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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-
Nov. 4, 1999	NR

#### Company Contact

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Austria  
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### Major Rating Factors

#### Strengths:

- Strong consolidated capitalization;
- Improving consolidated earnings track record; and
- Strong liquidity.

#### Weaknesses:

- Improving, but still limited geographic earnings diversity; and
- Continued acquisitive growth strategy.

## ■ Rationale

The counterparty credit and insurer financial strength 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 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 toward the group's strong capitalization, improving consolidated earnings track record, and strong liquidity. This is partly offset by UV's improving, but still limited earnings diversification, and potential capital needs deriving from its acquisitive growth strategy.

Standard & Poor's has taken the decision to introduce a one-notch ratings differential between UV and the group's overall financial strength, which is viewed as unchanged against the previous 'A' level. 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.

UV 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. This resulted in a moderate financial leverage of 26% in 2004. Standard & Poor's expects that UV will continue to expand its presence in the Central European region, albeit on a selective basis and with management's clear focus on the effective integration of recently acquired companies. Furthermore, Standard & Poor's understands that UV's shareholders would support it with new equity in the event of a more substantial acquisition.

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 a recovery in capital markets. UV's operating performance in 2004 was adequate for the rating level, with a combined ratio in primary non-life insurance of less than 100% and a group pretax ROE in excess of 10%. As a result, UV's stand-alone interest coverage was consistent with the ratings at 4.7x in 2004. 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.

## Liquidity

As its 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 strong operating performance at a group level. UV's liquidity is expected to be strengthened by strong dividends and profit transfers from its subsidiaries. Specifically, Standard & Poor's expects UNIQA to achieve combined ratios lower than 100% in 2005 and 2006, and a pretax profit of at least 10% over the same period. Financial leverage as well as interest and fixed-charge coverage are expected to remain fully consistent with 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 some additional geographical diversification deriving from the group's Central European operations. UV itself also writes reinsurance business with the majority coming from group-internal business, with only about 10% accounting 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				
	2004	2003	2002	2001
<b>UNIQA Versicherungen AG</b>				
UV financial leverage (%)	26.2	8.3	0.0	0.3
UV fixed charge coverage (x)	4.7	9.7	15.2	6.1
<b>UNIQA group</b>				
Group financial leverage (%)	23.3	19.1	10.5	0.0
Group fixed charge coverage (x)	6.1	5.2	60.5	0.0

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## ■ Group E-Mail Addresses

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