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Unfavorable Rating Actions Taken On Three U.S. Life Insurance Groups Because Of Expected Rise In Credit Impairments

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NEW YORK (Standard & Poor's) June 17, 2009--Standard & Poor's Ratings Services said today that it placed its ratings on Massachusetts Mutual Life Insurance Co. (MassMutual; AAA/WatchNeg/A-1+) on CreditWatch with negative implications and revised its outlook on New York Life Insurance Co. (AAA/Negative/A-1+) and Teachers Insurance & Annuity Assoc. of America (TIAA, AAA/Negative/A-1+) to negative from stable.

At the same time, Standard & Poor's affirmed its ratings on Guardian Life Insurance Co. of America (Guardian, AA+/Stable/--), Knights of Columbus (KofC, AAA/Stable/--), Northwestern Mutual Life Insurance Co. (Northwestern, AAA/Stable/--), and Western and Southern Life Insurance Co. (Western & Southern, AA+/Stable/--).

The rating actions on MassMutual, New York Life, and TIAA primarily reflect our view of the impact of investment losses and credit impairments on the groups' capital as well the incorporation of incremental stress factors into our capital adequacy analysis (see "Methodology For Incorporating Incremental Stress Factors Into The Capital Adequacy Analysis of North American Insurers," Feb. 18, 2009, RatingsDirect). As always, we also considered the companies' competitive position, operating performance,

financial flexibility, and other major rating factors in arriving at our ratings. The MassMutual action further reflects our expectation that the group's earnings could be less stable than they have historically been because of the uncertain economy and uncertainty regarding the timeframe for organically restoring capital to expected levels.

The ratings on MassMutual, New York Life, and TIAA reflect what we consider to be their extremely strong competitive positions and business profiles as well as their financial profiles, which in our view remain very strong.

New York Life and MassMutual have each established effective career agency distribution systems, with an emphasis on participating whole life insurance, which has a stable and relatively low risk profile. The policyholder dividend mechanism in participating whole life policies transfers a share of investment, mortality, and expense experience--favorable and unfavorable--to policyholders. The ability to reduce policyholder dividends is an important source of financial flexibility that can protect an insurer's capital position if it experiences investment losses or other unfavorable financial developments.

TIAA has cultivated what we view as an extremely strong competitive position by delivering a strong value proposition to the U.S. higher education pension market, where it has established a dominant niche. Like its participating whole life insurance peers, TIAA has the ability to preserve capital by sharing investment experience, good and bad, with its policyholders by adjusting the dividends it pays above minimum crediting rates.

The ratings on Guardian, KofC, and Western & Southern are all supported by extremely strong capital adequacy, in our opinion, even after incorporating our incremental stress analysis. The ratings on KofC further reflect its conservative investments and financial profile as well as its competitive advantage in its affinity target market segment, with an emphasis on participating whole life insurance. The ratings on Guardian reflect our view that it has an extremely strong capitalization, conservative risk tolerances, and very strong competitive position targeting the protection and wealth-accumulation needs of small business owners. The ratings on Western & Southern reflect our view of the group's extremely strong capital adequacy as well as its consistently strong earnings supported by a mature individual life insurance business.

The ratings on Northwestern reflect our view that it has an extremely strong business profile, which is dominated by participating whole life insurance and is supported by its highly productive exclusive distribution system. The ratings further reflect Northwestern's very strong operating fundamentals in terms of mortality experience, policyholder persistency, and expense efficiency. Despite a decline in total adjusted capital, primarily because of unrealized losses on common stocks, we believe that Northwestern's capital adequacy remains very strong and that prudent management of policyholder dividends, which exceeded \$4.5 billion in 2008, provide substantial financial flexibility to preserve capital.

We believe the recession will result in higher-than-average credit losses (see "Midyear 2009 North American Life Insurance Outlook: Dickey Conditions Will Continue To Rattle A Staid Sector," May 26, 2009, RatingsDirect). We expect to see further underperformance across other fixed-income asset

classes. Specifically, we anticipate that losses in corporate bond holdings and commercial mortgages will likely exceed historical averages. These potential losses contribute to our view of prospective capital adequacy.

We applied our incremental stress analysis to bond holdings, commercial mortgage, and CMBS because these assets generally constitute, in aggregate, approximately 80% of U.S. life insurers' invested assets. Importantly, although we are not changing our baseline insurance risk-based capital adequacy model, we are applying incremental stresses for these asset classes across all confidence levels during this difficult economic period. We are applying the incremental stress factors in a manner that is consistent with the approach taken in our existing risk-based capital adequacy model. The incremental stresses that we are introducing seek to determine the amount of capital that an insurer would need to cover the calculated losses in the current economic environment at varying confidence intervals commensurate with ratings categories. We will continue to monitor, and possibly revise, the underlying assumptions to maintain their relevance as the events driving the credit cycle evolve.

The capital adequacy outcome from the model, as well as from any stress analysis, is only a starting point for our analysis of the overall capital adequacy of insurers. We typically apply qualitative and quantitative considerations as warranted to derive a more complete picture of an insurer's capital position. Considerations may include the quality of capital, amount of surplus notes, double leverage, deferred tax assets, and permitted or prescribed accounting practices that differ from the standard NAIC statutory accounting principals. Similarly, we generally base our ratings on a broad-based analysis of an insurer's credit quality. Strengths or weaknesses in other key areas--such as a company's competitive position, management and strategy, investment risk, liquidity risk, operating performance, enterprise risk management, and financial flexibility--could in some cases more than offset relative strength or weakness in capital adequacy. We view these areas of analysis as being interconnected, and their importance and influence on a rating will differ depending on company-specific circumstances.

Related Research

-- "Global Insurance Ratings Criteria Directory," April 22, 2009.

-- "Methodology For Incorporating Incremental Stress Factors Into The Capital Adequacy Analysis Of North American Insurers," Feb. 18, 2009.

Ratings List

CreditWatch Action

	To	From
Massachusetts Mutual Life Insurance Co. Counterparty Credit Rating Local Currency	AAA/Watch Neg/A-1+	AAA/Negative/A-1+

Massachusetts Mutual Life Insurance Co.
MML Bay State Life Insurance Co.
C.M. Life Insurance Co.

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Financial Strength Rating		
Local Currency	AAA/Watch Neg/--	AAA/Negative/--
C.M. Life Insurance Co.		
MML Bay State Life Insurance Co.		
Counterparty Credit Rating		
Local Currency	AAA/Watch Neg/--	AAA/Negative/--
Massachusetts Mutual Life Insurance Co.		
Subordinated	AA/Watch Neg	AA
Commercial Paper	A-1+/Watch Neg	A-1+
MassMutual Funding LLC		
Commercial Paper	A-1+/Watch Neg	A-1+
MassMutual Global Funding II		
Senior Secured	AAA/Watch Neg	AAA
MassMutual Global Funding LLC		
Senior Secured	AAA/Watch Neg	AAA
Ratings Affirmed; Outlook Action		
	To	From
New York Life Insurance Co.		
Counterparty Credit Rating		
Local Currency	AAA/Negative/A-1+	AAA/Stable/A-1+
Subordinated	AA	
New York Life Insurance Co.		
New York Life Insurance & Annuity Corp.		
Financial Strength Rating		
Local Currency	AAA/Negative/--	AAA/Stable/--
New York Life Insurance & Annuity Corp.		
Counterparty Credit Rating		
Local Currency	AAA/Negative/--	AAA/Stable/--
Ratings Affirmed		
New York Life Capital Corp.		
Commercial Paper	A-1+	
New York Life Funding		
Senior Secured	AAA	
New York Life Global Funding		
Senior Secured	AAA	
Ratings Affirmed; Outlook Action		
	To	From

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Teachers Insurance & Annuity Assoc. of America

Counterparty Credit Rating		
Local Currency	AAA/Negative/A-1+	AAA/Stable/A-1+
Financial Strength Rating		
Local Currency	AAA/Negative/--	AAA/Stable/--

TIAA-CREF Life Insurance Co.

Counterparty Credit Rating		
Local Currency	AAA/Negative/--	AAA/Stable/--
Financial Strength Rating		
Local Currency	AAA/Negative/--	AAA/Stable/--

Ratings Affirmed

Teachers Insurance & Annuity Assoc. of America

Commercial Paper	A-1+
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TIAA Global Markets Inc.

Senior Unsecured	AAA
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Ratings Affirmed

Guardian Life Insurance Co. of America

Guardian Insurance & Annuity Co.

Counterparty Credit Rating		
Local Currency	AA+/Stable/--	
Financial Strength Rating		
Local Currency	AA+/Stable/--	

Ratings Affirmed

Knights of Columbus

Counterparty Credit Rating		
Local Currency	AAA/Stable/--	
Financial Strength Rating		
Local Currency	AAA/Stable/--	

Ratings Affirmed

Northwestern Mutual Life Insurance Co.

Northwestern Long Term Care Insurance Co.

Counterparty Credit Rating		
Local Currency	AAA/Stable/--	
Financial Strength Rating		
Local Currency	AAA/Stable/--	

Ratings Affirmed

Western and Southern Life Insurance Co.

Western-Southern Life Assurance Co.

Unfavorable Rating Actions Taken On Three U.S. Life Insurance Groups Because Of Expected Rise In Credit Impairments

Columbus Life Insurance Co.
Counterparty Credit Rating
Local Currency AA+/Stable/--

Western and Southern Life Insurance Co.
Western-Southern Life Assurance Co.
National Integrity Life Insurance Co.
Lafayette Life Insurance Co.
Integrity Life Insurance Co.
Columbus Life Insurance Co.
Financial Strength Rating
Local Currency AA+/Stable/--

Integrity Life Insurance Co.
National Integrity Life Insurance Co.
Counterparty Credit Rating
Local Currency AA+/Stable/--

Western & Southern Financial Group Inc.
Counterparty Credit Rating
Local Currency AA-/Stable/--

Western & Southern Financial Group Inc.
Senior Unsecured (1 issue) AA-

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