

## A.M. Best Update

We received some fairly unwelcome news over the weekend which I'm now able to report. A.M. Best announced a one-notch downgrade from our A (excellent) financial strength rating with a 'negative' outlook to an A- (excellent) financial strength rating with a 'stable' outlook. While unhappy about the one-notch downgrade, I am very happy to have our outlook upgraded to 'stable' from a 'negative' outlook. I know the 'negative' outlook provided to be a challenge in your marketing efforts, so my hope is the up-tick to 'stable' will benefit your efforts in support of Old Mutual.

As I reported in early January, we have worked closely with our A.M. Best team to apprise them of our early successes under the re-engineering plan – successes that represented better-than-planned performance in early 2009. These successes have been evidenced by lower impairment charges, no defaults realized year-to-date in 2009, a Risk Based Capital ratio of 305%, as well as significant excess capital over our regulatory requirement.

To further understand Best's decision, I thought you'd be interested in the following quote from their press release issued the afternoon of March 17th, "A.M. Best believes that the negative financial performance of Old Mutual's U.S. operations partially reflects the historical inadequacy of the company's risk management, which came to light in the second half of 2008, following problems with the hedging program on its U.S. offshore business. A.M. Best, however, acknowledges the steps that the company has taken since then to improve its risk management, which include a number of high profile management changes that were followed by a review of strategy and risk oversight across the group."

While I am naturally disappointed that A.M. Best has taken these actions so soon after re-affirming our A rating in January, I'm confident that the A- rating will allow us to deliver on our 2009 plan. As defined by A.M. Best, the 'A-' rating is categorized as follows: "The A- rating is assigned to companies which have, on balance, excellent financial strength, operating performance and market profile when compared to the standards established by the A.M. Best Company. These companies, in Best's opinion, have a strong ability to meet their ongoing obligations to policyholders."

We will surely face continued challenges throughout 2009, so I ask for your continued perseverance and optimism as we navigate together through this rugged economic environment.

Sincerely,  
John Phelps  
Senior Vice President, Chief Distribution Officer

OM Financial Life Insurance Company, Baltimore, MD  
03-17-09

## Update on our Old Mutual Bermuda business

Given the considerable challenges facing the offshore Old Mutual Bermuda (OMB) business, the decision has been made to close the business to all new applications with immediate effect.

As announced at Old Mutual's year-end results presentation on March 4, 2009 in the UK, the Bermuda management team was focusing on rebuilding the business by writing specialist investment products which would meet our customer needs as long as this could be done within the Group's agreed risk appetite. However, it was recently concluded that it is unlikely that the Bermuda business will be able to successfully launch products that fall within our risk appetite and provide satisfactory return on capital, and is therefore being closed to new business with immediate effect.

The impact on the services provided to OMB out of Baltimore and Bermuda, including finance, treasury and actuarial, are being reviewed, but these are expected to be minimal and are unlikely to have an immediate impact.

Thank you for your continued support and understanding during these challenging times.

Sincerely,  
John Phelps  
Senior Vice President, Chief Distribution Officer