STANDARD & POOR'S

INSURANCE

UNIQA Sachversicherung AG

Local Currency
Credit Rating:
A/Stable/—

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Rationale

The ratings on UNIQA Personenversicherung AG (UPV) and UNIQA Sachversi***cherung AG (USV) ref***lect their core status within the Austrian-based UNIQA insurance group (UNIQA). The primary insurance operations together contribute toward the group's strong capitalization, strong competitive position, and improving consolidated earnings track record. This is partly offset by the group's improving, but still limited earnings diversification and potential capital needs deriving from its acquisitive growth strategy.

UNIQA benefits from strong capitalization at the group level, which is expected to be sufficient to cover the group's organic growth targets or small-scale acquisitions.

The group is predominantly active in Austrian private life, health, and non-life lines where it enjoys leading positions with sound distribution links. Additional geographical diversification is derived from the group's Central and Eastern European (CEE) operations, which increasingly contribute to the group's premium income and earnings.

Standard & Poor's recognizes the tangible progress made in operating performance following strong improvements in the underwriting results and a decrease in overall expense levels, further supported by the recovery in capital markets. UNIQA's operating performance in 2004 was adequate for the rating level, with an adjusted consolidated net combined ratio of 100% and a group pretax ROE in excess of 10%.

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 mature Austrian insurance market.

Standard & Poor's expects that UNIQA will continue to expand its presence in the CEE region, albeit on a selective basis and with management's clear focus on the proper integration of recently acquired companies. Furthermore, Standard & Poor's understands that UNIQA's shareholders would support it with new equity in the event of a more substantial acquisition.

Outlook

The stable outlook reflects Standard & Poor's expectation that the group will continue to benefit from strong operating performance. Specifically, Standard & Poor's expects UNIQA to achieve net combined ratios of about 100% in both 2005 and 2006 and a pretax profit of at least 10% over the same period. The group's earnings are expected to increasingly diversify away from the Austrian market through stronger presence in the CEE region. Capitalization is expected to remain strong.

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