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A.M. Best Affirms Protective's Debt Ratings and Financial Strength Ratings on Life Insurance Subsidiaries

OLDWICK, N.J., July 10, 2001—A.M. Best Co. has affirmed the financial strength ratings of **Protective Life Corporation's (NYSE: PL)** life insurance subsidiaries as well as the ratings on the company's existing debt securities. The affirmation is based on a comprehensive review of Protective's operations, its balance sheet strength and the overall financial flexibility of the enterprise. Concurrently, A.M. Best acknowledges Protective's announcement that it has entered into an agreement to sell its dental operations to **Fortis, Inc.** The A- (Excellent) financial strength ratings of Protective's dental and property/casualty insurance subsidiaries are unaffected by this action. The financial strength ratings of Fortis' subsidiaries are also unaffected.

The transaction consists of the outright sale of Protective's prepaid dental subsidiaries and coinsurance of its indemnity dental business. The transaction is expected to close by year-end 2001 and is valued at approximately $300 million. Protective will utilize a portion of the proceeds to fund its previously announced acquisition of Inter-State Assurance Company and First Variable Life Insurance Company from ILona Financial Group, Inc. Upon completion of the above transactions, Protective will have approximately $200 million of excess capital available to invest in its core life insurance, retirement savings and credit businesses or to reduce outstanding debt. Protective's debt-to-capital ratio (including preferred securities) currently resides in the 26% to 28% range; A.M. Best expects the company's financial leverage to remain under 30% in the near to medium term.

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A.M. Best views the sale of its dental operations as a positive for Protective. Although the division was profitable and added diversity to Protective's business profile, the company was not able to fully unlock the potential of its dental franchise. Protective achieved critical mass in the dental industry principally through acquisition, the most recent being the 1998 acquisition of United Dental Care for $188 million. However, inconsistent with its stellar track record of acquiring and effectively integrating companies and blocks of business, Protective was not able to successfully bring together the disparate dental operations and achieve the strong returns realized by its other six divisions. Protective's exit from the dental market will permit management to focus its efforts on continuing to generate superior returns in its core business lines.

The rating affirmations reflect the company's diverse earnings sources and strong operating performance in all business lines. This consistent profitability is a result of Protective's well-managed growth strategy that is executed by an effective management team. The company continues to enhance operating efficiency through use of advanced technology, a decentralized organizational structure and a diversified network of non-captive distribution channels to market its products. In addition, A.M. Best believes Protective's future earnings will provide strong debt service coverage, and it anticipates capitalization to remain fairly constant even though Protective actively acquires blocks of business and insurance companies through a separate division established for this purpose.

A.M. Best notes that Protective's risk management efforts are driven by an effective asset/liability duration-matching program. The company utilizes a conservative approach by instituting significant call and surrender provisions in almost all of its contracts, significantly reducing its earnings volatility. The maturity of Protective's primary businesses in their

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respective product life cycles generates seasoned profit margins that further support stable earnings.

Offsetting these strengths is Protective's lack of scale in some of its businesses. However, this scale issue is largely mitigated by the group's low-cost administrative structure supported by its effective use of technology. In addition, the group's statutory capitalization—statutory surplus to total assets—is below its peer group's average due to its history of sales growth primarily in general account products that require a significant backing of capital.

Approximately half of Protective's invested assets are in mortgage-related investments. A.M. Best believes the prepayment risks inherent in these interest-sensitive investments expose the company to earnings volatility; however, Protective's prudent underwriting strategy and refined asset/liability management procedures have thus far mitigated this volatility.

Protective Life Corp. is a diversified financial services holding company headquartered in Birmingham, Alabama. The company's subsidiaries market life, dental and credit insurance as well as retirement savings and investment products through independent agents, insurance brokers, stockbrokers, financial institutions, automobile dealers and direct response channels.

The following ratings on existing debt have been affirmed:

- **Protective Life Corp.:**
  – "a+" rating on $100 million floating rate senior notes, due February 2003
  – "a+" rating on $60 million 7.50% senior notes, due July 2016
  – "a+" rating on $75 million 7.95% senior notes, due July 2004
  – "a+" rating on $50 million 8.00% senior notes, due July 2010
  – "a+" rating on $40 million 8.10% senior notes, due August 2015
  – "a+" rating on $35 million 8.25% senior notes, due October 2030

- **PLC Capital Trust I:**
  – "a" rating on $75 million 8.25% Trust Originated Preferred Securities (TOPrS), backed by subordinated debentures

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The following indicative ratings on securities available under shelf registration have been affirmed:

- **Protective Life Corp.:**
  - senior unsecured debt rating of “a+”
  - subordinated debt rating of “a”
- **PLC Capital Trust III and IV:**
  - preferred securities rating of “a”

The A+ (Superior) group financial strength rating of the following members of Protective Life Corp. has been affirmed:

- Protective Life Insurance Co.
- West Coast Life Insurance Co.
- Protective Life and Annuity Insurance Co.
- Empire General Life Assurance Corp.

The A- (Excellent) financial strength ratings of the following members of Protective Life Corp. have been affirmed:

- Acceleration Life Insurance Co.
- Gulfco Life Insurance Co.
- Lyndon Life Insurance Co.
- Western Diversified Life Insurance Co.

The A- (Excellent) financial strength ratings of the following members of Protective Life Corp. are unaffected:

- Lyndon Property Insurance Co.
- Western Diversified Casualty Insurance Co.
- United Dental Care of Texas, Inc.
- Denticare, Inc. (Florida)
- United Dental Care of Arizona, Inc.
- UDC Ohio, Inc.
- Denticare of Oklahoma, Inc.
- United Dental Care of Missouri, Inc.
- Protective Dental Care, Inc. (Wisconsin)
- United Dental Care of New Mexico, Inc.
- UDC of Michigan, Inc.
- United Dental Care of Utah, Inc.
- United Dental Care of Nebraska, Inc.

- Denticare, Inc. (Kentucky)
- United Dental Care of Pennsylvania, Inc.
- Denticare of Arkansas, Inc.
- United Dental Care of Indiana, Inc.
- UDC Dental California, Inc.
- United Dental Care Insurance Co.
- UDC Life and Health Insurance Co.

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