

Counterparty Credit Rating

Local Currency

A-/Stable/—

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UNIQA Versicherungen AG

Major Rating Factors

Strengths:

- Strong operating performance
- Revenues derived from UV's internal reinsurance activities
- Still moderate debt levels
- Strong liquidity

Weaknesses:

- Further improving, but still limited scale and geographic earnings diversity through foreign operations
- Efficient capital management strategy, but with limited buffers to fund stronger than expected growth

Rationale

The counterparty credit and insurer financial strength ratings on UNIQA Versicherungen AG (UV) reflect UV's predominant role as holding company of Austrian-based UNIQA insurance group (UNIQA) and its function as group internal reinsurer for the Austrian insurance subsidiaries. The ratings are primarily derived from UV's shareholding in its primary insurance operations, which together contribute towards the group's strong operating performance and liquidity profile. This is partly offset by UV's improving, but still limited earnings diversity as well as the group's efficient capital-management strategy, which leaves limited buffers in place to fund stronger-than-expected growth.

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 subsidiaries, which is mitigated by still moderate debt levels and, to a lesser extent, direct revenues derived from UV's balance sheet.

Standard & Poor's recognizes the further strong progress made in operating performance in 2006, which is expected to have resulted in a 15% group ROE. As a result, the group's fixed-charge coverage remained ahead of rating thresholds, with 7.9x expected for 2006, 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 stemming from the domestic market.

UV benefits from strong capitalization at the group level, which has been sufficient to cover the group's organic growth and smaller-scale acquisitions. Despite the recent private placement of €250 million hybrid capital, the group's financial leverage is expected to have been 24% in 2006, remaining in line with rating thresholds. Standard & Poor's expects that the group will continue to expand its presence in CEE on a selective basis, but with limited buffers in place to fund unexpected growth. The recent hybrid issue and the increasing relevance of foreign presences raise UV's degree of holding characteristics.

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 35% 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. UV's liquidity is expected to further benefit from strong dividends from its subsidiaries. Specifically, Standard & Poor's expects UNIQA to achieve an ROE of about 15% in 2007.

Any weakening in the group's fixed-charge coverage and financial leverage ratios as result of lower group profits, weakening capitalization, or a further increasing debt burden, could result in a wider ratings differential, applying the general European standard of two notches between UV and the group's financial strength.

Financial Profile

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

Table 1

<i>UNIQA Versicherungen AG And UNIQA Group/Financial Statistics</i>					
<i>—Year ended Dec. 31—</i>					
	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
<i>UNIQA Versicherungen AG</i>					
Financial leverage (%)	22,9	28,1	9,4	0	0,3
Fixed-charge coverage (x)	10,6	6,8	22	15,2	6,1
<i>UNIQA Group</i>					
Group financial leverage (%)	19,8	22,1	20,7	11,8	0
Group fixed-charge coverage (x)	8,2	6,1	5,2	60,5	0

Ratings Detail (As Of 22-Feb-2007)*		
UNIQA Versicherungen AG		
Financial Strength Rating		
<i>Local Currency</i>		A-/Stable/—
Counterparty Credit Rating		
<i>Local Currency</i>		A-/Stable/—
Senior Unsecured		
<i>Local Currency</i>		A-
Counterparty Credit Ratings History		
02-Jun-2005	<i>Local Currency</i>	A-/Stable/—
10-Jan-2001		A/Negative/—
04-Nov-1999		NR/—/—

