FITCH RATINGS AFFIRMS PAN-AMERICAN LIFE'S IFS RATINGS AT 'A'; OUTLOOK STABLE

Fitch Ratings-New York-25 June 2009: 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.

This rating action follows Fitch's updated review of Pan-American's capitalization, liquidity, financial flexibility and operating performance.

Fitch continues to view Pan-American's balance sheet as very strong. The company has virtually no exposure to non-agency structured securities, and direct commercial mortgage exposure is less than 0.5% of invested assets. Total risky assets, which include below-investment grade bonds (BIGs), unaffiliated common stock, troubled real estate and Schedule BA assets, in relation to statutory capital is materially below average. BIGs increased in 2008 due primarily to fallen angels. About 25% of the company's BIGs are comprised of required investments in sovereign bonds as a condition of doing business in certain Latin American countries.

Fitch considers Pan-American's risk-based capitalization to be very strong, despite the 18% decline in statutory capital in 2008. Fitch notes that the decline in capital was partly due to a $23 million dividend to the mutual holding company parent, Pan-American Life Insurance Group, Inc. (PALIG). The decline would have been 11% without that compared to an industry decline of 13%. The dividend remains at PALIG. A $15 million loss on Fannie and Freddie preferred stock and a $23 million increase in the defined benefit pension plan liability account for most of the rest of the 2008 decline in total adjusted capital (TAC). The decline in TAC in the first quarter of 2009 was 1%, which is below the industry average. Capital is expected to recover at the end of the second quarter and be up about 1% year-over-year as of the end of 2009.

Pan-American's financial leverage continues to be in line with Fitch's expectations. Outstanding debt consists of a $50 million surplus note due in 2035 but callable in 2015. The note represented about 18% of statutory capital at year-end 2008.

Fitch does not view liquidity as an issue for Pan-American. The parent holding company has about $22 million in cash and liquid assets. There is no debt maturing over the near term. Disintermediation risk at the operating company is considered to be relatively low, given the liability structure, which is primarily traditional universal life. In addition, Pan-American became a member of the FHLB of Dallas in December 2008 and has $150 million of capacity, which represents a source of backup liquidity if needed.

The Stable Outlook reflects Fitch's view that, while Pan-American is not immune to the ongoing difficult economic environment, it is not exposed to key areas of concern for Fitch, particularly structured securities, variable annuity living benefits and short-term institutional lending. Fitch anticipates that Pan-American's investment losses will come from its corporate fixed income portfolio but will be manageable. Fitch also notes that operating profitability continues to improve and become more stable as management focuses on streamlining operations and addressing legacy issues.

Contact: Cynthia J. Crosson +1-212-908-0863 or Franklin Santarelli +1-212-908-0739, New York.

Media Relations: Brian Bertsch, New York, Tel: +1 212-908-0549, Email: brian.bertsch@fitchratings.com.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.