
A.M. BEST COMPANY

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June 08, 2011

Donald Barnes, President
Presidential Life Insurance Company
69 Lydecker Street
Nyack, NY 10960-2103

Dear Mr. Barnes:

This letter serves as a formal notice of your organization's Best's Rating after an analysis of all current information shared with us. The rating assignments, public financial strength rating rationale, non-public rating commentary and rating release procedures are detailed below. We encourage you to visit our online **Rating Center**, located at <http://www.ambest.com/ratings>, for the latest Best's Ratings, an overview of our rating process and rating methodologies.

The following public rating assignments will be published:

AMB#	Company Name	Financial Strength Rating		Issuer Credit Rating	
		Rating	Outlook/ Implication	Rating	Outlook/ Implication
006948	Presidential Life Insurance Company	B++	Stable	bbb	Stable

Public Rating Commentary

The rating of Presidential Life Insurance Company (Presidential Life) reflects the company's favorable capitalization, positive operating results and no financial leverage. Offsetting factors include a moderate portion of annuities with relatively high guaranteed crediting rates, concentration in the interest-sensitive individual annuity market and exposure to higher risk assets utilizing limited partnerships.

Prior to 2007, Presidential Life's capitalization steadily improved as new business growth and higher spreads resulted in favorable investment income and operating earnings trends. The higher spreads were achieved largely through its investment portfolio of investment grade fixed-income securities and a strategy of investing in a portfolio of diversified limited partnerships, which have a level of illiquidity that A.M. Best views as aggressive. The company continues to improve and formalize the risk management program and incorporates ERM into its operations to assess risks, mitigate threats and leverage potential opportunities to improve its organization. Moreover, the parent of Presidential Life eliminated its financial leverage in 2009 and both capital levels and earnings remain favorable.

Due to Presidential Life's concentration in the interest-sensitive individual annuity market, the company is susceptible to market uncertainty. In addition, a significant portion of its annuity reserves have relatively high crediting rates which could result in reduced interest margins going forward. While both risk-adjusted and absolute capital levels exceed A.M. Best's requirements for its current risk profile, the economic and investment crisis has resulted in volatility in both capital and earnings. Under these market conditions, the company could be challenged to maintain margins given the company's high concentration of deferred annuity liabilities in an extended low interest rate environment; however, the company has been able to maintain an overall strong earnings profile due to their investments in the more earnings volatile limited partnerships. This exposure to the riskier asset classes represents the vast majority of the company's capital position. The company's strong capital profile is viewed as more than adequate to protect itself from the temporary negative impacts of short term market volatility.

Non-Public Rating Commentary

The committee has recognized the elimination of litigation issues surrounding the shareholder proxy issue and the movement of focus to key strategic initiatives which are viewed as past the blueprint stage and in the early stages of implementation. Reaching planned milestones in regards to the execution of the business plan will be key components of the rating review process over the coming years, as the growth strategy is understood to be an incremental longer term strategic initiative.



Regarding financial metrics, the committee continued to take note of the positives and negatives of the company's exposure to limited partnership assets. While the committee views the deleveraging of the limited partnership assets as a positive strategic initiative which will improve liquidity and lessen volatility, more stable spreads with less volatility would be expected on a forward looking basis as a result. Time is required to gauge the company's ability to effectively manage both sides of the balance sheet while maintaining good liquidity and acceptable spreads. The company's high minimum crediting rate on significant blocks of inforce annuities will put added pressure on operating results as the company executes the change in portfolio composition over time. This too will be an important rating factor going forward.

The monoline nature of Presidential's product line makes diversification of product and revenues a rating issue; however, it alone does not imply a rating ceiling for the company. A concentration in geographic territories is an added concern as it is viewed as a possible hurdle for the company as it grows. Again, time and trends will provide the best insight in this respect. Going forward, the company must match its actual results related to measurable benchmarks.

Rating Release Procedures

Given your request of a rating from A.M. Best, we will evaluate all relevant risks within your business and financial operations. In conducting this analysis, A.M. Best analyzes all pertinent operating companies, holding companies, and any other financial obligations of the organization, including debt securities issued by such companies. Upon completing the analysis of the organization, A.M. Best reserves the right to publish our opinion of your organization's ability to meet financial obligations issued by insurance-related companies, including the assignment of Financial Strength Ratings, Issuer Credit Ratings, or Debt Ratings.

To acknowledge the assigned Best's Ratings, and the above commentary, **we request that you sign and date this letter in the space provided below and return it via fax.** Our fax number is 908-439-2237. If you prefer, a signed copy may be scanned, saved as a PDF and returned via e-mail to LHPresLetters@ambest.com. The rating and corresponding rationale will be publicly available via Best's Internet site immediately upon our release of the rating. While A.M. Best retains absolute control over the timing of the release of its rating opinions, we encourage acknowledgement of ratings within 3 business days (unless a shorter time period has been communicated), after which, the ratings will be released automatically. We respectfully ask that you do not publicly release the rating assignment prior to its public release by A.M. Best Company.

In addition to our subscription and Internet products, your organization's Best's Rating and corresponding Best's Company Report will appear in the next edition of Best's Insurance Reports. A draft copy of your Best's Company Report has been sent to your designated contact for review. **Please submit any suggested revisions to this report within ten business days.**

In closing, we sincerely appreciate the valuable assistance that you and your staff have given us. Should you have any questions concerning this matter, please feel free to contact the analyst responsible for your company's rating, Anthony McSwieney, Senior Financial Analyst at 908-439-2200 extension 5715.

Sincerely,

William Pargeans

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Anthony McSwieney

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Presidential Life Insurance Company, AMB # 6948

Date: 6 / 8 /2011

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Acknowledged: _____

Arnold A. [Signature]

Title: _____

President & CEO