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Research

UNIQA Versicherungen AG

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CREDIT RATING

Local currency A-/Stable

Credit Rating History

June 2, 2005	A-
Jan. 10, 2001	A

Company Contact

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1029 Vienna
Austria
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Major Rating Factors

Strengths: Strong group capitalization;

- Sound operating performance; and
- Strong liquidity.

Weaknesses:

- Further improving, but still limited scale and geographical earnings diversity in Central and Eastern Europe (CEE); and
- Limited levels of capital for significant business expansion.

Rationale

The ratings on UNIQA Versicherungen AG (UV) reflect UV's predominant role as holding company of Austria-based UNIQA insurance group (UNIQA) and its function as the group's internal reinsurer for its Austrian insurance subsidiaries. The ratings are primarily derived from UV's shareholding in its primary insurance operations, which together contribute toward the group's strong capitalization, sound operating performance, and strong liquidity. This is partly offset by UV's improving, but still limited earnings diversity as well as limited capital levels for significant business expansion.

Standard & Poor's Ratings Services maintains a one-notch rating differential between UV and the group's overall financial strength. This reflects the structural subordination of UV to the policyholders of the group's primary insurance companies and UV's reliance on dividend payments from subsidiaries, which is mitigated by additional investment returns derived from UV's balance sheet and moderate debt levels.

UV benefits from strong capitalization at the group level, which has been sufficient to cover the group's organic growth and smaller-scale acquisitions. This has resulted in a moderate financial leverage of 23% in 2005. Standard & Poor's expects that UV will continue to expand its presence in CEE on a selective basis, but self-financing of larger scale acquisitions is viewed as challenging.

In line with industry trends, Standard & Poor's recognizes the further progress made by the group in operating performance in 2005, based on sound underwriting results and supported by the further recovery of equity markets, which resulted in a group ROE of 13%. As a result, UV's stand-alone interest coverage was consistent with the ratings at 10.6x in 2005, indicating sound debt-servicing capabilities. The earnings streams are well diversified by line of business, but--although improving--remain geographically concentrated, with the majority of earnings still stemming from the domestic market.

Liquidity

As UV's main function is to serve as a holding company, UV relies to a large extent on its regulated operating units to meet its obligations including the payment of interest and principal on debt, other expenses, and dividends. Despite this, UV's strong liquidity is also supported by nonparticipation related assets, which account for approximately 40% of UV's investments.

Outlook

The stable outlook reflects Standard & Poor's expectation that UV will continue to benefit from the operating performance at a group level and that it largely keeps its current balance of mixed operating and holding characteristics. UV's liquidity is expected to be strengthened by strong dividends from its subsidiaries. Specifically, Standard & Poor's expects UNIQA to achieve a net combined ratio of about 100% and an ROE of at least 15% in 2006. Financial leverage as well as interest and fixed-charge coverage ratios are expected to remain well in line with thresholds for the current ratings.

Financial Profile

UV is the holding company of UNIQA insurance group. The group is predominantly active in Austrian private life, health, and non-life lines where it enjoys leading positions, with additional geographical diversification deriving from the group's Western as well as CEE operations. UV itself also writes reinsurance business, with the majority coming from group-internal business, while less than 10% accounts for third-party reinsurance. The Austrian operating companies are the main contributors to the strong group capitalization, earnings, and liquidity profile.

Table 1

UNIQA Versicherungen AG And UNIQA Group/Financial Statistics

	--Year ended Dec. 31--				
	2005	2004	2003	2002	2001
UNIQA Versicherungen AG					
Financial leverage (%)	22.9	28.1	9.4	0.0	0.3
Fixed charge coverage (x)	10.6	6.8	22.0	15.2	6.1
UNIQA Group					
Group financial leverage (%)	19.8	22.1	20.7	11.8	0.0
Group fixed charge coverage (x)	8.2	6.1	5.2	60.5	0.0

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