

Insurance Markets

Rating Actions On Nine European And African Insurance Groups After Revision Of Criteria On Rating Above The Sovereign

OVERVIEW

- On Nov. 19, 2013, Standard & Poor's published new criteria to determine when it can rate an issuer above the foreign currency rating on a sovereign to which the issuer is materially exposed.
- Pending the results of our stress tests, which simulate the impact of a sovereign foreign currency default, we are placing six insurers on CreditWatch. The ratings on three other insurers are affirmed or unchanged.
- We are placing on CreditWatch negative the ratings on Assicurazioni Generali SpA, Powszechny Zaklad Ubezpieczen (PZU), and Santam Ltd.
- We are placing on CreditWatch positive the ratings on Irish Life Assurance PLC and Nacional de Reaseguros S.A.
- We are placing on CreditWatch developing the ratings on Mapfre S.A.
- We aim to resolve the CreditWatch placements within the next three months after having reviewed the insurers' sovereign-related exposure and potential plans to mitigate sovereign default risk.

MILAN (Standard & Poor's) Nov. 26, 2013--Standard & Poor's Ratings Services today took various rating actions on nine insurers in Europe and Africa, following the update of its methodology for considering when it would rate nonsovereign entities higher than the sovereign (see "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," published Nov. 19, 2013, on RatingsDirect).

As stated in our criteria, when rating an entity above the respective sovereign foreign currency rating, we apply a hypothetical sovereign foreign currency default stress scenario (stress test). This stress test is applied with respect to any country to which the entity has a material concentration of exposure and where the potential rating on the entity would exceed the

foreign currency rating on the sovereign. The criteria explain the assumptions of the stress test.

CREDITWATCH NEGATIVE

We have placed the following three insurance groups on CreditWatch with negative implications, as they are currently rated above the sovereign foreign currency rating of domicile and our preliminary analysis of their domestic assets' exposure indicates that they might not pass the stress test:

- Assicurazioni Generali SpA (Generali). We have placed our 'A-' ratings on Generali and our ratings on all its subsidiaries on CreditWatch with negative implications. We currently rate Generali and its core subsidiaries two notches above Italy (BBB/Negative/A-2). If Generali group does not pass our stress test linked to a sovereign default, we would likely limit the rating on the group to the level of our foreign currency rating on Italy.
- Powszechny Zakład Ubezpieczeń S.A. (PZU). We have placed our 'A' ratings on PZU and its core subsidiaries on CreditWatch with negative implications. We currently rate PZU and its core subsidiary one notch above our foreign currency rating on Poland (A-/Stable/A-2). If PZU group does not pass our stress test linked to a sovereign default, we would likely limit the ratings on the group and its subsidiaries to the level of Poland's foreign currency rating.
- Santam Ltd. We have placed our 'A-' ratings on Santam on CreditWatch with negative implications. Santam is currently rated two notches above our foreign currency rating on South Africa (BBB/Negative/A-2). If Santam does not pass our stress test linked to a sovereign default, we would likely limit the global scale ratings on the insurer to the level of South Africa's foreign currency rating and we may lower the national scale rating in line with our mapping table.

CREDITWATCH POSITIVE

We have placed the following two insurance groups on CreditWatch with positive implications as we believe that their very strong capital and earnings and our assessment of their exposure to country-of-domicile assets could lead to them to pass the sovereign stress test and be rated higher than the sovereign:

- Irish Life Assurance PLC (ILA). We have placed our 'BBB+' ratings on ILA on CreditWatch with positive implications. We currently cap our ratings on ILA at the level of Ireland (BBB+/Positive/A-2) while the indicative stand-alone credit profile (SACP) stands at 'a-'. If ILA passes our stress test linked to a sovereign default, helped by its limited investment exposure to Irish assets relative to its regulatory capital, we would likely raise the ratings to the level of its indicative SACP.
- Nacional de Reaseguros S.A. (Nacional). We have placed our 'BBB-' ratings on Nacional on CreditWatch with positive implications. We currently rate Nacional at the same level as Spain (BBB-/Negative/A-3) while its indicative stand-alone credit profile (SACP) stands at 'a-'. If Nacional passes our stress test linked to a sovereign default, helped by its moderate investment exposure to Spanish assets relative to its regulatory capital, we could raise the ratings to the level of its indicative SACP, depending on our opinion of the group's sensitivity to Spanish country

risk.

CREDITWATCH DEVELOPING

We have placed on CreditWatch with developing implications our 'BBB-' ratings on Mapfre group's (Mapfre) holding companies Mapfre S.A. and Mapfre U.S.A. Corp., as well as our 'BBB+' ratings on Mapfre's core subsidiaries, Mapfre Re and Mapfre Global Risks, and our 'A-' ratings on Mapfre's U.S. operating subsidiaries. Our preliminary analysis of the group's exposures to the country of domicile and business mix leads us to believe there are equal probabilities that the ratings could be raised, lowered, or affirmed. We currently rate Mapfre group's core subsidiaries two notches above Spain (BBB-/Negative/A-3). The indicative group credit profile (GCP) of Mapfre group is 'a'. If Mapfre does not pass our stress test linked to a sovereign default, we would likely limit the ratings on its core subsidiaries to the level of our foreign currency rating on Spain. If Mapfre passes the stress test, we would rate its core subsidiaries up to the level of Mapfre's indicative GCP, depending on our opinion of the group's sensitivity to Spanish country risk. Mapfre's U.S. operating subsidiaries will likely remain rated one notch higher than the group's core subsidiaries, as regulatory restrictions on extraordinary dividends and capital return partially insulate them from their parent.

RATINGS AFFIRMED

We have affirmed the ratings on two insurers that are currently rated at the same level as the sovereign foreign currency rating of their country of domicile:

- Mutua de Seguros y Reaseguros a Prima Fija y Sociedades Filiales (FIATC). We have affirmed our 'BBB-' financial strength and issuer credit ratings on FIATC. We believe the company is unlikely to pass the sovereign default stress test, given its high domestic investment exposure relative to regulatory capital. Thus, we still believe that the ratings on FIATC are unlikely to exceed the long-term rating on Spain even though FIATC's indicative SACP is one notch higher, at 'bbb'.
- Compania Espanola de Seguros de Credito a la Exportacion S.A. (CESCE). We have affirmed our 'BBB-' financial strength and issuer credit ratings on CESCE. We believe the company is unlikely to pass the sovereign default stress test, given its high domestic investment exposure relative to regulatory capital and the high sensitivity of its credit insurance exposure to sovereign default risk. Thus, we still believe that the ratings on CESCE are unlikely to exceed the long-term rating on Spain, even though CESCE's indicative SACP is one notch higher, at 'bbb'.

RATINGS REMAIN ON CREDITWATCH NEGATIVE

Millenniumbcpc Ageas Grupo Segurador S.G.P.S (MAGS). Our 'BB' financial strength and issuer credit ratings on the core subsidiaries of MAGS remain on CreditWatch with negative implications where we placed them on Sept. 24, 2013. We believe MAGS is unlikely to pass the sovereign default stress test, given its high domestic investment exposure relative to regulatory capital. Thus, we still believe that the ratings on MAGS are unlikely to exceed the long-term rating on Portugal (BB/Watch Neg/B), even though MAGS' indicative SACP is three notches higher, at 'bbb'.

RESOLUTION OF CREDITWATCH PLACEMENTS

We aim to resolve the CreditWatch placements within the next three months after having reviewed the insurers' investment exposure and potential mitigation plans available to dampen sensitivity to sovereign default risk. In particular, we will focus our analysis on each insurer's current and expected exposures to domestic assets. We will also review insurers' capital plans in case of sovereign stress. Finally, we will investigate whether local regulation or other company-specific factors could be strong enough to partially insulate certain foreign subsidiaries from their parent.

RELATED CRITERIA AND RESEARCH

- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - General: Enterprise Risk Management, May 7, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology, May 7, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010
- Criteria - Insurance - General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- General Criteria: Understanding National Rating Scales, April 14, 2005

RATINGS LIST

Ratings On CreditWatch Negative
Generali Group
Assicurazioni Generali SpA
Generali Italia SpA
Alleanza Toro S.p.A
Generali (U.S. branch)
AachenMuenchener Lebensversicherung AG
AachenMuenchener Versicherung AG
Advocard Rechtsschutzversicherung AG
Central Krankenversicherung AG
Cosmos Lebensversicherungs AG
Cosmos Versicherung AG
Envivas Krankenversicherung AG
Generali Deutschland Pensionskasse AG
Generali Lebensversicherung AG
Generali Versicherung AG (Germany)
Generali IARD
Generali Vie Generali Versicherung AG (Austria)
Ceska pojistovna a.s.

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	To	From
Counterparty Credit Rating	A-/Watch Neg/--	A-/Negative/--
Financial Strength Rating	A-/Watch Neg/--	A-/Negative/--

Generali Rueckversicherung AG
Generali Holding Vienna AG

	To	From
Counterparty Credit Rating	BBB/Watch Neg/--	BBB/Negative/--
Financial Strength Rating	BBB/Watch Neg/--	BBB/Negative/--

Generali PanEurope Ltd.

	To	From
Counterparty Credit Rating	BBB+/Watch Neg/--	BBB+/Negative/--
Financial Strength Rating	BBB+/Watch Neg/--	BBB+/Negative/--

Deutsche Bausparkasse Badenia AG

	To	From
Counterparty Credit Rating	BBB+/Watch Neg/A-2	BBB+/Negative/A-2

Powszechny Zaklad Ubezpieczen S.A.

Powszechny Zaklad Ubezpieczen na Zycie S.A.

	To	From
Counterparty Credit Rating	A/Watch Neg/--	A/Stable/--
Financial Strength Rating	A/Watch Neg/--	A/Stable/--

Santam Ltd.

	To	From
Counterparty Credit Rating	A-/Watch Neg/--	A-/Negative/--
Financial Strength Rating	A-/Watch Neg/--	A-/Negative/--
South Africa National Scale Rating	zaAA+/Watch Neg	zaAA+

Ratings On CreditWatch Developing

Mapfre Group

Mapfre S.A.

Mapfre U.S.A. Corp.

	To	From
Counterparty Credit Rating	BBB-/Watch Dev/--	BBB-/Negative/--

Mapfre Global Risks, Compania Internacional de Seguros y Reaseguros S.A.

Mapfre Re, Compania de Reaseguros, S.A.

	To	From
Counterparty Credit Rating	BBB+/Watch Dev/--	BBB+/Negative/--
Financial Strength Rating	BBB+/Watch Dev/--	BBB+/Negative/--

Citation Insurance Co. (MA)

Commerce Insurance Co.

To	From
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Rating Actions On Nine European And African Insurance Groups After Revision Of Criteria On Rating Above The Sovereign

Counterparty Credit Rating	A-/Watch Dev/--	A-/Negative/--
Financial Strength Rating	A-/Watch Dev/--	A-/Negative/--

Ratings On CreditWatch Positive
Irish Life Assurance PLC

	To	From
Counterparty Credit Rating	BBB+/Watch Pos/--	BBB+/Positive/--
Financial Strength Rating	BBB+/Watch Pos/--	BBB+/Positive/--

Nacional de Reaseguros S.A.

	To	From
Counterparty Credit Rating	BBB-/Watch Pos/--	BBB-/Negative/--
Financial Strength Rating	BBB-/Watch Pos/--	BBB-/Negative/--

Ratings Affirmed

Compania Espanola de Seguros de Credito a la Exportacion S.A.

Counterparty Credit Rating	BBB-/Negative/--
Financial Strength Rating	BBB-/Negative/--

FIATC Mutua de Seguros y Reaseguros a Prima Fija y Sociedades Filiales

Counterparty Credit Rating	BBB-/Negative/--
Financial Strength Rating	BBB-/Negative/--

Ratings Remain On CreditWatch Negative

MAGS Group

Medis Companhia Portuguesa de Seguros de Saude, S.A.

Ocidental Companhia Portuguesa de Seguros de Vida S.A.

Ocidental Companhia Portuguesa de Seguros S.A.

Counterparty Credit Rating	BB/Watch Neg/--
Financial Strength Rating	BB/Watch Neg/--

N.B. This list does not include all ratings affected.

Additional Contact:

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