

# A.M. Best Revises Outlook to Stable & Affirms Ratings of Legal & General Group Plc and Legal & General Assurance Society Limited

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## FOR IMMEDIATE RELEASE

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**A.M. Best Co.** has revised the outlook to stable from negative and affirmed the issuer credit rating (ICR) of "a" of the non-operating holding company, **Legal & General Group Plc (L&G)** (United Kingdom), as well as the ratings for all debt issued or guaranteed by L&G. At the same time, A.M. Best has revised the outlook to stable from negative and affirmed the financial strength rating of A+ (Superior) and the ICR of "aa-" of **Legal & General Assurance Society Limited (L&G ASL)** (United Kingdom). (See below for a complete listing of the debt ratings.)

The change in outlook reflects A.M. Best's view that L&G's current and prospective financial performance and risk-adjusted capital have improved, following a thawing in financial market conditions. The outlook also recognizes the strong inflows from its in-force book.

A.M. Best anticipates that L&G's earnings over the short to medium term will be stronger than previous expectations, largely due to the stabilization in financial investment markets since the first half of 2009. Another factor behind the improved financial performance is the strong net cash inflows, which reflect the company's improved pricing and expense discipline as well as a shift in its targeted business mix to more capital efficient products. The absence of large one-off items from its 2009 results has also strengthened its financial position, compared to 2008.

A.M. Best views L&G's current risk-adjusted capitalization as strong. In addition, the anticipated strong cash inflows are expected to strengthen this capital position further, although this needs to be viewed in light of the persisting uncertainties in the economic environment.

A.M. Best expects L&G's new business volumes to increase at a slower pace in 2010, reflecting pricing constraints on bulk purchase annuity business as well as persisting housing-market related pressures on its protection business. However, in the longer term this pattern is expected to be partially offset by the increasing significance of its business from outside the United Kingdom, as L&G gradually expands its operations in a number of regions.

In addition, the strong synergies within L&G's business, where approximately 50% of L&G's new bulk purchase annuity business emanates from its investment management business, and over 40% of its individual annuity business comes from maturing pensions, partially offsets L&G's current growth restrictions and limited geographical diversification.

The debt rating of "a" has been affirmed for the following senior debt issues:

### **Legal & General Finance Plc—**

- GBP 10 million 5.800% senior unsecured notes, due 2041
- GBP 40 million 5.750% senior unsecured notes, due 2033
- GBP 200 million 5.875% senior unsecured notes, due 2033

-- GBP 350 million 5.875% senior unsecured notes, due 2031

The debt rating of "a-" has been affirmed for the following:

**Legal & General Group Plc—**

- GBP 400 million 5.875% undated subordinated notes
- EUR 600 million 4.000% subordinated notes, due 2025
- GBP 600 million 6.385% perpetual preferred securities

A debt rating of "a-" has been assigned to the following:

**Legal & General Group Plc—**

GBP 300 million 10.125% subordinated notes, due 2041

The indicative rating of "a-" has been affirmed for the following debt securities issued under the GBP 2 billion medium term note programme:

**Legal & General Group Plc—**

- subordinated debt

The indicative rating of "a" has been affirmed for the following debt securities issued under the USD 2 billion medium term note programme:

**Legal & General Finance Plc—**

- senior debt

For Best's Credit Ratings, an overview of the rating process and rating methodologies, please visit [Best's Credit Rating Center](#).

The principal methodologies used in determining these ratings, including any additional methodologies and factors that may have been considered, can be found at [www.ambest.com/ratings/methodology](http://www.ambest.com/ratings/methodology).

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