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Industry Report Card: European Insurers Prove Resilient To Liquidity Concerns After Credit Crunch

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Industry Report Card: European Insurers Prove Resilient To Liquidity Concerns After Credit Crunch

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Commentary/Key Trends

The liquidity of Europe's insurers in the aftermath of the subprime credit crunch, the findings of a European Commission (EC or the Commission) inquiry into business insurance, and moves toward a global financial reporting standard have been in the spotlight in recent months. Meanwhile, stable outlooks predominate among Europe's largest insurers.

European insurer liquidity remains strong in the aftermath of subprime credit crunch

European insurers are resilient to the liquidity conditions that have prevailed since the credit crunch precipitated by concerns over U.S. subprime mortgage lending. Insurers' liquidity is typically considered by us as a rating strength for most insurers. Liquidity stress tends to emerge only in the aftermath of major natural catastrophes or with high levels of life insurance surrender activity, neither of which applies currently, and for which there are a number of mitigants.

Europe's insurers are conservative investors (partly due to regulatory constraints) with the vast majority of their investments deployed in government and highly rated corporate debt, bank deposits, and equities. The resulting credit risk is moderate, except for those groups with large U.S. life insurance subsidiaries. An indication of the appetite for credit risk in this sector is found in our recent analysis of subprime and related CDO exposure, 93% of which lies in the 'AAA' and 'AA'-rated categories. Even for these investment vehicles, insurers are rarely forced sellers since they are used to back long-term life insurance liabilities. Outside the U.S. such exposure is immaterial.

Insurers are financed by equity and hybrid capital (again subject to regulatory constraints) with very little short-term finance. Only eight of Europe's pure insurers issue CP, but the amounts concerned are small and are backed by committed bank lines. CP issuance tends to be for financial flexibility purposes rather than for recurring funding requirements. There is some pent-up demand from insurers

to issue hybrid capital, but investor appetite for these instruments appears to have returned to some extent. Nevertheless, the capital adequacy of the sector as a whole is at a cyclical high. Cash flows are similarly strong. Insurers are typically investment-grade issuers.

Our greatest concern arising from the subprime issues relates to the cost of possible investor litigation, since some of that cost may be recovered from the offending institutions' Directors and Officers and Errors and Omissions insurance policies.

European commission inquiry findings could favor Europe's leading reinsurers

We expect the findings of the recent EC inquiry into business insurance will add further impetus to the trend toward differential pricing within the reinsurance sector. While this is expected to be beneficial for the sector as a whole over the long term, it could have a mixed impact over the short to medium term, likely favoring those players able to offer lead capacity.

The EC has recently completed its long-running inquiry into anticompetitive practices within the business insurance sector. While no hard evidence of such practices has been found, the Commission has highlighted certain practices, which it believes may be widespread, that may not be in the best interests of a (re)insurer's clients. In a reinsurance context, principal among these is the prevalence of harmonized (that is, undifferentiated) pricing.

In its findings, the Commission has not only invited the industry to "either reform its practices or to ensure that they meet the conditions required for compatibility with EC competition law," but has also "invited the customers...of reinsurance typically awarded on a subscription basis to be aware of the possibility of awarding such business on terms, which do not imply harmonized premiums and to ensure that wherever this is appropriate, this option is fully explored by risk managers and brokers".

Standard & Poor's Ratings Services expects that the spectre of heightened regulatory scrutiny will provide further impetus to the recent trend toward the increased incidence of differential pricing within the reinsurance sector.

Standard & Poor's believes that the increased prevalence of differential pricing would be a positive development for the reinsurance sector as a whole, despite the potential for it to be detrimental to those players not consistently able to offer lead capacity. Continued migration toward differential pricing would enhance the efficiency of the reinsurance market. The resultant reduction in the velocity of capacity flows within the sector could temper future underwriting cycles, which would be a welcome development from the perspective of both reinsurance sellers and buyers.

Current market practices arguably work in favor of those providing naive capacity--to the detriment of the industry and, ultimately, its clientele. As a result, in its attempt to protect the interests of the customer, the EC might well have done the reinsurance sector a favor or two.

A global financial reporting standard for insurers edges closer

We published our comments on the IASB's discussion paper (DP) on Oct. 15, 2007, on RatingsDirect. (For more information, see "Toward A Global Financial Reporting Standard For Insurance: Standard & Poor's Comments On The IASB's Preliminary Views On Insurance Contracts".)

We strongly support the development of comprehensive and consistently applied global accounting standards. We also generally support the direction that the IASB has taken in the DP and hope that a final standard can be issued as soon as practicable to allow for appropriate "due process" by the accounting standard setters and for insurers to commence their preparation for its application. Our principal views and considerations include the following:

- A global financial reporting standard for insurance contracts is long overdue.
- The development of a standard should become a joint IASB/FASB project.
- Assuming the DP is translated into a standard that is supplemented by robust disclosure, we expect it will meaningfully enhance the quality of our insurer analysis and peer comparisons.
- Discounting of insurance liabilities captures an economic reality that should be reflected in all insurers' financial statements, both life and non-life.
- The development of a suitable disclosure regime and income statement format is equally

crucial.

- Disclosure of discount rates and liability durations will be vital, along with disclosure of loss reserve confidence intervals and more extensive loss development tables (ideally by line of business). Equally important will be disclosure of the effects of service and risk margins, life policyholder participation, and the effects of adjusting of liabilities for the insurer's own credit characteristics.
- Future premiums on life contracts should be recognized not only to the extent they are required for guaranteed insurability, but also where future payment/renewals can be reasonably expected from past policyholder behavior. It would make the resulting value more consistent with the underlying economics.
- We have no conceptual objections to the possibility of "day one" profits (as well as losses) provided that the effects are disclosed.
- In the absence of a credible global standard for life insurance, market-consistent embedded value may meet the need. Embedded-value measures are highly informative to our analysis.
- Industry and user education must be increased and acceptance levels raised before the standard is finalized.

Chart 1

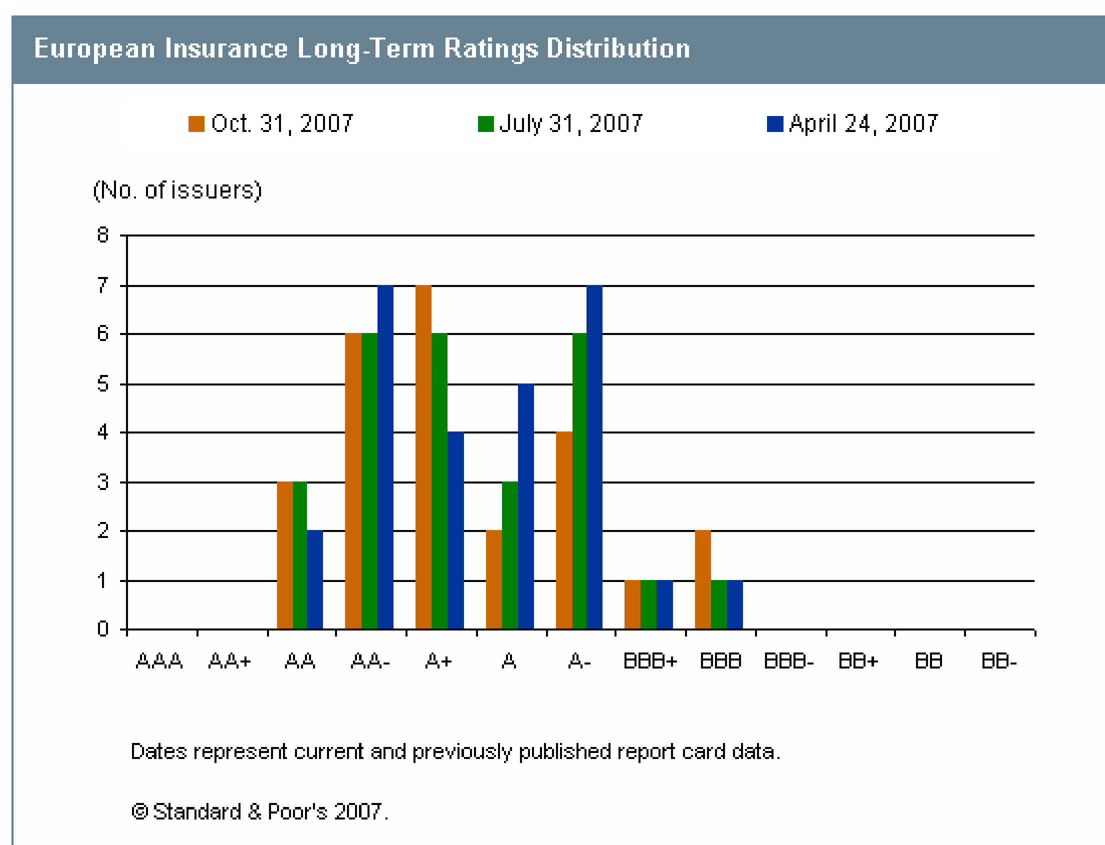
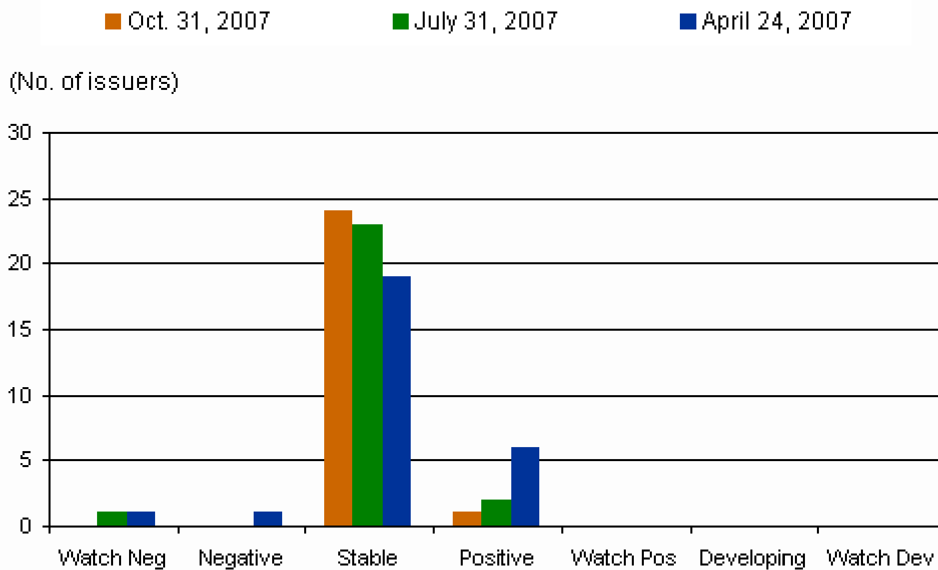


Chart 2



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Issuer Review

Table 1

Company or group/Counterparty credit rating/insurer financial strength rating on core operating entities*/Comments	Country	Analyst
AEGON N.V.(A+/Stable/A-1; AA/Stable*) The stable outlook reflects Standard & Poor?s view that the AEGON group (AEGON) will maintain its very strong profile, in particular in the U.S. Standard & Poor?s expects AEGON to continue its disciplined approach to financial and risk management in successfully executing its growth strategy. Capital adequacy is expected to remain very strong, and the quality of capital is expected to continue improving. Financial leverage (based on total adjusted capital) is expected to remain below 25% and fixed-charge coverage in excess of 6x. The ratings are not expected to change over the rating horizon, although the outlook could be revised to negative if there is a significant downturn in financial markets or the rating profile of AEGON?s U.S. business weakens. AEGON reported a 14% increase in new life business in the first half of 2007, and an internal rate of return on new business of 19.0% in the second quarter of 2007, up from 14.8% in the second quarter of 2006.	The Netherlands	Mark Button
AGF S.A. - Assurances Generales de France S.A.(A+/Stable/A-1; AA/Stable*) The rating and outlook of AGF?s two main operating entities AGF – Assurances Générales de France Incendie Accidents Reassurances Transport (AGF IART) and AGF- Assurances Générale de France Vie (AGF Vie) continue to explicitly reflect their core status to Allianz SE (AZSE). Standard & Poor?s expects AZSE to remain strategically committed to AGF, as evidenced by the buyout of AGF?s minority interests in 2007. As a consequence, the ratings and outlook on AGF IART and AGF Vie will remain at the same level at those on AZSE. AGF reported strong results in 2006 thanks to both solid operating conditions and a favorable capital market environment. Reported group premium income was up 5% at €18 billion, of which 46% stemmed from life and health and 37% from P/C insurance. The reported combined ratio was 91.4% in 2006, compared with 93.5% in 2005. New business margins in life remained strong at 34% in 2006. The holding company, Assurances Générales de France- should maintain a conservative financial profile, with fixed-charge coverage of at least 8x and the double leverage ratio comfortably lower than 100%.	France	Virginie Crepy
Allianz SE(AA/Stable/A-1+; AA/Stable*)		

The stable outlook reflects the expectation that operating performance will remain very strong based on the successful execution of strategy. This, in our view, should translate into an average combined ratio of at least 97% for 2007-2009, a life and health new business margin in excess of 3%, and into continued growth in operating profits for the group's banking and asset-management activities. Capitalization will be at least maintained at current levels. In addition, management is expected to limit acquisitions and/or shareholder remuneration to an amount that is commensurate with the current ratings and stable outlook. A negative rating action could follow if Allianz increased its capital leverage significantly further, or if the group failed to deliver on Standard & Poor's earnings growth expectations. We regard a revision of the outlook to positive as a remote possibility over the rating horizon. Half-year results for 2007 continue to be reflective of very strong operating performance with a reported combined ratio of 94.8%, an increase in the life new business value to €506 million resulting in a new business margin of 3.1% and continued growth in the operating profits of the group?s banking and asset management activities.	Germany	Karin Clemens
Assicurazioni Generali SpA(AA/Stable/--; AA/Stable) The stable outlook is based on the assumption that the Generali group will maintain its very strong operating performance, capitalization, and earnings. In its main European markets, Generali should continue to show organic growth above the market average in both life and property/casualty, given the group's well-established presence, opportunities arising from an evolving market, and the effort put into improving its distribution capabilities. Earnings are expected to continue to improve as a result of measures to improve efficiency set out in the new updated business plan. In particular, over the new business plan horizon, Generali should achieve a 58% increase in net profit, with a 95% combined ratio and a 10% increase in new business value over three years. The outlook could be revised to negative if the group slowed down its development of holistic risk management or if it did not meet the targets for growth, earnings, and capitalization set out in the business plan. A positive outlook seems unlikely for the current rating horizon given the already very high level of the ratings and the challenging times ahead stemming from the required change in corporate culture and improvements planned on the risk and financial management front. Results at mid-2007 confirm a very strong performance, exceeding target of business plan: the net result increased by 26.7%, life operating result increased by 24.1%, while the combined ratio decreased to 95.0% from 95.9% at mid-2006. Growth was strong with an increase of APE by 6.4% and of P&C premiums by 17%, partly due to Toro's acquisition.	Italy	Paola Del Curatolo
Aviva PLC(A+/Stable/--; core subsidiaries AA-/Stable*; U.K. life core subsidiaries AA/Stable*) The stable outlook reflects Standard & Poor?s expectation that the Aviva group (Aviva) will be a winner in the European life market, based on its scale and flexible business model. Standard & Poor?s expects the group to post high single-digit new business growth in 2007. Aviva?s general insurance results will remain very strong, and exhibit greater stability than those of many of its peers. Aviva is expected to generate sufficient retained earnings to support growth and capital adequacy. Financial leverage is expected to be managed at less than 30%, and economic fixed-charge coverage in excess of 7x. The ratings are not expected to change over the rating horizon, although the outlook may be revised to negative if there is a significant downturn in financial markets. Conversely, the outlook may be revised to positive if Aviva materially outperforms Standard & Poor?s earnings and capital expectations. Aviva reported a 19% increase in new life and pensions business for the first half of 2007 and a stable gross new business margin of 3.5%.	U.K	Mark Button
AXA(A+/Stable/A-1; AA/Stable*) The stable outlook is based on the assumption that the AXA group (AXA) will be able to maintain its competitive position by fully leveraging the acquisition of Swiss insurance group Winterthur. Operating performance should be maintained at very strong levels, helped by excellent enterprise risk management and process improvements set out in the Ambition 2012 plan--particularly in non-life, where we expect the combined ratio to be maintained below 100%. In life, we expect some dilution in new business value in the short term, due to the Winterthur integration. Life total return on embedded value should nevertheless be maintained at 15%. Although the very strong capitalization leaves the group some margin for pursuing its external growth strategy, we do not expect capitalization to fall below the 'AA' level. We would consider revising the outlook to negative if earnings or capitalization were to deteriorate materially. We consider a revision of the outlook to positive as a remote possibility over the rating horizon. Half-year 2007 results are in line with expectations: life new business volume increased by 11%, corresponding to a 9% increase in new business margins, and combined ratio stood at 98.4%. Overall underlying earnings increased by 19%.	France	Laura Santori
CNP Assurances(AA/Stable; AA/Stable*) The stable outlook reflects Standard & Poor?s expectations that CNP Assurances (CNP) will maintain strong financial and operational links with its three shareholders. We expect CNP?s competitive position to remain very strong in France. CNP is well positioned to benefit from long-term growth opportunities offered by the French life insurance market, where bancassurance is dominant, thanks to its partnerships with its shareholders. Standard & Poor?s also expects CNP?s operating performance to remain strong thanks to incentives on low-capital intensive unit-linked business. To protect CNP?s current strong capitalization, we expect any significant acquisition to be adequately funded by a combination of capital increases and subordinated debt. Results at H1 2007 continue to be satisfactory: total gross premiums written increased by 6% on a pro forma basis, new business margins remained broadly stable at 11.3%, in line with Standard & Poor?s expectations. The financing of the 51% stake in Ecureuil Vie, a 50/50 mix of a capital increase and a deeply subordinated perpetual debt issue should leave overall capital adequacy unchanged.	France	Virginie Crepy
Eureko B.V(A-/Positive/--; A+/Positive*)		

The positive outlook reflects Standard & Poor?s expectation that operating performance in the Dutch life and pensions businesses will improve, providing larger and more stable dividend flows and helping to maintain the strong liquidity profile of the Eureko group (Eureko). Furthermore, Standard & Poor?s expects Eureko to maintain fixed-charge coverage at least in line with the rating level through the continuing improvement in operating earnings in 2007 and beyond. The contribution from life and pensions is also expected to increase as the recovery of operations progresses.	The Netherlands	Paul Bradley
Fortis ASR Levensverzekering N.V., Fortis ASR Schadeverzekering N.V., Fortis Insurance Belgium (FIB)(AA-/Stable; AA-/Stable*) The stable outlook reflects that on Fortis group entities. On a stand-alone basis, we expect that the Fortis Insurance Division (FID) will maintain its very strong operating performance and very strong capitalization. The non-life combined ratio is set to remain below 97% in 2007-2008, thanks to controlled underwriting and synergies from the streamlining of insurance activities, which should lead to a one percentage point reduction in the expense ratio. Fortis is also expected to continue writing profitable life business, with increasingly controlled guaranteed rates. Life new business is set to record margins over APE of about 25% in 2007 and 2008. In addition, we expect the group to continue to support FID, maintaining capitalization at very strong levels. We also expect Fortis to maintain its strong competitive position in Belgium and the Netherlands. A multi-channel distribution and innovative product range in Belgium will help FIB maintain its No. 1 position, while in the Netherlands increasing direct sales stands to strengthen distribution diversification. International activities will continue to represent a good diversification, although growth potential appears limited.	Belgium/The Netherlands	Lotfi Elbarhdadi
Groupama S.A.(A+/Stable; A+/Stable*) The stable outlook on Groupama reflects our expectation of a permanent improvement in operating performance, of high growth potential, and of strong capitalization and financial flexibility over the long term. We expect the net non-life combined ratio to remain consistently lower than 102%, thanks to Groupama's diversified lines of business, and supported by conservative underwriting risk management. We expect the profitability of life business to remain moderate but to steadily increase, thanks to better risk management practices introduced by the EEV exercise. Product orientation toward unit-linked, individual protection, and flexible-guarantee saving products should result in more profitable new business in 2007-2008. Growth in French P/C should be in line with the market, with pricing efforts in motor and personal lines remaining moderate compared to growth potential in other lines. We expect the life business to grow faster, leveraging on cross-selling potential. We consider the Nuova Tirrena acquisition to be in line with Groupama's international growth strategy. This acquisition is likely to substantially reinforce Groupama's existing franchise in the Italian non-life market. The high acquisition price is somewhat mitigated by Groupama's long-standing presence in Italy, which increases synergy prospects. We consider a revision of the outlook to positive unlikely for the group in its current profile. We could revise the outlook to negative if quality of capital, competitive position, or operating performance show signs of long -term weakening, or if risk management practices become less commensurate with the growth strategy.	France	Lotfi Elbarhdadi
Hannover Rueckversicherung-AG(AA-/Stable/--; AA-/Stable*) The stable outlook reflects Standard & Poor's expectation that Hannover Re will maintain its very strong operating performance while its competitive position and future earnings will become less reliant upon retrocession. Following the sale of the U.S. specialty insurance operations, the reinsurance utilization ratio is not expected to exceed 15%. The ratings could come under pressure if the group failed to sustainably reduce its dependence on retrocession and/or the availability of traditional and nontraditional retrocession significantly contracted. An outlook revision to positive is considered remote over the rating horizon. The stable outlook also incorporates the following expectations: Property/casualty reinsurance gross premiums written (GPW) for 2007 will be at a level similar as for 2006. The segment is expected to post a combined ratio of less than 100% and ROR of about 10%. Life and health reinsurance will maintain its current positive trend of value creation (8%-10% growth in European Embedded Value {EEV} per year). During 2007, the division is expected to demonstrate progress toward the goals set for 2008--that is, a value of new business (VNB) in excess of €110 million and operating EEV earnings of about €150 million. The group will post a consolidated ROE of close to 15% and consolidated ROR of about 7%. The group's core business will be supported by the release of additional capital following the completion of the disposal of the U.S. specialty insurance operations. In addition, property/casualty earnings are expected to benefit prospectively from the omission of nonstrategically important business, which has historically been a drag on the group's overall performance. Capitalization will remain strong, with the capital adequacy ratio maintained at the 2006 level. Hannover Re should benefit from the support of its intermediate parent, Talanx AG (A-/Stable/--), in the case of a stress scenario due to its core status, although it is considered unlikely that Talanx will provide additional capital to finance Hannover Re's business growth.	Germany	Hiltrud Besgen
If P&C Insurance Ltd. (publ)(A/Stable/--; A/Stable*)		

The If group (If) reported a stable non-life combined ratio of 92% for the first six months of 2007 (94.3% in 2006), supported by strong performance across all of its markets except Denmark, which suffered several large fire losses. The stable outlook on If reflects Standard & Poor?s expectation that the group will be able to sustain its recent trend of strong earnings and capital management. Should If demonstrate greater resilience to market softening than peers on account of its portfolio diversity, improved risk discipline, and cost rationalization, positive rating actions may follow. This would be contingent on a similarly positive assessment on the Sampo group (Sampo) and its utilization of the €4.1 billion cash proceeds of the Sampo Bank PLC (AA-/Stable/A-1+) divestiture, and the relative importance of asset liability management issues at Sampo Life Insurance Co. (Sampo Life; not rated) diminishing. Future group strategy and its implications for the ratings on If remain somewhat unclear at this stage given the varied strategic options available. Sampo has been building a stake in Nordea Bank AB (AA-/Stable/A-1+), and held a 7.1% stake at the end of September 2007. Negative rating action could follow an increase in the Sampo group?s risk or financial profile related to its future acquisition or capital management strategy, a significant downturn in If?s operating performance following widespread market softening, or a material depreciation in equity prices affecting Sampo Life and ultimately the group.	Sweden	Mark Coleman
ING Groep N.V., ING Verzekeringen N.V.(AA-/Stable/A-1+; AA/Stable*) The stable outlook on ING?s insurance operations reflects the ongoing improvements in the group?s earnings and Standard & Poor?s expectation that these improvements will continue to a level consistent with the current ratings. Standard & Poor?s expects the internal rates of return on new business and the corresponding new business margins to trend upward in 2007, to become more in line with those reported by similarly rated peers. The group is expected to continue meeting its own targets for capitalization and financial leverage, which Standard & Poor?s considers appropriate, and these targets are not expected to change. Benelux cost efficiency is improving as restructuring programs take effect. A positive rating action could result if the group continues to leverage its franchise potential to deliver stronger and sustained profitability and a more resilient balance sheet. A negative rating action could arise from a marked deterioration in earnings, capitalization, or leverage. ING reported a 1.2% increase in new life business for the first half of 2007 and an internal rate of return on new business of 12.8%, down from 13.9% in the first half of 2006.	The Netherlands	Mark Button
Legal & General Group PLC(L&G PLC AA-/Stable/A-1+; LGAS: AA+/Stable*) The stable outlook on Legal & General Group PLC (L&G) reflects both the stable outlook on the core operating subsidiary, Legal & General Assurance Society Ltd. (LGAS), and Standard & Poor's expectation that L&G's rating strengths will be maintained. Financial leverage is expected to remain below 25%, supporting the group's conservative capital structure. Fixed-charge coverage is expected to remain in excess of 10x. Expectations for 2006 were met. The ratings were unaffected by the share buyback program of up to £1 billion announced on July 26, 2007.	U.K.	Miroslav Petkov
Lloyd?s, The Society of Lloyds(A+/Stable/--; A+/Stable*) The stable outlook reflects Standard & Poor's expectations that: (1) Subject to normal catastrophe loss experience for 2007, Lloyd's will post a combined ratio below 95% and ROR greater than 12%. Performance will weaken in 2008 in line with an anticipated continuing softening operating environment; (2) Lloyd's main capital providers will remain committed to the Market; (3) There will be further rapid improvement in the London market's administrative processes. Momentum should continue to build with regard to claims processing, accounting and settlement, and policy placement, and legacy issues will start to be addressed; (4) Catastrophe-related operational weaknesses will prove to have been successfully strengthened; (5) Capital adequacy will remain strong, as reflected in central assets available for solvency purposes remaining at about £1.75 billion and Lloyd's solvency ratio remaining above 300%; (6) Operating performance of the continuing Market will not be negatively affected by further net deterioration in technical reserves. The drag on Lloyd's from run-off syndicates will continue to decline; (7) Equitas will successfully complete phase 2 of the NICO transaction. An outlook revision to positive is unlikely in the medium term, and would depend on Lloyd's significantly outperforming targets over a sustained period. An outlook revision to negative is also unlikely, but would probably be driven mainly by operating performance returning to levels recorded prior to 2002, reflecting poor management of the softening underwriting cycle. Failure to complete the administrative process reform would also result in a negative outlook.	U.K.	Peter Grant
Munich Reinsurance Co.(AA-/Stable/--; AA-/Stable*) The stable outlook on Munich Re and its rated core subsidiaries reflects Standard & Poor's expectation that Munich Re will sustain strong earnings through the cycle, and maintain a very strong competitive position and capitalization, while further building its strong ERM framework. This will manifest itself in an ROE of at least 10% to 12% as well as a combined ratio of less than 100% in both reinsurance and primary insurance. ROR in reinsurance is expected to reach at least 10%. In respect of primary life and German health insurance as well as life reinsurance activities combined, the ratio of the value of new business to the present value of in-force business (PVIF) after cost of capital is expected to be about 7% and the overall new business margin about 3%. An outlook revision to positive would depend on the group significantly outperforming these targets over a sustained period. An outlook revision to negative is unlikely and would be driven by Munich Re significantly performing below our expectations. 2007 half-year results have been in line with expectations.	Germany	Karin Clemens
Prudential PLC(Pru PLC: A+/Stable/A-1; PAC: AA+/Stable*)		

The stable outlook on Prudential PLC reflects the stable outlook on its global shareholder operations, including Jackson National Life Insurance Co. Standard & Poor's expects group fixed-charge coverage to be above 8x in 2007 on a European Embedded Value basis, and to be maintained above 6x on an IFRS basis. The U.K. with-profits transfer is expected to exceed £200 million over the rating horizon, which compares favorably with the annual debt-servicing requirement. The stable outlook also reflects Standard & Poor's expectations that Prudential PLC will maintain a significant buffer above the Financial Conglomerates Directive's requirement over the rating horizon, and that holding company cash flows will be positive at the end of this period. Failure to execute successfully the U. K. strategic repositioning may negatively impact the future ratings.	U.K.	Miroslav Petkov
Royal & Sun Alliance Insurance PLC(A-/Stable/--; A-/Stable*) The stable outlook reflects Standard & Poor's expectation that R&SA will continue to improve its capitalization and financial flexibility, through retained earnings, over the rating horizon. R&SA's ability to maintain its recent earnings momentum, driven by proactive cycle management, will be the key driver for the ratings going forward. During 2007-2008, Standard & Poor's expects R&SA to post an overall combined ratio at or below 98% and continue to meet a cross-cycle ROE target above 12% (before abnormal items). Outperformance of these objectives could place upward pressure on the ratings, although an upgrade is unlikely over the rating horizon. The group confirmed in its second quarter results that it expects to deliver a net combined ratio of around 96% for 2007, in spite of the impact of the U.K. floods, and that it achieved an underlying ROE of 18.1% in the first half of 2007. Furthermore, R&SA?s capitalization continues to improve. Should R&SA's forecast growth compromise the quality of its underwriting, the resultant strain on earnings and capitalization could place downward pressure on the ratings.	U.K.	Nigel Bond
SCOR SE(A-/Stable/A-2; A-/Stable*) The stable outlook reflects Standard & Poor's expectations that SCOR will: (1) Be able to demonstrate the resilience of the competitive position of SCOR Switzerland AG (formerly Converium AG; A-/Stable/--) at the January 2008 renewal; (2) Successfully integrate Converium, particularly in respect of enterprise risk management (ERM) and financial reporting; (3) Begin to build a track record of successful execution on its Dynamic Lift plan, particularly the commitment to further improve the performance of its non-life division through prudent underwriting, proactive cycle management, and cost controls. SCOR is expected to report a non-life combined ratio below 100% for 2007; (4) Continue to strengthen its ERM credentials, particularly in respect of strategic risk management. A positive outlook may result should SCOR be able to meet these objectives. Failure in respect of these objectives, however, could place downward pressure on the ratings. Upside potential for the ratings will principally remain a function of the group's ability to build a track record of sustained improvement in earnings, both in absolute terms and relative to peers, within its non-life division. This is expected to be facilitated through the ongoing development of a strong, groupwide ERM framework.	France	Peter Grant
Standard Life PLC(BBB+/Stable/--; A/Stable*) The stable outlook on Standard Life PLC reflects the stable outlook on its primary operating company, Standard Life Assurance Ltd. The stable outlook also incorporates Standard & Poor's Ratings Services' expectations that Group consolidated fixed-charge coverage will be at least strong, that Standard Life will continue to develop a robust risk management framework appropriate to its future business model, that Standard Life will maintain sufficient capital to meet new business strain while maintaining capital adequacy as a support to the ratings, thereby helping to underpin the transition of its business; and that dividends paid will be supported by earnings and not erode capital. Potential upside exists for the ratings should new business profitability continue to improve to levels more in line with those for SLAL's peer group, while not significantly eroding the group's market position. Potential downside would exist if the expected improvement in earnings closer to peers' levels failed to materialize.	U.K.	Paul Bradley
Swiss Life Holding(BBB/Stable/--; CCR and FSR of operating core insurance companies: A-/Stable) The stable outlook reflects Standard & Poor's expectation that Swiss Life will maintain its strong competitive position in its key markets Switzerland, France and Germany, as reflected in new business growth at least in line with the market average. In addition, Standard & Poor's expects Swiss Life to build additional and sustainable business and earnings? diversification potential by leveraging the cross-border business potential through its operations in Luxembourg and Liechtenstein. The successfully implementation of the strategy should be reflected in a continuously increasing contribution to the group?s business and earnings profile. Operating performance should remain strong demonstrated by an operating return on embedded value of above 10%, a new business margin of above 2% of the PVFNBP and an increasing contribution of new business value to the value in force. The performance should further benefit from the continuous implementation of efficiency and cost reduction measures. Net results in 2007 and 2008 should lead to an operating ROE of at least 8% to 10%, with limited reliance on capital gains and non-core activities. Capitalization is expected to be maintained at a strong level. The outlook could be revised to positive if Swiss Life successfully outperformed expectations on a sustained basis. Conversely, the outlook could be revised to negative if Swiss Life were to unexpectedly underperform relative to competitive position, operating earnings, and capitalization targets.	Switzerland	Hiltrud Besgen
Swiss Reinsurance Co.(AA-/Stable/A-1+; AA-/Stable*)		

The stable outlook on Swiss Re and its core entities reflects Standard & Poor's expectation that the combined ratio for the group (excluding nontraditional business) will be less than 100% in 2007-2009 and ROE will be about 13% for the same period. For 2007 and 2008, total (life and non-life) ROR of about 10% and non-life ROR exceeding 10% are expected. The ROR for life business is expected to be about 9%. For 2007, the combined ratio (excluding nontraditional business) is expected to be less than 95%, and ROE about 15%. Other expectations are that capital adequacy as measured by Standard & Poor's risk-based model will remain very strong. A revision of the outlook on Swiss Re and its core subsidiaries to positive will be dependent on the group's operating performance reaching a very strong level, defined as Swiss Re meeting its own target of an average ROE of 13% over the cycle. In addition, the group would be expected to either perform in line with, or outperform, its similarly rated reinsurance peers. An outlook revision to negative is unlikely, and would likely be driven either by a material loss beyond the group's stated risk tolerance or by concerns about operating performance.	Switzerland	Peter Grant
Talanx AG(CCR: holding: A-/Stable; CCR and FSR of operating insurance companies: A+/ Stable) The stable outlook reflects the expectation that the enlarged group will translate its very strong and improved competitive position in non-life insurance into strong and growing earnings. Non-life combined ratio should remain at less than 97% and ROR at higher than 10% throughout the cycle. On the life side, Standard & Poor's expects TPG to further build its competitive position by leveraging its enlarged customer and distribution base reflected in a new business growth at least in line with the market average and a steady increase in profit contributions. Both the operating return on embedded value and new business margin should exceed 10% prospectively. Consolidated earnings are expected to remain strong, with a posttax ROE of close to 12%. Capitalization should remain strong, benefiting from sound retained earnings. Standard & Poor's will continue to monitor the pace and efficiency of the integration process, as unsuccessful implementation might have negative rating implications. The outlook may also be revised to negative if the combined group were to significantly underperform relative to earnings and capitalization targets. Upside potential is very limited, but could occur if Talanx significantly outperformed expectations.	Germany	Hiltrud Besgen
Unipol Gruppo Finanziario SpA(BBB/Stable/--; A-/Stable*) Following the restructuring process concluded at the beginning of September, Unipol Gruppo Finanziario SpA (formerly Compagnia Assicuratrice Unipol SpA) is a holding for participating interests and services which started operations on Sept. 1, 2007. The process separated the centralized and coordinating functions from the operating activities peculiar to each company. Unipol Gruppo Finanziario SpA controls some operating companies, among them Compagnia assicuratrice Unipol (abbreviated Unipol Assicurazioni), and Aurora Assicurazioni are core operating entities. The stable outlook is based on the assumption that UGF group?s (UGF) management will pursue a cautious and prudent corporate strategy. Capitalization is very strong due to the October 2005 capital raising. UGF?s management intends to use part of the existing excess of capital to support growth in banking business through merger operations, and to pay back part of it to shareholders. Capitalization is expected to remain at a strong level nevertheless. UGF?s competitive position is expected to remain strong. The operating performance is expected to remain strong as well, thanks to the exploitation of unrealized synergies and increasing weight in the portfolio of profitable nonmotor business. Results at mid-2007 confirmed the upward trend in bottom-line profitability, with group consolidated profit increasing by 24.2% compared with the same period in 2006. Premiums decreased by 9.9% compared with the same period of 2006, due to a reduction in the distribution of corporate capitalization policies; P/C business conversely increased by 5.1%.	Italy	Paola Del Curatolo
Zurich Group Holding, Zurich Insurance Co.(CCR: Holding A/Stable; CCR and FSR of operating core insurance companies: AA-/Stable) The stable outlook reflects Standard & Poor's expectation that ZFS will maintain a very strong profitability reflected in a ROE (after tax) of close to 16% in 2007 and 2008. This view is based on management?s commitment to value creation through underwriting rigor, efficiency improvements and realization of meaningful growth in the selected European personal line business segments and emerging markets. Non-life combined ratio should remain in the range between 95% and 97% over the cycle and ROR should exceed 10%. Furthermore, profit contribution from life insurance should continuously improve based on an operating return on embedded value of well above 10% and a new business margin exceeding 2.5% of present value of new business premiums. Capitalization is expected to remain at a strong level benefiting from retained earnings. Reserves should be maintained at least at an adequate level. Risk-management practices are expected to be further enhanced. The prospect for further upward potential is remote at this stage. A negative outlook could be considered, in case of a major deterioration of earnings or capitalization, or if ZFS failed to meet expected operational improvements.	Switzerland	Hiltrud Besgen
Ratings as of Nov. 5, 2007.		

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Quarterly Rating Activity

Table 2

Recent Rating/Outlook/CreditWatch Actions

Company or group	To*	From*	Date	Reason
Unipol Gruppo Finanziario SpA	BBB/Stable	A-/Watch Negative	Aug. 31, 2007	We lowered the counterparty credit rating on UGF to reflect its transformation from an operating and holding company into a pure holding company.
Groupama S.A.	A+/Stable	A/Positive	Oct. 11, 2007	The upgrade reflects the group's prospects for enhanced operating performance, mainly in property/casualty (P/C) insurance, as well as its strong, increasingly diversified, competitive position and strong capitalization. The rating action also reflects Groupama's continuous efforts in streamlining the group's structure, rationalization of the group's international presence, and expected pursuit of its strategy.

Dates represent the period from Aug. 5, 2007 to Nov. 5, 2007, covered by this report card. *Insurer financial strength rating on core operating entities.

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Selected Articles

Table 3

Previously Published European Insurance Articles

Article title	Published date
Differential Pricing Reinsurance: EC Findings Could Be A Blessing In Disguise, For Some	Oct. 23, 2007
Toward A Global Financial Reporting Standard For Insurance: Standard & Poor's Comments On The IASB's Preliminary Views On Insurance Contracts	Oct. 15, 2007
Europe's Credit Strength Stands Up To The Global Liquidity Squeeze	Oct. 10, 2007
Insurers With Excellent ERM Have Clear Enterprise Risk Reporting	Oct. 3, 2007
Insurance-Linked Securitization Poised To Finish Year Well	Sept. 27, 2007
Private Reinsurers Find Business Opportunities Amid The Legislative Changes In Florida	Sept. 7, 2007
Global Reinsurers' Complex Risk Profiles Demand Sophisticated Enterprise Risk Management	Sept. 7, 2007
Reinsurer Diversification: A Means To An End, Not An End In Itself	Sept. 7, 2007
Bermuda Class Of 2001: Five Years On	Sept. 7, 2007
Life Reinsurers May Feel The Squeeze As Cessions Shrink	Sept. 7, 2007
Insurance Regulation In The Midst Of A Global Revolution	Sept. 7, 2007
(Re)Insurer Capital Analysis: What Does The Future Hold?	Sept. 7, 2007
Global Reinsurance: A New Dawn Or Another False Dawn For The Sector?	Sept. 7, 2007

Global Multiline Insurers Brace For A Testing Second-Half 2007 As Property/Casualty Market Languishes	Aug. 21, 2007
Credit Quality Set To Remain Strong For Europe's Top 50 Corporate Entities, Despite Volatile Markets	Aug. 21, 2007

Articles are available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com.

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Table 4

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