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Indiana Department of Insurance

Press Release

INSURANCE COMMISSIONER APPOINTED REHABILITATOR FOR STANDARD LIFE INSURANCE COMPANY OF INDIANA

INDIANAPOLIS, December 18, 2008: Jim Atterholt, Commissioner of the Indiana Department of Insurance ("the Department"), took action today to protect the 38,758 individuals who hold annuities issued by Standard Life Insurance Company of Indiana. At the Department's request, Marion County Circuit Court Judge Theodore Sosin issued an Order of Rehabilitation for Standard Life and appointed Atterholt as Rehabilitator of the company.

"We needed to act now," said Atterholt. "The quality of Standard Life's investment portfolio, which has a high concentration of sub-prime debt, has deteriorated under current market conditions to the point that it has become necessary for the Department to protect the annuity holders of the company,"

Rehabilitation is a process by which the Commissioner as Court appointed Rehabilitator takes over operation of an insurance company from management in order to manage policyholder obligations and the assets of the company.

"We did not take this action lightly," Atterholt continued. "The Department has worked diligently during 2008 with Standard Life to try to correct its financial condition, but it has become clear that an Order of Rehabilitation was the best option."

According to the Department, proactive steps to correct the problem included an $18,000,000 capital infusion by existing shareholders of Capital Assurance Corporation ("CAC"), the parent of Standard Life. Management throughout 2008 also pursued business ventures to raise necessary additional capital. The Department has met with management weekly to try to help achieve this goal; all of these attempts were unsuccessful. At this time, there is no prospect of additional capital infusions, leaving the Company in need of rehabilitation by the Department and the Court.

"The Court's order today allows the Department to protect the 4,700 Hoosier annuity holders of Standard Life, as well as annuity holders in at least 47 other states," Atterholt explained. "It is expected that the assets and liabilities of Standard Life can be managed under court-supervised rehabilitation to meet current obligations to policyholders."

"Based on information available to the Department at this time, we expect payouts on annuities to continue at maturity," Atterholt concluded. "Annuity holders of the Company do not need to do anything affirmatively for this to continue."

"We recommend that annuity holders not make any additional deposits on their annuities or seek to surrender their annuities at this time," Atterholt stated. "Surrender requests will be postponed until they can be dealt with in an orderly manner in the rehabilitation. It is the Department's overriding goal to minimize the impact on annuity holders of the company."

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Consumers with questions should call customer service at 1-800-222-3216 or visit the web site at www.standardagents.com. Standard Life customer service and processing representatives will continue as normal during the Rehabilitation process. Best efforts will be made to update the Standard Life web site with current consumer information as it becomes available. **Consumers with questions may also contact the Indiana Department of Insurance at 1-866-811-8807**, or visit our website at www.in.gov/idoi.

Although this Order will impact the 74 Indiana employees of Standard Life, as well as the 17 employees in Prospect, Kentucky, Commissioner Atterholt as Rehabilitator will work to achieve as smooth a transition to rehabilitation as possible. Customer service support will be retained at the Carmel office. The Indiana operations of the Company are based in Carmel, Indiana, where policyholder operations, most accounting and actuarial functions, marketing, legal, compliance, and information technology services are performed. The Prospect, Kentucky operations consist mainly of executive, communication, treasury and some investment functions.

Atterholt has asked Randy Lamberjack, President of Noble Consulting Services Inc., to serve as Special Deputy, overseeing the rehabilitation process. Lamberjack has over 23 years combined experience in insurance regulation, finance and corporate restructuring and has been reporting to the Department on direct issues involving the company for some time. Previously he served as Chief Examiner for the Department of Insurance under former Governor Evan Bayh.

"Randy has a proven record with which to lead the effort of rehabilitation of Standard Life," Atterholt said. "I am grateful he has agreed to serve as Special Deputy."

About Standard Life Insurance Company of Indiana
The Company was originally incorporated in Indiana on July 3, 1934. On June 8, 2005, Capital Assurance Company (CAC), a Prospect, Kentucky based financial services holding company, acquired the Company. The Company's business under prior management consisted of fixed deferred annuities, equity indexed annuities, single premiums immediate annuities, and supplementary contracts. Under CAC ownership, the Company's product offerings shifted from annuities with life contingencies to annuities without life contingencies, also known as deposit type contracts. The Company is licensed in the District of Columbia and all states except for New Jersey and New York. The Company wrote business primarily in California, Florida, Michigan, Indiana and Ohio. The Company's operating results had been profitable for the past several years. The Company sold annuities through their 8,000 agents, of which 1,000 were actively writing. The company ceased writing new business on December 11, 2008, in consultation with the Department.

About the Indiana Department of Insurance
The Indiana Department of Insurance (www.in.gov/idoi) is primarily responsible for enforcing Indiana's insurance laws to ensure that Indiana's insurance consumers are treated fairly. Its mission is to protect Indiana's insurance consumers by monitoring and regulating the financial and market conduct activities of insurance companies and agents; and to oversee the administration of the dedicated funds entrusted to the Department by the Indiana General Assembly. Indiana is home to 194 insurance companies, with an additional 1,772 companies licensed to operate in Indiana. More than 60,000 Hoosiers are employed in the insurance industry.

About Commissioner Jim Atterholt

Media representatives may contact Commissioner Atterholt at 317-232-3520.

Jim Atterholt was appointed Insurance Commissioner of Insurance by Governor Mitch Daniels in 2005 and also serves as a member of the Governor's Cabinet. He has focused on improving consumer protection and enforcement, customer service, eliminating the backlog of new insurance product filings, growing the number of insurance jobs for Hoosier workers and maintaining a reputation of excellence for the Department. Previously he served as the Director of State Government Affairs for AT&T Indiana. Atterholt served for two terms as a State Representative (House District 86) from 1998 to 2002. He also served as Chief of Staff in Washington and later as District Director in Indiana for a member of the United States Congress from 1986 to 2002. Jim currently serves as a member of the Board of Directors of the Saint Florian Center for At-Risk Children and the Indiana Comprehensive Health Insurance Association which assists Hoosiers who have a difficult time obtaining health insurance. He received his bachelor's degree from the University of Wisconsin in 1986.

About Randy Lamberjack

Media representatives may contact Randy Lamberjack at 317-471-8800.

Formerly the Chief Examiner/Deputy Commissioner of the Indiana Department of Insurance under former Governor Evan Bayh, Randy Lamberjack served five years as Special Deputy for the Indiana Department of Insurance. As Special Deputy, his responsibilities included overseeing troubled companies, managing examinations, and serving as examiner in charge of independent CPA engagements. In 1997, he founded Noble Consulting Services as an effort to meet the continuing needs of examination services for the IDOI and other state departments. Noble is approved for contracting in 23 states. During his time in private practice he has served in special projects under seven appointed Indiana Commissioners. In 2007, Lamberjack was appointed by Commissioner Atterholt to oversee the Rehabilitation and Liquidation of Benicorp Insurance Company which gained national recognition for effective management practices, corporate restructuring, systems enhancements, employee retention, and effective cost savings. Noble Consulting Services, Inc is a national regulatory consulting firm based in Indianapolis, IN.