

# A.M. Best Downgrades Ratings of The Phoenix Companies, Inc. and Its Subsidiaries

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OLDWICK, N.J.--(BUSINESS WIRE)-- A.M. Best Co. has downgraded the financial strength rating (FSR) to B+ (Good) from B++ (Good) and issuer credit ratings (ICR) to "bbb-" from "bbb+" of the core life insurance entities of The Phoenix Companies, Inc. (Phoenix) [NYSE: PNX], which includes Phoenix Life Insurance Company (Phoenix Life) (East Greenbush, NY) and PHL Variable Insurance Company. In addition, A.M. Best has downgraded the ICR to "bb-" from "bb+" of Phoenix, as well as the debt ratings on all outstanding securities of Phoenix and Phoenix Life, the group's lead operating company.

Concurrently, A.M. Best has downgraded the FSRs to B+ (Good) from B++ (Good) and the ICRs to "bbb-" from "bbb" of Phoenix Life and Annuity Company and American Phoenix Life and Reassurance Company. The outlook for all ratings is negative. All companies are domiciled in Hartford, CT, except where specified. (See below for a detailed list of the companies and ratings.)

These rating actions reflect the uncertainty surrounding Phoenix's ability to successfully execute its new business strategy and its diminished financial flexibility. Additionally, the ratings recognize the group's negative operating trends, including GAAP and statutory net losses, declines in absolute and risk-adjusted capital as well as elevated levels of surrenders. A.M. Best notes that Phoenix continues to explore a number of strategic initiatives to strengthen capital, such as reinsurance arrangements. Nevertheless, A.M. Best believes Phoenix's overall financial flexibility is somewhat constrained as these transactions have not yet been executed. Moreover, A.M. Best notes the potential for additional credit impairments within the group's below investment grade bond portfolio.

These factors are partially offset by Phoenix's adequate liquidity at both the holding and operating companies, significant expense reductions over the last year, reasonable financial leverage and an historically steady contribution of earnings from its sizable closed block. Additionally, A.M. Best views favorably the proactive measures taken to retain existing policyholders, the recently announced agreement for its distribution company to provide life insurance consulting services with Edward Jones and general product de-risking initiatives to reduce equity market exposure and capital strain on new business. A.M. Best believes that Phoenix has

sufficient holding company liquidity to meet its fixed charge obligations and that overall investment liquidity at Phoenix Life remains sufficient to meet potential surrender levels in the near to mid term.

A.M. Best also has downgraded the FSR to B+ (Good) from B++ (Good) and the ICR to "bbb-" from "bbb+" of AGL Life Assurance Company (AGL) (Plymouth Meeting, PA). These ratings, which have been placed under review with developing implications, follow Phoenix's recent announcement that it has signed a definitive agreement with Tiptree Financial Partners LP to acquire Phoenix's private placement business. The ratings of AGL will remain under review pending A.M. Best's discussions with the acquiring management group, which will focus primarily on the strategic direction and capital management plans for AGL under the new ownership structure.

The FSRs have been downgraded to B+ (Good) from B++ (Good) and the ICRs to "bbb-" from "bbb+" for the following core life insurance entities of The Phoenix Companies, Inc.:

- Phoenix Life Insurance Company
- PHL Variable Insurance Company

The ICR has been downgraded to "bb-" from "bb+" for The Phoenix Companies, Inc.

The following debt ratings have been downgraded:

The Phoenix Companies, Inc.--

-- to "bb-" from "bb+" on \$300 million 7.45% senior unsecured notes, due 2032

Phoenix Life Insurance Company--

-- to "bb" from "bbb-" on \$175 million 7.15% surplus notes, due 2034

For Best's Credit Ratings, an overview of the rating process and rating methodologies, please visit [http://cts.businesswire.com/ct/CT?id=smartlink&url=http%3A%2F%2Fwww.ambest.com%2Fratings&esheet=6141747&lan=en\\_US&anchor=www.ambest.com%2Fratings&index=1&md5=d7f3217ee1b542ec899ae9ffd498fc68](http://cts.businesswire.com/ct/CT?id=smartlink&url=http%3A%2F%2Fwww.ambest.com%2Fratings&esheet=6141747&lan=en_US&anchor=www.ambest.com%2Fratings&index=1&md5=d7f3217ee1b542ec899ae9ffd498fc68).

The principal methodologies used in determining these ratings, including any additional methodologies and factors that may have been considered, can be found at [http://cts.businesswire.com/ct/CT?id=smartlink&url=http%3A%2F%2Fwww.ambest.com%2Fratings%2Fmethodology&esheet=6141747&lan=en\\_US&anchor=www.ambest.com%2Fratings%2Fmethodology&index=2&md5=7181658431c4b349ec9ac42b638df0f6](http://cts.businesswire.com/ct/CT?id=smartlink&url=http%3A%2F%2Fwww.ambest.com%2Fratings%2Fmethodology&esheet=6141747&lan=en_US&anchor=www.ambest.com%2Fratings%2Fmethodology&index=2&md5=7181658431c4b349ec9ac42b638df0f6).

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