

December 19, 2008

## UNIQA Versicherungen AG

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# UNIQA Versicherungen AG

## Major Rating Factors

### Strengths:

- Internal reinsurance activities support revenues
- Strong group liquidity profile
- Holds the majority of the group's excess capital

### Weaknesses:

- Improving, but still limited, scale and geographic earnings diversity through its foreign operations
- Rising debt and hybrid levels

### Counterparty Credit Rating

Local Currency

A-/Stable/--

## Rationale

The ratings on UNIQA Versicherungen AG (UV) reflect UV's role as holding company of the Austria-based UNIQA insurance group (UNIQA) and its function as internal reinsurer for its Austrian insurance subsidiaries. The ratings are mainly derived from the strength of UV's primary insurance subsidiaries, which are the main contributors to the group's financial profile. The group's improving, but still limited, earnings diversity and increasing debt funding partly offset these strengths.

Standard & Poor's Ratings Services maintains a one-notch ratings 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 its subsidiaries. However, UV's flexibility in meeting its obligations through the excess capital it holds and its ability to generate direct revenues from its reinsurance activities and related investments mitigate these factors.

We expect UV's operating performance to decline in 2008, owing to weak capital market conditions, but underlying earnings fundamentals are likely to remain solid. The group's fixed-charge coverage has weakened considerably this year and is expected to fall to 4x for full-year 2008 after 10x in 2007, demonstrating tighter debt-servicing capabilities. Its earnings streams are diversified by line of business, but--although improving--remain geographically concentrated, with the majority of earnings stemming from the domestic market.

Capital market conditions have also affected the group's capitalization, which, however, is still expected to be above our requirements for the 'A' rating category for full-year 2008, according to our capital model. This assessment is backed by the company's issuance of equity capital in 2008 and hybrid capital in early 2009 totaling about €500 million. In addition, as the holding company, UV keeps the group's excess capital on its books. With continued hybrid capital issuance in recent years, the group's financial flexibility has weakened; we expect financial leverage to reach 28% in 2008 and approach our tolerance limits for 'A' rated companies. We do not fully recognize all hybrid capital outstanding in our capital analysis because it exceeds our 25% hybrid ratio threshold. We expect the group to continue to selectively expand its presence in Central and Eastern Europe (CEE), but we believe it needs to balance these ambitions against available capital resources.

## Liquidity

Although UV functions both as a holding and a reinsurance company, it 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 these rather illiquid affiliated holdings, UV has a strong liquidity profile, supported by a groupwide liquidity management framework and nonparticipation-related assets, which account for about 30% of its investments.

## Outlook

The stable outlook mirrors the stable outlook on the group's core operating companies (For more details see the report "UNIQA Insurance Group," published on Dec. 19, 2008, on RatingsDirect). On a stand-alone basis, the outlook also reflects our expectation that UV will continue to benefit from the group's sound operating performance and related dividends from its subsidiaries.

Any change in the rating or outlook on UNIQA's core operations would affect the rating on UV. In addition, the group's failure to strengthen its fixed-charge coverage through higher profits and its inability to stabilize financial leverage could result in a wider ratings differential if we apply the general European standard of two notches between UV and the group's financial strength.

## Financial Profile: Mainly Fueled By Strength Of Operating Companies In Austria

UNIQA Versicherungen AG And UNIQA Group--Financial Statistics					
	--Year-ended Dec. 31--				
(Mil. €)	2007	2006	2005	2004	2003
<b>UNIQA Versicherungen AG</b>					
Financial leverage (%)	36.4	32.6	22.9	28.1	9.4
Fixed-charge coverage (x)	5.8	7.7	14.4	10.9	22
<b>UNIQA Insurance Group</b>					
Group financial leverage (%)	19.7	18.7	19.8	22.1	20.7
Group fixed-charge coverage (x)	10.0	10.4	8.2	6.1	5.2

UV is the holding company of the UNIQA insurance group, which is predominantly active in the Austrian private life, health, and non-life business lines, where it enjoys leading positions, with additional geographic diversification from its Western European and CEE operations. UV also writes internal group reinsurance business. The Austrian operating companies are the main contributors to the group's strong capitalization, earnings, and liquidity profile.

Ratings Detail (As Of December 19, 2008)*	
<b>UNIQA Versicherungen AG</b>	
Financial Strength Rating	
Local Currency	A-/Stable/--
Counterparty Credit Rating	
Local Currency	A-/Stable/--
Senior Unsecured (1 Issue)	A-

**Ratings Detail** (As Of December 19, 2008)\* **(cont.)****Counterparty Credit Ratings History**

02-Jun-2005	<i>Local Currency</i>	A-/Stable/--
10-Jan-2001		A/Negative/--
04-Nov-1999		NR/--/--

**Related Entities****UNIQA Personenversicherung AG**

Financial Strength Rating		
<i>Local Currency</i>		A/Stable/--
Issuer Credit Rating		
<i>Local Currency</i>		A/Stable/--

**UNIQA Re AG**

Financial Strength Rating		
<i>Local Currency</i>		A/Stable/--
Issuer Credit Rating		
<i>Local Currency</i>		A/Stable/--

**UNIQA Sachversicherung AG**

Financial Strength Rating		
<i>Local Currency</i>		A/Stable/--
Issuer Credit Rating		
<i>Local Currency</i>		A/Stable/--

\*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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