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A.M. Best Affirms Ratings of Ameritas Mutual Holding Company Subsidiaries

OLDWICK, N.J., March 22, 2013—A.M. Best Co. has affirmed the financial strength rating (FSR) of A (Excellent) and issuer credit ratings (ICR) of "a+" of **Ameritas Life Insurance Corp.** (Ameritas Life) (Lincoln, NE), **Ameritas Life Insurance Corp. of New York** (New York, NY), **Acacia Life Insurance Company** (Acacia Life) (headquartered in Bethesda, MD) and **The Union Central Life Insurance Company** (Union Central) (headquartered in Cincinnati, OH). These insurance entities comprise the life/health operations of **Ameritas Mutual Holding Company** (Ameritas) (Lincoln, NE). Concurrently, A.M. Best has affirmed the debt rating of "a-" on $50 million 8.20% surplus notes due 2026 of Union Central. The outlook for all ratings is stable.

The rating affirmations primarily reflect the group's strong risk-adjusted capitalization, diversified operating platform, high quality balance sheet and favorable business profile. The ratings also reflect Ameritas Life's well-established market position in group dental insurance. As a mutual holding company, Ameritas has good financial flexibility with the ability to access the capital markets through debt offerings. The organization's current financial leverage is modest, with a reasonable level of intangibles facilitating a high-quality capital base. Additionally, A.M. Best notes that Ameritas' below investment grade bonds currently represent less than 4% of the company's fixed income portfolio, and its non-agency residential mortgage-backed securities (RMBS) have declined in recent periods.

A.M. Best believes that Ameritas Life's favorable business profile should strengthen further under its

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unified branding strategy and improved economies of scale. Its broad portfolio of individual life, individual annuity, disability income, retirement plans and dental and vision products provide a steady source of diversified earnings. More recently, Ameritas' earnings have been impacted by non-insurance related lines of business; however, it has historically experienced favorable operating results within its core insurance and annuity lines. Although A.M. Best expects these favorable results to continue in the near to medium term, Ameritas may be challenged to increase sales due to the sluggish U.S. economy, prolonged low interest rates and the highly competitive landscape within many of the group's core lines of business.

Partially offsetting these positive rating factors are the modest decline in Ameritas' operating income, primarily driven by the results of its Calvert Investments, Inc. (Calvert) subsidiary, which in 2012 experienced a noticeable drop in assets under management. Operating results also have been negatively impacted by a lack of scale, lower-than-expected persistency and the impact of the low interest rate environment within the group retirement plans segment. While earnings increased in the company's individual life and annuity businesses, A.M. Best notes that a significant amount of Ameritas' interest-sensitive reserves remain at or near the guaranteed minimum interest rate, which has caused some spread compression. However, this has been offset by an increase in earnings from its variable annuity product line as a result of increased sales and higher fees associated with an increase in fund balances. Moreover, while A.M. Best views favorably the pending sale of Acacia Federal Savings Bank due to the regulatory burden associated with being a bank holding company, the pending sale has resulted in a contingent net loss of approximately $35 million. Approximately $300 million of primarily interest-only loans have been excluded from the sale and have been transferred to Ameritas' general account investment portfolio. A.M. Best will closely monitor the performance of these transferred loans.

Factors that could result in positive rating actions for Ameritas in the near to medium term include continued favorable earnings trends, improved operating performance at Calvert and continued overall top line

growth.

Factors that may result in negative rating actions include deterioration in the group's operating results, material investment losses or a lack of sustained revenue growth within its core lines of business.

A.M. Best also has withdrawn the FSR of A- (Excellent) and ICR of "a-" of **Brokers National Life Assurance Company** (BNLAC) (headquartered in Austin, TX). Following the reinsurance of its core dental and vision business to Ameritas Life, BNLAC will have a negligible amount of reserves and is expected to be sold (essentially as a shell) to a third party in the near term.

The methodology used in determining these ratings is Best's Credit Rating Methodology, which provides a comprehensive explanation of A.M. Best's rating process and contains the different rating criteria employed in the rating process. Best's Credit Rating Methodology can be found at www.ambest.com/ratings/methodology.

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