
UNUM INS CO	ME	C	77.9	48.4	4.54	2.88	9.8	7.1	2.1	7.0	3.8	ADG
UNUM LIFE INS CO OF AMERICA	ME	C+	22807.0	1621.1	2.07	1.08	7.1	3.5	7.3	7.4	4.8	AI
UPSTREAM LIFE INS CO	TX	E- (1)	87.5	1.6	0.20	0.08	0.0	0.0	0.7	9.3	0.0	CDGIT
US ALLIANCE LIFE & SEC CO (MT)	MT	U (3)	--	--	--	--	--	--	--	--	--	Z
US ALLIANCE LIFE & SECURITY CO	KS	E+	85.9	4.9	0.51	0.35	1.2	4.4	1.8	6.5	0.4	CGIT
US FINANCIAL LIFE INS CO	OH	B	436.5	96.2	4.75	2.56	9.3	7.4	3.6	5.8	4.3	AFT
USA INS CO	MS	C-	4.9	3.7	2.79	2.51	9.3	3.0	8.8	6.9	2.2	DI
USA LIFE ONE INS CO OF INDIANA	IN	C-	32.1	13.7	2.87	2.58	9.4	7.3	4.0	6.8	3.3	DF
USAA LIFE INS CO	TX	A	27321.0	2586.5	3.60	1.96	8.4	6.8	8.4	5.7	7.4	AI

COMMONWEALTH ANNUITY & LIFE INS CO

C+

Fair

Major Rating Factors: Fair capitalization (4.4 on a scale of 0 to 10) based on fair risk adjusted capital (moderate loss scenario). Fair quality investment portfolio (4.7). Fair overall results on stability tests (3.4) including negative cash flow from operations for 2019 and fair risk adjusted capital in prior years.

Other Rating Factors: Good profitability (5.0). Excellent liquidity (7.9).

Principal Business: Reinsurance (98%), individual life insurance (1%), and individual annuities (1%).

Principal Investments: NonCMO investment grade bonds (36%), CMOs and structured securities (35%), common & preferred stock (15%), mortgages in good standing (8%), and misc. investments (3%).

Investments in Affiliates: 15%

Group Affiliation: Global Atlantic Financial Group

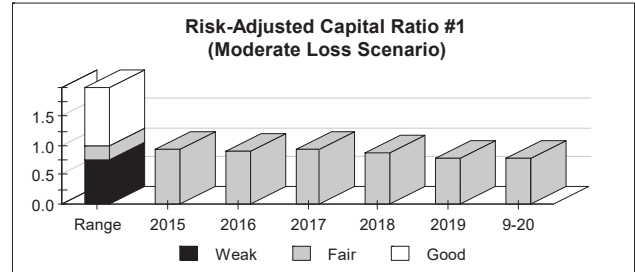
Licensed in: All states except NY, PR

Commenced Business: January 1967

Address: 132 TURNPIKE ROAD SUITE 210, SOUTHBOROUGH, MA 2135

Phone: (508) 460-2400 **Domicile State:** MA **NAIC Code:** 84824

Data Date	Rating	RACR #1	RACR #2	Total Assets (\$mil)	Capital (\$mil)	Net Premium (\$mil)	Net Income (\$mil)
9-20	C+	0.79	0.67	28,102.2	2,972.2	1,470.5	14.3
9-19	B-	0.89	0.74	20,681.0	2,889.6	714.2	31.7
2019	C+	0.77	0.66	23,126.0	2,845.8	1,591.8	-32.5
2018	B-	0.88	0.75	19,255.4	2,788.0	1,372.6	-22.9
2017	B-	0.93	0.86	11,301.5	2,488.2	40.1	267.8
2016	B-	0.91	0.84	11,379.1	2,155.6	156.1	105.2
2015	B-	0.92	0.82	12,287.2	2,169.8	327.9	59.2



COMPANION LIFE INS CO

B-

Good

Major Rating Factors: Fair overall capitalization (4.0 on a scale of 0 to 10) based on mixed results -- excessive policy leverage mitigated by good risk adjusted capital (moderate loss scenario). Fair quality investment portfolio (3.3). Fair overall results on stability tests (4.6) including negative cash flow from operations for 2019.

Other Rating Factors: Weak profitability (1.9) with operating losses during the first nine months of 2020. Weak liquidity (2.6).

Principal Business: Individual life insurance (71%), group life insurance (15%), group retirement contracts (14%), and individual annuities (1%).

Principal Investments: NonCMO investment grade bonds (70%), CMOs and structured securities (18%), mortgages in good standing (7%), policy loans (4%), and noninv. grade bonds (1%).

Investments in Affiliates: None

Group Affiliation: Mutual Of Omaha Group

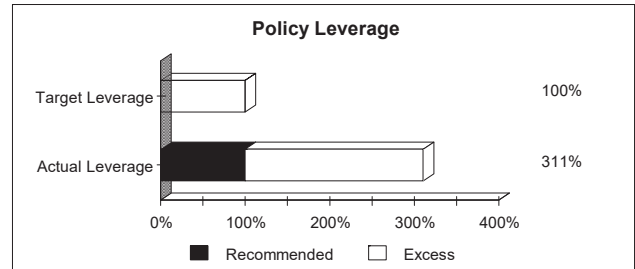
Licensed in: CT, NJ, NY

Commenced Business: July 1949

Address: 888 VETERANS MEM HWY STE 515, MELVILLE, NY 11747

Phone: (800) 877-5399 **Domicile State:** NY **NAIC Code:** 62243

Data Date	Rating	RACR #1	RACR #2	Total Assets (\$mil)	Capital (\$mil)	Net Premium (\$mil)	Net Income (\$mil)
9-20	B-	1.32	0.70	1,127.5	41.7	67.5	-2.9
9-19	B-	1.78	0.95	1,211.7	65.2	72.2	8.0
2019	B-	1.62	0.87	1,108.2	52.6	-23.9	-13.3
2018	B-	1.56	0.82	1,171.0	56.3	97.9	1.7
2017	B-	1.64	0.87	1,130.4	57.4	99.7	-13.2
2016	C+	1.45	0.76	1,044.5	47.9	103.7	-0.9
2015	C+	1.59	0.84	1,013.4	50.9	98.8	-6.9



COMPANION LIFE INS CO *

B+

Good

Major Rating Factors: Good liquidity (6.9 on a scale of 0 to 10) with sufficient resources to handle a spike in claims. Good overall results on stability tests (6.6). Stability strengths include excellent operational trends and excellent risk diversification. Fair quality investment portfolio (4.7).

Other Rating Factors: Strong capitalization (9.5) based on excellent risk adjusted capital (severe loss scenario). Excellent profitability (8.8) with operating gains in each of the last five years.

Principal Business: Group health insurance (76%), individual health insurance (12%), reinsurance (8%), and group life insurance (4%).

Principal Investments: NonCMO investment grade bonds (42%), common & preferred stock (33%), CMOs and structured securities (14%), and cash (4%).

Investments in Affiliates: 8%

Group Affiliation: Blue Cross Blue Shield of S Carolina

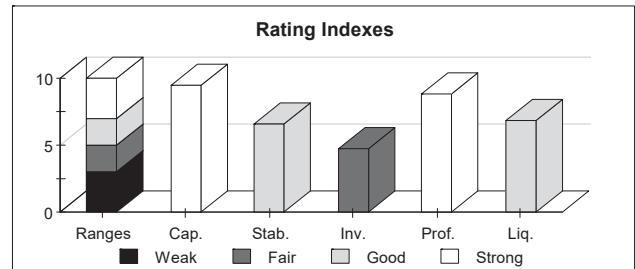
Licensed in: All states except CA, CT, HI, NJ, NY, PR

Commenced Business: July 1970

Address: 2501 Faraway Drive, Columbia, SC 29219

Phone: (800) 753-0404 **Domicile State:** SC **NAIC Code:** 77828

Data Date	Rating	RACR #1	RACR #2	Total Assets (\$mil)	Capital (\$mil)	Net Premium (\$mil)	Net Income (\$mil)
9-20	B+	3.47	2.64	610.5	330.1	248.0	15.5
9-19	B+	2.88	2.23	445.3	247.8	240.7	14.3
2019	B+	2.80	2.16	464.3	254.0	324.0	18.8
2018	B+	2.80	2.17	395.7	228.1	279.8	18.8
2017	B+	2.71	2.08	373.6	212.4	253.2	19.4
2016	B+	2.55	1.99	338.7	186.2	237.4	16.4
2015	A-	3.15	2.44	300.4	160.4	221.6	13.7



LUMICO LIFE INSURANCE CO

C

Fair

Major Rating Factors: Fair overall results on stability tests (4.0 on a scale of 0 to 10) including excessive premium growth. Weak profitability (2.0). Return on equity has been low, averaging -4.9%. Strong capitalization (10.0) based on excellent risk adjusted capital (severe loss scenario). Capital levels have been relatively consistent over the last five years.

Other Rating Factors: High quality investment portfolio (8.1). Excellent liquidity (8.5).

Principal Business: Individual life insurance (69%) and individual health insurance (31%).

Principal Investments: NonCMO investment grade bonds (87%) and CMOs and structured securities (14%).

Investments in Affiliates: None

Group Affiliation: Swiss Re Limited

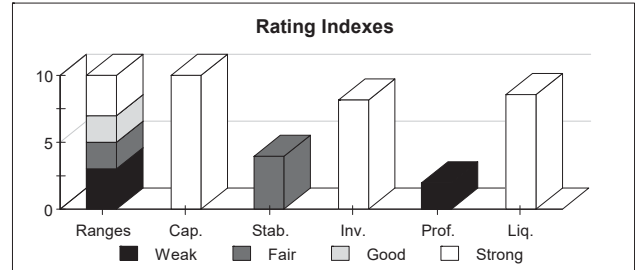
Licensed in: All states except NY, PR

Commenced Business: May 1966

Address: 5025 N CENTRAL AVE SUITE 546, JEFFERSON CITY, MO 65101

Phone: (877) 794-7773 **Domicile State:** MO **NAIC Code:** 73504

Data Date	Rating	RACR #1	RACR #2	Total Assets (\$mil)	Capital (\$mil)	Net Premium (\$mil)	Net Income (\$mil)
9-20	C	10.31	9.28	149.8	95.2	11.7	0.9
9-19	C	11.36	10.23	101.2	81.8	6.5	-10.9
2019	C	10.57	9.51	127.5	97.5	9.5	-12.8
2018	C	6.43	5.79	60.3	46.1	5.5	-0.1
2017	C	6.15	5.53	53.1	42.2	3.6	-1.2
2016	B	6.33	5.70	52.6	43.3	3.8	-4.6
2015	B	6.23	5.60	32.2	30.0	4.4	-0.5



M LIFE INS CO *

B+

Good

Major Rating Factors: Good overall results on stability tests (6.7 on a scale of 0 to 10). Stability strengths include good operational trends and excellent risk diversification. Strong capitalization (10.0) based on excellent risk adjusted capital (severe loss scenario). Moreover, capital has steadily grown over the last five years. High quality investment portfolio (7.9).

Other Rating Factors: Excellent profitability (8.0) with operating gains in each of the last five years. Excellent liquidity (7.1).

Principal Business: Reinsurance (100%).

Principal Investments: NonCMO investment grade bonds (66%), CMOs and structured securities (28%), and cash (3%).

Investments in Affiliates: None

Group Affiliation: M Financial Holdings Inc

Licensed in: AZ, CO, DE, IA, MI, NE, NJ, OH

Commenced Business: December 1981

Address: The Corp Co 1675 Broadway, Centennial, CO 80112

Phone: (503) 414-7336 **Domicile State:** CO **NAIC Code:** 93580

Data Date	Rating	RACR #1	RACR #2	Total Assets (\$mil)	Capital (\$mil)	Net Premium (\$mil)	Net Income (\$mil)
9-20	B+	8.01	5.03	392.4	160.7	268.8	27.8
9-19	B+	7.90	5.08	348.6	152.2	276.1	32.9
2019	B+	7.79	5.11	395.4	141.4	426.2	45.5
2018	B+	6.86	4.44	487.4	131.9	421.1	48.6
2017	B	6.48	4.29	330.4	107.0	473.0	37.9
2016	B-	5.14	3.40	286.3	89.5	400.2	4.8
2015	C	4.60	3.03	252.6	74.4	420.6	11.3

Adverse Trends in Operations	
Decrease in asset base during 2019 (19%)	
Decrease in premium volume from 2017 to 2018 (11%)	
Increase in policy surrenders from 2016 to 2017 (109%)	
Decrease in premium volume from 2015 to 2016 (5%)	

MADISON NATIONAL LIFE INS CO INC

C+

Fair

Major Rating Factors: Fair overall results on stability tests (3.6 on a scale of 0 to 10). Good overall profitability (5.6). Return on equity has been good over the last five years, averaging 11.5%. Strong overall capitalization (10.0) based on excellent risk adjusted capital (severe loss scenario). Nevertheless, capital levels have fluctuated during prior years.

Other Rating Factors: High quality investment portfolio (8.6). Excellent liquidity (7.3).

Principal Business: Group health insurance (64%), group life insurance (23%), individual life insurance (7%), individual annuities (6%), and reinsurance (1%).

Principal Investments: NonCMO investment grade bonds (86%), cash (3%), common & preferred stock (1%), and CMOs and structured securities (1%).

Investments in Affiliates: None

Group Affiliation: Geneve Holdings Inc

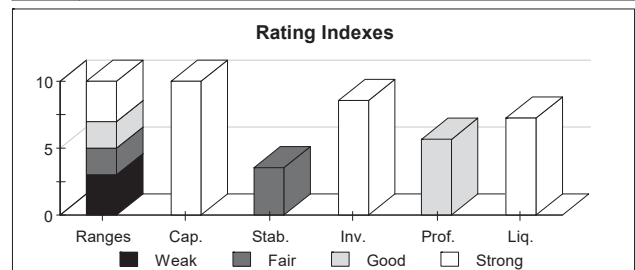
Licensed in: All states except NY, PR

Commenced Business: March 1962

Address: 1241 John Q Hammons Drive, Madison, WI 53717-1929

Phone: (800) 356-9601 **Domicile State:** WI **NAIC Code:** 65781

Data Date	Rating	RACR #1	RACR #2	Total Assets (\$mil)	Capital (\$mil)	Net Premium (\$mil)	Net Income (\$mil)
9-20	C+	4.50	3.27	214.4	90.0	81.7	9.8
9-19	B	0.58	0.56	202.7	85.6	75.2	13.6
2019	C+	4.32	3.14	201.9	83.3	100.4	16.5
2018	B	1.44	1.37	337.4	196.0	93.9	16.0
2017	B-	1.48	1.41	326.3	179.6	87.9	12.8
2016	C+	1.48	1.41	329.7	179.0	86.9	-1.6
2015	B-	1.95	1.71	256.9	116.7	126.4	20.3



Hawaii

INSURANCE COMPANY NAME	DOM. STATE	TOTAL ASSETS (\$MIL)	INSURANCE COMPANY NAME	DOM. STATE	TOTAL ASSETS (\$MIL)
Rating: A+			UNITED WORLD LIFE INS CO		
AMERICAN FAMILY LIFE INS CO	WI	5,563.0	USABLE LIFE	NE	142.3
CHESAPEAKE LIFE INS CO	OK	258.3	VOYA RETIREMENT INS & ANNUITY CO	AR	496.6
PHYSICIANS MUTUAL INS CO	NE	2,542.4		CT	114,409.0
STATE FARM LIFE INS CO	IL	80,325.5			
TEACHERS INS & ANNUITY ASN OF AM	NY	321,951.0			
Rating: A					
AMALGAMATED LIFE INS CO	NY	154.7			
BERKLEY LIFE & HEALTH INS CO	IA	389.4			
FIDELITY INVESTMENTS LIFE INS CO	UT	34,774.8			
GARDEN STATE LIFE INS CO	TX	144.2			
GUARDIAN LIFE INS CO OF AMERICA	NY	66,252.8			
SENTRY LIFE INS CO	WI	8,506.1			
USAA LIFE INS CO	TX	27,321.0			
Rating: A-					
AMICA LIFE INS CO	RI	1,387.5			
ANNUITY INVESTORS LIFE INS CO	OH	3,217.5			
FIDELITY SECURITY LIFE INS CO	MO	941.2			
NATIONAL BENEFIT LIFE INS CO	NY	622.2			
NEW YORK LIFE INS CO	NY	200,284.0			
NIPPON LIFE INS CO OF AMERICA	IA	246.1			
PACIFIC LIFE INS CO	NE	152,417.0			
PARKER CENTENNIAL ASR CO	WI	97.5			
PHYSICIANS LIFE INS CO	NE	1,736.4			
TRUSTMARK LIFE INS CO	IL	298.0			
Rating: B+					
AMERICAN FIDELITY ASR CO	OK	7,047.6			
ANTHEM LIFE INS CO	IN	757.2			
ASSURITY LIFE INS CO	NE	2,735.6			
BEST LIFE & HEALTH INS CO	TX	29.3			
BOSTON MUTUAL LIFE INS CO	MA	1,560.2			
CM LIFE INS CO	CT	9,469.5			
COMPANION LIFE INS CO OF CA	CA	28.3			
DEARBORN LIFE INS CO	IL	1,654.6			
DELAWARE AMERICAN LIFE INS CO	DE	114.1			
EAGLE LIFE INS CO	IA	1,996.6			
GERBER LIFE INS CO	NY	4,788.8			
LIFE INS CO OF NORTH AMERICA	PA	9,141.5			
MIDLAND NATIONAL LIFE INS CO	IA	65,316.0			
MIDWESTERN UNITED LIFE INS CO	IN	230.0			
NEW YORK LIFE INS & ANNUITY CORP	DE	168,327.0			
NORTHWESTERN LONG TERM CARE INS CO	WI	280.7			
NORTHWESTERN MUTUAL LIFE INS CO	WI	299,772.0			
NYLIFE INS CO OF ARIZONA	AZ	162.8			
OXFORD LIFE INS CO	AZ	2,600.7			
PACIFIC GUARDIAN LIFE INS CO LTD	HI	577.2			
PACIFIC LIFE & ANNUITY CO	AZ	8,036.8			
PAN AMERICAN ASR CO	LA	21.9			
PRINCIPAL LIFE INS CO	IA	213,888.0			
STANDARD INS CO	OR	28,314.1			
STANDARD SECURITY LIFE INS CO OF NY	NY	130.3			
TRANS WORLD ASR CO	CA	342.7			
TRUSTMARK INS CO	IL	1,789.2			

Risk-Adjusted Capital for Life and Annuity Insurers in Weiss Rating Model

Among the most important indicators used in the analysis of an individual company are our two risk-adjusted capital ratios, which are useful tools in determining exposure to investment, liquidity and insurance risk in relation to the capital the company has to cover those risks.

The first risk-adjusted capital ratio evaluates the company's ability to withstand a moderate loss scenario. The second ratio evaluates the company's ability to withstand a severe loss scenario.

In order to calculate these risk-adjusted capital ratios, we follow these steps:

- 1. Capital Resources** First, we add up all of the company's resources which could be used to cover losses. These include capital, surplus, the Asset Valuation Reserve (AVR), and a portion of the provision for future policyholders' dividends, where appropriate. Additional credit may also be given for the use of conservative reserving assumptions and other "hidden capital" when applicable.
- 2. Target Capital** Next, we determine the company's target capital. This answers the question: Based upon the company's level of risk in both its insurance business and its investment portfolio, how much capital would it need to cover potential losses during a moderate loss scenario? In other words, we determine how much capital we believe this company *should* have.
- 3. Risk-Adjusted Capital Ratio #1** We compare the results of step 1 with those of step 2. Specifically, we divide the "capital resources" by the "target capital" and express it in terms of a ratio. This ratio is called RACR #1. (See next page for more detail on methodology.)

If a company has a Risk-Adjusted Capital Ratio of 1.0 or more, it means the company has all of the capital we believe it requires to withstand potential losses which could be inflicted by a moderate loss scenario. If the company has less than 1.0, it does not currently have all of the basic capital resources we think it needs. During times of financial distress, companies often have access to additional capital through contributions from a parent company, current profits or reductions in policyholder dividends. Therefore, an allowance is made in our rating system for firms with somewhat less than 1.0 Risk-Adjusted Capital Ratios.
- 4. Risk-Adjusted Capital Ratio #2** We repeat steps 2 and 3, but now assuming a severe loss scenario. This ratio is called RACR #2.
- 5. Capitalization Index** We convert RACR #1 and #2 into an index. It is measured on a scale of zero to ten, with ten being the best and seven or better considered strong. A company whose capital, surplus and AVR equal its target capital will have a Risk-Adjusted Capital Ratio of 1.0 and a Risk-Adjusted Capital Index of 7.0.