



Press Release

Standard Life Assurance Co. of Canada Ratings Raised To 'A+' On Group Status Revision; Outlook Stable

- Montreal-based life insurer Standard Life Assurance Co. of Canada is now considered core to its parent company, U.K.-based Standard Life PLC, under Standard & Poor's Ratings Services' group methodology based on the company's improved contribution of earnings and importance to the group.
- In addition, the company reported improved strong operating performance and capital in 2010 and the first quarter of 2011.
- The company is one of the five largest life insurance companies in Canada, and it holds the number three position in the group pension market with 21% market share among life insurers.
- As a result, we raised the counterparty credit and financial strength ratings on Standard Life Canada to 'A+'. The outlook is stable.

NEW YORK June 6, 2011--Standard & Poor's Ratings Services said today that it raised its counterparty credit and financial strength ratings on Standard Life Assurance Co. of Canada (Standard Life Canada's) to 'A+' from 'A'. The outlook is stable.

The upgrade reflects Standard Life Canada's greater significance to the Standard Life PLC group and its status change to core from strategically important under Standard & Poor's group methodology. This improvement is supported by Standard Life Canada's long history and leadership position in the Canadian group pension market. Underpinning the ratings are the company's strong earnings profile, very strong capital adequacy, conservative investment portfolio, and strong financial flexibility. In addition, the ratings also benefit from the earnings diversity that Standard Life Canada's disability income segment operations provide, as well as the implied and demonstrated support of Standard Life Assurance Ltd. (A+/Stable/A-1), which is one of the largest life insurance groups in the U.K. Standard & Poor's views Standard Life Canada as a core subsidiary of the Standard Life PLC group.

Within our group methodology criteria, we cap the counterparty credit and financial strength ratings on a strategically important subsidiary at one notch below the ratings on the group, unless the stand-alone characteristics of that subsidiary merit higher ratings. The financial strength ratings on core subsidiaries are equalized with the ratings on notional group operating company.

We raised the ratings on Standard Life Canada by one notch and aligned them with the financial strength rating on the group's lead operating company (Standard Life Assurance Ltd.). The changes reflect our revised opinion: We now consider Standard Life Canada to be a core operation under our group methodology criteria, whereas we had previously considered it to be strategically important. This change recognizes the growing importance of the Canadian subsidiary to the group in terms of earnings, capitalization, and clear overlap of products.

Standard Life Canada's financial profile is supportive of the financial strength rating and is highlighted by strengths in operating performance, capitalization, and liquidity. The company's balance sheet strength remains adequate for the rating. Its capital adequacy is redundant at the 'AAA' level, based on Standard & Poor's capital model, although we expect that dividend demands

from the parent company could reduce this redundancy to adequate for the rating. The company's liquidity remains very strong because its cash flows remain strong and its liabilities are very stable and predictable. The company's pretax operating performance improved in 2010 to a return on assets (ROA) of about 210 basis points (bps), among the highest in the industry.

We expect that Standard Life Canada's very strong capital base, operating performance and liquidity will continue to be strengths to the ratings. We also anticipate that the company will maintain its competitive position within the Canada's competitive insurance market, particularly in the key group retirement segment.

Our stable outlook is based on our view that Standard Life Canada's strong capitalization, liquidity, and group support will continue to support its overall creditworthiness. We expect that the company's earnings will remain strong with ROA's of more than 150 bps, its capital will remain strong, and its market share of the group pension market will stay above 20% in 2011. We don't expect any rating changes in the next 12 months to 24 months.

RELATED CRITERIA AND RESEARCH

- Group Methodology, April 22 2009

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at <http://www.globalcreditportal.com/?elq=e2560fbb579142d19c90f315ed82cd4e>. All ratings affected by this rating action can be found on Standard & Poor's public Web site at <http://www.standardandpoors.com/?elq=e2560fbb579142d19c90f315ed82cd4e>. Use the Ratings search box located in the left column.

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