

Life/Health
U.S.A.**West Coast Life Insurance
Company****Insurer Financial Strength Rating****AA-**

Very Strong. Companies are viewed as possessing very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small.

Rating Outlook

Stable

Financial Summary

(\$ Mil.)

	2002	2001
Total Revenue	3,076	3,264
Net Operating Gain	93	99
Admitted Assets	14,307	12,984
Statutory Surplus	1,059	897
Post-Dividend Return on Assets (%)	1.26	1.63
Liabilities to Surplus (x)	11.2	10.7
NAIC RBC Ratio (%)	281	284
Liquidity Ratio (%)	94.2	80.8

Data shown above is for Protective Life Ins. Co. RBC – Risk-based capital. Statutory accounting principles.

Rating Rationale

Fitch's rating of Protective Life Insurance Company and its affiliates (Protective) recognizes the company's strong sales growth, especially in term life insurance, where the company has become a market leader; the company's ability to enter new markets successfully and build niche businesses; its skilled management team, which is focused on profitable growth; a high-quality, liquid investment portfolio that has produced excellent results during a very tumultuous period; and its sound asset liability management.

Offsetting these positives are declines in GAAP profitability in recent years, as the company shifted its business mix toward lower margined products, and NAIC risk-based capital (RBC) levels, which are currently outside of Fitch's expectations for the rating category and the company's growth level. However, Fitch believes the company will meet RBC expectations of 290% at year-end 2003.

GAAP profitability has been depressed by certain expansion efforts that have been unsuccessful and RBC levels have declined through the statutory strain produced by strong term insurance sales. Fitch notes that because of rapid sales growth, Protective Life Insurance Company (PLIC) has not been self-funding and, over the past few years, has received \$300 million in capital contributions from its parent, which kept PL's financial leverage at above-average levels.

Fitch's ratings of Protective's senior debt reflect that, for its size and financial resources, the company has used higher than average financial leverage to augment its performance and fund acquisitions. In addition, while fixed-charge and preferred dividend coverage improved in 2002 and the first quarter of 2003, they remain below historically strong levels.

Company Overview

Protective, established in 1907, is a wholly owned subsidiary and the primary operating subsidiary of Protective Life Corporation, a NYSE-traded holding company. Prior to the early 1990s, Protective had a moderate position in the individual life insurance market, and its primary strategy was to deploy excess capital to acquire closed blocks of business in order to drive down unit costs and augment returns. In the mid-1990s, Protective changed its focus in order to diversify profitability and expand revenues. Protective entered the guaranteed investment contract market, began to buy and build retail-marketing platforms in the life and annuity lines and grew the specialty lines-credit and dental insurance.



■ About Fitch Ratings' Insurer Financial Strength Ratings

A Fitch Ratings insurer financial strength rating (IFS rating) provides our opinion as to the financial strength of an insurance organization, and its capacity to meet policyholder and contractholder obligations. It is based on a comprehensive analysis of relevant factors that determine financial strength, including the insurer's solvency characteristics, liquidity, operating performance, management quality and long-term competitive positioning. The IFS rating does not address the willingness of management to honor its company's obligations, nor does it address the quality of an insurer's claims handling.

IFS ratings are used by insurance agents and brokers, risk managers, financial planners, pension fund advisors, individual policyholders and claimants. They are used as an unbiased viewpoint as to the financial viability of an insurer in support of insurance placement and buying decisions. However, IFS ratings only speak to financial strength and do not address the quality of an insurer's products, or the competitiveness of its pricing or policy terms.

IFS ratings are established using the rating scale shown in the accompanying table. Those IFS ratings of 'BBB-' and above are "Secure", and those of 'BB+' and lower are "Vulnerable".

If Fitch believes that there are circumstances, such as a pending merger or corporate restructuring, that could cause Fitch to change its rating in the near term, the rating will be placed on Rating Watch. An indicator of "Positive", "Negative" or "Evolving" will accompany the Rating Watch to show the possible directional change in the rating. For ratings that are not on Rating Watch, Fitch will indicate its longer-term Outlook for the rating. The Rating Outlook speaks to longer-term trends, and a directional indicator of "Stable", "Positive", "Negative" or "Evolving" is used. Rating Watch and Rating Outlook indicate possible, but not imminent, rating changes.

IFS Rating Scale

	Description
Secure Ratings	
AAA	Exceptionally Strong
AA+/AA/AA-	Very Strong
A+/A/A-	Strong
BBB+/BBB/BBB-	Good
Vulnerable Ratings	
BB+/BB/BB-	Moderately Weak
B+/B/B-	Weak
CCC+/CCC/CCC-/CC/C	Very Weak
DDD/DD/D	Distressed

■ About the Fitch Ratings Security Seal



If the image shown to the left appears in the lower left-hand corner of the first page of this Insurer Profile report, it means that the insurer has been awarded the Fitch Ratings Security Seal. The Seal was developed to provide a simple indication of financial security for users of ratings who are not familiar with the

subtleties of Fitch's ratings scale. The Seal is awarded to insurers that have met all of the following criteria: achievement of an IFS Rating of 'A-' or higher, a minimum of five years of operating history, and maintenance of a voluntary and interactive rating relationship with Fitch

■ About Fitch Ratings

Fitch Ratings is one of the largest international rating agencies in the world, with a rating presence in 75 countries and 40 offices worldwide supported by more than 1,100 dedicated employees. In addition to ratings on more than 800 insurance organizations, Fitch also rates more than 1,200 banks and other

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