



NEWS RELEASE

A.M. BEST COMPANY, INC., OLDWICK, NJ • A.M. BEST EUROPE – RATING SERVICES LIMITED, LONDON
A.M. BEST EUROPE – INFORMATION SERVICES LIMITED, LONDON • A.M. BEST ASIA-PACIFIC, LTD., HONG KONG

FOR IMMEDIATE RELEASE

CONTACTS: Ken Johnson, CFA, CTP
Senior Financial Analyst
(908) 439-2200, ext. 5056
ken.johnson@ambest.com

Rosemarie Mirabella, CFA, CPA
Managing Senior Financial Analyst
(908) 439-2200, ext. 5892
rosemarie.mirabella@ambest.com

Rachelle Morrow
Senior Manager, Public Relations
(908) 439-2200, ext. 5378
rachelle.morrow@ambest.com

Jim Peavy
Assistant Vice President, Public Relations
(908) 439-2200, ext. 5644
james.peavy@ambest.com

A.M. Best Affirms Ratings of The Phoenix Companies, Inc. and Its Subsidiaries; Revises Outlook to Stable

OLDWICK, N.J., Feb. 8, 2011—A.M. Best Co. has revised the outlook to stable from negative and affirmed the financial strength rating (FSR) of B+ (Good) and issuer credit ratings (ICR) of “bbb-” of the core life insurance entities of **The Phoenix Companies, Inc.** (Phoenix) [NYSE: PNX], which includes **Phoenix Life Insurance Company** (Phoenix Life) and **PHL Variable Insurance Company**. In addition, A.M. Best has revised the outlook to stable from negative and affirmed the ICR of “bb-” of Phoenix, as well as all the debt ratings on the outstanding securities issued by the group.

Concurrently, A.M. Best has revised the outlook to stable from negative and affirmed the FSRs of B+ (Good) and the ICRs of “bbb-” of **Phoenix Life and Annuity Company** and **American Phoenix Life and Reassurance Company**. These two Phoenix subsidiaries are immaterial to the group and are not writing new business. All companies are headquartered in Hartford, CT. (See below for a detailed listing of the debt ratings.)

The rating actions reflect the improvement in Phoenix’s investment portfolio, which is in a net unrealized gain position, healthier risk-adjusted capitalization at the operating subsidiaries and reduced levels of surrenders, which have been elevated over the last two years. Liquidity remains adequate at both the holding company and operating companies with manageable financial leverage and a steady contribution of earnings from Phoenix Life’s sizable closed block. A.M. Best notes that Phoenix currently has sufficient holding company liquidity to meet its fixed charge obligations even though A.M. Best’s calculation of interest coverage is below the guideline for its current rating category.

—MORE—



NEWS RELEASE

A.M. BEST COMPANY, INC., OLDWICK, NJ • A.M. BEST EUROPE – RATING SERVICES LIMITED, LONDON
A.M. BEST EUROPE – INFORMATION SERVICES LIMITED, LONDON • A.M. BEST ASIA-PACIFIC, LTD., HONG KONG

—2—

Additionally, A.M. Best views favorably the proactive measures taken by management to retain existing policyholders, expand distribution partnerships and facilitate sales of new fixed-indexed annuity products. A.M. Best notes that overall investment liquidity at Phoenix Life remains sufficient to meet potential surrender levels in the near to medium term.

The above rating factors are partially offset by the continued limited financial flexibility at the holding company, elevated—albeit moderating—surrender activity, uneven operating performance and above-average exposure to below investment grade bonds. A.M. Best believes Phoenix’s overall financial flexibility remains somewhat constrained given the company’s limited access to the capital markets and third party liquidity sources. Additionally, Phoenix continues to report net annuity fund outflows despite some early success in becoming a significant provider of fixed annuities to the middle income marketplace. Furthermore, Phoenix continues to grow its consulting business through Saybrus Partners LP. As such, A.M. Best expects moderate growth in revenue and operating earnings, which are likely to remain below historic levels in the near term. While credit impairments are trending sequentially lower overall, A.M. Best notes the potential for additional credit impairments within the group’s below investment grade bond portfolio.

The following debt ratings have been affirmed:

The Phoenix Companies, Inc.—

-- “bb-” on \$300 million 7.45% senior unsecured notes, due 2032

Phoenix Life Insurance Company—

-- “bb” on \$175 million 7.15% surplus notes, due 2034

The principal methodology used in determining these ratings is [Best’s Credit Rating Methodology -- Global Life and Non-Life Insurance Edition](#), which provides a comprehensive explanation of A.M. Best’s rating process and highlights the different rating criteria employed. Additional key criteria utilized include: “Risk Management and the Rating Process for Insurance Companies”; “Understanding BCAR for Life and Health Insurers”; “A.M. Best’s Ratings & The Treatment of Debt”; and “Rating Members of Insurance Groups.”

—MORE—



NEWS RELEASE

A.M. BEST COMPANY, INC., OLDWICK, NJ • A.M. BEST EUROPE – RATING SERVICES LIMITED, LONDON
A.M. BEST EUROPE – INFORMATION SERVICES LIMITED, LONDON • A.M. BEST ASIA-PACIFIC, LTD., HONG KONG

—3—

Methodologies can be found at www.ambest.com/ratings/methodology.

Founded in 1899, A.M. Best Company is the world's oldest and most authoritative insurance rating and information source. For more information, visit www.ambest.com.

Copyright © 2011 by A.M. Best Company, Inc. ALL RIGHTS RESERVED.

####