

Financial Strength Rating

Local Currency

A/Stable/—

Primary Credit Analysts:

Ralf Bender

CFA

Frankfurt

(49) 69-33-999-194

ralf_bender@

standardandpoors.com

Secondary Credit Analyst:

Wolfgang Rief

Frankfurt

(49) 69-33-999-190

wolfgang_rief@

standardandpoors.com

Additional Contact: Insurance

Ratings Europe

InsuranceInteractive_Europe@sta

ndardandpoors.com

RatingsDirect

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UNIQA Insurance Group

Major Rating Factors

Strengths:

- Strong domestic competitive position
- Strong operating performance
- Sound operational management

Weaknesses:

- Non-life underwriting performance not yet reflective of competitive position
- Growing but still limited scale and earnings diversity through foreign operations
- Efficient capital management strategy that leaves limited buffers to fund stronger than expected growth

Rationale

The 'A' ratings on UNIQA Personenversicherung AG (UPV), UNIQA Sachversicherung AG (USV) and UNIQA Re AG (UNIQA Re) reflect their core status within the Austria-based UNIQA insurance group (UNIQA). The one-notch lower 'A-' ratings on UNIQA Versicherungen AG (UV) reflect the entity's role as the group's holding and internal reinsurer.

The ratings on UPV, USV, and UNIQA Re reflect their core status within UNIQA, as they form intrinsic parts of the group, and contribute significantly to the group's strong domestic competitive position, strong operating performance, and sound operational management. This is partially offset by the group's still moderate non-life underwriting performance, growing but still relatively limited scale and earnings diversity from its foreign operations, and the group's efficient capital-management strategy, which leaves limited buffers in place to fund stronger-than-expected growth. UV is rated one-notch lower than the group's core entities, reflecting its mixed holding and operating characteristics, which are partially mitigated by self-generated cash flows and moderate debt levels. UNIQA Re is viewed as an intrinsic part of the group's risk-management strategy.

UNIQA maintains a strong domestic competitive position. The group is predominantly active in Austrian life, health, and non-life lines, where it enjoys leading positions with sound distribution power.

UNIQA's operating performance is strong, but affected by moderate non-life underwriting results. Standard & Poor's Ratings Services recognizes the further tangible progress made in operating performance, driven mainly by life and health segments, a decrease in overall expense levels, and stable investment conditions. UNIQA's operating performance was strong in 2006, with a posttax ROE of 15% expected (14% in 2005), underpinned by positive results in all markets. This was particularly driven by robust life and health results, with the life new business margin at 20% in 2005. In contrast, the non-life net combined ratio is expected to have improved slightly in 2006, but to have remained in excess of 100% in 2006.

UNIQA benefits from sound operational management. Management has demonstrated its ability to improve profitability over the past few years. The group has successfully achieved the goals of its earnings improvement programs between 2001 and 2006. Another program has been agreed, which is expected to improve bottom-line earnings by another €200 million per year by 2010. Efficient operational controls and a continuously strengthened risk-management framework support the integration of newly acquired companies into the group.

The group has growing but still relatively limited scale and earnings diversity from foreign operations. The group's credit profile continues to be driven by the domestic operations. Its Western European niche strategy provides some healthy diversification. In addition, UNIQA has further developed its Central and Eastern European (CEE) presence through several acquisitions recently, which are expected to add to the group's geographical premium and earnings diversification in the long run. Yet the scale of its CEE businesses, which is expected to be the main growth area, remains limited relative to its main peers. The group will need to demonstrate whether it will be able to compete successfully with larger players in each of these markets in the long run.

Efficient capital management strategy leaves limited buffers in place to fund stronger-than-expected growth. UNIQA's capitalization is expected to have remained strong in 2006, supported by strong bottom-line earnings. Capitalization, however, is also expected to remain constrained by the growth ambitions envisaged over the next years. Nevertheless, while capital continues to be managed efficiently in the group, Standard & Poor's expects UNIQA to be able to raise additional capital if needed.

Outlook

The stable outlook reflects Standard & Poor's expectation that the group will continue to benefit from strong operating performance in 2007. Competitive pricing appears to be picking up in the domestic non-life market, which will likely keep the group's net combined ratio between 101% and 104%. Nevertheless, Standard & Poor's expects the group to achieve an ROE of at least 13% in 2007. The domestic life business should continue to report a new business margin close to 20% and, together with health and increasing groupwide cost efficiency, should continue to drive the group's profitability. The group's earnings are expected to increasingly diversify away from the Austrian market, with foreign business contributing more than 30% of earnings. Capitalization is expected to remain at least strong.

Downward pressure is viewed as limited for the ratings, but may emerge if UNIQA were to fail in successfully competing in the CEE markets, or capitalization were to deteriorate significantly. Upside potential is viewed as unlikely over the rating horizon and might only emerge in the longer term.

Corporate Profile: One Of The Market Leaders In Austria

UNIQA, with €5.1 billion gross premiums written at year-end 2006, enjoys leading positions in all segments of the Austrian insurance market, with a market share of about 50% in health, 21% in life, and 17% in non-life insurance. It operates through various brands, which are well established in Austria. The nondomestic

business accounts for about 32% of premium income. UNIQA follows a niche strategy in some Western European markets and aims to become a diversified composite player in CEE.

Competitive Position: Strong Domestic Profile With Increasing International Diversification

Table 1

UNIQA Versicherungen Group/Business Statistics

—Year ended Dec. 31—

(Mil. €)	2005	2004	2003	2002	2001
Total gross written premiums	4.370,2	3.599,6	3.030,6	2.668,4	2.644,6
Non-life (%)	44,2	46,0	41,2	38,1	32,9
Life (%)	36,4	33,3	35,1	35,9	41,9
Health (%)	19,3	20,7	23,8	26,0	25,2
Non-life gross written premiums by line of business (%)					
Accident and health - other	10,9	11,2	11,9	12,6	13,6
Motor	40,5	41,5	43,2	43,9	41,7
Marine, aviation, and transport	5,4	4,2	2,5	2,5	1,9
Property	25,2	24,5	23,8	23,9	25,1
Liability	10,3	9,6	9,6	9,8	9,9
Legal expenses	2,1	2,1	2,1	1,6	1,4
Other	5,7	6,7	7,0	5,7	6,4

Standard & Poor's regards UNIQA's competitive position as strong, particularly in the domestic market, where its market share is gradually increasing, whereas smaller players are falling behind. Its Western European niche strategy provides some healthy diversification. UNIQA's main growth area is expected to be CEE. However, so far it has achieved relatively limited scale compared with peers, as benefits from its "preferred partnership" with the cooperative banks (Raiffeisenbanken) are at an early stage in several markets. Competitive advantages in the domestic market are UNIQA's powerful distribution capabilities and its well-diversified portfolio by line of business, which has added stability to overall results. In addition, the group is aiming to leverage on existing customer relationships through add-on services and its detailed customer information system. Through this move, UNIQA is seeking to leverage cross-selling potential and further develop its strong service standards as a key differentiator.

Domestic life insurance

UNIQA has a powerful position in the Austrian life market. This market segment is expected to provide further growth potential, based on increasing demand for private and corporate pensions. UNIQA's life insurance segment benefits materially from its exclusive access to the broad network of the Raiffeisen cooperative banks via its subsidiary Raiffeisen Versicherung AG (not rated). Banks remain the most important distribution channel for life products in Austria. Moreover, also the group's brand for unit-linked products, Finance Life Versicherung AG (not rated), continues to develop favorably.

In line with the industry, UNIQA is increasingly focusing on pension and unit-linked products, where, specifically, new state-subsidized products have continued to drive new business. Unit-linked single premium business is targeted to replace traditional single premium business due to stronger product profitability. In the future, corporate pensions and assistance products are expected to gain importance. Overall, UNIQA's domestic life premiums increased by 12% to €1.20 billion in 2005, representing 30% of the group's premium income.

Domestic health insurance

Standard & Poor's believes that UNIQA derives significant competitive advantage from its dominant franchise in this sector, where it benefits from excellent brand recognition, very strong market expertise, and excellent service to policyholders. UNIQA has initiated several changes to this market segment, which has made the sector more attractive for insurers. Significant investments in disease management capabilities should positively impact UNIQA's claims ratio in the longer run. A new critical illness product has been successfully launched. Nevertheless, the market is expected to become more competitive on prices, and health lobbying may well create pressure on currently sound profitability levels. Overall, UNIQA's domestic health premiums increased by 3% to €0.69 billion in 2005, representing 17% of the group's premium income.

Domestic non-life insurance

UNIQA's competitive position in non-life is good. Following strong premium rate increases and the pruning of unprofitable business over the past three years, UNIQA's technical performance has moved more in line, but still does not fully reflect its top-three position in the Austrian property/casualty market. Standard & Poor's expects softening in some business lines, which may put pressure on UNIQA's business volumes and profitability. In motor insurance, the group is conducting a pilot project that more adequately links premiums to actual driving behavior, which underlines UNIQA's efforts for product innovation. Overall, UNIQA's domestic non-life premiums increased by 5.7% to €1.02 billion in 2005, representing 25% of the group's premium income.

Geographic diversification

In Standard & Poor's view, UNIQA's increasing geographical diversification is vital to grow the business and should, over time, achieve wider scale and earnings diversity. While its international presences are currently viewed as neutral to the rating, they may well have the potential to positively influence the rating in the longer run if the foreign operations continue to gain scale, maintain its competitiveness, and remain profitable.

In Western Europe (20% of group premiums in 2005), UNIQA focuses on niche positions in Germany, Switzerland, and Liechtenstein. In Northern Italy, the group writes a composite account supported by a distribution agreement with Veneto Banca SCRL (BBB+/Watch Neg/A-2).

In CEE (7% of group premiums in 2005), UNIQA aims to position itself as a composite (non-life and life) player. After a number of acquisitions in new markets, UNIQA is currently active in 11 countries, with Poland and Hungary the largest operations. As the scale of its CEE businesses is relatively limited compared with more active competitors, UNIQA will need to demonstrate whether it will be able to compete effectively with larger players in each respective market. Nevertheless, a big advantage is its "preferred partnership" with the cooperative banks (Raiffeisenbanken), which are simultaneously driving business expansion in CEE, and provides UNIQA with a strong distribution channel.

Prospective

UNIQA is well positioned to maintain its strong market position in Austria. Strong distribution power and sound prospects for the life market are expected to support its domestic franchise. Foreign operations, particularly in CEE, are expected to grow more strongly than the domestic market, and should therefore gradually increase business and earnings diversification. UNIQA's challenge will be to compete effectively with larger players in the CEE markets in the long run. Wealth levels are expected to increase in these countries, and life and health sales might accelerate, mainly driven by the bank distribution partnership.

Management And Corporate Strategy: Sound operational management

Management has made further progress in improving the geographical diversity and quality of its operations, particularly its nondomestic franchise. Nevertheless, Standard & Poor's remains somewhat concerned about the competitive strength of UNIQA's foreign operations and their ability to compete effectively with local peers, both in Western Europe and CEE. Operational management skills are essential to control a geographically diversified and niche insurance portfolio. Financial management is sound.

Group strategy

Management's main focus is on diversifying UNIQA's geographical profile, while maintaining strong profitability. Profits from Austrian businesses provide the platform for investment in foreign expansion. Internationally, UNIQA follows a strategy with niche positions in Western Europe, a composite strategy in Central Europe, and a largely bank-driven sales approach in Eastern European markets.

Standard & Poor's regards CEE as UNIQA's strongest business opportunity. Further acquisitions and investments in sales channels are expected in this region, with a target to reach at least a 5% non-life and 3% life market share in all countries where the group is present. This had already been achieved in four non-life and six life markets in 2005, as the group has displayed a more aggressive acquisition appetite, with acquisitions in six new markets since 2005. Despite their currently favorable profitability levels, concerns remain about its ability to compete effectively with larger players in these markets in the long run. UNIQA is aiming to largely operate with a single brand strategy in CEE.

Operational management

Standard & Poor's considers UNIQA's operational management as sound. Management has demonstrated its ability to improve profitability over the past few years. The group has successfully achieved the goals of its earnings improvement programs between 2001 and 2006. Another program has been agreed, which is expected to improve bottom-line earnings by another €200 million per year by 2010.

Efficient operational controls are key, particularly in view of the economic and execution risks related to the group's engagement in various countries. UNIQA can draw on a strong integration track record of newly acquired companies. These include the transfer of the IT structure to the groupwide IT platform as well as knowledge sharing.

With the growing importance of its foreign operations, the group will set up a joint risk-management practice at the holding level, which should allow for closer and more effective risk monitoring. New groupwide competence centers for private or commercial clients should support best-practice transfer and knowledge sharing across the group. Clear responsibilities are in place at holding level for each market.

Financial strategy

UNIQA's financial management is sound, with clear and transparent performance targets in place. UNIQA's groupwide financial targets include the achievement of at least 15% group ROE. It aims to fund growth largely out of retained earnings, with the dividend payouts to be a maximum of 50% of net profits. Regulatory group solvency is targeted to remain in excess of 120%. Debt has been raised in recent years to fund growth, yet debt levels remain well in line with tolerance levels. With regard to foreign acquisitions, UNIQA has determined clear business plans. UNIQA would consider an exit if the desired profitability is not achieved within five years.

Enterprise Risk Management: Adequate, With A Number Of Strong Areas

UNIQA's enterprise risk management (ERM) is considered adequate, with a number of strong areas. Risk control processes are based on a detailed set of risk exposures from 12 risk areas, thereby estimating the group's potential loss exposure for each individual risk, and a traffic light system based on deviations from experience. UNIQA has implemented "Prophet" risk models to analyze European Embedded Value in life and traditional Embedded Value in health insurance, and a risk capital approach in non-life is just being built up. Full integration of these models should over time enhance strategic risk management. A sound governance structure, clear risk policies, and regular risk reporting that broadens the awareness of risk across the organization support its risk-management culture. Nevertheless, UNIQA is faced with the challenge of instilling an ERM culture at all levels of the group. This is regarded as essential for a complex group whose risk profile is considered moderately high, given that it operates in many, although mostly private and small and midsize enterprise (SME) lines of business and geographies, including its presence in CEE with ambitious growth plans. Continuous advances to ERM systems are expected for risk models and strategic risk management.

Accounting: An Early IFRS Adopter

UNIQA has adopted IFRS accounting since 2000 on a consolidated basis. Operating entities report primarily on Austrian GAAP, which is also the basis of UNIQA's business planning. Embedded value information was published for the first time in 2006. The wider consolidation of subsidiaries following the recent larger acquisitions of the Germany-based Mannheimer group and Italy-based Claris Vita, as well as its CEE expansion, leads to some distortion in the financials. In its capital analysis, Standard & Poor's recognizes the group's hybrid capital (€25 million), unrealized gains on properties (€182 million), 50% of the value of in force (VIF) on the life and health portfolio (€192 million), and policyholder capital (€629 million) for 2005.

Operating Performance: Strong Operating Performance, But Affected By Moderate Non-Life Underwriting Results

Table 2

UNIQA Versicherungen Group/Operating Statistics					
—Year ended Dec. 31—					
<i>(Mil. €)</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Net income	133,4	101,8	56,2	18,5	26,3
Posttax ROE (%)	13,4	13,5	6,8	1,8	3,1
Total gross expense ratio (%)	24,9	26,8	22,6	20,4	21,7
Non-life					
Non-life revenue	1.769,8	1.497,2	1.115,4	822,8	726,7
Non-life operating result	89,1	83,5	35,7	-35,02	-33,91
ROR (%)	5,0	5,6	3,2	-4,26	-4,67
Gross loss ratio (%)	65,0	62,9	69,6	78,1	73,6
Net loss ratio (%)	66,3	64,1	69,9	75,8	72,5
Net expense ratio (%)	36,2	35,9	35,4	35,2	39,5
Net combined ratio (%)	102,5	100,0	105,3	111,0	112,0
Life/Health					
New business margin (%)	20,0	N.A.	N.A.	N.A.	N.A.
Value of new business/Value of in force (%)	7,5	N.A.	N.A.	N.A.	N.A.
Life surplus available for distribution	407,2	349,1	105,8	213,7	400,1

Table 2

UNIQA Versicherungen Group/Operating Statistics (cont.'d)					
—Year ended Dec. 31—					
(Mil. €)	2005	2004	2003	2002	2001
ROA (after bonus allocation) (bps)	279,5	275,1	95,5	206,6	403,2
ROA (before bonus allocation) (bps)	86,6	66,3	48,9	76,3	87,9
Administrative expense ratio (%)	7,8	8,4	6,0	5,3	5,8
Acquisition expense ratio (%)	9,9	11,2	9,3	8,2	8,7
Investments					
Net investment income	638,4	727,6	709,3	619,7	665,6
Direct yield on invested assets (%)	3,8	5,0	5,7	5,3	6,0
Total return (incl. unrealized and realized) (%)	5,9	5,3	3,5	4,1	6,0
Nonlinked portfolio composition (%)					
Investment in affiliates	1,3	1,2	1,3	1,2	1,3
Bonds and other fixed-interest securities	62,2	64,0	57,4	61,7	53,4
Mortgages	1,0	1,0	0,9	0,1	0,1
Equities and other variable interest securities	18,8	12,3	13,4	11,6	11,9
Property	6,1	6,6	7,4	6,7	6,9
Cash and bank deposits	5,8	9,0	9,3	1,2	9,0
Loans and private placements	4,5	4,9	6,4	6,6	7,7
Derivatives	0,3	0,9	4,0	7,4	6,9
Other investments	0,0	0,0	0,0	3,4	2,7

N.A.—Not available.

Standard & Poor's recognizes the further tangible progress made in operating performance, driven mainly by life and health segments, a decrease in overall expense levels, and stable investment conditions. Overall performance continues to benefit from the group's strong diversification by line of business in Austria, resulting in a continuously growing ROE of 15% in 2006, after 14% in 2005. Non-life underwriting results remain moderate, however. Earnings continue to be driven mainly by the Austrian operations, although increasing diversity is evident, with nondomestic operating earnings having reached 27% in 2005.

Life and health

Life contributions to the group result gained pace in 2005, growing to €3.8 million (41% of net profit) from €9.3 million a year earlier, derived mainly from UPV and Raiffeisen Versicherung AG (not rated). Standard & Poor's believes that further cost reductions, a disciplined bonus policy, and risk-conscious equity exposure will be key factors to improve profitability in a low interest environment.

Health contributions to group results have recovered strongly since 2003, increasing to about €6 million (28% of net profit) in 2005. This demonstrates that the positive impact of UNIQA's profitability initiatives, including the pruning of unprofitable group contracts, price adjustments, and cost reductions are flowing through. Nevertheless, Standard & Poor's envisages increasing price competition and continued claims inflation, which may not be fully transferable to policyholders.

The combined life and health business reported a strong new business margin on an annual premium equivalent basis of 20% for 2005. Value of new business value at 7.5% of VIF demonstrates that new business contributes significantly to the development of VIF.

Non-life

The group's non-life underwriting performance represents a relative weakness to the rating. The strict underwriting policy implemented in the groupwide restructuring program is showing positive signs, but the combined ratio, at a still high 102.5% in 2005, remains moderate. Claims from snow pressure damage to rooftops due to harsh winter conditions in the first quarter and mounting price competition in commodity lines might well have weakened the technical result in 2006. Including investment returns, the non-life segment contributed profits of €1 million (31% of net profit) in 2005 and €4 million in 2004, compared with €5 million in 2003.

Foreign business

Foreign businesses are included in the business segments outlined above, and when viewed separately, developed favorably overall in 2005 and provided a contribution of €5.6 million to group profits, mainly stemming from Italy, Germany, Hungary, and the Czech Republic. This translates into about 27% of group operating profit before consolidation adjustments in 2005. All countries contributed positively, as achieving a break-even result quickly is a key objective for UNIQA, when considering acquisitions. Nevertheless, UNIQA's scale in most markets lags that of more active competitors to date. Therefore, UNIQA will need to demonstrate that it is able to effectively compete with larger players in the respective markets in the long run.

Prospective

Standard & Poor's expects that the group will continue to benefit from strong operating performance in 2007. Competitive pricing seems to be picking up in the domestic non-life market, which is keeping the net combined ratio between a moderate 101% and 104%. Nevertheless, Standard & Poor's expects the group to achieve an ROE of at least 13% in 2007. The domestic life business should continue to report a new business margin close to 20% and, together with health and increasing groupwide cost efficiency, continue to drive the group's profitability. The group's earnings are expected to increasingly diversify away from the Austrian market, with foreign business contributing more than 25% of earnings in 2007 and at least 50% in the longer run.

Investments: Relatively Moderate Market Risks And Sound Asset-Liability Management Practices

UNIQA's investment strategy and asset-liability management (ALM) practices are sound. This is based on a high-quality portfolio, a sound level of diversity, and a flexible management approach.

Strategy

UNIQA's investment strategy is appropriate for its level of capitalization. Of the total, 60% remains invested in bonds, although the company is willing to take investment risks in equities and alternative asset classes to raise its investment performance and benefit from diversification effects.

Investment returns

UNIQA's investment performance was strong in 2005, benefiting from the strong performance on equity markets across Europe and particularly in Austria and CEE as well as emerging market bond markets. Although fixed-income returns have started to steadily decline in light of the low interest rate environment, investment returns have remained well above both policyholder guarantees and crediting rates, with a net return of 5.9% in 2005 after 5.3% in 2004. In 2006, the increase in interest rates is expected to have affected

the group's investment performance. Despite shrinking asset-value reserves, this market development is viewed favorably for the industry.

Market risk

Standard & Poor's considers the market risk taken to be appropriate relative to available capital levels. In 2006, the group held an increased stake in equities and other variable yield investments of 17%. Hedging strategies are in place for equities, limiting the potential loss to 15% of market value. Interest rate risks are managed through a duration-based approach, including structured investments and swaps. The group responds to the low interest rate environment through higher shares in equities and alternatives.

Credit risk

Credit risk exposure increased in 2005 in the group's quest for extra yield, with 76% invested in bonds rated 'A' or higher and 18% in the 'BBB' range. For 2006, exposure fell to 73% and 9%, respectively. Credit risk is not seen as a key risk factor for the group. No significant concentration risk exists.

Prospective

Standard & Poor's expects no material change in the group's asset allocation in 2007, with a focus on fixed-interest securities, an appropriate exposure to equities supported by derivative protection, and adequate exposure to alternative asset classes.

Asset-liability management

UNIQA's ALM is considered appropriate to manage the existing duration mismatch. The tools are stochastic for assets and liabilities, but relatively new and untested in a financial stress scenario. ALM tools are increasingly being introduced in its foreign subsidiaries.

The guaranteed interest of UNIQA's Austrian life subsidiaries currently averages 3.0% for total in-force business, which is well below the achieved investment returns in excess of 5%. In the future, UNIQA is expected to focus on products that provide a 2.25% guaranteed interest. The impact on overall guarantee levels, however, will only filter through in the longer term.

Payout philosophy

Standard & Poor's views the group's stable bonus rates of 4% to be reasonable, based on achieved investment returns, and are considered more conservative than that of some domestic peers. Bonus rates have not proven to be a key driver of business growth in the Austrian life market recently. UNIQA's superior bank distribution power is a much more important trigger.

Liquidity: Highly Liquid Balance Sheet

Standard & Poor's views liquidity as strong, based on the strength of available sources of liquidity, a highly liquid asset profile, and sound operating profits, resulting in a strong cash flow position. Sound new business and bottom-line profitability prospects should provide the basis for stable liquidity.

Capitalization: Expected To Remain Strong, Despite Growth Plans And Efficient Capital-Management Approach

UNIQA's capitalization is expected to have remained strong in 2006, but represents a relative weakness to the rating, as it is also expected to remain constrained by the growth ambitions envisaged over the next years. Nevertheless, while capital continues to be managed efficiently in the group, Standard & Poor's

expects UNIQA to be able to raise additional capital if needed, by using its financial flexibility (defined as the ability to source capital relative to capital requirements).

Capital adequacy

UNIQA's risk-based capitalization is expected to have remained strong in 2006, reflecting stable capital markets, sound bottom-line results, and issuance of new shares. Nevertheless, the rise in interest rates has likely led to declines in asset-value reserve cushions. Increased exposure to equity markets and further organic and acquisitive expansion are expected to require further capital in future years. Yet the strategic equity hedge provides additional comfort on the sustainability of capitalization.

Quality of capital

The quality of capital is adequate, benefiting from a material proportion of shareholder funds in the group's total adjusted capital. Exposure to debt is still in line with the ratings, with a financial leverage of 24% expected for 2006 at group level. A significant proportion of capital, however, is hidden in rather illiquid property investments.

Reserves

UNIQA follows conservative reserving practices within its non-life operations, targeting a 10% safety margin upon the 90% percentile reserving level. Reserve ratios and run-off profits have remained stable in recent years. Given the composition of UNIQA's portfolio, the major part of its claims development is fairly short term, and the claims reserves are therefore not generally subject to any major deterioration. UNIQA increased its life technical reserves by more than €100 million in 2005 to reflect longevity trends. These were financed through realized gains on investments.

Reinsurance

UNIQA employs a conservative reinsurance policy both at the holding and the operating level, with a non-life reinsurance utilization ratio of 15% in 2005. In general, the reinsurance program has remained unchanged in 2006 and 2007, with conservative retention levels for the operating companies. Retrocession continues to be bundled within the group and placed with reinsurers rated at least 'A'. Reinsurance cover for its foreign subsidiaries is mainly provided and bundled through UNIQA Re, its Switzerland-based internal reinsurer, which is viewed as an important part of the group's risk-management strategy.

Financial Flexibility: Additional Resources For Expansion Would Be Available If Needed

Table 3

UNIQA Versicherungen Group/Financial Statistics					
	— Year ended Dec. 31—				
<i>(Mil. €)</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Total assets	21.575,0	18.862,2	15.189,5	13.124,2	12.452,1
Total adjusted equity	1.427,6	1.158,8	950,4	1.113,8	983,8
Change in adjusted equity (%)	23,2	21,9	(14,7)	13,2	(35,6)
Investment leverage (incl. all quasi capital) (%)	330,3	275,0	304,7	207,5	147,9
Liquid assets/technical reserves (%)	94,8	91,7	82,7	79,0	79,4
Non-life reinsurance utilisation ratio (%)	14,8	16,6	16,9	21,3	21,3
Non-life technical reserves/Net premiums written (%)	108,1	118,7	116,0	113,8	123,4

UNIQA's financial flexibility is sound, but likely to reduce as business expansion is expected to require further resources. Capital needs will depend on further growth abroad and, to a lesser extent, in Austria.

Organic growth is expected to be funded through retained earnings. Stronger-than-expected growth or potential larger scale acquisitions, however, would probably need extra funding, most likely through a capital increase, with core shareholdings retaining at least 51%. UNIQA is already has shareholder approval to increase its share capital by €50 million. Recently, UNIQA raised €250 million of hybrid capital through a private placement. Yet, the group's fixed-charge coverage, at 7.9x expected for 2006, demonstrates UNIQA's strong debt-servicing capabilities. In addition, a cooperation with the European Bank for Reconstruction and Development (EBRD; AAA/Stable/A-1+) might provide up to €150 million in extra funding.

Ratings Detail (As Of 22-Feb-2007)*

UNIQA Sachversicherung AG

Financial Strength Rating

<i>Local Currency</i>	A/Stable/—
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Counterparty Credit Rating

<i>Local Currency</i>	A/Stable/—
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Related Entities

UNIQA Personenversicherung AG

Financial Strength Rating

<i>Local Currency</i>	A/Stable/—
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Issuer Credit Rating

<i>Local Currency</i>	A/Stable/—
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UNIQA Re AG

Financial Strength Rating

<i>Local Currency</i>	A/Stable/—
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Issuer Credit Rating

<i>Local Currency</i>	A/Stable/—
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Ratings Detail (As Of 22-Feb-2007)* (cont. 'd)	
UNIQA Versicherungen AG	
Financial Strength Rating	
Local Currency	A-/Stable/—
Issuer Credit Rating	
Local Currency	A-/Stable/—
Senior Unsecured	
Local Currency	A-
Holding Company	UNIQA Versicherungen AG
Domicile	

