Special Comment

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Credit Issues and Trends for US Life Insurance

Outlook for Industry Now Stable

Summary Opinion

MOODY'S RECOGNIZES IMPROVED ECONOMIC CLIMATE, BUT INDUSTRY RISKS ARE STILL PERVASIVE

In September 2002 Moody's changed the outlook for the U.S. Life Insurance Industry to negative from stable. Drivers of our negative outlook for the industry were investment losses, equity market declines, and low interest rates. These factors contributed to weak earnings and dramatically reduced capital adequacy throughout the industry, which in turn resulted in a substantial number of ratings downgrades and outlook changes.

The primary issues creating downward pressure on the ratings of the U.S. Life Insurance Industry have unmistakably taken a turn for the better over the past 12 to 18 months, and as such, we have seen the risk profile of many companies improve. The most notable improvements have been among companies in the asset accumulation business, as earnings in these business lines have stabilized quite nicely in recent months.

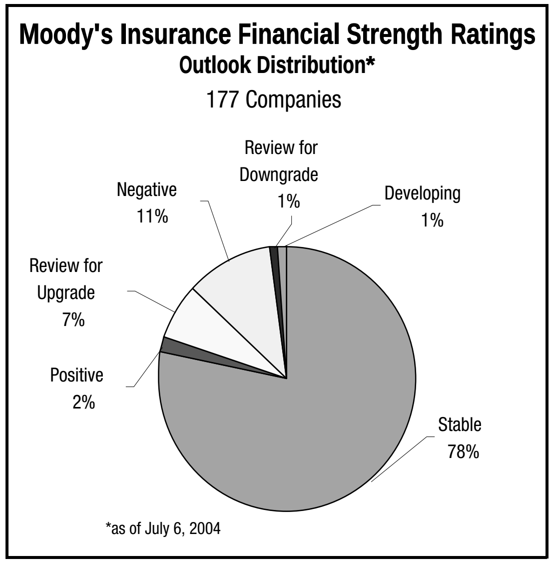
When the outlook for the industry was changed to negative in 2002, the number of life insurance companies whose ratings were under review for possible downgrade or had a negative outlook, was significantly higher than today. As of July 6, 2004 only 1% were under review for possible downgrade and 11% had a negative outlook. Over the past several months, we have brought several credits to rating committee and changed their outlook to stable from negative, and 78% of our insurance financial strength ratings now have a stable outlook.

Although the rating downgrades over the past two years have resulted in a lower insurance financial strength rating for the industry, Moody's believes the current ratings appropriately reflect the companies' risk profile and, therefore, additional downward rating action is unlikely. As a result, Moody's has changed its ratings outlook on the U.S. Life Insurance Industry to stable from negative.

The change in our outlook is also supported by Moody's belief that the industry continues to benefit from a number of solid core fundamental strengths. These strengths include adequate capital supporting conservative balance sheets, predictable and profitable blocks of seasoned liabilities, and tax-favored product offerings. Moody's finds it worthy of note, however, that the rating advantage held by mutual insurance companies continues to widen over stock companies.

Moody's Investors Service
Global Credit Research

The investment losses, equity market declines, and low interest rates that characterized the industry environment in 2000 through 2002 have shown some improvement over the past several quarters. Nevertheless, we believe the life insurance industry's risk profile continues to be pressured by recent setbacks and long-term cyclical changes affecting the industry.



Consumer preferences are driving the industry's product mix toward asset accumulation products, and away from the industry's traditional strengths in offering protection products. These preferences are a key factor in the current competitive environment, where the need for economies of scale is expected to lead to a pick up in consolidation and convergence across different financial service sectors, and increased investment in technology resources, over the near-term.

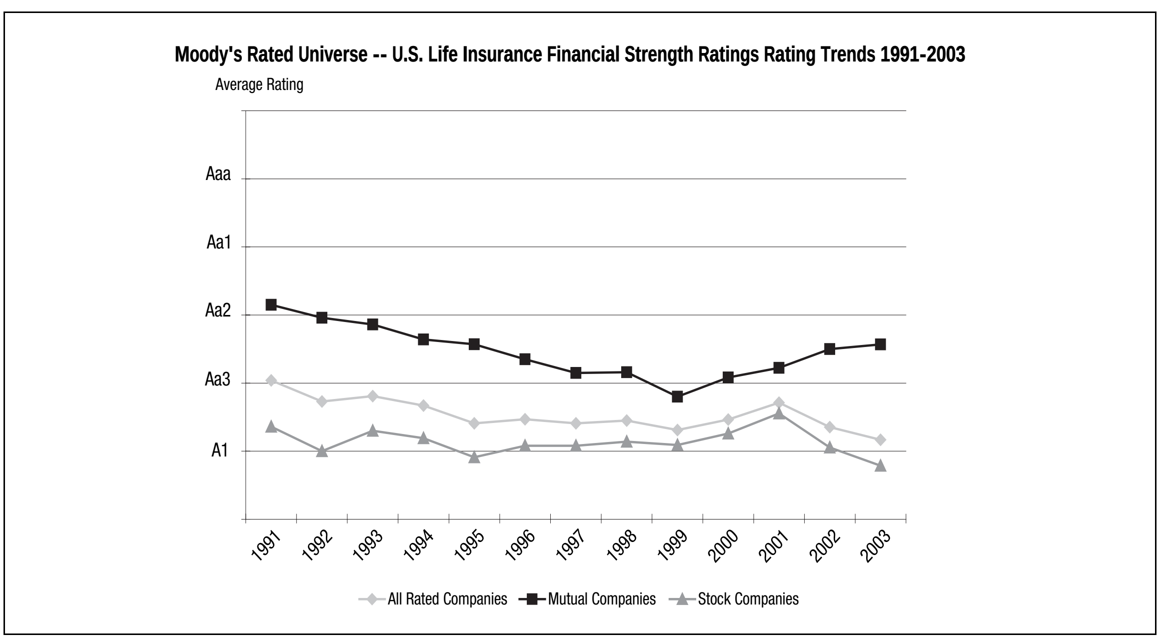
We also have some concerns about the regulatory and legal environment with respect to 1) the longevity of the insurance industry's tax advantaged product offerings as a result of potential changes to legislation, and 2) the potential negative impact on the brands and franchises of some mutual fund and variable annuity providers as a result of recent investigations into late trading and market timing practices of some firms.

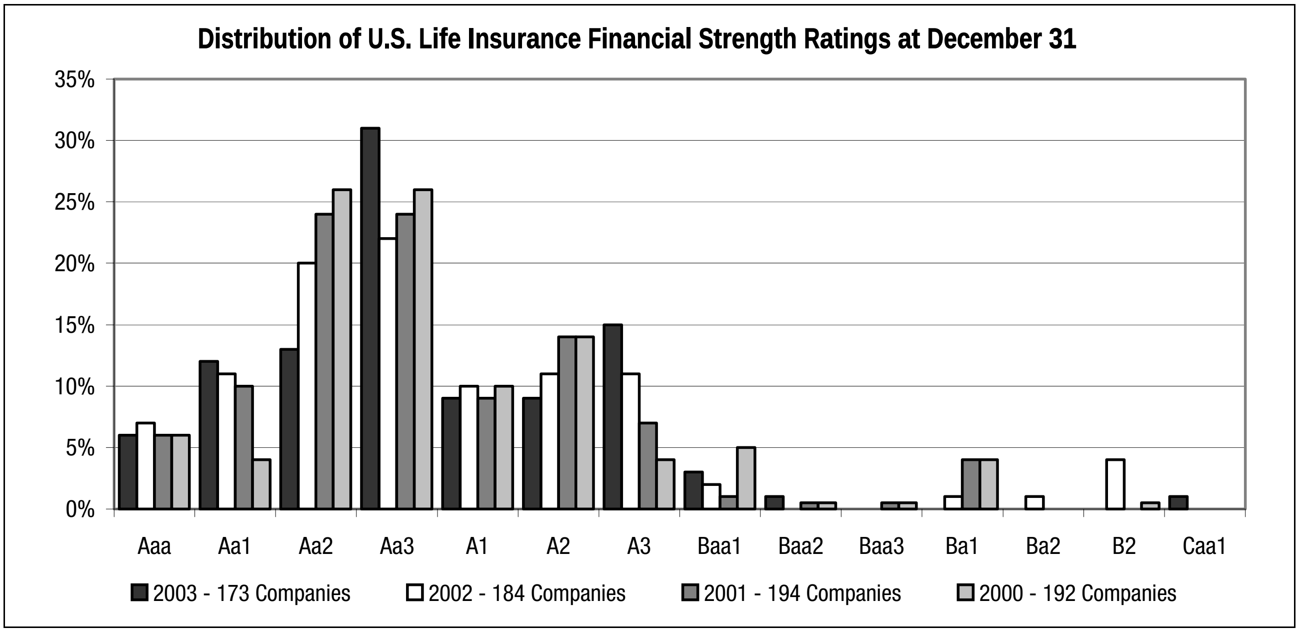
On the product front, Moody's expects to see continued growth in the institutional spread business, with a continued emphasis on funding agreement backed note programs (FANIPs) as opposed to traditional GICs, slow growth in traditional life products, and an increasing amount of life insurance and annuity products being sold with long-term secondary guarantees, which are being well received by consumers.

The shift in sales back toward variable annuities has been pronounced over the past year because of the relatively unattractive yields on fixed annuities and the positive equity market returns in 2003. Variable life insurance products, however, do not appear to have benefited significantly from the improvement in equity markets, as products with coverage guarantees (as opposed to the potential for high variable account returns) seem to be more attractive to life insurance buyers. We expect the industry will take action to increase sales of its variable life products given their attractive ROEs, which may, in turn, result in increasingly attractive guarantees to buyers, resulting in greater risks for the insurers.

As stated above, some key macroeconomic factors and financial trends have shown improvement over the last year. Better profitability and capital positions, however, are being offset by life insurers' relatively weak earnings capacity compared to other financial services providers. As a result, we believe it likely that many companies will increase their use of financial and operational leverage, as well as return capital to shareholders through increased common dividends and share repurchase programs to improve ROEs.

Moody's continues to believe there is an inherent conflict between shareholders' return expectations and policyholders' demand for financial strength. The most successful public insurance companies will be those that effectively balance the needs of both constituencies.





2003 in Review

In 2003, like 2002, the most common rationale for upgrades lay with improving fundamentals. Fewer groups were upgraded in 2003, however, than in any year since 1994. This was a contrast to previous years, when rating upgrades were driven by consolidation, where the acquiring company's stronger credit profile was the primary positive influence. We expect consolidation to increase in 2004 and 2005, and that positive rating actions are again likely to be driven by M&A activity.

History of Rating Actions - By Individual Company U.S. Life Insurance Financial Strength Ratings 1994-2003				History of Rating Actions - By Group U.S. Life Insurance Financial Strength Ratings 1994-2003			
	Upgrades	Downgrades	Withdrawals		Upgrades	Downgrades	Withdrawals
1994	5	3	0	1994	4	3	0
1995	8	17	0	1995	7	12	0
1996	19	8	2	1996	13	5	2
1997	22	14	6	1997	10	9	6
1998	13	15	2	1998	9	7	1
1999	25	16	5	1999	10	5	4
2000	16	23	2	2000	8	7	2
2001	20	3	5	2001	8	1	4
2002	13	39	9	2002	9	19	9
2003	14	42	16	2003	5	15	12

Prior to 2002, life insurance group upgrades had outpaced downgrades. In 2002 and 2003, downgrades exceeded upgrades by a significant margin. The rising trend in downgrades reflected the pressures placed upon insurance companies by the weak economic environment and poor capital markets' performance during that time frame. Because economic activity, equity market performance, and bond default rates have improved, our views on the sustainability of these improvements, and the heightened magnitude of other risks, such as spread compression, secondary guarantees, and statutory reserve requirements under various regulatory changes, will be the key determinants of rating and outlook changes going forward.

M&A ACTIVITY SHOWS MODEST INCREASE

The pace of consolidation in the US life insurance industry increased modestly during 2003, following a period of extremely slow M&A activity in 2002. In 2003, there were five transactions valued over $500 million, as opposed to only two announced deals over $500 million in 2002. The largest transactions in 2003 were Manulife Financial's announcement to buy John Hancock Financial Services, Inc. for $10.4 billion in stock, Prudential's announcement to purchase CIGNA's retirement and investment services business for $2.1 billion, and AXA Financial's pending acquisition of MONY Group, Inc. The remaining announcements were for transactions totaling $500 million or less.

Life & Health M&A Activity Over $300MM Transaction Size			
Buyer Name	Target Name	Announce Date	Deal Value Announcement ($M)
Manulife Financial Corp.	John Hancock Financial Services, Inc.	09/28/2003	10,423.0
Prudential Financial	Retirement & Investment Services: CIGNA	11/17/2003	2,100.0
AXA	MONY Group Inc.	09/17/2003	1,507.8
Bank One Corporation	Certain U.S. life operations: Zurich	05/30/2003	500.0
Hartford Financial Services Group, Inc.	CNA Financial Corp.: Group Benefits	12/01/2003	500.0
Reinsurance Group of America	U.S. Life reinsurance business of Allianz	09/22/2003	310.0

Source: SNL Financial LLC

Poor equity market performance and record levels of bond defaults forced many companies to reevaluate their financial position and look for ways to support their weakened capital bases in 2002. Companies increased their focus on core operations in 2002, re-examining their cost structure and strategic markets. Many firms raised capital through the financial markets or reinsurance transactions. Many of the decisions made by company managers revolved around maintaining adequate capital, much of the time in an effort to preserve their firms' financial strength.

U.S. Life Insurance Companies Insurance Financial Strength Ratings		
	New Ratings	Average New Rating
1994	25	A1
1995	21	A2
1996	20	A1
1997	23	A1
1998	20	A1/A2
1999	5	Aa3/A1
2000	1	A3
2001	4	A1
2002	2	A1/A2
2003	5	A3/Baa1

In 2003, the trend appears to have shifted toward larger, stronger companies growing their franchise and scale. We expect this trend to continue, given that the economic environment has improved and companies are less absorbed by issues related to preserving their financial strength, and again turning the focus toward earnings growth and return on capital.

We believe business line and full company acquisitions/mergers will soon occur in greater numbers, as the life insurance industry remains relatively fragmented when compared to other financial service segments such as global banking and foreign life insurance. At the same time, some insurers will likely consider divesting or reinsuring operations that lack scale, stability, and predictability, to more efficiently allocate capital, while at the same time addressing the return demands of equity investors.

FINANCIAL TRENDS

Leverage and Capitalization - Leverage Continues to Rise, but Stays Within Manageable Limits; Capitalization Could be Stretched

Moody's remains focused on issues that affect capital and create capital strain. As such, operating and financial leverage are crucial indicators for many of the companies in our rated universe. Companies have taken advantage of historically low interest rates to issue debt, often to re-capitalize operating subsidiaries. This has had the effect of increasing financial leverage and double leverage for some companies, while potentially reducing their financial flexibility. Nonetheless, absolute and risk-adjusted capital levels across the industry clearly increased in 2003, with improved capital market conditions contributing to the trend.

The industry's operating leverage continues to rise as a result of growth in spread-based products, such as funding agreement backed note issuance programs (FANIPs), and increased sales of general account life insurance products. Moody's has detected some signs of relief from this trend, however, as some consumers have begun to shift their investment allocations back to variable products - mostly in the variable annuity market.

Regulation XXX has also raised concerns about the capitalization of some companies because of its impact on reserve requirements for term and universal life products with long-term guarantees. Increased reserves could adversely affect the capital positions of insurers writing this business. Moody's saw an important trend develop in 2003 that might help to limit the risks associated with these regulations, however. This offsetting trend features the use of capital market solutions to solve the growing capital needs, dictated by Regulation XXX and Actuarial Guideline AXXX[1], as they relate to term and universal life products. We believe more capital market innovations will arise to address this topic in the future.

1. *See Moody's Global Credit Research - **Hidden Credit Risks of Regulation XXX/Guideline AXXX Reinsurance Programs, dated January 2004***

Demutualization Leaves Mutual Companies as a Minority

Many of the largest mutual companies have completed the demutualization process over the past five years. These organizations include MetLife, Prudential, Principal, John Hancock, and Phoenix. We believe the remaining large mutual companies—most notably New York Life, Northwestern Mutual, MassMutual, and Guardian—have been left with a competitive marketing advantage, as they offer unique and increasingly rare participating products.

Moody's has made no rating changes simply in reaction to a change in company structure, but we have seen demutualized companies place more emphasis on shareholder returns and optimizing capital in their financial operations. Partially as a result of this difference in emphasis, the average rating gap of mutual companies over stock insurers increased in 2003 to its widest level since 1995. As a result, Moody's will continue to focus on how stock companies balance the competing interests of their shareholders with those of their policyholders and creditors.

Investments and Capital Markets - Defaults Decline as Investment Performance Starts to Rebound

Moody's global issuer-weighted default rate for all rated corporate issuers fell to 1.6% in 2003 from 3.0% in 2002 as global defaults declined from peak levels. On a dollar volume-weighted basis, the global default rate for all rated issuers fell to 0.97% in 2003 from 5.3% in 2002. Included in this statistic is a dollar-volume weighted default rate for speculative grade issuers of 5.6% (down from 21% and 18% in 2002 and 2001 respectively)[2].

Particularly noteworthy in Moody's view was the fact that the dollar value of corporate bonds experiencing payment impairments declined from $164 billion in 2002 to $33.5 billion in 2003. Year over year, the number of defaulting corporate issuers fell by 49%. While we expect insurance companies will continue to suffer a modest amount of additional credit losses, we anticipate default rates to decline further in 2004. In addition to improvements in the credit markets, Moody's has observed modest declines in portfolio risk as a result of companies' reduced exposure to higher yielding fixed income securities.

A large percentage of the industry's revenue continues to be generated from asset-based fees on accumulation and insurance products, and many companies' fortunes (or misfortunes) are thereby closely tied to the performance of equity markets. In 2003, the industry saw some relief from the additional expense related to the accelerated amortization and write-downs of deferred acquisition costs (DAC) and the costs associated with increased reserves and claims payments for variable annuity secondary guarantees that occurred in 2001 and 2002.

Moody's is not convinced that equity market volatility has gone away, but we believe that many variable product writers are better positioned to manage a downturn in stocks than they were in 2000. This is because many variable annuity companies have changed their product pricing assumptions that relate to equity market performance and/or instituted capital markets hedging programs to mitigate these risks. Nonetheless, if equity market conditions were to take a turn for the worse, these issues would once again become magnified, potentially straining some companies' future profitability and capital position.

In addition to the use of capital markets solutions surrounding Regulation XXX and Actuarial Guideline AXXX, we saw the use of capital markets to hedge secondary guarantees on variable annuities become increasingly common in 2003. Adaptations of this kind are likely to become an increasingly important trend affecting the life insurance industry, and such actions are likely to be factored into the financial strength ratings of many insurance companies.

Earnings Improved Significantly in 2003 for Many Insurers

The low interest rate environment resulted in improved cost of capital for insurers in 2003, but led to the continuation of spread compression for many companies. Moody's believes that this presents only a modest near-term earnings issue. However, persistent low interest rates could result in more significant credit implications if reduced earnings, as a result of spread compression, cannot support capital growth needs. That being said, earnings improved significantly in 2003, with better capital market conditions being the primary engine of the recovery. This, in turn, resulted in improved capitalization for many insurers.

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2. *See Moody's Global Credit Research - **Default & Recovery Rates of Corporate Bond Issuers, dated February 2004***

Credit Issues and Trends

Environmental Trends

- Consumer demand driving business mix toward asset accumulation products
- Maintaining diverse and productive distribution remains a key success factor
- Continuing divergence of ratings - mutual companies widen their advantage
- Competitive advantages of tax favored products under persistent risk from potential legislative changes
- Continued consolidation and convergence likely, driven by overcapacity and the need for economies of scale
- Solid technology platform remains crucial to cost structure and productivity improvements
- Regulatory scrutiny of mutual fund and variable annuity writers could potentially damage some companies' brands and franchises

Product Issues

- Modest growth of traditional protection products
- Stronger equity markets have lead to improved sales of variable annuities, while sales of fixed annuities are being hurt by the current rate environment
- Secondary guarantees on life insurance and annuities are increasing the optionality and risk within insurers' liability portfolios, albeit somewhat mitigated by hedging programs
- FANIPs continue to grow - increasing firms' asset/liability management risks.
- Recent reluctance of life insurance buyers to take on equity market risks; sales of term, universal, and whole life insurance products have grown at the expense of variable life sales
- Capital market solutions to meet the sizable statutory reserve needs established by actuarial Regulation XXX and Actuarial Guideline AXXX are evolving

Investment/Financing Trends

- Credit losses and write-downs are normalizing - but industry continues to have a sizable allocation to below investment-grade bonds and other bond credit risks
- Persistent low interest rates could result in spread compression and downward earnings pressure for fixed annuity writers, while a spike up in interest rates could result in increased disintermediation risk
- Generally improved profitability and capital position for the industry - stability in the economy and financial markets is the primary factor
- Earnings capacity of the insurance industry is relatively weak compared to other financial service providers
- Financial and operational leverage remains moderate, but increased leverage, for some companies, could result in reduced financial flexibility
- Increasing use of common stock dividends and share repurchases for the benefit of shareholders

ENVIRONMENTAL ISSUES

Moody's does not expect the competitive position of traditional providers of life insurance to improve dramatically over the intermediate-term. Other providers of financial service products, including banks and mutual fund companies, have historically been more nimble and focused than life insurers. As such, the competitive environment brings numerous challenges to US life insurers. We believe consumer demands, physical and technological distribution capabilities, scale and profitability, and public perception will substantially influence insurance company management's current and future thinking.

There are a number of interested parties concerned with life insurers' financial strength and earnings prospects. These include policyholders, distributors, state insurance regulators, rating agencies, creditors, and shareholders. As previously stated, the most successful insurance companies will be those that effectively balance the needs of all their constituents.

Consumer Demand Drives Business Mix - Demographics Plays Key Role

The aging of the US Baby Boomer population continues to influence the shift in consumer tastes away from protection products to accumulation products. This shift is related to individuals' concerns that they will outlive their savings, and effectively reduces relative demand for the industry's traditional protection products, which continue to exhibit the slow growth characteristic of a mature industry.

As a result, insurance companies have had to rely increasingly on asset accumulation products for growth. This phenomenon has resulted in insurance companies that look increasingly like other providers of financial services (i.e. mutual fund companies and banks). The consumer demand trend is expected to continue in the same direction, marked by growing sales of accumulation products, and to a lesser extent, pure protection products (term life), and wealth preservation products (variable and universal life).

Accumulation products will continue as the main focus of consumers' preferences, at least in the near-term. However, current product preferences have resulted in important changes to the sales mix within this segment. The turnaround in the equity markets and low interest rates have driven consumers to purchase an increasing percentage of separate account variable annuities at the expense of guaranteed general account annuities, although the variable annuities are increasingly offering general account guarantees (secondary guarantees). The capital markets' recovery has not, however, had a similar impact on the market for variable life products, as consumers have been more interested in purchasing long-term premium and no-lapse guarantees.

We see additional distinctive product trends developing around US Baby Boomers. For instance, some insurers have begun to place increasing emphasis on two product opportunities: 1) Long-term Care (LTC), and 2) wealth distribution products.

LTC is a potential growth market for insurers because of the concern that nursing home costs will "eat-up" savings. While premium growth has been slower than expected, individual and group product offerings are expected to become a growing part of the industry's premium profile. Moody's is concerned about this product line, as we believe the pricing assumptions used for LTC remain largely untested, and that this could lead to potentially volatile results.

Moody's also sees a trend related to the distribution of accumulated wealth. In the past, annuity payout options have been limited. Once an option was elected, it was irrevocable, resulting in the purchaser surrendering control of his or her assets. Many annuity providers have lately begun to develop more flexible products that allow customers to draw retirement income, change payout streams, and have more control over the management of the assets. Although the opportunities are significant, we have not yet seen these products become a major sales generator for the industry, partly because these products need to be "sold" and producers have not yet embraced the concept.

The risks we are focused on for payout annuities are inadequate mortality assumptions, options given to policyholders, payout guarantees embedded in the policy, and how different capital market environments (such as further equity market declines and long-term low interest rates) could impact investment returns and ultimately profitability.

Competitive Advantages of Insurers' Products at Risk from Potential Tax Legislation

Life insurance and annuity products continue to enjoy a variety of tax advantages over the products of other, non-insurance financial service providers. However, Moody's remains concerned about the status of the industry's primary competitive advantage.

Several recent legislative changes have impacted the tax-advantaged status of the industry's products. For example, estate tax repeal has had an impact on industry sales of wealth transfer products. In addition, the recent reduction in the long-term capital gains tax rate does not apply to annuity products, and corporate-owned and bank-owned life insurance (COLI / BOLI), commonly referred to as "janitors' insurance" by the media, has come under attack because of the substantial tax benefits that accrue to large corporations purchasing this product.

Proposals that would reduce or eliminate the tax benefits associated with other life insurance products have become more common in recent years. In the current legislative environment, particularly considering current and future budget deficits, Moody's believes that politicians will continue to target life insurance products as a means of increasing federal tax revenues.

Distribution, Customer Service, and Technology Remain Important Issues

There will always be a group of consumers who will make decisions without the assistance of an advisor, just as there will always be a group of individuals who seek out advice. The competitive bar is continually being raised as the environment drives the consumer to expect more in the way of value added services from distributors and advisors. Each distribution model has its unique strengths and weaknesses, in our view. It therefore benefits a company's credit profile to have multiple, diverse distribution channels.

For individuals seeking advice, the services offered by insurers range from simple scenario models, such as retirement or education planning, to full-blown financial and estate planning services. The providers are either fee-only financial planners, who seek to provide low cost protection and accumulation products to their clients, or agents, brokers, banks, and any other commission-based sales representative that will make money on the products they sell, providing advice in order to facilitate the sales process. Insurers have committed substantial resources to their sales and wholesaling forces, supplying tools to facilitate the planning process.

Moody's continues to believe that distribution through tied agents has generally better persistency than distribution through other channels. However, this alternative is clearly more costly than third party distribution, although the cost gap has been narrowed over the past decade. On the other hand, third party distribution has grown substantially and accounts for a large portion of insurance product sales growth.

These non-tied third party distributors can be fickle, however, often changing their selling preferences based on product commissions, short-term product performance issues, new "bells and whistles" or new types of guarantees (policyholder options). As a result, companies relying primarily on third-party distribution can see sales patterns change dramatically in a relatively short time frame, while policy persistency tends to be substantially lower.

Somewhere in between these models is the independent agent or financial planner, who generally has more ties to product providers, but can also sell away if an insurer's products and services become less competitive.

Fee-only planners and "Do It Yourself" investors look for a completely different type of product provider. Cost, ease of doing business, diversity of product offerings, and product performance are the most relevant factors in these distribution models.

Taking the broadest perspective, Moody's does not have a strong opinion as to the most effective distribution model, as each has its positives and negatives. We believe the overwhelming key to a successful distribution model for any insurer is to get agents, brokers and any other producers to sell more of the products it manufactures. Companies don't make money by supporting distribution, but rather they make money by selling their products.

Adequate Utilization of Technology is Critical

Moody's believes technology will help to revolutionize distribution methods, processes, and customer service. We expect a growing number of consumers to acquire research, plan, and purchase products directly online, and many more consumers to use basic customer service tools to provide self-service. We also expect the Internet and technology to be efficient tools to enhance the services provided to sales professionals/advisors.

Technology support can come in the form of online planning tools, online business processing, and dedicated producer sites to help simplify administration for agents and brokers. Using technology to link the insurer to the producer also helps to bind non-tied distribution, because this generally requires a systems commitment from both parties.

The use of technology will also have the added impact of reducing costs for product manufacturers by simplifying the overall business process and contributing to improved economies of scale.

Economies of Scale Will Continue to Drive Competition, Resulting in Consolidation

Moody's believes insurers will fight an uphill battle to stay competitive in the coming years, not only with other insurers but with non-insurance financial service providers as well. With scale driving product pricing, and our belief that no company can maintain a competitive advantage in its product design for an extended period given the rapidity in which issuers can copy innovation, as well as our expectation that insurance products' tax-advantaged status will diminish over time, we expect service, product performance, brand awareness, financial strength and credit ratings to be key differentiators among financial services players going forward.

These key differentiators could be less meaningful if a company cannot first manufacture competitive products on a profitable basis. The need for scale will, therefore, most likely result in further US life insurance industry consolidation. As compared to other financial service segments the US life insurance industry is presently rather fragmented, resulting in a sizable amount of overcapacity. Overcapacity is exacerbated by the convergence of product offerings among financial service providers, as asset accumulation products are expected to be a key growth driver for life insurers.

The most logical way to eliminate overcapacity is through consolidation. Consolidation creates scale, raising the bar for companies who are "on the margin", from both a growth and profitability perspective. Our conclusion is that brand awareness and service are important, but they are only important to companies that have maintained an adequate market position and scale in their chosen business lines, as well as adequate profitability.

That being said, the life insurance industry faces the challenge of letting the public know that it is a broad-based provider of more than just protection products. Successful insurance franchises will be able to convey this to the marketplace, creating brand awareness and positioning themselves among some of the better-known names in financial services. But this will be an ongoing challenge.

Historically, insurers have been at a disadvantage relative to other financial service providers, as the insurance industry has typically been slower than its competition at advancing its technological capabilities, as well as having a higher relative cost structure and a cumbersome state-by-state regulatory framework. Different providers will move toward a goal of improved operational efficiency at varying rates. Those who are slow to respond to the evolving marketplace will ultimately find they cannot compete. Should a company find itself in an uncompetitive position, its most likely courses of action become selling underperforming businesses or seeking a buyer for the entire company.

Regulatory Scrutiny Continues to Grow More Acute

Sparked initially by the collapse of Enron in 2001, entities such as the FASB and the NAIC have been enacting statutory and GAAP accounting changes to better address the needs of financial statement users. The SEC has also become increasingly proactive in addressing material inadequacies in financial reporting.

High profile issues such as SPE consolidation, disclosure of critical accounting policies, CEO and CFO certification of the accuracy and completeness of financial statements (The Sarbanes-Oxley Act), and accelerated financial reporting, as well as insurance specific issues such as guidance on accounting for variable annuities and secondary guarantees (SOP 03-01) will have positive implications for investors and analysts. We believe that the trend of increased disclosure will continue in 2004, resulting in additional benefits to the investing public.

A clear understanding of a company's financial picture requires clear and transparent disclosure of the risks embedded in a company's balance sheet and income statement, and it is Moody's belief that full and fair disclosure will benefit all parties. As such, Moody's will continue to encourage companies to disclose more information, particularly information it believes is material for investors' analysis of a company.

Mutual funds and variable annuities have also come under fire from regulators and lawmakers. Allegations related to late trading, market timing, and excessive fees have resulted in sizable fines and fee reduction agreements for several mutual fund providers. Other mutual fund managers and variable annuity providers are receiving requests for information to determine if these issues are more widespread.

While the number of offenders has, to date, been limited, the volume of regulatory investigations is growing. It is our expectation that more fines for the industry are likely. The implications to the financial services industry, should these improprieties prove to be more prevalent, are significant damage to the industry's reputation, as well as to individual companies' brands and franchise values.

PRODUCT DEVELOPMENTS

The US life insurance industry has evolved over the past two decades from principally providing risk protection to individuals to offering a broad array of protection, spread and asset management products to both individuals and institutions. The continued evolution of the industry's products and product features is changing the nature of the risks assumed by insurers. Overall, we believe the shortening duration of insurers' liabilities and the trend away from participating products (primarily whole life) continue to be critical components affecting the industry's credit profile. Consequently, Moody's remains focused on the growth of the product lines contributing to this trend, the risks assumed, and how these risks are managed.

Annuities - Growth, Earnings, and Risk Issues

After three years of declining variable annuity assets under management, improved equity market returns and positive net flows during 2003 resulted in a turnaround in asset growth trends. The events of the past several years have helped to underscore Moody's apprehensions with the risks associated with variable annuities.

We continue to have major concerns related to these contracts, including 1) the dependence among variable annuity writers on rising equity markets to generate sales, revenue and earnings growth; 2) the low frequency, high severity risk associated with secondary guarantees - such as guaranteed minimum income benefits (GMIB), guaranteed minimum death benefits (GMDB), and guaranteed minimum withdrawal benefits (GMWB); and 3) the continued level of competition among players in this business.

Positive equity market returns have increased the "cushion" that many variable annuity writers have in their current pricing and DAC assumptions. Nonetheless, a reversal of the equity markets could result in renewed financial stress for these companies. Fee revenue, generated by variable annuity assets, is based on assets under management. As a result, we believe the industry could face continued pressure on sales, revenue and earnings in a less favorable market.

In 2003 and into 2004, companies have shown improved results in their variable annuity business lines, as lower reserves for secondary guarantees and the absence of DAC write-downs resulted in better earnings. In the absence of any protracted downturn, we expect earnings for these companies to continue to recover steadily, limited somewhat by intense competition for assets under management.

Moody's continues to believe that secondary guarantees present the industry with low frequency, high severity event risk, and that VA writers had historically under-priced these guarantees. However, because of several years of bear market returns in equity markets (a low frequency event), the true cost of providing these guarantees has become more visible, and has caused many insurers to reevaluate the pricing of their secondary guarantees. As a result, companies are now placing increased emphasis on risk management related to these provisions.

Hedging programs to mitigate the risk of secondary guarantees have evolved, and are now being implemented throughout the industry. We believe these programs will reduce the balance sheet and income statement volatility should another bear market occur. However, Moody's continues to believe that mitigating the risk associated with secondary guarantees is challenging, and that hedging schemes are far from perfect.

Changes in pricing in the derivatives markets, basis risk, and policyholder behavior are primary concerns related to the effectiveness of any hedging program. The development of a successful track record for secondary guarantee hedging through various market conditions, however, would increase our comfort level related to how effectively a company's risk management program works in practice.

As sales of variable annuities have improved, sales of fixed annuity products have shown a marked decline. A significant level of fixed annuity reserves on insurers' balance sheets still exists, however. As such, we are increasingly concerned with reinvestment risk, which in the current low interest rate environment could lead to spread compression, as credited rates on annuity contracts approach minimum contractual return guarantees, which have historically been in the 3% - 4% range.

Regulators have recently relaxed this minimum for new contracts, but reinvestment risk will remain a danger for companies with large, older blocks of fixed annuities. Disintermediation risk is also be a concern, particularly if interest rates were to rise suddenly and sharply, and annuity money were to be surrendered for higher yielding alternative products (including variable annuities) at a time when fixed assets may be depressed in value. This issue highlights the importance of a sound asset/liability management program.

Should interest rates remain low throughout 2004 and 2005, spread compression is likely to become a modest earnings issue. The magnitude of any near-term earnings issue is not likely to become a rating issue for the industry unless low interest rates were to persist over the long-term. In that scenario, the credit implications of spread compression are likely to become more negative.

Moody's continues to believe that variable annuities, driven by demographics, will be a leading long-term growth driver for the insurance industry. Insurers will undoubtedly try to find new "hooks" to maintain and increase their market share in the asset accumulation market, which are likely to take the form of an insurer's competitive advantage of being able to provide guarantees and tax advantaged products. A core problem, however, continues to be that there are far too many providers for them to all be profitable.

Moody's believes that many current variable annuity providers, particularly those who lack scale, will find the competitive marketplace sufficiently unattractive in the long run that they will likely withdraw from the market or, at a minimum, de-emphasize this product.

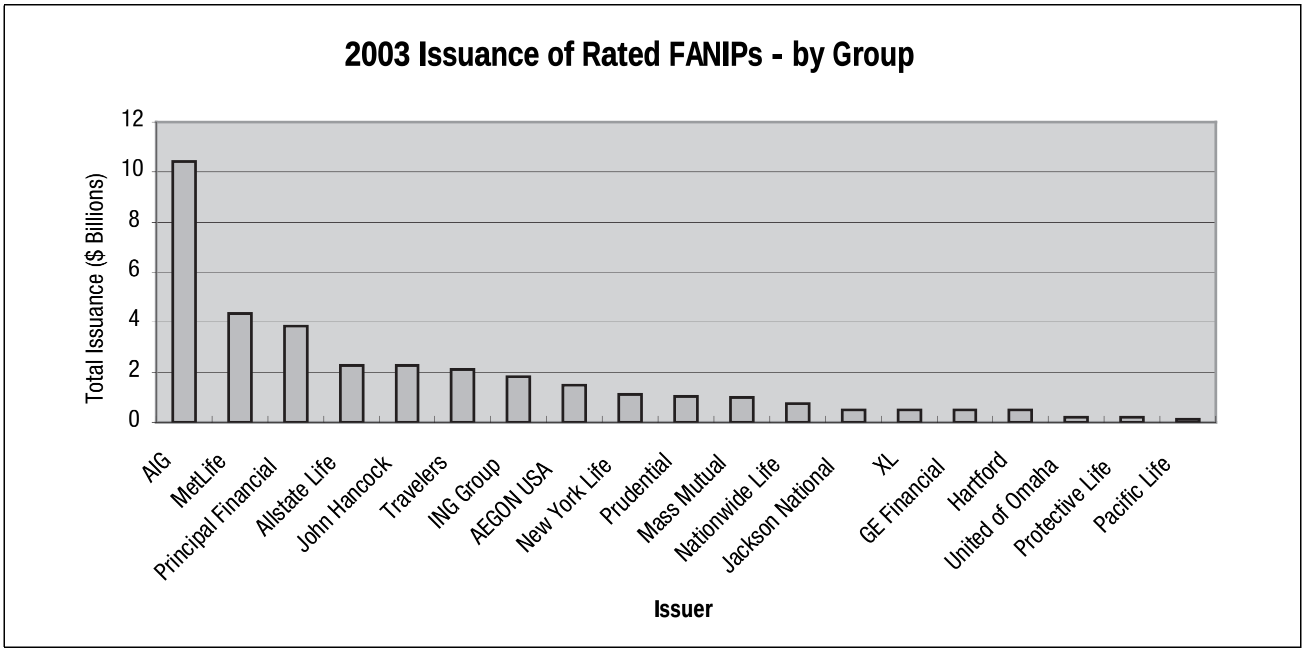
Improved Growth in Institutional Investment Products

In 2003, sales of funding agreements returned to their intermediate-term growth trend. Growth in sales of funding agreements exceeded 28% for the year. Product demand improved throughout the year, after weak sales in the second half of 2002, due mainly to market participants avoiding the credit risk to insurers as a result of pronounced deterioration in equity and credit markets and the negative implications of that deterioration on insurer's credit quality. As capital market conditions have improved, so has the demand for new issuance.

Much of the activity in the institutional investment product (IIP) arena continues to come from FANIPs—fixed-term, non-callable debt typically in the three- to ten-year maturity range. We expect FANIPs, in the form of Global and European note programs, to continue to be a strong source of growth for institutional spread liabilities, as the demand for general account GICs sold to 401(k) and other employee retirement savings plans continues to be overwhelmed by allocations to synthetic GICs.

An additional source of growth in the spread product arena is likely to come in the form of SEC registered programs, which include retail note programs (RNPs). These registered programs are expected to build a market for issuance to retail investors. A registered version for the institutional market is also beginning to develop, resulting in expanded liquidity and secondary market trading for institutional buyers. Several insurers are expected to establish programs of this kind in the next 12 months.

FANIP sales in the first quarter of 2004 have been a robust $10 billion, and we expect general IIP balances to grow steadily as the FANIP business matures. Sales of GICs, however, are likely to remain flat, as the market for these products is more mature, demand has leveled out, and because FANIPs and RNPs represent a more attractive kind of liability. These instruments generally contain no optionality for the buyer and have a cheaper cost of funding for issuers, and as such, are generally more profitable.



Moody's believes that insurance companies assume incremental risk in marketing institutional investment products, especially compared to the risks associated with most common life insurance products. Moody's continues to believe, however, that capable insurers can benefit from the issuance of these contracts when issuance is balanced with appropriate risk management.

An insurer's overall exposure to the IIP business needs to be carefully managed and controlled on both an aggregate and a detailed basis for the insurer to have an appropriate risk/reward tradeoff. Of particular concern is the continued sale of putable funding agreements by some insurers. According to the Stable Value Investment Association, sales of funding agreements to short-term investment funds totaled over $5.3 billion with assets topping $28 billion in 2003. Moody's believes the optionality embedded in these liabilities heightens asset liability management (ALM) risks for the product relative to other spread based product offerings.

Moody's expects that additional product variations will develop over time. As with its evaluation of FANIPs, GICs, and FAs, Moody's review will focus on the characteristics and structure of new products, a company's aggregate amount of spread business outstanding, and will include Moody's analysis as to how well a company is handling the associated risks. Moody's will pay special attention to the processes and procedures used to manage the business, as well as to liquidity needs and available resources, asset and counterparty risks assumed, and the company's ALM risk tolerances.

Life Insurance - Buyers Attracted to Long-Term Guarantees

Many industry observers expected to see an increase in variable life insurance, similar to the increase in variable annuity sales, as equity markets improved. This has not been the case. Protection buyers have instead been drawn to life insurance products with long-term premium and coverage guarantees, specifically term products with 10-, 20-, and 30-year premium guarantees, and universal life insurance products with no-lapse guarantees.

In actuality, the term and universal life markets are becoming similar to the variable annuity market in the sense that the companies with the most improved variable annuity sales have been first to the table with new and different guarantees. Moody's expects that demand for variable life products will increase as well, as the industry finds new ways to provide assurances in the form of guarantees to consumers interested in variable life.

Moody's concern with life insurance products and long-term guarantees is related to 1) aggressive lapse rate assumptions, 2) unexpected changes in interest rate levels, and 3) the significant statutory reserve requirements that develop over time as a result of Regulation XXX and Actuarial Guideline AXXX.

Life insurance products with long-term guarantees may be priced with unrealistically high lapse rates, which are what we would refer to as lapse supported products. As such, if lapse rates run signifigantly below assumptions, then the insurer could end up with more policies in force than expected and, as a result, be saddled with higher levels of benefit payments. That could have a significant impact on profitability. In addition, if assumptions regarding the future level of interest rates are too high, pricing for guarantees could prove inadequate if interest rates trend lower than predicted, again impacting the product's profitability.

In response to these concerns, industry regulators implemented Regulation XXX and Actuarial Guideline AXXX. These new rules set stringent guidelines for reserving for life insurance contracts with long-term guarantees. The rules are intended to result in reserves that grow over time, and then decline as the policies mature. The build-up of reserves for some companies is significant, and we have concerns that these companies will experience strain in their capital bases.

As reinsurance is increasingly unavailable for policies with long-term guarantees, the industry has responded with a variety of capital market solutions that satisfy the reserve requirements of Regulation XXX and Actuarial Guideline AXXX and provide the collateral to satisfy the reserve credit rules for reinsurance established by regulators[3]. Moody's expects to see more types of capital market solutions become available for life insurers to manage the reserve requirements set forth by these guidelines, given that insurers will continue to offer products with long-term guarantees in order to satisfy the demands of consumers. While there has been only one transaction executed through the first quarter of 2004, Moody's expects activity to increase as issuers feel pressure to address the problem.

INVESTMENT/FINANCING TRENDS

Investments Remain Conservative, Although an Up-tick in BIG Bonds is a Distinct Possibility for 2004 and 2005

Moody's remains focused on companies' investment portfolios, and on what the potential impact of additional losses will be on their earnings and capital. Nonetheless, the industry's losses continued to converge with long-term bond default rates in its 2003 results, a trend that is likely to persist through 2004. So, while Moody's expects further losses to have some impact on industry earnings and capital due to the industry's exposure to below investment grade (BIG) securities, Moody's also expects a further moderation of the industry's credit losses in 2004.

There is some concern among market observers that insurers searching for higher yield will increase their exposures to BIG bonds and other high-risk assets, thereby increasing their credit risk. The need for yield among a wide variety of fixed income buyers has indeed allowed for an increased volume of BIG issuance during the first quarter of 2004. The perception that economic conditions have improved and credit risk has declined has driven risk premiums (credit spreads) on this debt down to historically low levels.

Moody's will continue to monitor the growth in outstanding BIG securities as it relates to life insurers, particularly as Moody's believes the economic recovery to be uncertain, and any downturn will likely affect the buyers of these securities.

Moody's will also be on the lookout for insurers that offset their capital losses with interest-rate related capital gains. This practice can have the result of supporting reported GAAP earnings, but Moody's believes taking these gains today is essentially cannibalizing a future income stream (selling high coupon bonds at a gain and reinvesting in bonds with a lower coupon) to support current earnings, and therefore does nothing to improve the economic capital and future earnings of a company.

Capital Management and Financing

The US life insurance industry's capital base, historically a source of strength to the industry, stabilized during 2003 following several difficult years. We expect to see a modest upward trend in the industry's capital generation capacity in 2004 and 2005 as a result of more favorable capital market performance. Despite the increased earnings expected in 2004 and 2005, we believe that the industry's earnings capacity is generally weaker than the earnings capacity of other segments of the financial services industry. In order for the industry to maintain strong ROEs for its shareholders, we expect companies to increase the return of capital to shareholders through the use of share repurchase programs and increasing common stock dividends. As a result, the absolute and risk adjusted capital of the industry is likely to be constrained relative to any improvement in its earnings.

3. *See Moody's Global Credit Research -* ***Hidden Credit Risks of Regulation XXX/Guideline AXXX Reinsurance Programs, dated January 2004***

The industry's financial and operational leverage is unlikely to decrease for a number of other reasons, as well. The use of financial leverage is likely to increase, in fact, as companies seek capital to participate in life insurance industry consolidation. This will be in contrast to 2003, when many companies used debt issuance opportunistically to lower their costs of capital by refinancing higher coupon debt, or to raise additional capital to rebuild their weakened statutory capital levels.

We also expect an increasing number of companies to begin to use their systems capabilities to develop sophisticated capital management tools based on Embedded Value (EV), Value at Risk (VaR), and/or Economic Value Added (EVA) approaches. Moody's believes that a well developed plan for capital allocation can benefit a company's credit quality when it enables the company to improve return on capital without significantly raising operating or financial leverage or raising its risk profile.

These models can also lead companies to reallocate or redeploy excess capital, often using assumptions that are subjective, and sometimes flawed. Capital redeployment activities such as expanding existing business lines, entering new businesses, making acquisitions, repurchasing stock, or paying dividends are viable alternatives during periods when excess capital is being generated. When companies' operations begin to consume capital (generate less earnings than needed to support the growth in capital needs), redeployed capital does not seem as "excessive" as once believed, and can potentially have negative credit implications.

Liquidity in the industry is expected to remain strong, as is evidenced by the results of Moody's Liquidity Model for US life insurers. Holding company liquidity is also expected to remain adequate, considering the industry's improved earnings, the capital position of the overall industry and the capacity of operating insurance companies to pay dividends to upstream holding companies.

Conclusions

During the past year, Moody's has seen improvements to many negative credit issues and trends impacting the US life insurance industry's for the past several years. The turnaround of the US economy, the decline in bond credit losses, and positive returns for equities have been drivers of this improvement. Moody's has also observed increased attention to risk management and capital management by insurance company management, which can have favorable implications if implemented properly. These improvements have prompted us to change the rating outlook on several companies and on the life insurance industry back to stable from negative.

However, Moody's believes that the challenging competitive environment, the potential loss of some of the industry's historical competitive advantages, persistent low interest rates, scandals related to mutual funds and variable annuities, and the increasing use of secondary guarantees in many insurance products could mitigate some of the recent improvements.

Related Research

Industry Outlook:

U.S. Life Insurance Industry Outlook, January 2004, #80468

Special Comment:

Hidden Credit Risks of Regulation XXX/Guideline AXXX Reinsurance Programs, January 2004, #80935

Special Comment:

Moody's Views on Current Conditions in the US Life Insurance Industry, December 2003, #80698

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Appendix I

Insurance Financial Strength Rating Actions in 2003

Upgrades

Company	Old Rating	New Rating	Date	Rationale for Rating Action
Allmerica Financial Life & Annuity	Ba3	Ba2	1/9/2003	Improved levels of statutory capital and on some structural changes that management has implemented to reduce regulatory risk.
First Allmerica Fin Life Ins Co	Ba3	Ba2	1/9/2003	
Allmerica Financial Life & Annuity	Ba2	Ba1	7/7/2003	Improved levels of life company statutory capital and on the expectation that the parent holding company would have adequate access to cash from other sources to fund its cash needs.
First Allmerica Fin Life Ins Co	Ba2	Ba1	7/7/2003	
Federal Kemper Life Assurance Company	A3	A2	9/4/2003	Acquired by higher-rated Bank One
Zurich Life Insurance Company of America	A3	A2	9/4/2003	
Anthem Insurance Companies	A2	A1	10/27/2003	Strong fundamental performance in recent years, as well as the company's disciplined financial management, sound strategic focus, and proven prowess in acquiring and integrating health insurance operations.
Aetna Life Insurance Company	A3	A2	11/17/2003	Significantly improved financial performance, and management's successful initiatives to refocus and restructure the company's businesses for continuing profitable growth.
Bankers Life & Casualty Company	B3	Ba3	12/4/2003	Conseco, Inc emerged from bankruptcy with a new holding company capital structure, and increased the capitalization of its insurance subsidiaries.
Colonial Penn Life Insurance Company	B3	Ba3	12/4/2003	
Conseco Annuity Assurance Co	B3	Ba3	12/4/2003	
Conseco Health Insurance Co	B3	Ba3	12/4/2003	
Conseco Life Insurance Co	B3	Ba3	12/4/2003	
Washington National Insurance Co	B3	Ba3	12/4/2003	

Downgrades

Company	Old Rating	New Rating	Date	Rationale for Rating Action
Equitable Life Ins Co of Iowa	Aa2	Aa3	4/8/2003	Parent company downgraded.
ING Ins Co of America	Aa2	Aa3	4/8/2003	
ING Life Ins & Annuity Co	Aa2	Aa3	4/8/2003	
Reliastar Life Ins Co of Ny	Aa2	Aa3	4/8/2003	
Reliastar Life Insurance Company	Aa2	Aa3	4/8/2003	
Security Life of Denver Ins Co	Aa2	Aa3	4/8/2003	
Security-Connecticut Life Ins Co	Aa2	Aa3	4/8/2003	
Southland Life Insurance Co	Aa2	Aa3	4/8/2003	
USG Annuity & Life Company	Aa2	Aa3	4/8/2003	
Fortis Benefits	Aa3	A1	5/2/2003	Parent company downgraded.
Zurich Life Ins Co of America	A2	A3	5/30/2003	Parent company downgraded
Federal Kemper Life Assur Co	A2	A3	5/30/2003	
Kemper Investors Life Ins Co	A2	A3	5/30/2003	
Guardian Insurance & Annuity Co Inc	Aa1	Aa2	6/26/2003	Reduced capitalization levels and some uncertainty about the level of future operating earnings, which could result in slow capital growth.
Guardian Life Ins Co of America	Aa1	Aa2	6/26/2003	
Bankers Life & Casualty Company	B2	B3	7/1/2003	Deterioration of capital levels at a number of Conseco insurance company subsidiaries.
Colonial Penn Life Insurance Company	B2	B3	7/1/2003	
Conseco Annuity Assurance Co	B2	B3	7/1/2003	
Conseco Health Insurance Co	B2	B3	7/1/2003	

Appendix I (cont.)

Insurance Financial Strength Rating Actions in 2003

Downgrades

Company	Old Rating	New Rating	Date	Rationale for Rating Action
Conseco Life Insurance Co	B2	B3	7/1/2003	
Conseco Senior Health Insurance Co	B2	B3	7/1/2003	
Washington National Insurance Co	B2	B3	7/1/2003	
First Great West Life & Annuity Ins	Aa2	Aa3	7/10/2003	Increased debt & goodwill related to Canada Life acquisition, reducing financial flexibility
Great-West Life & Annuity Ins Co	Aa2	Aa3	7/10/2003	
Life Insurance Company of North America	A2	A3	7/15/2003	Less favorable outlook for consolidated full-year earnings including charges related to the cost of its run-off reinsurance operations, as well as challenges in improving the operating performance of the company's healthcare operation.
Connecticut General	A1	A2	7/15/2003	
State Farm Life & Accident Asr Co	Aaa	Aa1	7/24/2003	Parent P&C company downgraded due to underwriting and portfolio investment losses.
State Farm Life Insurance Co	Aaa	Aa1	7/24/2003	
Allianz Life Ins. Co. of North America	A1	A2	7/25/2003	Parent company downgraded.
Fortis Benefits	A1	A2	9/25/2003	Annoucement of IPO, and the ratings were adjusted to reflect stand-alone intrinsic ratings.
John Alden	A2	A3	9/25/2003	
Safeco Life	A1	A2	9/30/2003	Annoucement of sale of company, and the ratings were adjusted to reflect stand-alone intrinsic ratings.
Continental Assurance Company	A2	Baa1	11/12/2003	Parent company downgraded
Valley Forge Life Insurance Company	A2	Baa1	11/12/2003	
GE Life & Annuity Assurance Co	Aa2	Aa3	11/18/2003	Annoucement of IPO, and the ratings were adjusted to reflect stand-alone intrinsic ratings.
American Mayflower Life Ins Co NY	Aa2	Aa3	11/18/2003	
Federal Home Life Insurance Co	Aa2	Aa3	11/18/2003	
First Colony Life Insurance Co	Aa2	Aa3	11/18/2003	
Ge Capital Life Assurance Co of NY	Aa2	Aa3	11/18/2003	
General Electric Capital Asr Co	Aa2	Aa3	11/18/2003	
Connecticut General	A2	A3	11/18/2003	The announced sale of the company's retirement business removes a stable source of earnings, leaving the company with somewhat more volatile and less creditworthy profile.
Horace Mann Life Insurance Company	A2	A3	12/2/2003	Parent company downgraded

Withdrawals

Company	Date	Rating
Clarica Life Insurance Company	1/7/2003	Aa2
Banner Life Insurance Co	1/16/2003	A2
William Penn Life Ins Co of New York	1/16/2003	A2
Northbrook Life Insurance Company	1/16/2003	Aa2
Franklin Life Insurance Company	2/27/2003	Aa1
All American Life Insurance Company	2/27/2003	Aa1
Merrill Lynch Life Insurance Co.	3/4/2003	Aa3
ML Life Insurance Company of NY	3/4/2003	Aa3
Delta Life and Annuity Company	3/20/2003	A3
American National Insurance Company	3/21/2003	Aa3
Kansas City Life Insurance Company	3/21/2003	A3
National Life Insurance Company	3/28/2003	A3
Life Insurance Co. of the Southwest	3/28/2003	Baa1
LifeUSA Insurance Co	5/14/2003	A1
Old Line Life Ins Co of America	5/2/2003	Aa1
Security-Connecticut Life Insurance Co.	10/1/2003	Aa3

Appendix II

as of July 6, 2004

Parent Company/Affiliates	Financial Strength Ratings Long-Term	Financial Strength Ratings Short-Term	Long-term Debt Senior	Long-term Debt Subord.	Surplus Notes	Comments
Aegon N.V.			A2	A3		
Aegon Funding Corporation			A2			
Aegon Funding Corporation II			A2			
Commonwealth General Corporation			A3			
Transamerica Financial Life Insurance Company	Aa3	P-1				
Stonebridge Life Insurance Company	Aa3					
Life Investors Insurance Co. of America	Aa3					
Monumental Life Insurance Company	Aa3	P-1				
Monumental Global Funding Limited			Aa3*			*Backed senior secured rating
Monumental Global Funding II			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2001-A			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2001-B			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2001-C			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2001-D			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2001-E			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2001-F			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2001-G			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2002-A			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2002-B			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2002-C			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2002-D			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2002-E			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2002-F			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2002-G			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2002-H			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2003-A			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2003-B			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2003-C			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2003-D			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2003-E			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2003-F			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2004-A			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2004-B			Aa3*			*Backed senior secured rating
Monumental Global Funding II 2004-C			Aa3*			*Backed senior secured rating
Peoples Benefit Life Insurance Company	Aa3	P-1				
Western Reserve Life Assurance Co. of Ohio	Aa3					
Transamerica Corporation			A3	(P)Baa1		
Transamerica Life Insurance Company	Aa3	P-1				
Transamerica Life Insurance and Annuity Co.	Aa3	P-1				
Transamerica Occidental Life Insurance Co.	Aa3	P-1				
Aetna Inc.			Baa2	(P)Baa3		
Aetna Life Insurance Company	A2					
AFLAC Incorporated			A2			
American Family Life Assur. Co. of Columbus	Aa2					
Allianz AG			unrated			
Allianz Finance B.V.			Aa3			
Allianz Life Insurance Co of North America	A2					
Fireman's Fund Insurance Company	A3					
Allmerica Financial Corporation			Ba3			
Allmerica Financial Life Ins. & Annuity Co.	Ba1					
First Allmerica Financial Life Insurance Co.	Ba1	NP				
Premium Asset Trust Series 1999-1			Ba1*			*Backed senior secured rating
Premium Asset Trust Series 2002-3			Ba1*			*Backed senior secured rating
Hanover Insurance Company	Baa2					
Allstate Corporation (The)			A1	(P)A2		
Allstate Insurance Company (P&C)	Aa2					
Allstate Life Insurance Company	Aa2	P-1				
Allstate Financial Global Funding LLC			Aa2*			*Backed senior secured rating
Allstate Life Global Funding II			Aa2*			*Backed senior secured rating
Allstate Life Global Funding Trusts			Aa2*			*Backed senior secured rating
Allstate Life Funding LLC			Aa2*			*Backed senior secured rating
Allstate Life Insurance Company of NY	Aa2					
Glenbrook Life and Annuity Company	Aa2					
Lincoln Benefit Life Company	Aa2					
American Heritage Life Insurance Company	Aa3					

Appendix II

as of July 6, 2004

Parent Company/Affiliates	Financial Strength Ratings Long-Term	Short-Term	Long-term Debt Senior	Subord.	Surplus Notes	Comments
American Express Company			A1	(P)A2		
American Enterprise Life Insurance Company	Aa3					
IDS Life Insurance Company	Aa3					
IDS Life Insurance Company of New York	Aa3					
American Financial Group, Inc.			Baa3	(P)Ba1		
AAG Holding Company, Inc.			Baa3	(P)Ba1		
Great American Life Insurance Company	A3					
American International Group, Inc.			Aaa			
SunAmerica Inc.			Aaa	(P)Aa1		
SunAmerica Life Insurance Company	Aaa	P-1				
ASIF I			Aaa*			*Backed senior secured rating
ASIF II			Aaa*			*Backed senior secured rating
ASIF III (Jersey) Limited			Aaa*			*Backed senior secured rating
AIG SunAmerica Global Financing I			Aaa*			*Backed senior secured rating
AIG SunAmerica Global Financing II			Aaa*			*Backed senior secured rating
AIG SunAmerica Global Financing III			Aaa*			*Backed senior secured rating
AIG SunAmerica Global Financing IV			Aaa*			*Backed senior secured rating
AIG SunAmerica Global Financing V			Aaa*			*Backed senior secured rating
AIG SunAmerica Global Financing VI			Aaa*			*Backed senior secured rating
AIG SunAmerica Global Financing VII			Aaa*			*Backed senior secured rating
AIG SunAmerica Global Financing VIII			Aaa*			*Backed senior secured rating
AIG SunAmerica Global Financing IX			Aaa*			*Backed senior secured rating
AIG SunAmerica Global Financing X			Aaa*			*Backed senior secured rating
AIG SunAmerica Global Financing XI			Aaa*			*Backed senior secured rating
AIG SunAmerica Global Financing XII			Aaa*			*Backed senior secured rating
AIG SunAmerica Global Financing XIII			Aaa*			*Backed senior secured rating
AIG SunAmerica Global Financing XIV			Aaa*			*Backed senior secured rating
ASIF Global Financing XV			Aaa*			*Backed senior secured rating
ASIF Global Financing XVI			Aaa*			*Backed senior secured rating
ASIF Global Financing XVII			Aaa*			*Backed senior secured rating
ASIF Global Financing XVIII			Aaa*			*Backed senior secured rating
ASIF Global Financing XIX			Aaa*			*Backed senior secured rating
ASIF Global Financing XX			Aaa*			*Backed senior secured rating
ASIF Global Financing XXI			Aaa*			*Backed senior secured rating
ASIF Global Financing XXII			Aaa*			*Backed senior secured rating
ASIF Global Financing XXIII			Aaa*			*Backed senior secured rating
ASIF Global Financing XXIV			Aaa*			*Backed senior secured rating
ASIF Global Financing XXV			Aaa*			*Backed senior secured rating
ASIF Global Financing XXVI			Aaa*			*Backed senior secured rating
ASIF Global Financing XXVII			Aaa*			*Backed senior secured rating
American International Group (P&C)	Aaa					
AIG Life Insurance Company	Aaa					
American Intl. Life Assurance Co. of N.Y.	Aaa					
American Life Insurance Company	Aaa					
American Int'l. Assurance Co. (Bermuda) Ltd.	Aaa					
AIG SunAmerica Life Assurance Co	Aaa	P-1				
First SunAmerica Life Insurance Company	Aaa	P-1				
American General Corporation			Aaa			
Western National Corporation			Aaa			
American General Life Insurance Company	Aa1					
American General Life & Accident Ins. Company	Aa1					
AIG Annuity Insurance Company	Aa1					
United States Life Ins. Co. in The City of NY	Aa1					
Variable Annuity Life Insurance Company	Aa1					
Americo Life, Inc.			Ba1			
Americo Financial Life and Annuity Insurance Company	Baa1					
Ameritas Life Insurance Corporation	A1					
AmerUs Group Company			Baa3	Ba1		
AmerUs Life Insurance Company	A3					
American Investors Life Insurance Company	A3					
Indianapolis Life Insurance Company	A3					
Anthem, Inc.			Baa1	(P)Baa2		
Anthem Insurance Companies, Inc.	A1				A3	
Aon Corporation			Baa2			
Combined Insurance Company of America	Baa1	P-2				

Appendix II

as of July 6, 2004

Parent Company/Affiliates	Financial Strength Ratings: Long-Term	Financial Strength Ratings: Short-Term	Long-term Debt: Senior	Long-term Debt: Subord.	Surplus Notes	Comments
Assurant, Inc.			Baa2			
Fortis Benefits Insurance Company	A2					
John Alden Life Insurance Company	A3					
Fortis Insurance Company	A3					
American Bankers Life Assurance Company of Florida	A3					
AXA			A2	A3		
AXA Financial, Inc.			A3	(P)Baa1		
Equitable Life Assurance Society of the U.S.	Aa3				A2	
Bank One Corporation			Aa3	A1		
Federal Kemper Life Assurance Company	A2					
Premium Asset Trust Series 1999-3			A2*			*Backed senior secured rating
Premium Asset Trust Series 1999-4			A2*			*Backed senior secured rating
Premium Asset Trust Series 2000-10			A2*			*Backed senior secured rating
Premium Asset Trust Series 2000-2			A2*			*Backed senior secured rating
Premium Asset Trust Series 2000-3			A2*			*Backed senior secured rating
Premium Asset Trust Series 2000-8			A2*			*Backed senior secured rating
Zurich Life Insurance Company of America	A2					
Blue Cross/Blue Shield of Florida	A3				Baa2	
CIGNA Corporation			Baa3	(P)Ba1		
Connecticut General Life Insurance Company	A3					
Life Insurance Company of North America	A3					
Citigroup Inc.			Aa1	Aa2		
Travelers Insurance Company	Aa1	P-1				
Travelers Ins. Co. Institutional Funding Ltd.			Aa1*			*Backed senior secured rating
Travelers Life & Annuity Global Funding I			Aa1*			*Backed senior secured rating
Travelers Life & Annuity Company	Aa1					
Primerica Life Insurance Company	Aa1					
CNA Financial Corporation			Baa3	(P)Ba1		
Continental Corp.			Baa3			
Continental Casualty Group (P&C Interco.Pool)	A3					
Continental Insurance Company Group (P&C Interco. Pool)	A3					
Continental Assurance Company	Baa1					
ConnectiCare Capital, LLC			B1*			*Senior Implied Rating
Conseco, Inc.			B3			
American Life Holding Co.						
Conseco Annuity Assurance Company	Ba2					
Conseco Senior Health Insurance Company	Caa1					
Bankers Life and Casualty Company	Ba2					
Conseco Health Insurance Company	Ba2					
Colonial Penn Life Insurance Company	Ba2					
Conseco Life Insurance Company	Ba2					
Washington National Insurance Company	Ba2					
Coventry Health Care, Inc.			Ba1			
Delphi Financial Group, Inc.			Ba1	(P)Ba2		
Reliance Standard Life Insurance Company	Baa1					
Genworth Financial, Inc.			A2			
American Mayflower Life Ins. Co. of New York	Aa3					
Federal Home Life Insurance Company	Aa3					
First Colony Life Insurance Company	Aa3					
GE Capital Life Assurance Co. of New York	Aa3					
General Electric Capital Assurance Company	Aa3	P-1				
GE Life and Annuity Assurance Company	Aa3	P-1				
Premium Asset Trust Series 2001-2			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2001-3			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2001-6			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2001-8			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2002-1			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2002-4			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2002-6			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2002-11			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2003-4			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2003-8			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2003-9			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2004-2			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2004-3			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2000-7			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2000-9			Aa3*			*Backed senior secured rating

Appendix II

as of July 6, 2004

Parent Company/Affiliates	Financial Strength Ratings Long-Term	Financial Strength Ratings Short-Term	Long-term Debt Senior	Long-term Debt Subord.	Surplus Notes	Comments
Guardian Life Insurance Company of America	Aa2					
Guardian Insurance & Annuity Company, Inc.	Aa2					
Great-West Lifeco Inc.			unrated			
Great-West Life Assurance Co.	Aa3					
London Life Insurance Company	Aa3					
Canada Life Assurance Company	Aa3			A2		
Canada Life Insurance Company of America	Aa3					
Great-West Life & Annuity Insurance Company	Aa3					
First Great-West Life & Annuity Ins. Co.	Aa3					
Hartford Financial Services Group, Inc. (The)			A3	(P)Baa1		
Hartford Fire Insurance Company (P&C Interco. Pool)	Aa3					
First State Group (P&C Interco. Pool)	Baa2					
Hartford Life, Inc.			A3	(P)Baa1		
Hartford Life & Accident Insurance Company	Aa3					
Hartford Life Insurance Company	Aa3	P-1				
Premium Asset Trust Series 2001-5			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2002-7			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2003-2			Aa3/P-1*			*Backed senior secured rating
Premium Asset Trust Series 2003-5			Aa3/P-1*			*Backed senior secured rating
Hartford Life & Annuity Insurance Company	Aa3					
Health Care Service Corporation	A3		Baa1			
Heath Insurance Plan of Greater New York	Baa2					
Health Net, Inc.			Baa3			
Horace Mann Educators Corporation			Baa3			
Horace Mann Insurance Group (P&C)	A3					
Horace Mann Life Insurance Company	A3					
Highmark Inc.	Baa2		Baa3			
Humana, Inc.			Baa3			
ING Verzekeringen N.V.			Aa3	A1		
ING America Insurance Holdings			Aa3			
ING Insurance Company of America	Aa3					
ING Life Insurance & Annuity Company	Aa3					
Equitable of Iowa Companies			A1			
Life Insurance Company of Georgia	A3					
Security Life of Denver Insurance Company	Aa3					
ING Security Life Institutional Funding			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2001-12			Aa3*			*Backed senior secured rating
Southland Life Insurance Company	Aa3					
ING USA Annuity & Life Insurance Company	Aa3					
ReliaStar Life Insurance Company	Aa3					
ReliaStar Life Insurance Company of New York	Aa3					
Lion Connecticut Holding, Inc.			Aa3			
Jefferson-Pilot Corporation						
Jefferson-Pilot Cap. Trust. A			A3*			*Trust preferred rating
Jefferson-Pilot Cap. Trust B			A3*			*Trust preferred rating
Jefferson-Pilot Life Insurance Company	Aa2					
Jefferon-Pilot Financial Insurance Company	Aa2					
Lincoln National Corporation			A3	(P)Baa1		
Lincoln National Life Insurance Company	Aa3					
First Penn-Pacific Life Insurance Company	A1					
Lincoln Life & Annuity Company of New York	A1					
Manufacturers Life Insurance Company (The)	Aa2			A1		
Manufacturers Life Insurance Company (U.S.A.)	Aa2					
John Hancock Financial Services, Inc.			A3	(P)Baa1		
John Hancock Life Insurance Company	Aa3		A1		A2	
STructured Asset Repackaged Trust Series 2002-2			Aa3*			*Backed senior secured rating
John Hancock Global Funding II			Aa3*			*Backed senior secured rating
John Hancock Variable Life Insurance Company	Aa3					
Investors Partner Life Insurance Company	Aa3					
John Hancock Canadian Corporation			A3			
Maritime Life Assurance Company (The)	Aa3					
Massachusetts Mutual Life Insurance Company	Aa1				Aa3	
MassMutual Global Funding, LLC			Aa1*			*Backed senior secured rating
MassMutual Global Funding II			Aa1*			*Backed senior secured rating
C.M. Life Insurance Company	Aa1					
MML Bay State Life Insurance Company	Aa1					

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Parent Company/Affiliates	Financial Strength Ratings Long-Term	Short-Term	Long-term Debt Senior	Subord.	Surplus Notes	Comments
MetLife, Inc.			A2	(P)A3		
Metropolitan Life Insurance Company	Aa2	P-1			A1	
Metropolitan Life Global Funding I			Aa2*			*Backed senior secured rating
STructured Asset Repackaged Trust Series 2001-3			Aa2*			*Backed senior secured rating
STructured Asset Repackaged Trust Series 2001-4			Aa2*			*Backed senior secured rating
Metropolitan Insurance & Annuity Company	Aa3					
New England Life Insurance Company	Aa2					
MetLife Investors USA Insurance Company	Aa3					
Metropolitan P&C Insurance Company (P&C)	Aa3					
General American Life Insurance Company	Aa2				A1	
MetLife Investors Insurance Company	Aa2					
Minnesota Life Insurance Company	Aa2				A1	
MONY Group Inc. (The)			Baa2	(P)Baa3		
MONY Holdings, LLC			Aaa			Wrapped by Financial Guarantor
MONY Life Insurance Company	A2				Baa1	
MONY Life Insurance Company of America	A2					
Mutual of Omaha Insurance Company	Aa3					
United of Omaha Life Insurance Company	Aa3	P-1				
STructured Asset Repackaged Trust Series 2003-1			A1*			*Backed senior secured rating
STructured Asset Repackaged Trust Series 2003-8			A1/P-1*			*Backed senior secured rating
Nationwide Financial Svcs. Inc.			A3	(P)Baa1		
Nationwide Life Insurance Company	Aa3					
Nationwide Financial Funding LLC			Aa3*			*Backed senior secured rating
Nationwide Global Funding I			Aa3*			*Backed senior secured rating
Nationwide Life & Annuity Insurance Company	Aa3					
Nationwide Life Insurance Company of America	Aa3					
Nationwide Life and Ann. Company of America	Aa3					
New York Life Insurance Company	Aa1	P-1			Aa3	
New York Life Funding			Aa1*			*Backed senior secured rating
New York Life Global Funding			Aa1*			*Backed senior secured rating
New York Life Insurance & Annuity Corporation	Aa1					
NLV Financial Corporation			Baa3			
National Life Insurance Company	A3					
Northwestern Mutual Life Insurance Company	Aaa					
Frank Russell Company			Aa1			
Northwestern Long Term Care Insurance Co.	Aaa					
Ohio National Financial Services, Inc			Baa1			
Ohio National Life Insurance Company	A1				A3	
Ohio National Life Assurance Corporation	A1					
Old Mutual Plc			A3			
Fidelity and Guaranty Life Insurance Co.	A3					
Old Mutual Life Assur. Co. (South Africa) Ltd	A1					Local Currency IFSR
OneAmerica Financial Partners, Inc.			Baa2			
American United Life Insurance Company	A2				Baa1	
Oxford Health Plans, Inc.			Baa3*			*Senior implied rating
PacifiCare Health Systems, Inc.			Ba3*			*Senior implied rating
Pacific LifeCorp			A3			
Pacific Life Insurance Company	Aa3	P-1			A2	
Pacific Life Funding, LLC			Aa3*			*Backed senior secured rating
Pacific Life Global Funding			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2003-3			Aa3/P-1*			*Backed senior secured rating
Pacific Life & Annuity Company	Aa3					
Pan-American Life Insurance Company	A3					
Penn Mutual Life Insurance Company	Aa3				A2	
Penn Insurance and Annuity Company	Aa3					
Phoenix Companies, Inc. (The)			Baa3			
Phoenix Life Insurance Company	A3				Baa2	

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as of July 6, 2004

Parent Company/Affiliates	Financial Strength Ratings Long-Term	Financial Strength Ratings Short-Term	Long-term Debt Senior	Long-term Debt Subord.	Surplus Notes	Comments
Presidential Life Corporation			B2			
Presidential Life Insurance Company	Ba2					
Principal Financial Group, Inc.			(P) Baa1			
Principal Financial Services, Inc.			A3			
Principal Fnl Grp (Aus) Pty Ltd			A3			
Principal Life Insurance Company	Aa3				A2	
Principal Financial Global Funding, LLC			Aa3*			*Backed senior secured rating
Principal Life Global Funding I			Aa3*			*Backed senior secured rating
Principal Life Income Fundings Trusts			Aa3*			*Backed senior secured rating
Protective Life Corporation			A3	(P)Baa1		
Protective Life Insurance Company	Aa3	P-1				
Protective Life U.S. Funding Trust			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2000-6			Aa3*			*Backed senior secured rating
Premium Asset Trust Series 2002-9			A1*			*Backed senior secured rating
Premium Asset Trust Series 2003-10			Aa3*			*Backed senior secured rating
Protective Life Secured Trusts			Aa3*			*Backed senior secured rating
West Coast Life Insurance Company	Aa3					
Prudential Plc			A2	A3		
Prudential Assurance Company Ltd	Aa1					
Jackson National Life Insurance Company	A1	P-1			A3	
Jackson National Life Funding, LLC			A1*			*Backed senior secured rating
Jackson National Life Global Funding			A1*			*Backed senior secured rating
Jackson National Life Insurance Co of NY	A1					
Prudential Financial, Inc.			A3	(P)Baa1		
Prudential Holdings, LLC			Aaa/A3			Wrapped/Unwrapped senior secured rating
Prudential Ins Co of America	A1		A2		A3	
PRICOA Global Funding I			A1*			*Backed senior secured rating
Prudential Funding, LLC			A2			
Pruco Life Insurance Company	A1					
Gibraltar Life Insurance Co., Ltd. (The)	A2					
Reinsurance Group of America, Inc.			Baa1	(P)Baa2		
RGA Reinsurance Company	A1					
Royal Bank of Canada			Aa2	Aa3		
Business Men's Assurance Co. of America	A1					
Safeco Corporation			Baa1	Baa2		
Safeco Insurance Companies (P&C Intercompany Pool)	A1					
American States Group (P&C Intercompany Pool)	A1					
Safeco Life Insurance Company	A2	P-1				
Sammons Enterprises, Inc.			unrated			
Midland National Life Insurance Company	A2					
North American Co. for Life and Health Ins.	A2					
North American Co for Life & Hlth Ins of NY	A3					
Scottish Re Group Ltd.			Baa2	(P)Baa3		
Scottish Annuity & Life Ins Co (Cayman) Ltd	A3					
Scottish Re (U.S.), Inc.	A3					
Premium Asset Trust Series 2004-4	A3*					*Backed senior secured rating
Security Benefit Life Insurance Company	A2	P-1			Baa1	
StanCorp Financial Group, Inc.			Baa1	(P)Baa2		
Standard Insurance Company	A1					
State Farm Mutual Automobile Insurance Company	Aa1					
State Farm Life Insurance Company	Aa1					
State Farm Life and Accident Assurance Co.	Aa1					
Sun Life Assurance Company of Canada	Aa2			A1		
Sun Life of Canada Funding, LLC			Aa2*			*Backed senior secured rating
Sun Life Assurance Company of Canada (U.S.)	Aa2					
Swiss Reinsurance Company	Aa2		Aa2	A1		
Swiss Re Life and Health America, Inc.	Aa2					
Valley Forge Life Insurance Company	Aa3					
Teachers Ins. and Annuity Assoc. of America	Aaa					
TIAA-CREF Life Insurance Company	Aaa					
TIAA Global Markets, Inc.			Aaa			
Thrivent Financial for Lutherans	Aa1					
Torchmark Corporation			A3			
Liberty National Life Insurance Company	A1					
United Investors Life Insurance Company	A3					

Appendix II

as of July 6, 2004

Parent Company/Affiliates	Financial Strength Ratings Long-Term	Short-Term	Long-term Debt Senior	Subord.	Surplus Notes	Comments
UnitedHealth Group Incorporated			A3			
United Healthcare Insurance Company	Aa3					
United Services Automobile Association (P&C)	Aaa					
USAA Life Insurance Company	Aa1					
USAA Life Insurance Company of New York	Aa1					
Unitrin, Inc			A3	(P)Baa1		
United Insurance Company of America	Aa3					
Trinity Universal Insurance Company (P&C)	A2					
UNUMProvident Corporation			Ba1	(P)Ba2		
UNUM Corporation			Ba1	Ba2		
UNUM Life Insurance Company of America	Baa1					
First UNUM Life Insurance Company	Baa1					
Colonial Life & Accident Insurance Company	Baa1					
Provident Companies, Inc.			Ba1			
Provident Life and Accident Insurance Co.	Baa1					
Paul Revere Life Insurance Company	Baa1					
Paul Revere Variable Annuity Insurance Co.	Baa1					
WellCare Health Plans, Inc			B2*			*Senior secured rating
Well Care HMO, Inc.	Ba3					
Wellpoint Health Networks Inc.			Baa1			
Western and Southern Life Financial Group, Inc.			A2			
Western and Southern Life Insurance Company	Aa2					
Western-Southern Life Assurance Company	Aa2					
Columbus Life Insurance Company	Aa2					
Integrity Life Insurance Company	Aa2					
National Integrity Life Insurance Co.	Aa2					
XL Capital Ltd.			A2			
XL Insurance (Bermuda) Ltd.	Aa2					
XL Life Insurance and Annuity Company	Aa3					
Premium Asset Trust Series 2003-7			Aa2*			*Backed senior secured rating
Premium Asset Trust Series 2004-1			Aa2*			*Backed senior secured rating
Zurich Insurance Company	A2		Baa1	Baa2		
Kemper Corporation			A3			
Kemper Investors Life Insurance Company	A3					
Farmers Group Capital						
Farmers Insurance Exchange	A3				Baa3	
Farmers New World Life Insurance Company	A2					

Appendix III

As of July 6, 2004

#	Company	Current Rating Outlook	Current Rating	2003 Rating	2002 Rating	2001 Rating	2000 Ratng	1999 Rating	1998 Rating	1997 Rating	1996 Rating	1995 Rating	1994 Rating	1993 Rating	1992 Rating
				-------------- Insurance Financial Strength Ratings as of December 31, --------------											
1	Aetna Life Insurance Co	Positive	A2	A2	A3	A2	A2	A1	A1	A1	Aa3	Aa3	Aa3	Aa3	Aa3
2	AIG Annuity Ins Co	Stable	Aa1	Aa1	Aa1	Aa1	Aa3	Aa3	Aa3	A2	A2	A2	Baa2	Baa2	Baa2
3	AIG Life Insurance Company	Stable	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	--
4	AIG SunAmerica Life Assurance Co	Stable	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	A2	A2	A2	A2	A2	A2	A3
5	Allianz Life Ins Co of North America	Stable	A2	A2	A1	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	--	--	--
6	Allmerica Financial Life Ins. & Annuity	Stable	Ba1	Ba1	Ba3	A1	A1	A1	A1	A1	A1	A1	Aa3	Aa3	--
7	Allstate Life Ins Co of New York	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa3	Aa3	Aa3	--	--
8	Allstate Life Insurance Co	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa3	Aa3	Aa3	Aa3	Aa3
9	American Banker's Life Assurance of Florida	Stable	A3	A3	--	--	--	--	--	--	--	--	--	--	--
10	American Enterprise Life Ins Co	Negative	Aa3	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2	--	--	--	--
11	American Family Life Asr Co Columbus	Stable	Aa2	Aa2	Aa2	Aa3	Aa3	Aa3	Aa3	--	--	--	--	--	--
12	American General Life & Acc Ins Co	Stable	Aa1	Aa1	Aa1	Aa1	Aa3	Aa3	Aa3	--	--	--	--	--	--
13	American General Life Ins Co	Stable	Aa1	Aa1	Aa1	Aa1	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	--	--
14	American Heritage Life Insurance Co	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	A2	--	--	--	--	--	--
15	American Internatl Life Asr Co NY	Stable	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	--
16	American Investors Life Ins Co	Stable	A3	A3	A3	A3	Baa1	Baa1	Baa1	Baa3	Baa3	--	--	--	--
17	American Life Insurance Company	Stable	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	--	--	--	--	--	--
18	American Mayflower Life Ins Co NY	Stable	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa3	Aa3	Aa3	--	--
19	American United Life Ins Co	Stable	A2	A2	A2	A1	A1	A1	A1	A1	A1	A1	A1	A1	--
20	Americo Financial Life & Annuity Ins. Co.	Stable	Baa1	Baa1	--	--	--	--	--	--	--	--	--	--	--
21	Ameritas Life Insurance Corp	Stable	A1	A1	A1	A1	A1	A1	A1	--	--	--	--	--	--
22	Amerus Life Insurance Company	Stable	A3	A3	A3	A3	Baa1	Baa1	A3	A2	A2	A2	A3	--	--
23	Anthem Insurance Companies	Stable	A1	A1	A2	A2	A3	A3	A3	A3	A3	A3	A1	A1	Aa3
24	Bankers Life & Casualty Company	RUR-Upgrade	Ba2	Ba3	B2	Baa3	Baa3	Baa1	Baa2	Baa2	Baa2	Baa3	--	--	--
25	Blue Cross Blue Shield Florida	Stable	A3	A3	A3	A3	--	--	--	--	--	--	--	--	--
26	Business Mens Assurance Co of Amer	Stable	A1	A1	A1	A1	A1	A1	A1	A1	A1	--	--	--	--
27	Canada Life Ins Co of America	Negative	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	--	--
28	CM Life Ins Co	Stable	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	--	--	--	--	--
29	Colonial Life & Accident Ins Co	Negative	Baa1	A3	A3	A2	A2	A1	Aa3	Aa3	Aa3	Aa3	Aa2	Aa2	--
30	Colonial Penn Life Insurance Co	RUR-Upgrade	Ba2	Ba3	B2	Ba1	Ba1	Baa1	Baa2	--	--	--	--	--	--
31	Columbus Life Ins Co	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	--	--	--	--
32	Combined Ins Co of America	Stable	Baa1	Baa1	Baa1	A1	A1	A1	A1	--	--	--	--	--	--
33	Connecticut General Life Ins Co	Stable	A3	A3	A1	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	A1	A1	Aa3	Aa3
34	Conseco Annuity Assurance Co	RUR-Upgrade	Ba2	Ba3	B2	Ba1	Ba1	Baa1	Baa2	Baa2	Baa2	Ba1	--	--	--
35	Conseco Health Ins Co	RUR-Upgrade	Ba2	Ba3	B2	Ba1	Ba1	Baa1	Baa2	--	--	--	--	--	--
36	Conseco Life Insurance Co	RUR-Upgrade	Ba2	Ba3	B2	Ba1	Ba1	Baa1	Baa2	--	--	--	--	--	--

Appendix III

As of July 6, 2004

				-------------- Insurance Financial Strength Ratings as of December 31, --------------												
		Current Rating Outlook	Current Rating	2003 Rating	2002 Rating	2001 Rating	2000 Ratng	1999 Rating	1998 Rating	1997 Rating	1996 Rating	1995 Rating	1994 Rating	1993 Rating	1992 Rating
37	Conseco Senior Health Ins Co	Developing	Caa1	Ba3	B2	Ba1	Ba1	Baa1	Baa2	--	--	--	--	--	--
38	Continental Assurance Co	Stable	Baa1	Baa1	A2	A2	A2	A1	A1	A1	A1	A1	Aa3	Aa3	Aa1
39	Equitable Life Asr Soc of the US	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	A1	A2	A3	A3
40	Farmers New World Life Ins Co	Stable	A2	A2	A2	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	--	--
41	Federal Home Life Ins Co	Stable	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	--	--	--	--	--
42	Federal Kemper Life Assur Co	Stable	A2	A2	A2	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Baa1	Baa1	Baa1	Baa1
43	Fidelity & Guaranty Life Ins Co	Negative	A3	A2	A2	A2	A3	A3	A3	Baa1	Baa1	Baa1	Baa3	Baa3	Baa3
44	First Allmerica Fin Life Ins Co	Stable	Ba1	Ba1	Ba2	A1	A1	A1	A1	A1	A1	A1	Aa3	Aa3	Aa3
45	First Colony Life Ins Co	Stable	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa3	Aa3	Aa3	Aa3	--
46	First Great West Life & Annuity Ins	Negative	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	--	--	--	--	--
47	First Penn-Pacific Life Ins Co	Stable	A1	A1	A1	A1	A1	A1	A1	A1	--	--	--	--	--
48	First SunAmerica Life Ins Co	Stable	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	A2	A2	--	--	--	--	--
49	First UNUM Life Ins Co	Negative	Baa1	A3	A3	A2	A2	A1	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2
50	Fortis Benefits Insurance Company	Stable	A2	A2	Aa3	Aa3	Aa3	A1	A1	A1	--	--	--	--	--
51	Fortis Insurance Company	Stable	A3	A3	--	--	--	--	--	--	--	--	--	--	--
52	Ge Capital Life Assurance Co of NY	Stable	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	--	--	--	--	--
53	GE Life & Annuity Assurance Co	Stable	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa3	A1	A1	A1	A1
54	General American Life Insurance Co	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	B1	A1	A1	A1	A1	A1	A1	A1
55	General Electric Capital Asr Co	Stable	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa3	Aa3	Aa3	Ba1	Ba1
56	Glenbrook Life & Annuity Co	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa3	Aa3	--	--	--
57	Great American Life Ins Company	Stable	A3	A3	A3	A3	A3	A3	Baa1	Baa1	Baa1	Baa3	Baa3	--	--
58	Great-West Life & Annuity Ins Co	Negative	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa1
59	Guardian Insurance & Annuity Co Inc	Stable	Aa2	Aa2	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aaa	Aaa	Aaa	Aaa
60	Guardian Life Ins Co of America	Stable	Aa2	Aa2	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aaa	Aaa	Aaa	Aaa
61	Hartford Life & Accident Ins Co	Negative	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	--	--	--	--	--
62	Hartford Life & Annuity Ins Co	Negative	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	--	--	--	--	--
63	Hartford Life Insurance Co	Negative	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2
64	Health Care Service Corp	Stable	A3	A3	A3	A3	--	--	--	--	--	--	--	--	--
65	Heath Insurance Plan of Greater New York	RUR-Downgrade	Baa2	--	--	--	--	--	--	--	--	--	--	--	--
66	Highmark Inc.	Stable	Baa2	Baa2	--	--	--	--	--	--	--	--	--	--	--
67	Horace Mann Life Ins Co	Stable	A3	A3	A2	A2	A2	A3	A3	A3	A3	A3	--	--	--
68	IDS Life Ins Co of New York	Negative	Aa3	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2
69	IDS Life Insurance Company	Negative	Aa3	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2
70	Indianapolis Life Ins Co	Stable	A3	A3	A3	A3	Baa1	A2	A2	A2	--	--	--	--	--
71	ING USA Annuity and Life Insurance Company	Stable	Aa3	--	--	--	--	--	--	--	--	--	--	--	--
72	ING Ins Co of America	Stable	Aa3	Aa3	Aa2	Aa2	Aa2	Aa3	Aa3	Aa3	Aa2	Aa2	--	--	--
73	ING Life Ins & Annuity Co	Stable	Aa3	Aa3	Aa2	Aa2	Aa2	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2

Appendix III

As of July 6, 2004

		Current Rating Outlook	Current Rating	--------------- Insurance Financial Strength Ratings as of December 31, --------------- 2003 Rating	2002 Rating	2001 Rating	2000 Ratng	1999 Rating	1998 Rating	1997 Rating	1996 Rating	1995 Rating	1994 Rating	1993 Rating	1992 Rating
74	Integrity Life Insurance Co	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	B3	Baa1	Baa1	Baa1	Baa1	--	--	--
75	Investors Partner Life Insurance Co	Stable	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2	--	--	--	--	--	--	--
76	Jackson National Life Ins Co	Stable	A1	A1	A1	Aa3	Aa3	Aa3	Aa3	Aa3	A1	A1	A1	A1	A1
77	Jackson National Life Ins Co of NY	Stable	A1	A1	A1	Aa3	Aa3	Aa3	--	--	--	--	--	--	--
78	Jefferson Pilot Financial Ins Co	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	--	--	--	--	--	--
79	Jefferson-Pilot Life Ins Co	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	--	--	--
80	John Alden Life Ins Co	Stable	A3	A3	A2	A2	A2	A2	A2	Baa2	A3	A3	--	--	--
81	John Hancock Life Ins Co	Stable	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2
82	John Hancock Variable Life Ins Co	Stable	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	--
83	Kemper Investors Life Ins Co	Stable	A3	A3	A2	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Baa1	Baa1	Baa1	Baa1
84	Liberty National Life Ins Co	Stable	A1	A1	A1	A2	A2	A2	A2	--	--	--	--	--	--
85	Life Ins Co of Georgia	Stable	A3	A2	A2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	--	--
86	Life Ins Co of North America	Stable	A3	A3	A2	A1	A1	A1	A1	--	--	--	--	--	--
87	Life Investors Ins Co of America	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	--
88	Lincoln Benefit Life Company	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa3	Aa3	--	--	--
89	Lincoln Life & Annuity Co of NY	Stable	A1	A1	A1	A1	A1	A1	A1	A1	A1	--	--	--	--
90	Lincoln National Life Ins Co	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	A1	A1
91	Manufacturers Life Ins Co USA	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa3	Aa3	Aa3	Aa3	--	--
92	Massachusetts Mutual Life Ins Co	Stable	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1
93	MetLife Investors Insurance Co	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	B1	A1	A1	A1	A1	Baa1	A2	A2
94	MetLife Investors USA Insurance Co	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	A2	A2	--	--	--	--
95	Metropolitan Ins & Annuity Co	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	--	--	--	--	--
96	Metropolitan Life Ins Co	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa1	Aa1	Aa1	Aa1
97	Midland National Life Ins Co	Stable	A2	A2	A2	A2	A2	A2	A2	A2	--	--	--	--	--
98	Minnesota Life Ins Co	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa1	Aa1	Aa1
99	MML Bay State Life Insurance Co	Stable	Aa1	Aa1	Aa1	Aa1	--	--	--	--	--	--	--	--	--
100	Monumental Life Ins Co	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	--
101	MONY Life Ins Co of America	RUR-Upgrade	A2	A2	A2	A2	A2	A2	A3	A3	A3	--	--	--	--
102	MONY Life Insurance Co	RUR-Upgrade	A2	A2	A2	A2	A2	A2	A3	A3	A3	Baa1	Baa1	Baa1	Baa1
103	Mutual of Omaha Ins Co	Negative	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2
104	National Integrity Life Ins Co	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	B3	Baa1	Baa1	Baa1	Baa1	--	--	--
105	National Life Insurance Company	Stable	A3	A3	A3	A3	A3	A3	A3	A2	A2	A1	A1	--	--
106	Nationwide Life and Ann Co of America	Stable	Aa3	Aa3	Aa3	A2	A2	A2	A2	A2	--	--	--	--	--
107	Nationwide Life and Annuity Ins Co	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2	--	--	--	--	--
108	Nationwide Life Ins Co of America	Stable	Aa3	Aa3	Aa3	A2	A2	A2	A2	A2	A1	A1	A1	A1	A1
109	Nationwide Life Insurance Co	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa1	Aa1	Aa1	Aa1
110	New England Life Insurance Company	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	--	--	--	--

Appendix III

	As of July 6, 2004	Current Rating Outlook	Current Rating	2003 Rating	2002 Rating	2001 Rating	2000 Ratng	1999 Rating	1998 Rating	1997 Rating	1996 Rating	1995 Rating	1994 Rating	1993 Rating	1992 Rating
				-------------- Insurance Financial Strength Ratings as of December 31, --------------											
111	New York Life Ins & Annuity Corp	Stable	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aaa	Aaa	Aaa	Aaa
112	New York Life Ins Co	Stable	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aaa	Aaa	Aaa	Aaa
113	North American Co Life & Hlth Ins	Stable	A2	A2	A2	A2	A2	A2	A3	A3	--	--	--	--	--
114	North American Co Life & Hlth Ins of NY	Stable	A3	A3	A3	A3	A3	--	--	--	--	--	--	--	--
115	Northwestern Long Term Care Ins Co	Stable	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	--	--	--	--	--	--
116	Northwestern Mutual Life Ins Co	Stable	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
117	Ohio National Life Assurance Corp	Negative	A1	A1	A1	A1	A1	A1	A1	A1	A1	--	--	--	--
118	Ohio National Life Ins Co	Negative	A1	A1	A1	A1	A1	A1	A1	A1	A1	A1	A1	A1	A1
119	Pacific Life & Annuity Company	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	--	--	--	--	--	--	--
120	Pacific Life Insurance Co	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	A1	A1
121	Pan-American Life Ins Co	Stable	A3	A3	A3	A3	Baa1	Baa1	Baa1	A3	A3	A3	A1	A1	A1
122	Paul Revere Life Ins Co	Negative	Baa1	A3	A3	A2	A2	A1	A1	A1	A2	A2	--	--	--
123	Paul Revere Variable Annuity Ins Co	Negative	Baa1	A3	A3	A2	A2	A1	A1	A1	A2	A2	--	--	--
124	Penn Insurance & Annuity Co	Stable	Aa3	A1	A1	A2	A2	A3	A3	A3	A1	A1	A1	--	--
125	Penn Mutual Life Ins Co	Stable	Aa3	A1	A1	A2	A2	A3	A3	A3	A1	A1	A1	A1	A1
126	Peoples Benefit Life Insurance Co	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	A1	A1	A2	A2	--
127	Phoenix Life Ins Co	Stable	A3	A3	A3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	A1	A1
128	Presidential Life Insurance Co	Stable	Ba2	Ba1	Ba1	Baa1	Baa1	Baa2	Baa2	Baa2	Baa3	Baa3	Baa3	Baa3	Ba1
129	Primerica Life Insurance Co	Stable	Aa1	Aa1	Aa1	Aa1	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	--	--	--
130	Principal Life Insurance Co	RUR-Upgrade	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1
131	Protective Life Ins Co	Stable	Aa3	Aa3	Aa3	A1	A1	A1	A1	A1	A1	A1	A1	--	--
132	Provident Life & Accident Ins Co	Negative	Baa1	A3	A3	A2	A2	A1	A1	A1	A1	A1	Aa3	Aa3	Aa2
133	Pruco Life Insurance Co	RUR-Upgrade	A1	A1	A1	A1	A1	A1	A1	A1	Aa3	Aa3	--	--	--
134	Prudential Insurance Co of America	RUR-Upgrade	A1	A1	A1	A1	A1	A1	A1	A1	Aa3	Aa3	Aa2	Aa2	Aa2
135	Reliance Standard Life Ins Co	RUR-Upgrade	Baa1	Baa1	Baa1	Baa2	Baa2	Baa2	Baa2	Baa2	--	--	--	--	--
136	Reliastar Life Ins Co of NY	Stable	Aa3	Aa3	Aa2	Aa2	Aa2	A1	A1	A1	A1	--	--	--	--
137	Reliastar Life Insurance Company	Stable	Aa3	Aa3	Aa2	Aa2	Aa2	A1	A1	A1	A1	A2	A2	A2	A3
138	Rga Reinsurance Company	Stable	A1	A1	A1	A1	A1	Ba3	A1	A1	A1	--	--	--	--
139	Safeco Life Insurance Company	Stable	A2	A2	A1	A1	A1	A1	A1	A1	Aa2	Aa2	Aa2	Aa2	Aa2
140	Scottish Re (US) Inc	Stable	A3	A3	A3	--	--	--	--	--	--	--	--	--	--
141	Security Benefit Life Ins Co	Stable	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2	--	--
142	Security Life of Denver Ins Co	Stable	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	--	--
143	Southland Life Insurance Co	Stable	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	--	--
144	Standard Insurance Co	Stable	A1	A1	A1	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2
145	State Farm Life & Accident Asr Co	Stable	Aa1	Aa1	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	--	--
146	State Farm Life Insurance Co	Stable	Aa1	Aa1	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
147	Stonebridge Life Insurance Company	Stable	Aa3	Aa3	Aa3	Aa3	--	--	--	--	--	--	--	--	--

Appendix III

As of July 6, 2004

		Current Rating Outlook	Current Rating	2003 Rating	2002 Rating	2001 Rating	2000 Ratng	1999 Rating	1998 Rating	1997 Rating	1996 Rating	1995 Rating	1994 Rating	1993 Rating	1992 Rating
				--------------- Insurance Financial Strength Ratings as of December 31, ---------------											
148	Sun Life Assurance Co of Canada (US)	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa1	Aa1	Aa1	Aa1	--	--
149	SunAmerica Life Ins Co	Stable	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	A2	A2	A2	A2	A2	A2	A3
150	Swiss Re Life & Health America, Inc.	Stable	Aa2	--	--	--	--	--	--	--	--	--	--	--	--
151	Teachers Ins & Ann Assoc of Amer	Stable	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
152	Thrivent Financial for Lutherans	Stable	Aa1	Aa1	Aa1	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	--	--	--
153	TIAA-CREF Life Insurance Co	Stable	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	--	--	--	--	--	--
154	Transamerica Life Ins & Annuity Co	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3
155	Transamerica Financial Life Ins Co	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3		
156	Transamerica Life Ins Co	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	--
157	Transamerica Occidental Lic	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3
158	Travelers Insurance Company	Stable	Aa1	Aa1	Aa1	Aa1	Aa3	Aa3	Aa3	Aa3	A1	A1	A2	A2	Baa1
159	Travelers Life & Annuity Co	Stable	Aa1	Aa1	Aa1	Aa1	Aa3	Aa3	Aa3	--	--	--	--	--	--
160	United HealthCare Insurance Co.	Positve	Aa3	--	--	--	--	--	--	--	--	--	--	--	--
161	United Insurance Co of America	RUR-Downgrade	Aa3	Aa3	Aa3	--	--	--	--	--	--	--	--	--	--
162	United Investors Life Ins Co	Stable	A3	A3	A3	A3	A3	A3	A3	--	--	--	--	--	--
163	United of Omaha Life Ins Co	Negative	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2
164	United States Life Ins Co in NYC	Stable	Aa1	Aa1	Aa1	Aa1	Aa3	Aa3	Aa3	Aa3	A1	--	--	--	--
165	UNUM Life Ins Co of America	Negative	Baa1	A3	A3	A2	A2	A1	Aa2	Aa2	Aa2	Aa2	Aa1	Aa1	Aa1
166	USAA Life Ins Co of New York	Stable	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	--	--	--	--	--
167	USAA Life Insurance Company	Stable	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1
168	Valley Forge Life Insurance Co	Positive	Aa3	Baa1	A2	A2	A2	A1	--	--	--	--	--	--	--
169	Variable Annuity Life Ins Co	Stable	Aa1	Aa1	Aa1	Aa1	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2
170	Washington National Ins Co	RUR-Upgrade	Ba2	Ba3	B2	Ba1	Ba1	Baa1	Baa2	--	--	--	--	--	--
171	Wellcare HMO, Inc.	Stable	Ba3	--	--	--	--	--	--	--	--	--	--	--	--
172	West Coast Life Ins Co	Stable	Aa3	Aa3	Aa3	A1	A1	A1	A1	A3	A2	A1	A1	A1	A1
173	Western & Southern Life Ins Co	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	--	--	--	--
174	Western Reserve Life Asr Co of Ohio	Stable	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	--
175	Western-Southern Life Assurance Co	Stable	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	--	--	--	--
176	XL Life Insurance and Annuity	Stable	Aa3	--	--	--	--	--	--	--	--	--	--	--	--
177	Zurich Life Ins Co of America	Stable	A2	A2	A2	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3

** Moody's rating outlooks are opinions regarding the likely direction of an issuer's long-term ratings over a 12-18 month time period.*

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