



**Standard & Poor's Versicherungssymposium
Ist die Assekuranz fit für die Zukunft?**

Le Meridien Hotel, Munich, Germany

Mittwoch, 24. Juni 2009

**STANDARD
& POOR'S**

Standard & Poor's Versicherungssymposium Ist die Assekuranz fit für die Zukunft?

Begrüßung und Eröffnung

Karin Clemens
Senior Director, Standard & Poor's

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Standard & Poor's Versicherungssymposium
„Ist die Assekuranz fit für die Zukunft?“

Enterprise Risk Management (ERM) – Rüstzeug in Krisenzeiten

Jörg Schneider
Mitglied des Vorstands (Chief Financial Officer)

24. Juni 2009



Münchener Rück
Munich Re Group

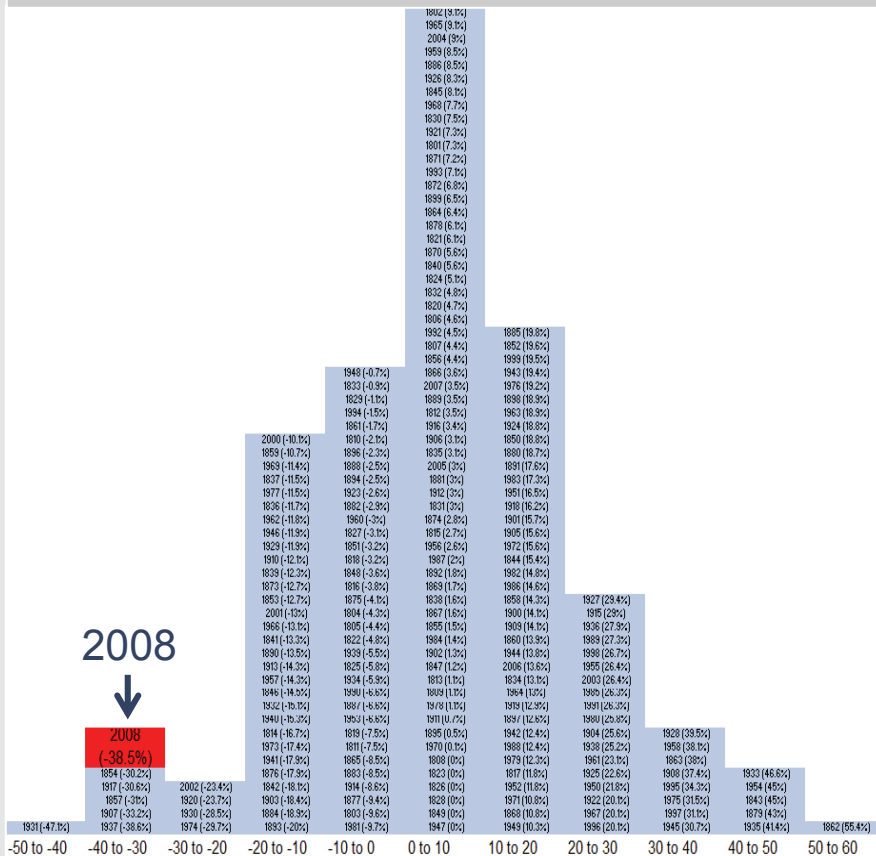




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- A. Aktuelle Finanz- und Wirtschaftskrise:
Erster Härtetest für gutes Risikomanagement**
 - B. Konsequenter gelebtes ERM:
Überlebenskonzept für die Versicherungswirtschaft**
 - C. ERM als strategischer Erfolgsfaktor:
Auf dem Weg zu einem Wert schaffenden Portfoliomanagement**
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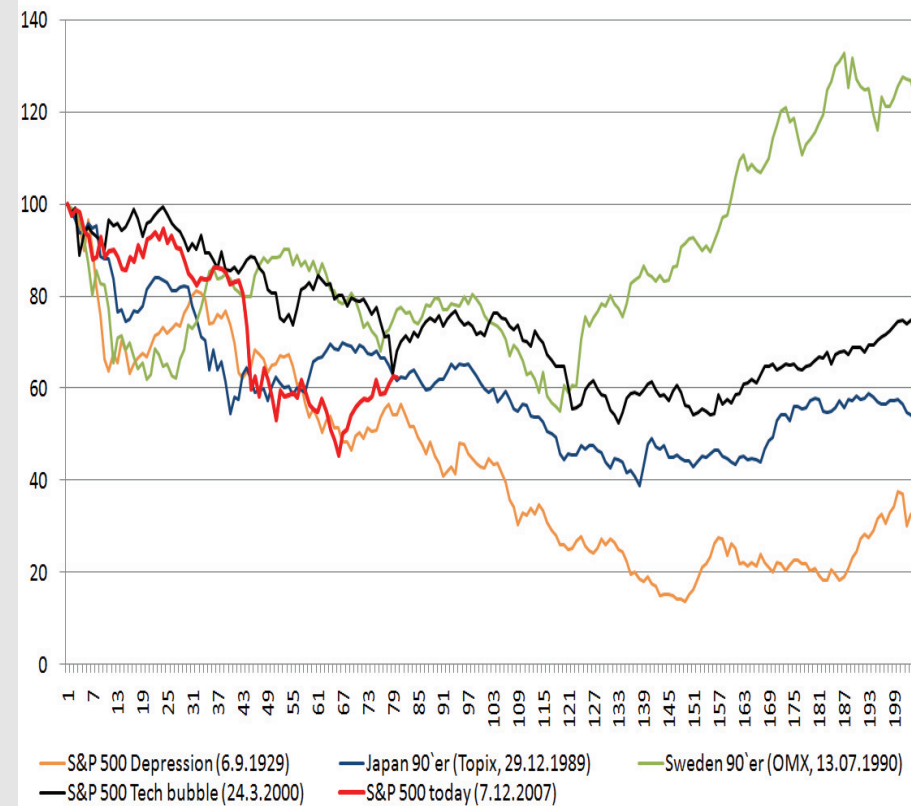


Historische Aktienmarktentwicklung (jährliche Entwicklung des US-Aktienmarktes seit 1801)



2008 war das drittschlechteste Jahr seit 1801

Aktienmärkte in Wirtschaftskrisen (normalisiert auf 100, Entwicklung in Wochen nach Höchst)

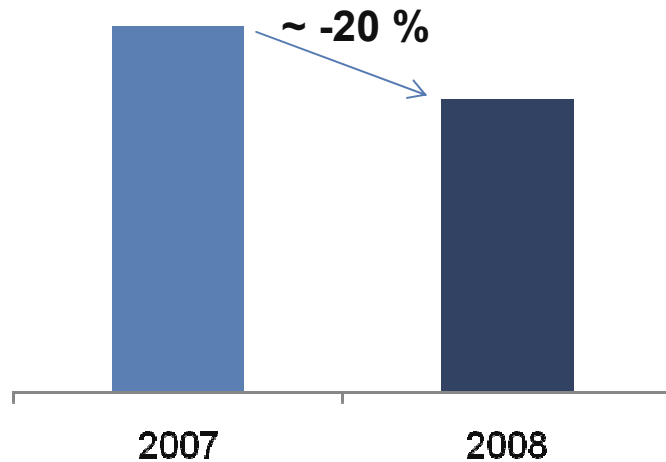


Keine baldige Erholung in 3 von 4 Fällen

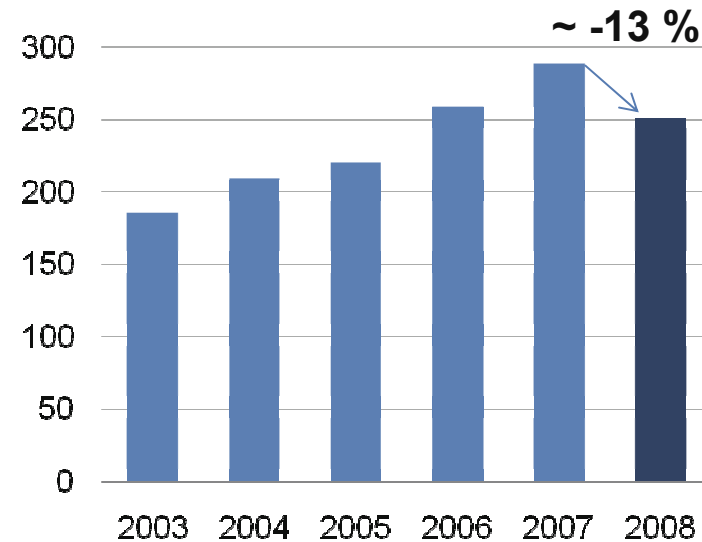
Eigenkapitaldecke der Assekuranz geschrumpft ...

Kapitalisierung der Assekuranz (Rechnungslegungssicht)¹

Reduktion Kapitaldecke der Erstversicherer



Eigenkapital der Rückversicherer seit langem wieder rückläufig (US\$ bn)



Hauptgründe für rückläufige Kapitalisierung:

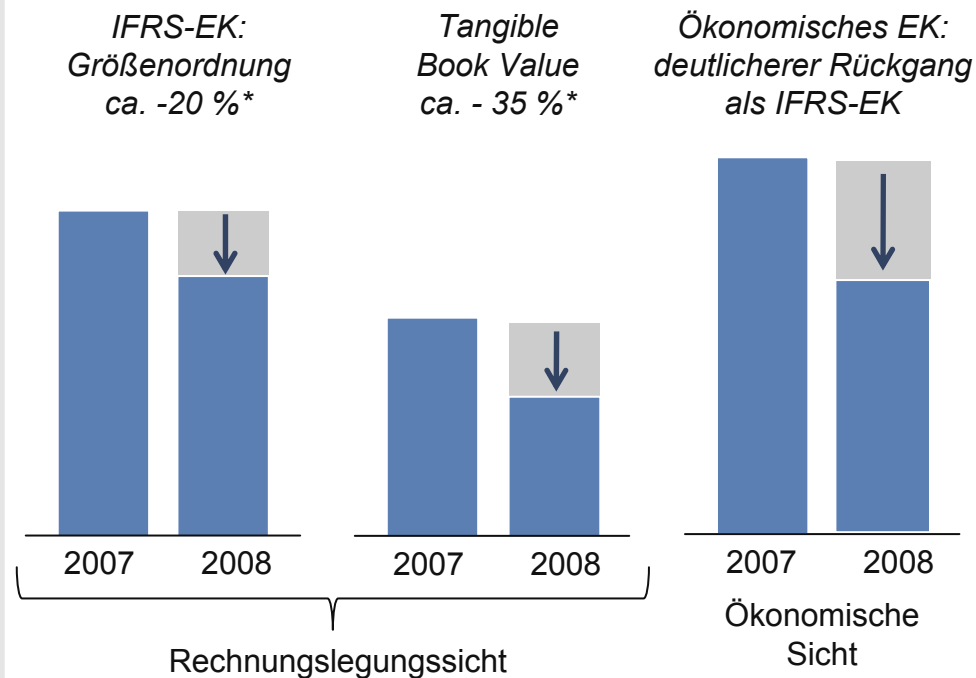
- Realisierte und unrealisierte Anlageverluste (ca. 90 % der Reduktion)
- Hurricanes Ike und Gustav (ca. 10 % der Reduktion)

¹ Untersuchungen der Münchener Rück auf Basis einer ausgewählten Gruppe global tätiger Versicherungsunternehmen. (ohne AEGON, AIG, FORTIS, ING).

... insbesondere auf einer ökonomischen Basis

Vergleich der buchhalterischen und der ökonomischen Perspektive

Typischer Eigenkapitalrückgang gemäß neuesten Veröffentlichungen



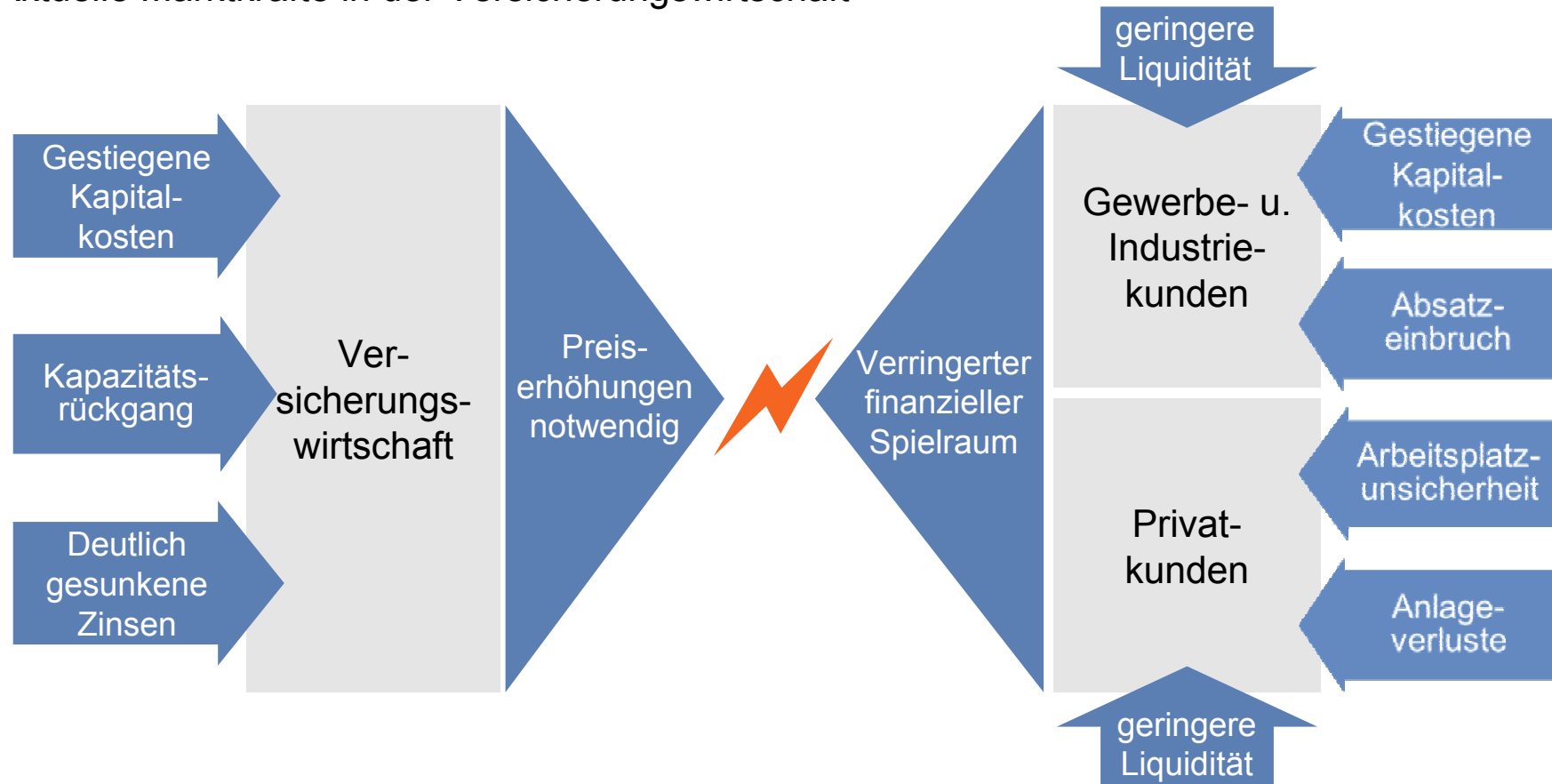
Hauptgründe für stärkeren Verfall in der ökonomischen Bilanz

- Steigende ökonomische Absicherungskosten (enormer Anstieg der impliziten Volatilitäten), speziell für Lebensversicherer
- Goodwill und immaterielle Vermögenswerte
- Marktkonsistente Bewertung reagiert, im Gegensatz zu den buchhalterischen Rückstellungen, auf tiefe Zinsen und hohe implizite Volatilitäten

* Basis: ausgewählte Peer-Gruppe: Allianz, AXA, MR, HR, Scor, SR, ZFS

Marktverhältnisse geprägt von brisantem Spannungsfeld

Aktuelle Marktkräfte in der Versicherungswirtschaft



Dringender Bedarf zur Preisanhebung trifft auf verringerte Kaufkraft



-
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Risikomanagement zur Reduzierung der Volatilität



Münchener Rück
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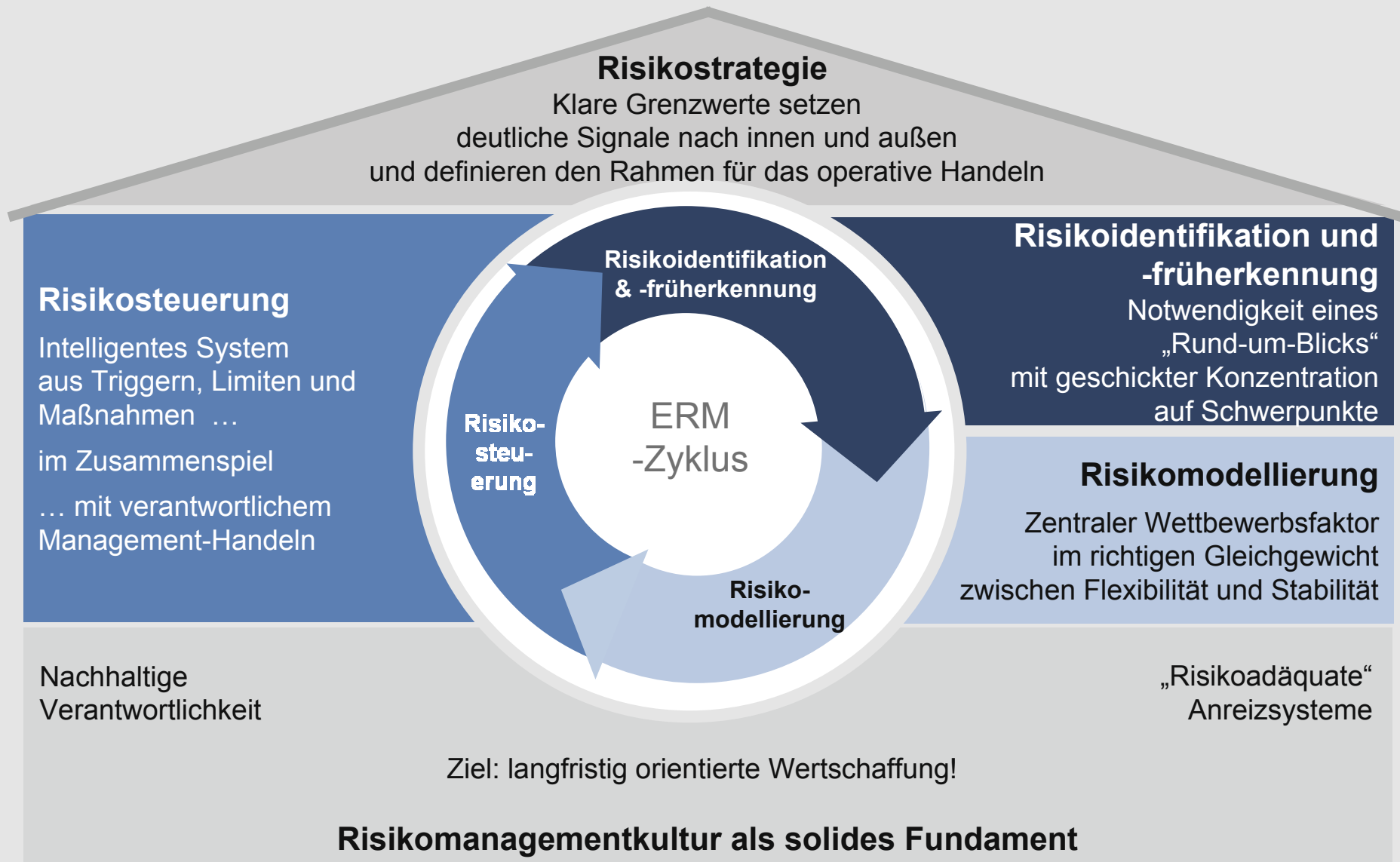


Risikomanagement zur Glättung von Ertragsschwankungen.

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Elemente eines funktionierenden ERM



Enterprise Risk Management – Rüstzeug in Krisenzeiten

Risikomanagementkultur (1/2): Verantwortung als Leitmotiv

Ausgeprägte Kultur der nachhaltigen Verantwortlichkeit

Allgemein: Kein Handeln ohne Blick auf die kurz- und langfristigen Risiken; für das Unternehmen, die Unternehmensumwelt und die Gesellschaft als Ganze

Im Risikomanagement konkret umzusetzen durch

- Klar definierten und deutlich begrenzten „Risikoappetit“
- Berücksichtigung von Risiken bei allen geschäftlichen Kernprozessen wie
 - Produktentwicklung, Underwriting, Vertrieb, Betrieb
 - Rechnungslegung und sonstiges externes Reporting
- Mit sauberer Dokumentation der Risiken und der Kontrollprozesse
- Kein Risikomanagement im Elfenbeinturm, keine „Lagerbildung“
 - Unabhängiges, aber handlungsfähiges Risikomanagement
 - Regelmäßige Personalrotation zwischen Risikomanagement und „Geschäft“

Und ganz wichtig: Entsprechend unmissverständliche Botschaften der
Geschäftsleitung („tone from the top“)



Risikomanagementkultur (2/2): Schlüsselfunktion der Anreizsysteme

Messung und Belohnung von Erfolg nie ohne Berücksichtigung der Risiken

- Incentivierung nur in „vernünftiger“ Größenordnung
- Incentivierung nicht für Strohfeuer, sondern nur für nachhaltigen Erfolg
- Incentivierung von ...
 - Umsatzgrößen
 - Schaden- oder Kostenquoten
 - Gewinn
 - Eigenkapitalverzinsung ...

... nur durch Korrektiv mit Blick auf eingegangene Risiken und Glättung des Glück-/Pech-Faktors

→ Belohnt wird nachhaltige Wertschaffung statt kurzfristiger, womöglich zufälliger Profit

▶ Weitgehende Konsistenz der Anreizsysteme mit der Risiko- und Wertschaffungsstrategie

Risikostrategie definiert den Rahmen (2/2)

– am Beispiel Münchener Rück

Hauptkriterien		Zusätzliche Kriterien	
Kapitalkraft	Häufigkeit Periodenverlust	Limite für Kumulgefahren	Liquidität
Anforderungen in drei Dimensionen: 1.Economic Risk Capital: 175 % x VaR _{99,5 %} 2.Rating: mindestens „AA“ 3.Aufsicht: Solvabilität entsprechend rechtl. Anforderungen	Wahrscheinlichkeit eines ökonomischen Jahresverlusts von nicht mehr als 10 %	Gruppenweite Limite ausgedrückt in VaR 99,5 % bezogen auf XX % der verfügbaren Eigenmittel oder als absolute Maximalexpositionen jeweils differenziert für: ■ Einzelne Naturereignisse ■ Terrorismus ■ Pandemie ■ Counterparty-Kreditrisiken ■ Einzelne versicherte Objekte	Ausreichende flüssige Mittel, z. B. für ■ Bekannten Bedarf ■ Größtschäden ■ Collateral calls für Derivateverwendung ■ Stark erhöhtes Storno

Besondere Kriterien für Kapitalanlagen- und ALM-Risiken auf Portfolien-Ebene

- 1. Strategische ALM-Mismatch-Grenzen für Geschäftsfelder**
- 2. Marktrisiken/Kreditrisiken (Values at Risk):** Limite auf Ebene der Einzelunternehmen
- 3. Andere Kapitalanlagelimiten:** z. B. für Alternative Investments, Non-Investment-Grade Investments und Non-Standard-Strukturen

Geschäftsportfolio muss so ausgestaltet werden, dass es allen definierten Risikotoleranzen entspricht
 → Spürbare Verengung der Handlungsmöglichkeiten



Risikomanagement ist nicht der Blick in den Rückspiegel



„Rund-Um-Blick“, aber Konzentration der Aktivitäten

- Paralleles Arbeiten in zwei Stoßrichtungen:
 1. Frühzeitige Analyse von Trendentwicklungen mit möglichen gefährlichen Folgen für die Versicherungswirtschaft, wie z. B. demografische oder soziale Entwicklungen, Fettleibigkeit, medizinische Inflation, Terrorismus, IT-Risiken, schwer durchschaubare wachsende Kumule
 2. Angemessene Vorkehrungen und Reaktionen bei dramatischer Verschlechterung von Rahmenbedingungen, insbes. Rezessionsszenarien, politischen Veränderungen
- Unüberblickbare Vielzahl der Themen zwingt zu
 - Erfassung mit breitem Fokus
 - Filterkriterien: Gravierend u. beeinflussbar oder zumindest schadenmindernde Reaktion im Ernstfall möglich
 - Konzentrierte und proportional angemessene Vorkehrungen für selektierte Gefahren
- Nutzung der Erfahrungen aus „ehemaligen Emerging Risks“ wie z. B. Asbest

Am gefährlichsten sind die Risiken und Zusammenhänge, die wir nicht kennen,
Querdenken gefragt!



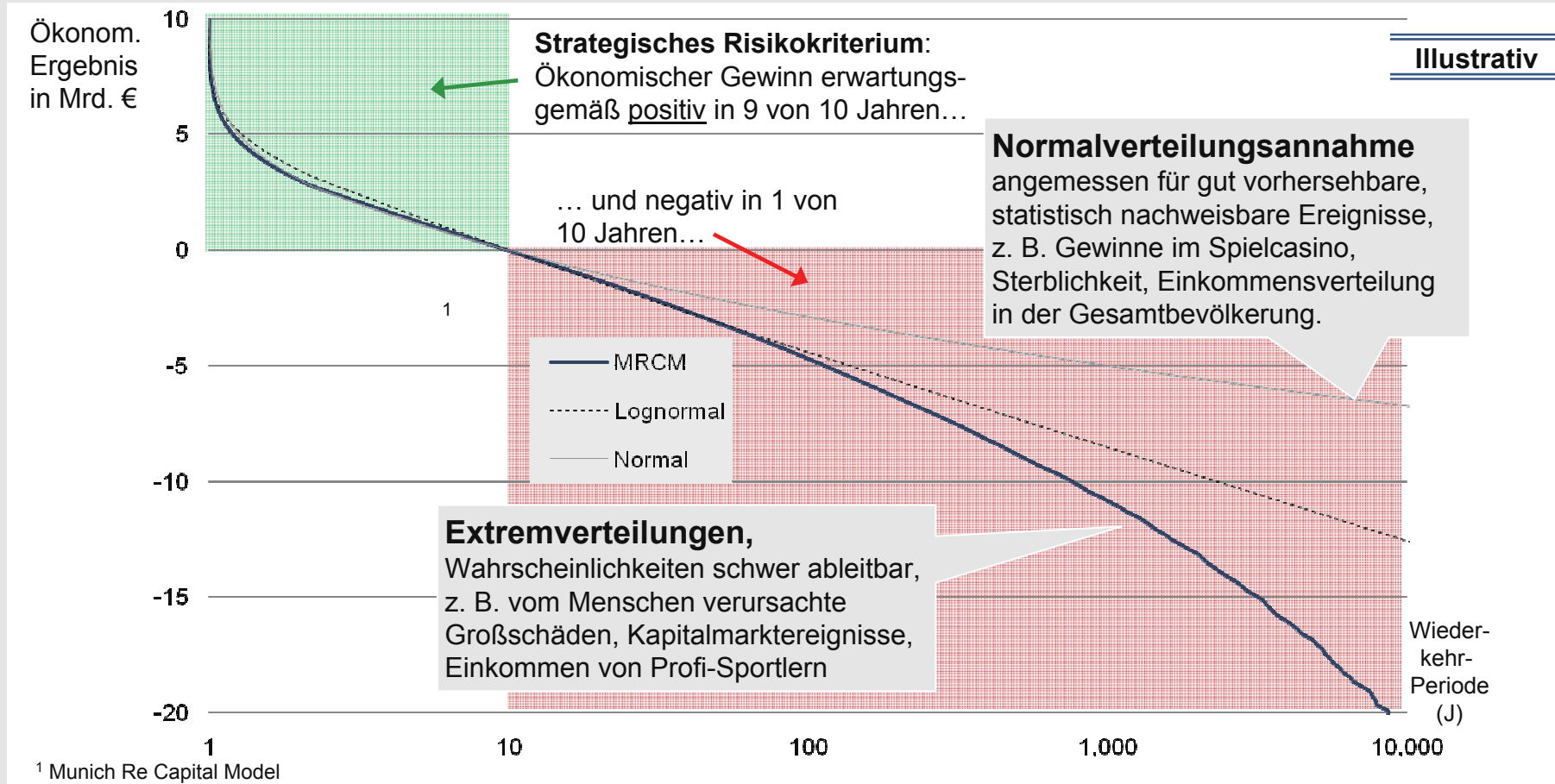
Im richtigen Gleichgewicht zwischen Flexibilität und Stabilität

- Risikomodelle sind zentraler Wettbewerbsfaktor für Versicherer und Banken
- Modelle haben massive Steuerungswirkungen → immer kritisch zu hinterfragen
- Streben nach einfachen verständlichen Standardlösungen versus Präzision der Risikoabbildung
- Herausforderung: Immanenter Konflikt zwischen
 - hinreichender Stabilität:
→ wichtig für Akzeptanz und Funktionsfähigkeit des Geschäftsmodells
 - Notwendiger Flexibilität
→ Modelle müssen sich weiterentwickeln und an veränderte Umfeldbedingungen anpassen
- Erfolgsfaktor ist die gelungene Verheiratung von Modellierungs-Know-how und ökonomischem Sachverstand

Risikomodelle sind lernende Systeme!



Rigoreuse Beachtung der gefährlichen „Fat Tails“



Banken und Versicherungen operieren häufig in Märkten und Umgebungen, die eher durch Verteilungen mit sog. „fat tails“ abgebildet werden können



Ökonomisches Risikokapital per 31.12.2008 der Münchener Rück

Mrd. €

Risikokategorie ¹ Jahresende	Gruppe		RV	EV	Div.	Erklärung
	2007	2008	2008	2008	2008	
Schaden ²	7.0	8.0	7.8	0.6	-0.4	+€500m wg. Änderungen im EU-Sturm-Ansatz ³ , +€250m wg. reduzierter Retrozession, +€200m wg. zusätzlichem Exposure
Leben / Gesundheit	3.3	4.0	3.5	1.1	-0.6	Höherer Barwert adverser Szenarien wg. tieferen Zinsen, vorwiegend in US und CAN
Markt	7.9	5.4	4.3	3.7	-2.6	Reduktion der Aktienquote und Anstieg der Zinsrisiken
Kredit ⁴	1.5	2.7	2.1	0.7	-0.1	Davon +€750m wg. höheren Risikoaufschlägen und +€200m wg. Höheren Kredit-Exposures
Operational	1.2	1.4	1.0	0.4	0.0	Verbessertes Modell für operationale Risiken
Einfache Summe	20.9	21.5	18.7	6.5	-3.7	
Diversifikationseffekt ⁵	-4.4	-5.0	-5.5	-1.3	1.8	
ERC	16.5	16.5	13.2	5.2	-1.9	

Gruppen-ERC stabil trotz deutlichen Verschiebungen im Risikoprofil

¹ Risk categories broadly based on refined "Fischer II" risk categories recommended for standardised industry disclosures.

² Contains Credit reinsurance.





³ Different representation of scenario with neutral net effect on sum ERC.

⁴ Default and migration risk.

⁵ The measured diversification effect depends on the risk categories considered and the explicit modelling of fungibility constraints.



Kein stumpfes Abspielen von Maßnahmenkatalogen

- Quantifizierung von Entwicklungen ist unbedingte Voraussetzung
- Implementierung eines umfassenden Systems von Limiten und Triggern, das
 - den Entscheidungsträgern bestens bekannt ist und auch verstanden wird
 - Versicherungsrisiken, Kapitalanlagerisiken und deren Zusammenspiel abdeckt
 - abgestufte und klare Konsequenzen auslöst; Beispiel: modifizierte Ampellogik
 -  → „Verbotene Zone“ → Zwingende Maßnahmen
 -  → Noch innerhalb akzeptabler Toleranzzone → „genehmigbar“, Maßnahmen auf der Zeitstrecke
 -  → Enge Beobachtung der weiteren Entwicklung, noch keine Maßnahmen
 -  → Keine Aktivitäten notwendig
- Funktionsvoraussetzung
 - 1. Intelligenz des Systems (Abbildungstreue, Wechselwirkungen, Kalibrierung)
 - 2. Management-Kompetenz: unbedingt notwendig zum Verstehen und Hinterfragen der Ergebnisse

Nur ein gutes Zusammenspiel zwischen Mensch und „System“ sichert den Erfolg!



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-



Vom Risikomanagement zum aktiven Portfoliomanagement

Portfoliomanagement macht ERM zum Erfolgsfaktor auf der Geschäftsseite!

Ökonomische Portfolio-Steuerung dank ERM mit zielsicherer Identifikation und Messung von Risiken

- durch Gestaltung eines nachhaltig vorteilhaften Risiko-/Returnportfolios, konkret Ausbalancierung von
 - kurzfristig ertragreichem Geschäft mit langfristig ausgerichteten Zukunftsoptionen
 - verschiedenen wenig miteinander korrelierten Versicherungsrisiken und geographischen Exponierungen (aber: Konflikt mit „Konzentration auf Kernkompetenzen und Kernregionen mit hohen Marktanteilen“)
 - verschiedenen Kapitalanlagerisiken
 - intelligentem Mix von Kapitalanlage- und Versicherungsrisiken
- zweckentsprechende risikobasierte Steuerungs- und Anreizsysteme
- ERM integrierter Bestandteil der gesamten Unternehmensstrategie

Gutes Risikomanagement im „defensiven und offensiven“ Sinne
befördert nachhaltigen unternehmerischen Erfolg



ERM ein Muss – aber gut auszubalancieren

Vorsicht: Methodisch und organisatorisch „perfektes“ ERM mit

- unabhängigen, hoch qualifizierten Risikomanagern
- exzellenter Identifikation und Quantifizierung der Risiken
- Weltklassemodellierung und hervorragenden Berichtssystemen
- intelligenter Portfoliooptimierung ...

⇒fördert blinden Modellglauben

⇒Wiegt uns in falscher Sicherheit

⇒kann die gesunde Skepsis ausschalten

⇒entmutigt Querdenker

Fazit:

Etablierung eines guten Enterprise Risk Management ist ein Muss für verantwortliche Unternehmensführung; unvermeidliche Unzulänglichkeiten sind keine Ausrede für Untätigkeit!
Aber: Feste Bodenhaftung, unternehmerisches Gespür und gesunder Menschenverstand sind durch nichts zu ersetzen.

Vielen Dank für die Aufmerksamkeit!

Jörg Schneider



Münchener Rück
Munich Re Group



Panel 1: Gewinnen und Bestehen in herausfordernden Märkten

Es diskutieren:

Dr. Jörg Schneider, Munich Re

Dr. Axel Wehling, GDV

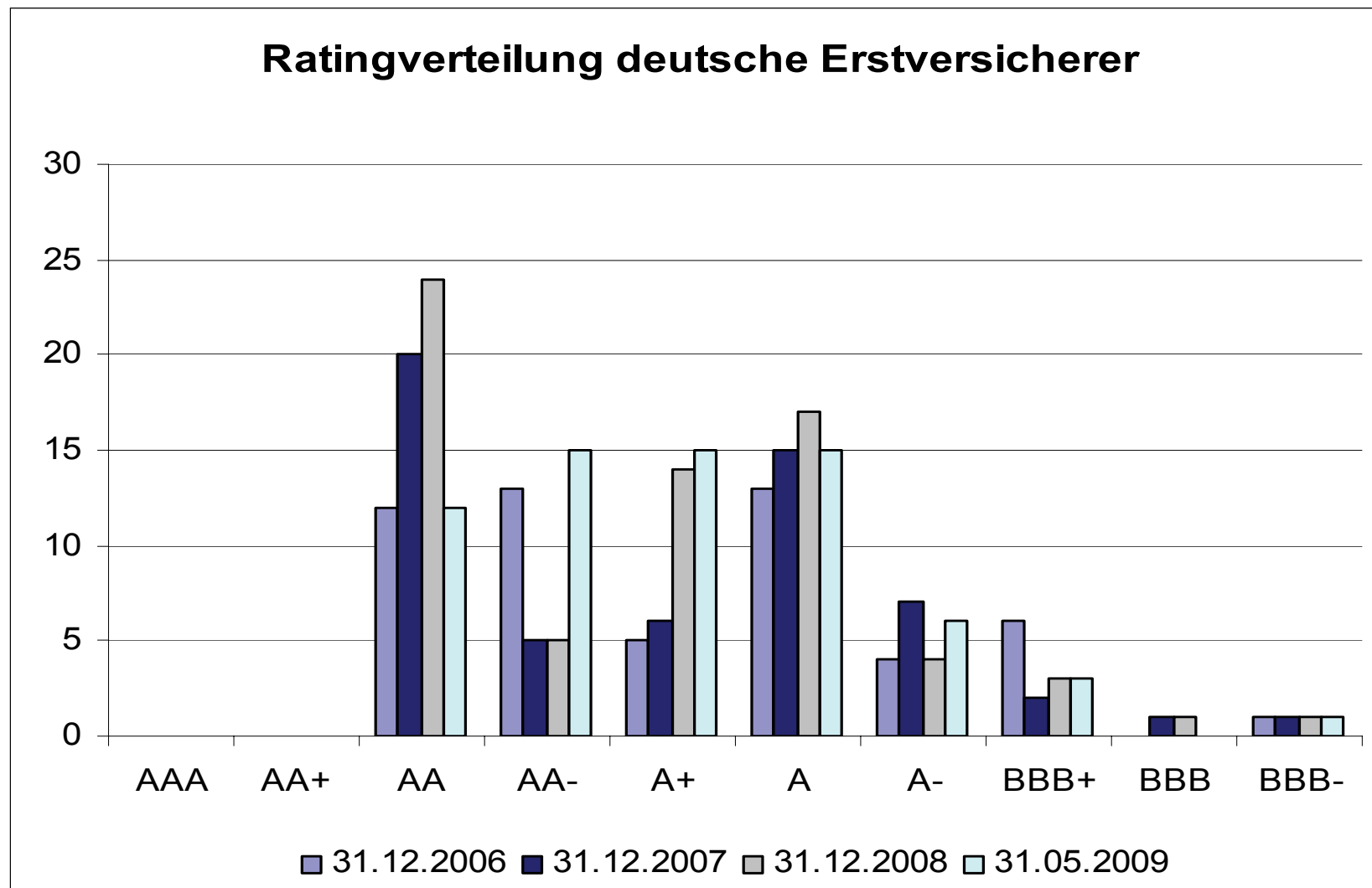
Dr. Jan Martin Wicke, W&W

Moderation:

Karin Clemens, Senior Director, Standard & Poor's

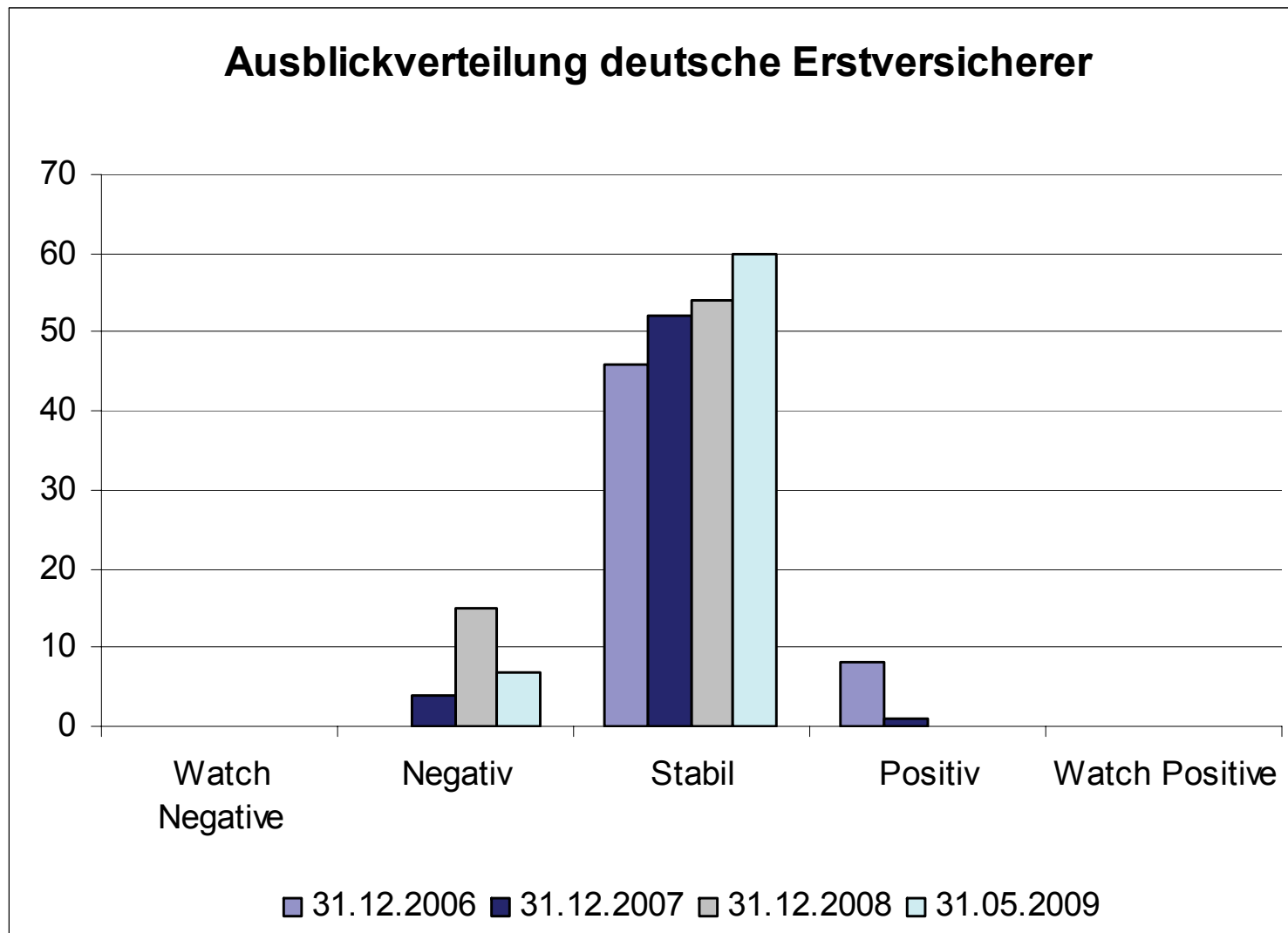
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Deutsche Erstversicherer befinden sich in relativ robuster Verfassung



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Der Spielraum im Rating hat sich jedoch reduziert



S&P Ausblick – Deutsche Erstversicherer

- **Deutlicher Rückgang in der Kapitalausstattung**
- **Verhaltene Wachstumsaussichten**
- **Starker Wettbewerb**
- **Unsichere Entwicklung der Finanzmärkte**
- **Verbesserung der Ergebnisaussichten frühestens in 2010**

Der Spielraum im Rating im Falle einer weiteren Verschlechterung des Finanzprofils und/oder Geschäftsprofils ist weitgehend ausgeschöpft

A grayscale photograph of classical stone columns with the word 'Kaffeepause' overlaid in blue. The image shows the lower portion of several fluted columns on a stone base. The text 'Kaffeepause' is centered in a bold, blue, sans-serif font.

Kaffeepause



Panel 2: Wieviel Größe muss sein?

Es diskutieren:

Friedrich Gieseler, DEVK

Dr. Werner Görg, Gothaer

Dr. Gerhard Rupprecht, Allianz Deutschland

Moderation:

Wolfgang Rief, Director, Standard & Poor's

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Wieviel Größe muss sein?

- **Gibt es eine Mindestgröße?**

- **Wie misst man Unternehmensgröße?**
 - **Mitarbeiter?**
 - **Prämienvolumen?**
 - **Marktanteile?**

- **Welche Vorteile/Nachteile könnte Größe bieten?**
 - **Skaleneffekte?**
 - **Synergien?**
 - **Wo bietet Unternehmensgröße Wettbewerbsvorteile?**
 - **Diversifikation versus Komplexität?**

S&P Ratingkriterien im Überblick





Wandel als Chance

**Torsten Hinrichs, Managing Director,
Geschäftsführer Standard & Poor's Deutschland**

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**Ende des ersten
Konferenztages**



Standard & Poor's

**4th Annual European Insurance
Symposium**

“Rebuilding Capital, Reputations and Confidence”

Sofitel Munich Bayerpost, Germany

Thursday 25th June 2009

4th Annual European Insurance Symposium

“Rebuilding Capital, Reputations and Confidence”

Welcome & Introduction

Yann Le Pallec
Managing Director, Head of Insurance Ratings, EMEA,
Standard & Poor's

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Talking points

- **When and where will market sentiment converge with fundamentals again?**
- **How much capital is enough?**
- **How much financial flexibility do insurers have left?**
- **Where now for hybrids?**
- **ERM: with hindsight, how did it do?**
- **Solvency II: will it be delivered?**
- **Insurers are the same as banks, aren't they?**
- **How confidence-sensitive are insurer's liabilities?**
- **What role does government support have in ratings (witness AIG, Fortis, ING, AEGON)?**
- **How do bond spreads and equity prices inform the rating process?**
- **Ratings in insurance markets - how are they used and what's changed?**



Key Note Speech

Anthony Angel
Executive Managing Director, EMEA,
Standard & Poor's

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European Economic Outlook: The Long, Slow Climb From Recession Begins

Jean-Michel Six
Chief European Economist

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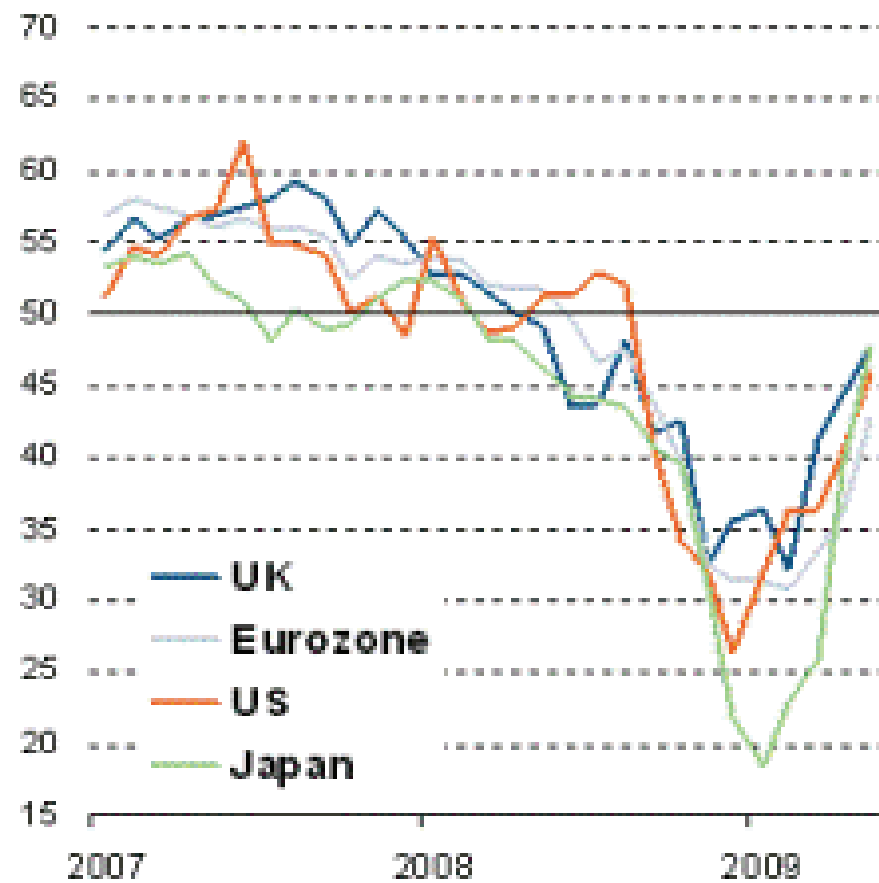
Key Messages

- **Very slow recovery from the most severe recession in 40 years**
 - The “worst” should be behind us in terms of output declines:
 - Low commodity prices have helped consumers
 - Fiscal stimulus across all economies
 - Ultra low interest rates
 - Emerging markets are decoupling now
 - But growth in Europe is going to remain sub trend for the next 18 months:
 - High Unemployment
 - Major drop in financial wealth, housing markets
 - Uneven outlook in emerging markets (Eastern Europe..)
- **Inflation a remote risk**
 - Because of the amount of slack in manufacturing sector
 - Oil prices below \$100/bbl
 - Monetary policies haven't caused a surge in money supply
 - But the temptation to “monetize” public debt will be strong
- **The major risk: A W-shaped recession**
 - FX Markets and the risk of a weak dollar
 - Bond markets and the risk of higher interest rates

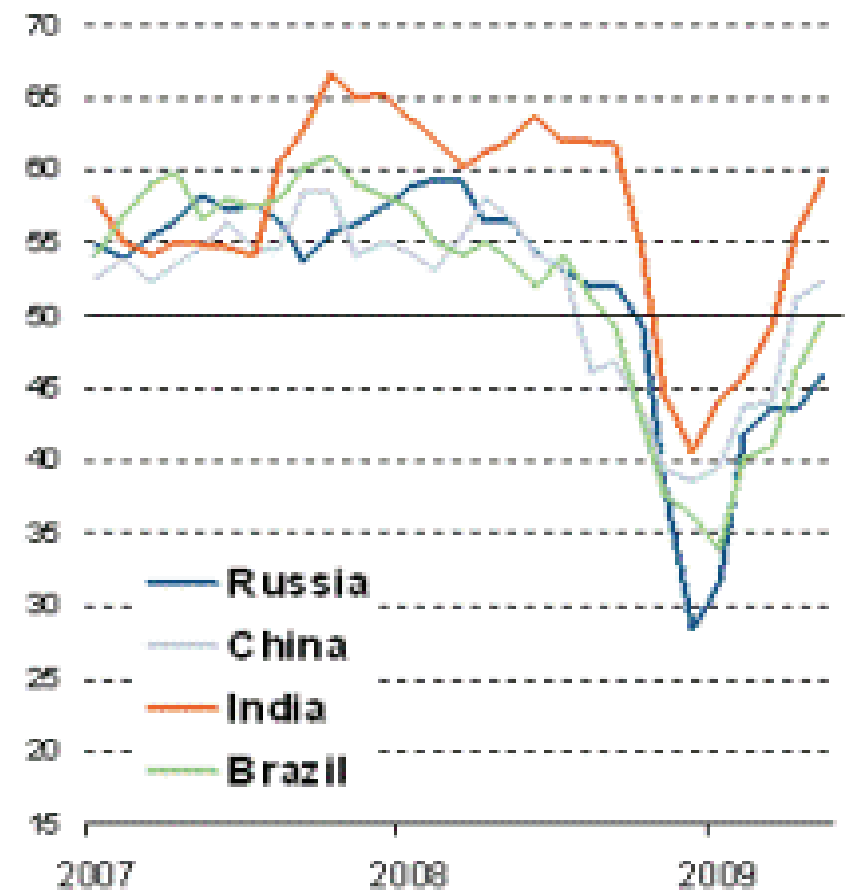
1 -The “Worst” Should Be Behind Us In Terms of Output declines:

- Low commodity prices have helped consumers
- Fiscal stimulus across all economies
- Ultra low interest rates
- Emerging markets are decoupling now

Manufacturing PMI output index



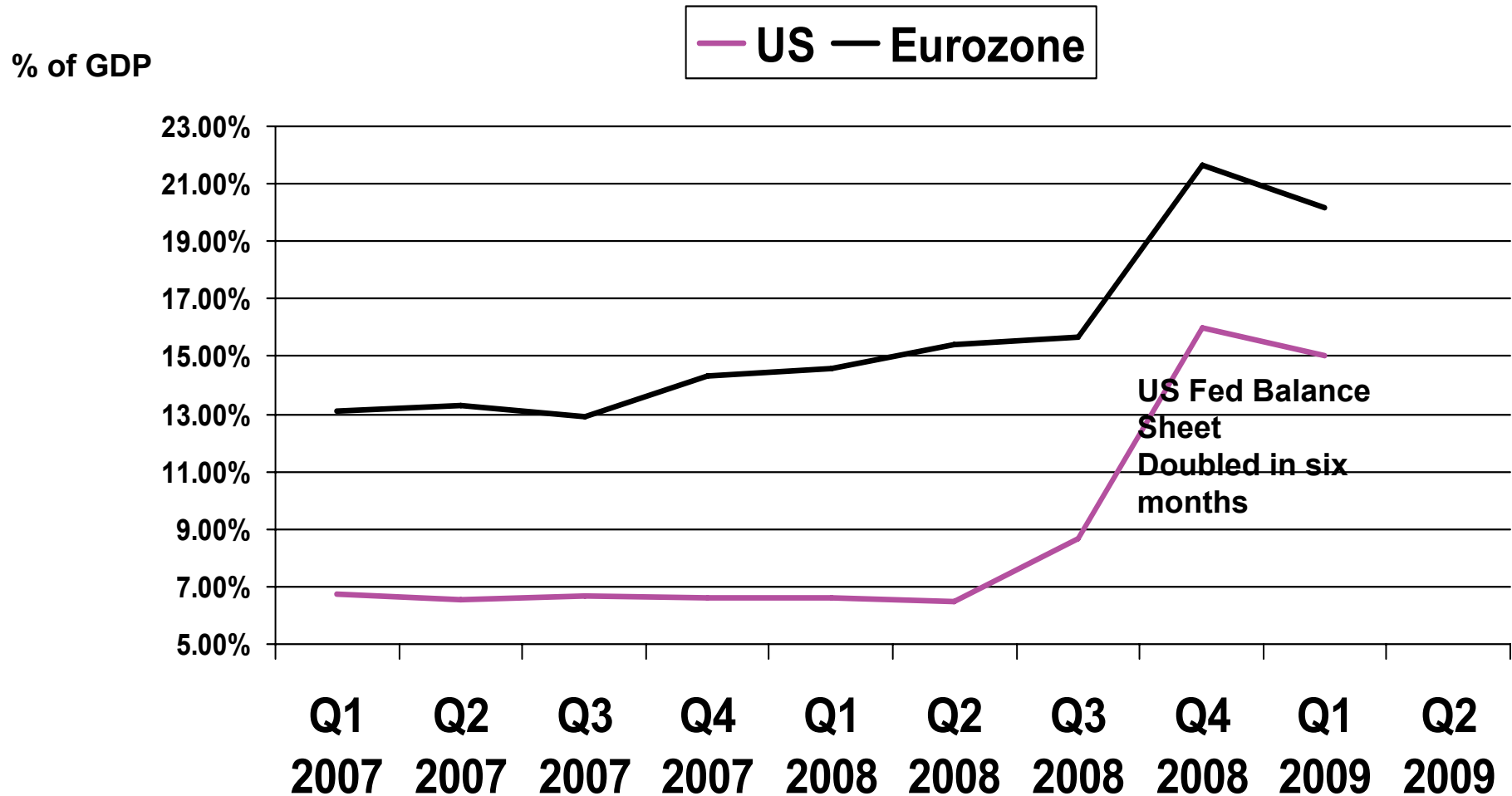
Manufacturing PMI output index



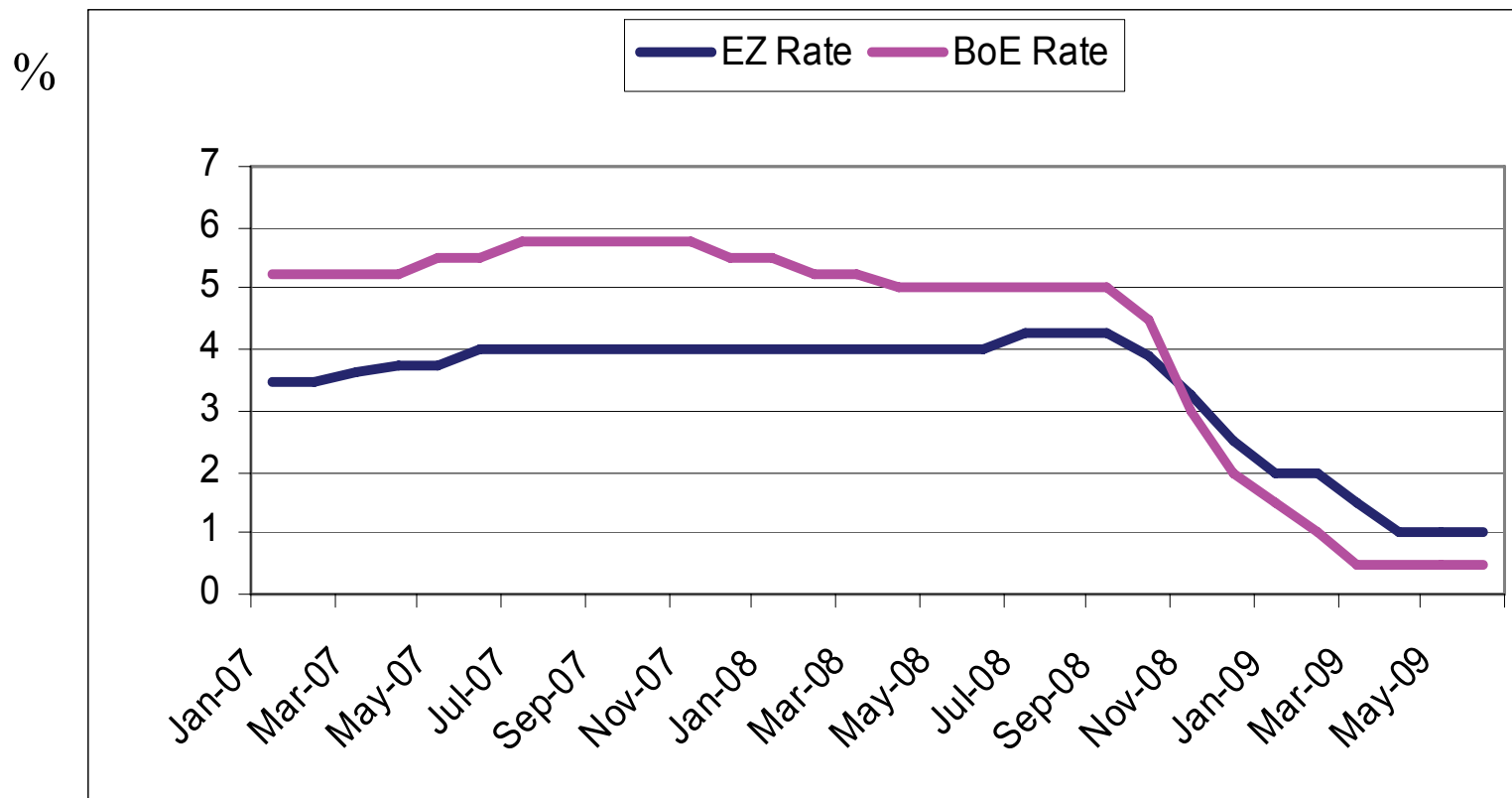
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A Vigourous Response from the Central Banks

CB's Balance Sheets as % of Nominal GDP



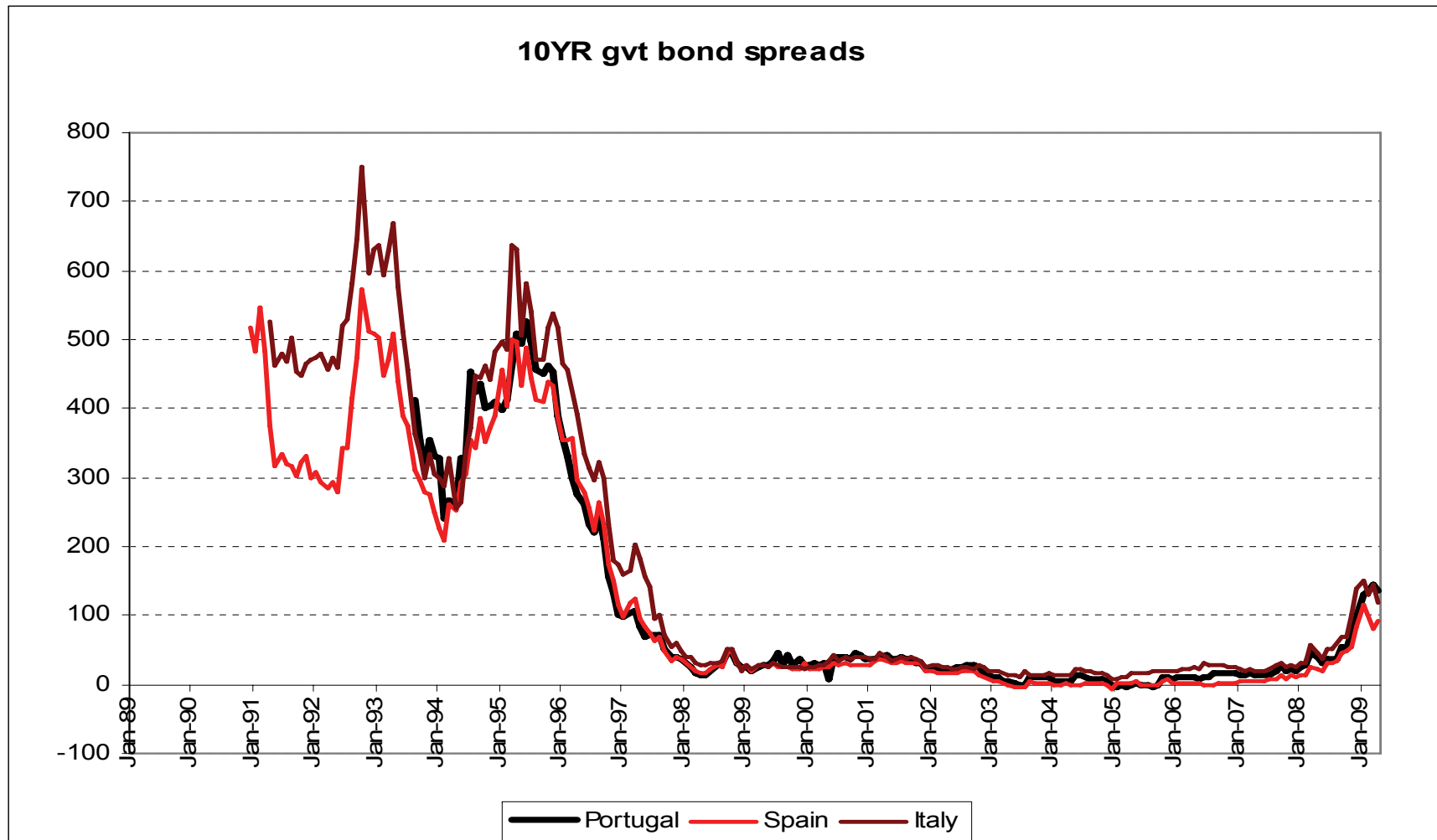
Leading to a Prolonged Period of Ultra-Low Interest rates



Assessing the Impact of the Fiscal Packages

	% of GDP	Effect 2008	Effect 2009	Effect 2010
Germany	3	0.0	1.4	1.6
Austria	1.1	0.0	0.9	0.2
Belgium	1.6	0.0	1.0	0.6
Spain	3.5	1.1	1.6	0.8
Finland	3.1	0.0	1.5	1.6
France	0.6	0.0	0.5	0.2
Greece				
Ireland	-4.4	-0.7	-1.9	-1.8
Italy	0.0	0.0	0.0	0.0
Luxembourg	3.6	0.0	2.7	0.9
Netherlands	1.5	0.0	0.8	0.7
Portugal	0.8	0.0	0.8	0.0
Euro Zone	1.6	0.2	0.8	0.6
UK	1.4	0.2	1.3	-0.1
Denmark	2.5	0.0	0.8	1.7
Sweden	2.8	0.0	1.5	1.3
Hungary	-4.4	-0.7	-1.9	-1.8
Poland	1	0.1	0.8	0.2
Czech Republic	3	0.0	2.0	1.0
Slovak Republic	1.1	0.0	0.5	0.6
Total EU 27	1.4	0.1	0.8	0.5
United States	5.6	1.0	2.1	2.4
Japan	2	0.0	1.5	0.5

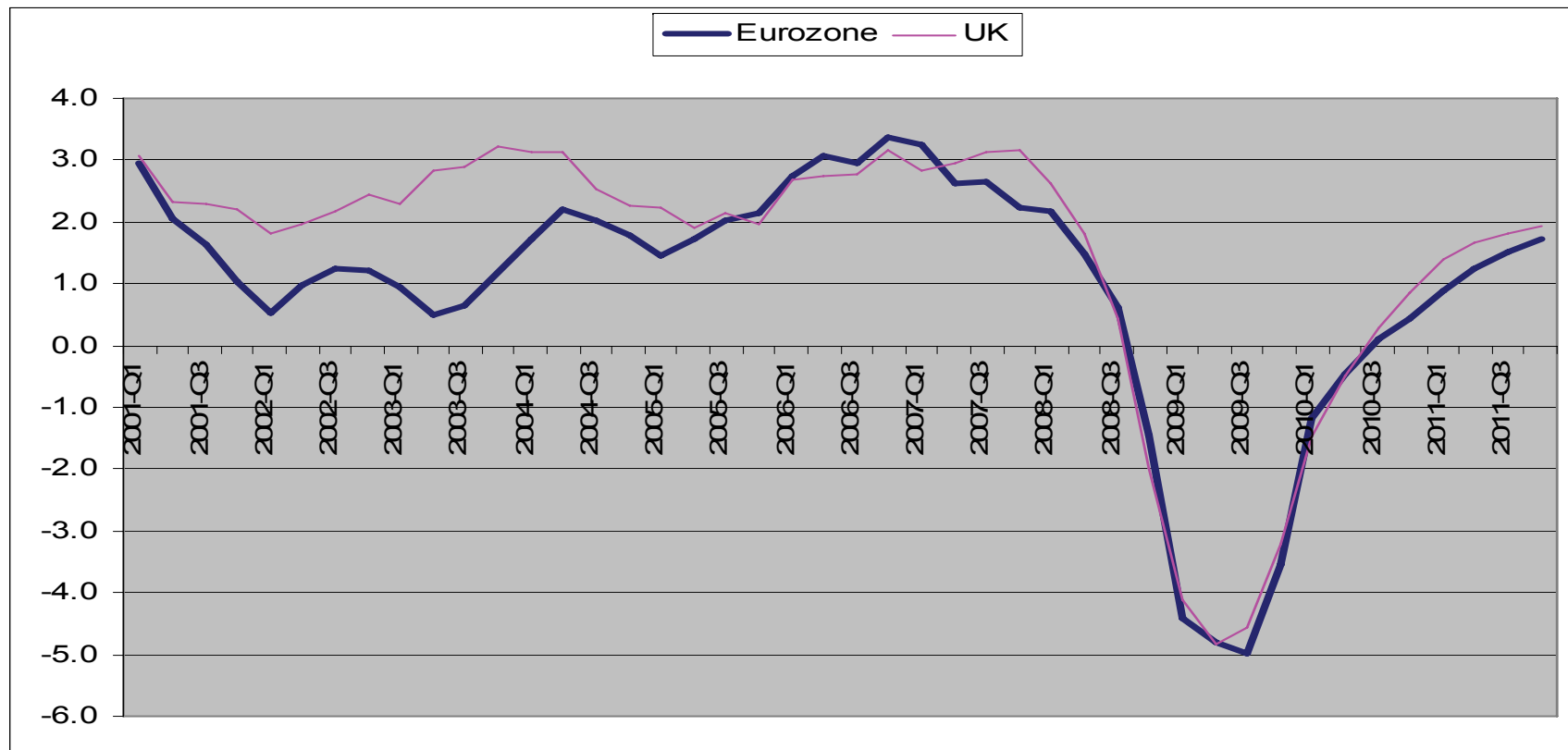
The Euro: A Powerful Protection



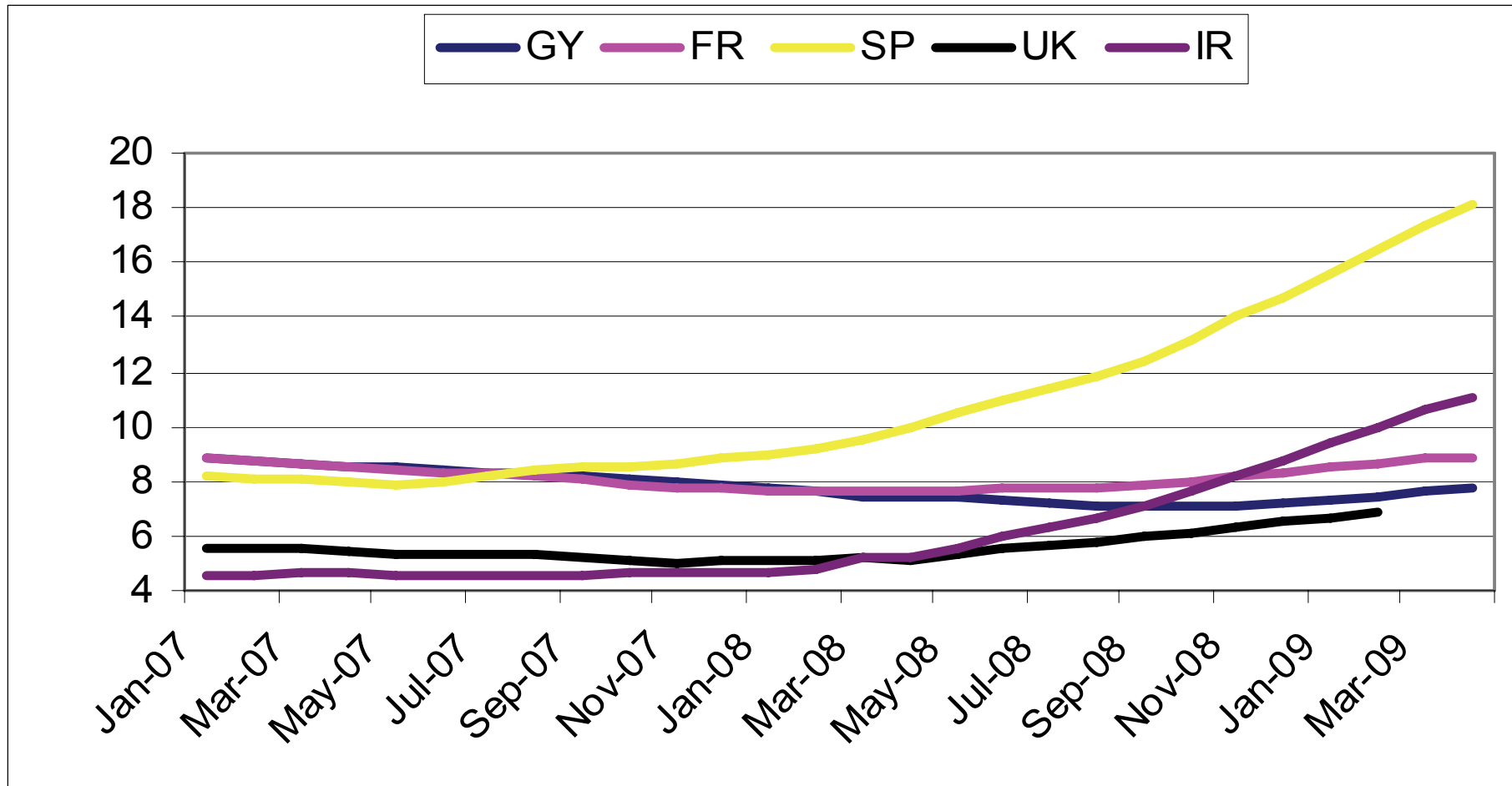
2 - But Growth Will Remain Sub-Trend till 2011

- High Unemployment
- Major drop in financial wealth, housing markets
- Uneven outlook in emerging markets (Eastern Europe..)

Real GDP Growth

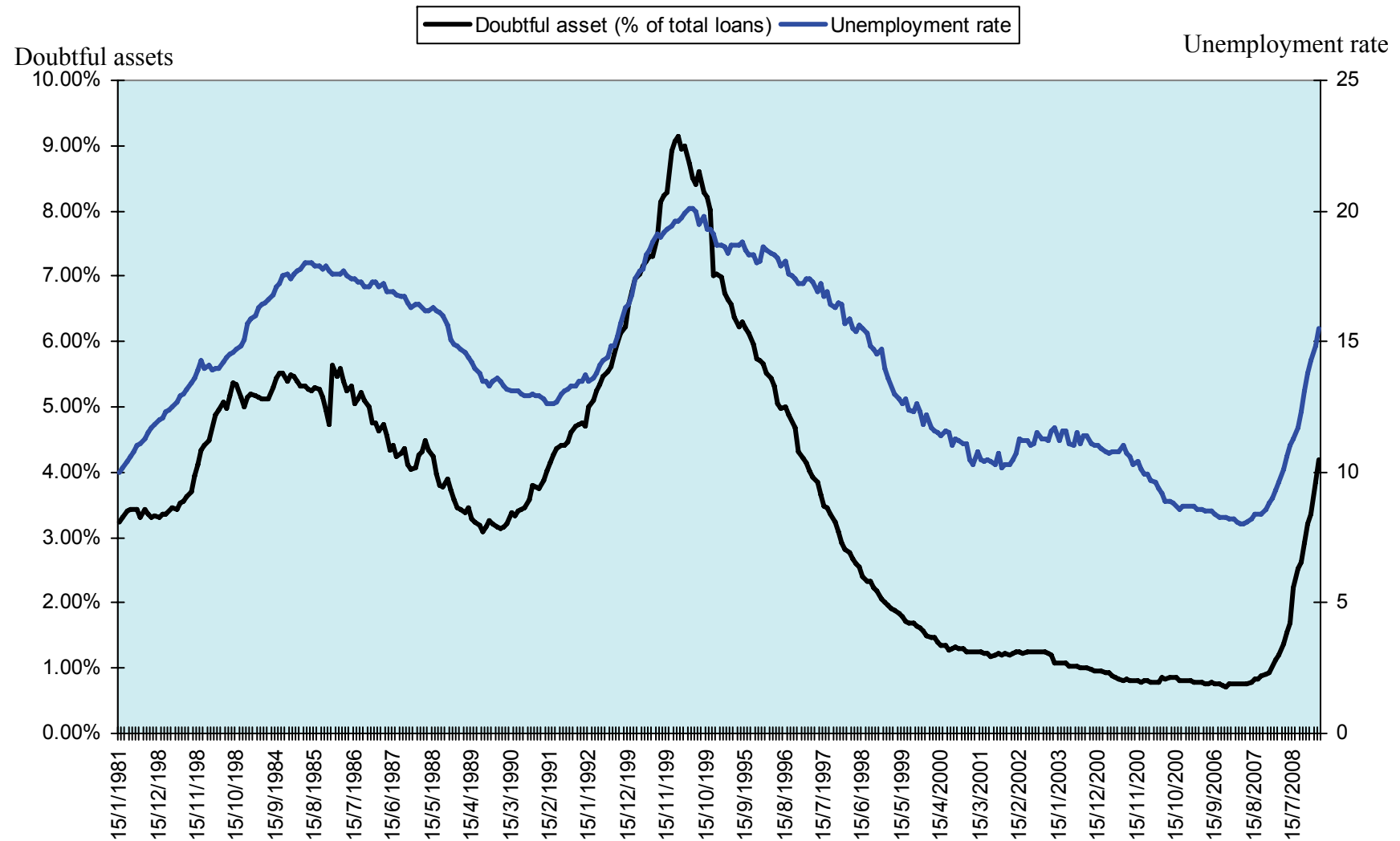


Unemployment Will Continue to Rise Through The First Half of Next Year

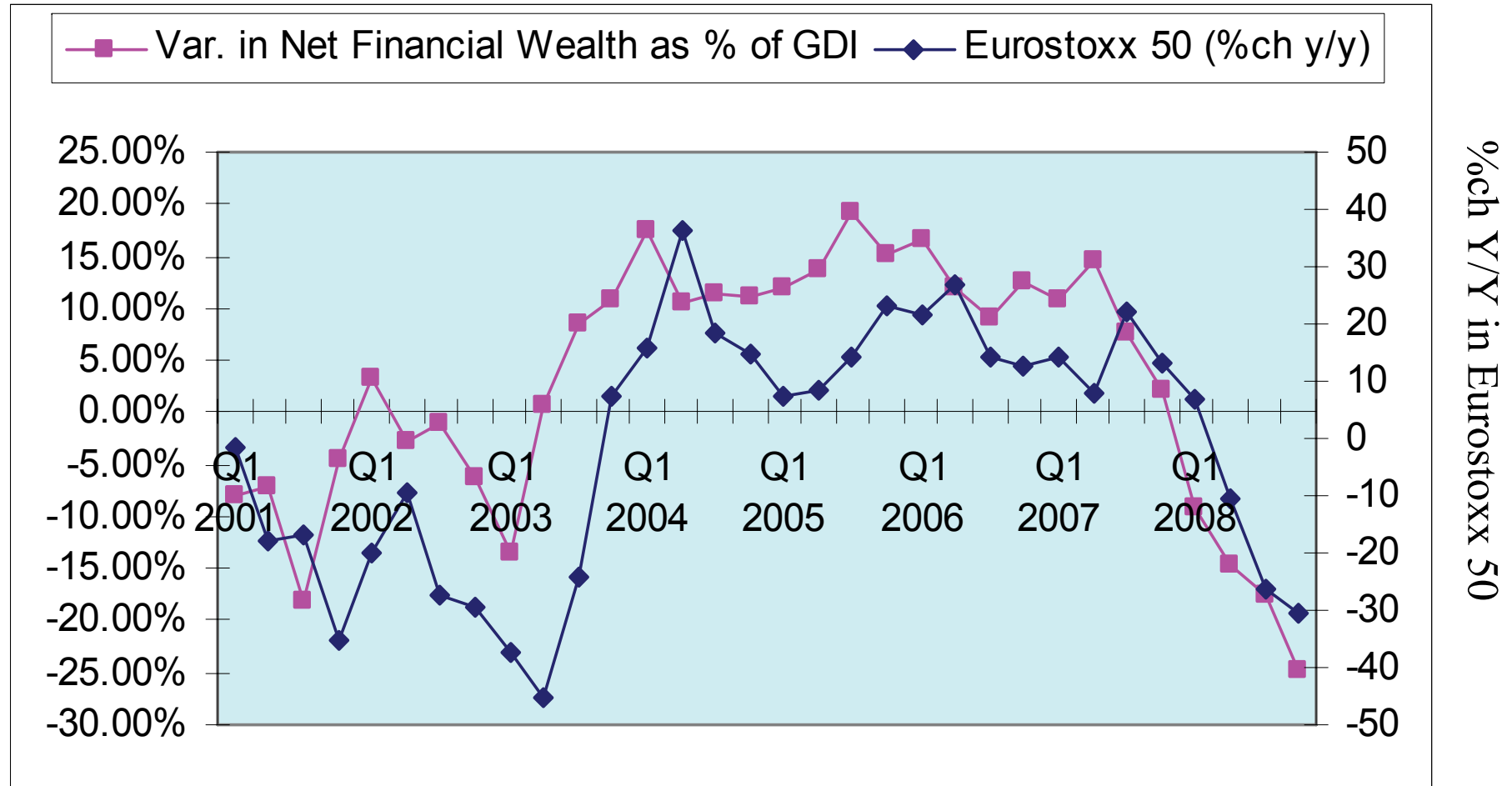


Unemployment rates SA, Src: Eurostat

Rise in Unemployment Puts Pressure on Banks: The Spanish Example

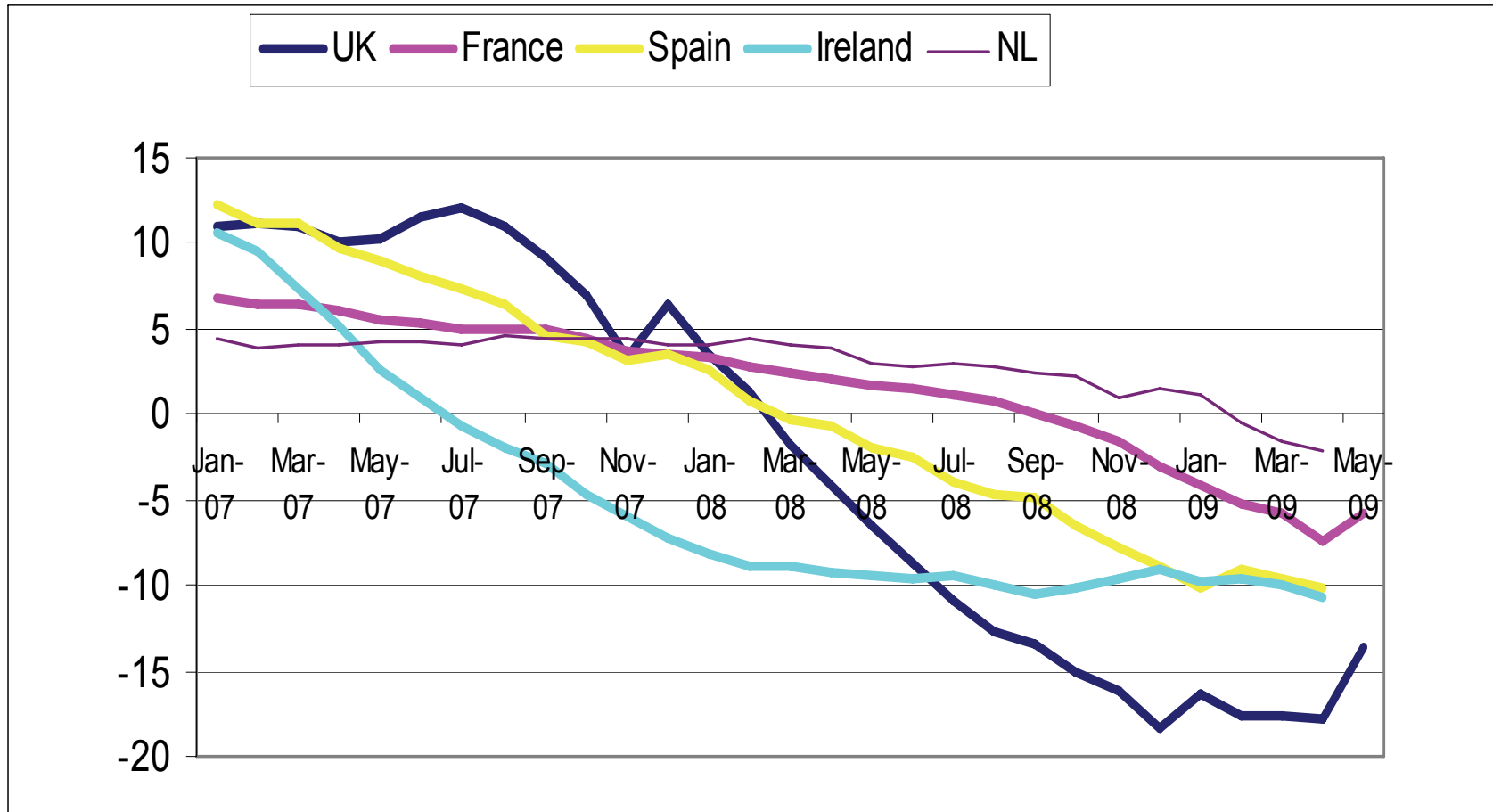


Households Hit by Drop in Financial Markets



GDI: Gross Disposable Income. Data for Eurozone only

A Synchronized Slump in Housing Markets



House Price Inflation (% change y/y)

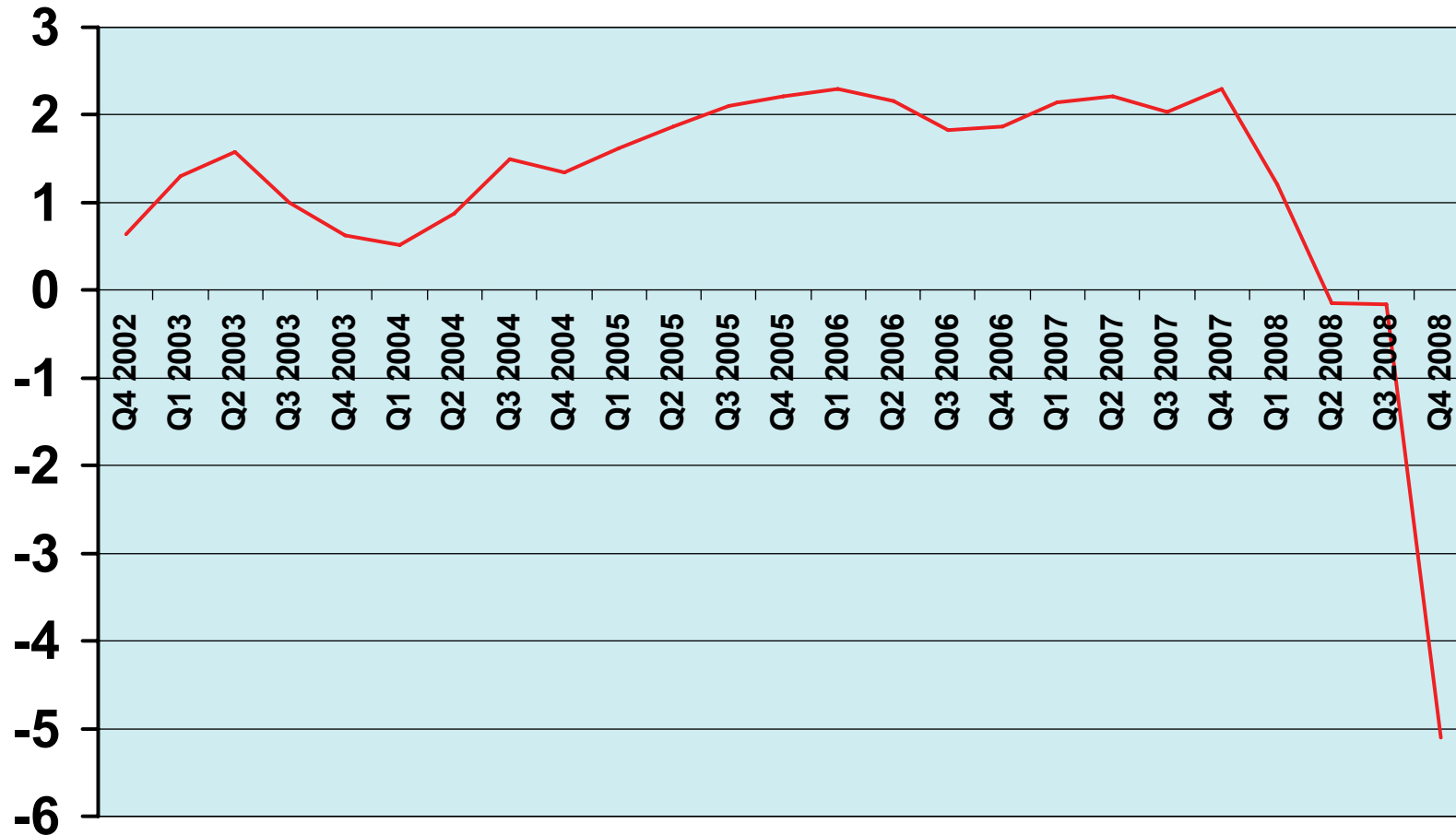
Source: Halifax, FNAIM, Irish Statistical Office, NL Kadaster, Tinsa Int.

Emerging Markets: Uneven Recovery As Financing Constraints Remain Strong

Country	Current Account defaults as % of GDP in 2008	Foreign Debt as % of GDP in 2008
Bulgaria	-24.4	103.0
Estonia	-10.8	115.1
Latvia	-15.1	121.5
Lithuania	-14.9	73.4
Poland	-4.7	52.0
Romania	-13.8	37.1
Slovakia	-5.1	51.0
Slovenia	-4.7	107.1
Czech Republic	-2.2	39.2
Hungary	-5.5	93.0

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BIS Reporting Countries: Cross-Border Assets as a Proportion of Total Bank Assets

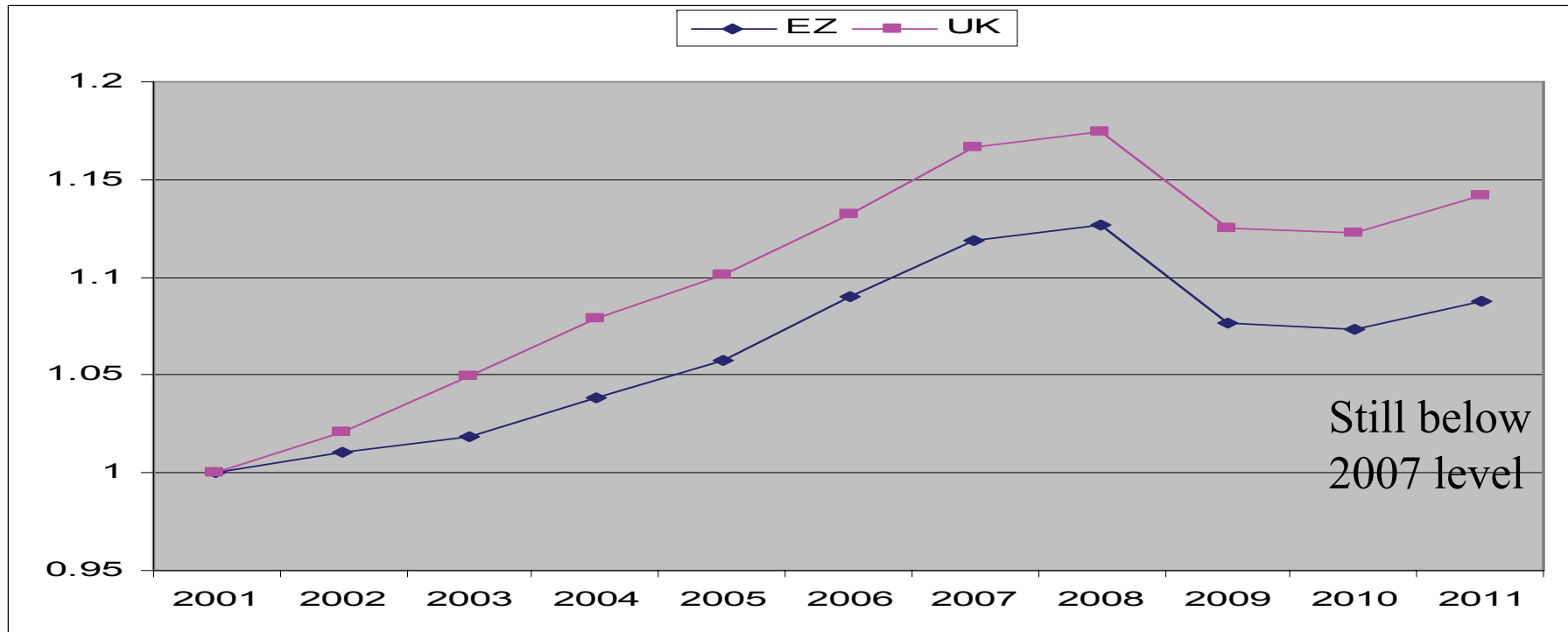


Annual change in %

3 – Inflation is a Remote Risk

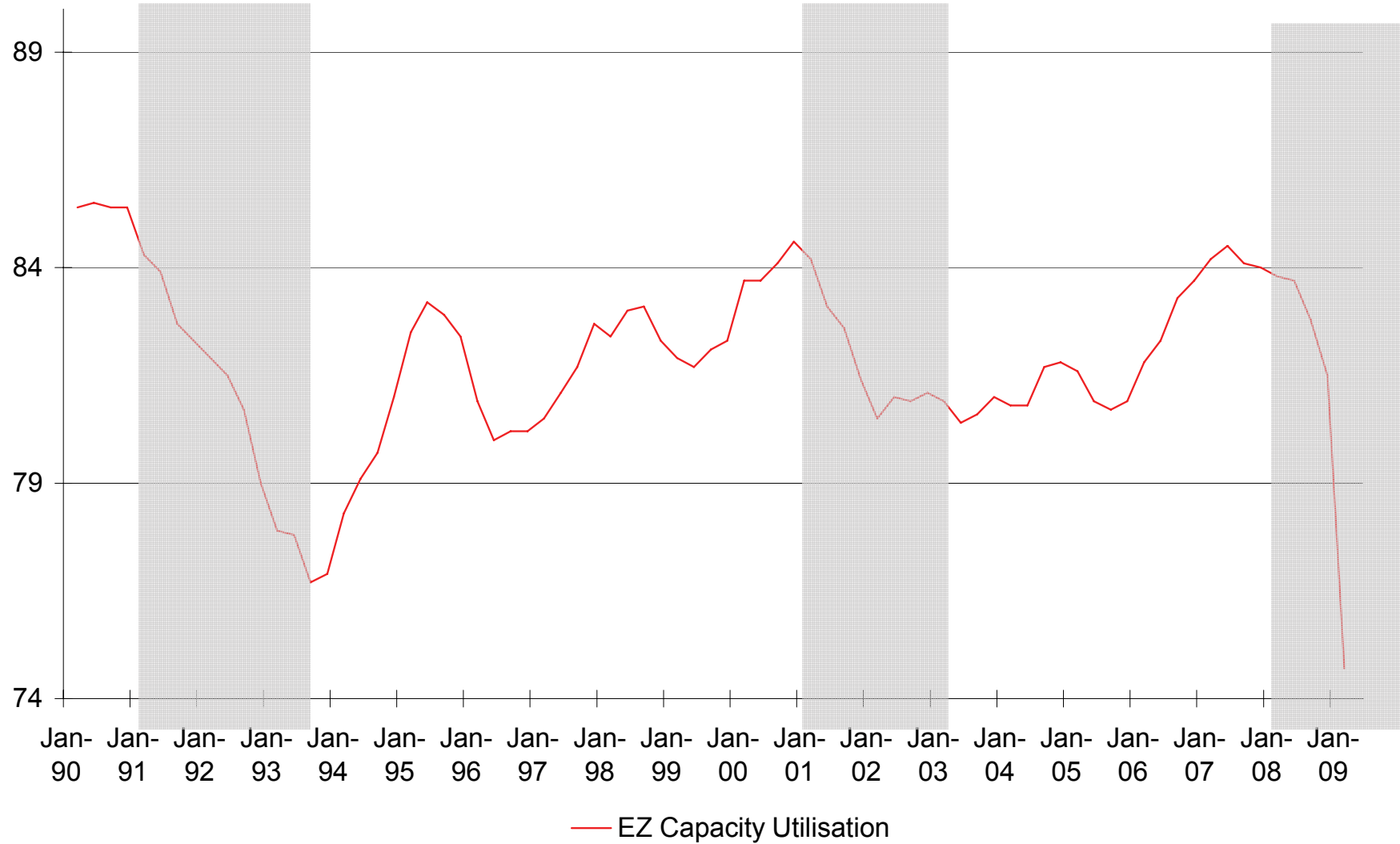
- Because of the amount of slack in manufacturing sector
- Oil prices below \$100/bbl
- Monetary policies haven't caused a surge in money supply
- But the temptation to “monetize” public debt will be strong

Real GDP: Rebased as 2001-1.00

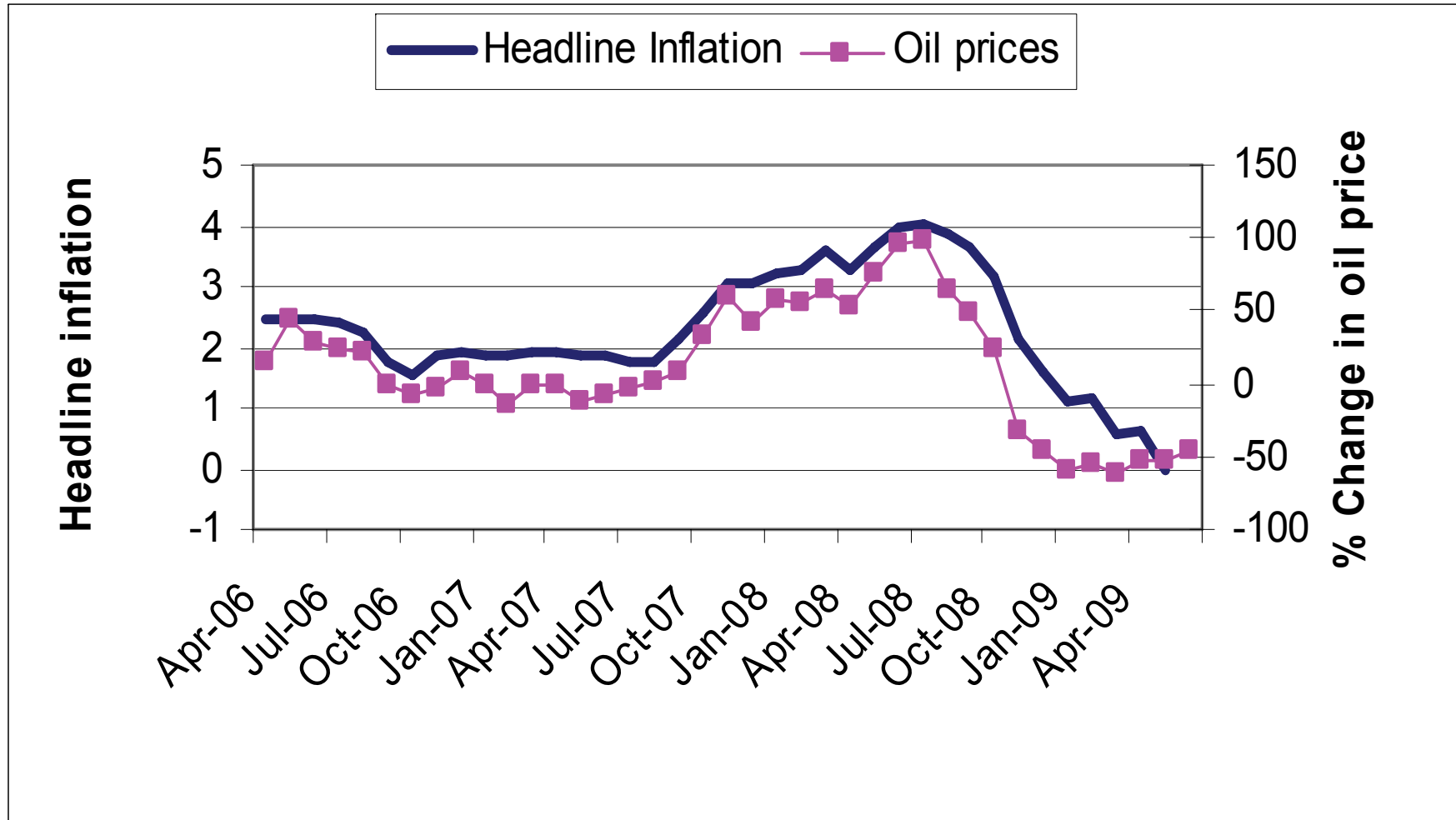


Still below
2007 level

Considerable Amount of Slack in the Manufacturing Sector



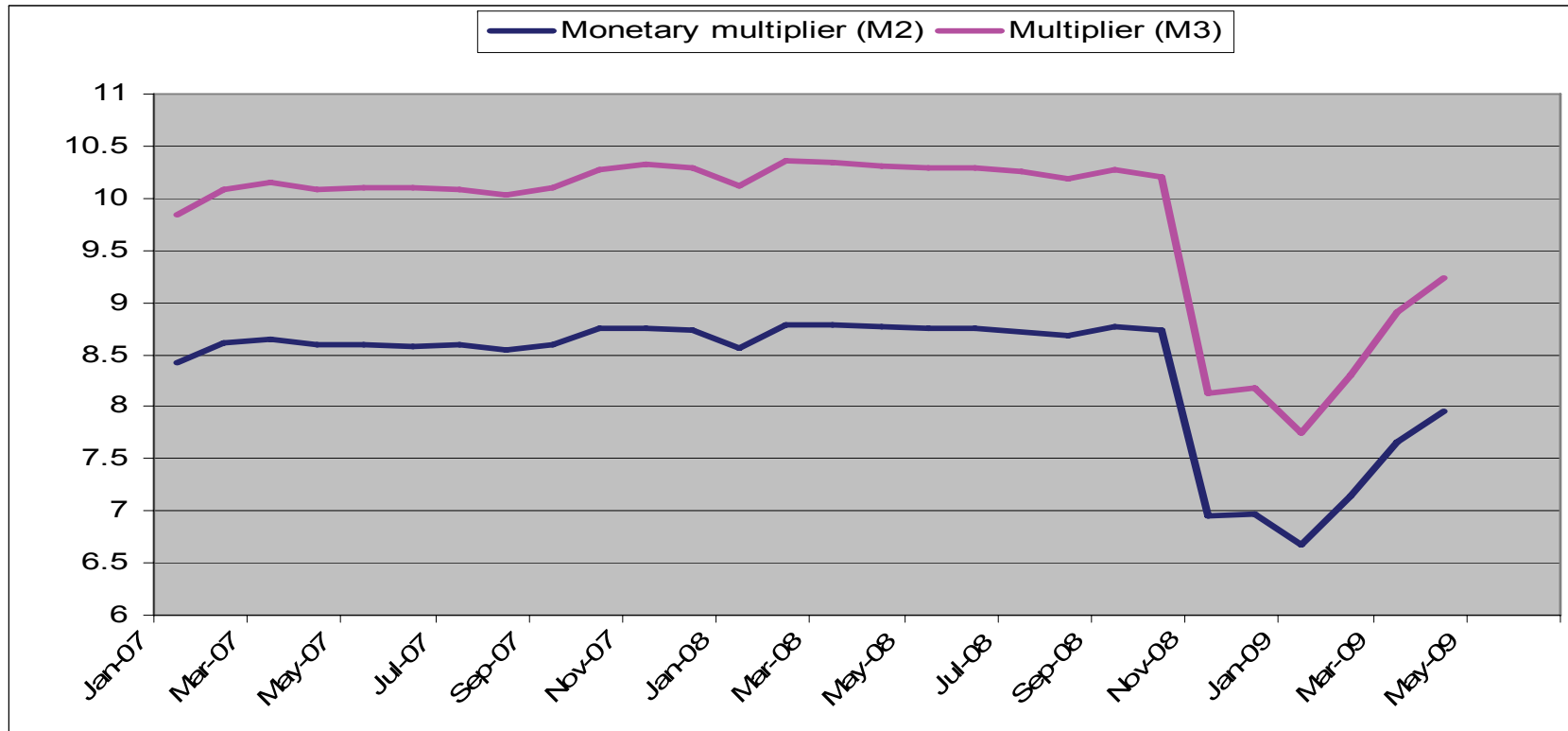
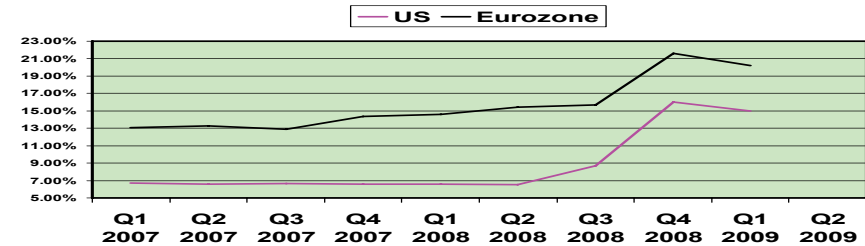
Moderate Increases in Oil Prices Foreseen



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Monetary Policies: Expansion in CB's Balance Sheet Hasn't Caused a Surge in Money Supply in the Eurozone

2 Stages in Monetary Response: Pre and Post Lehman



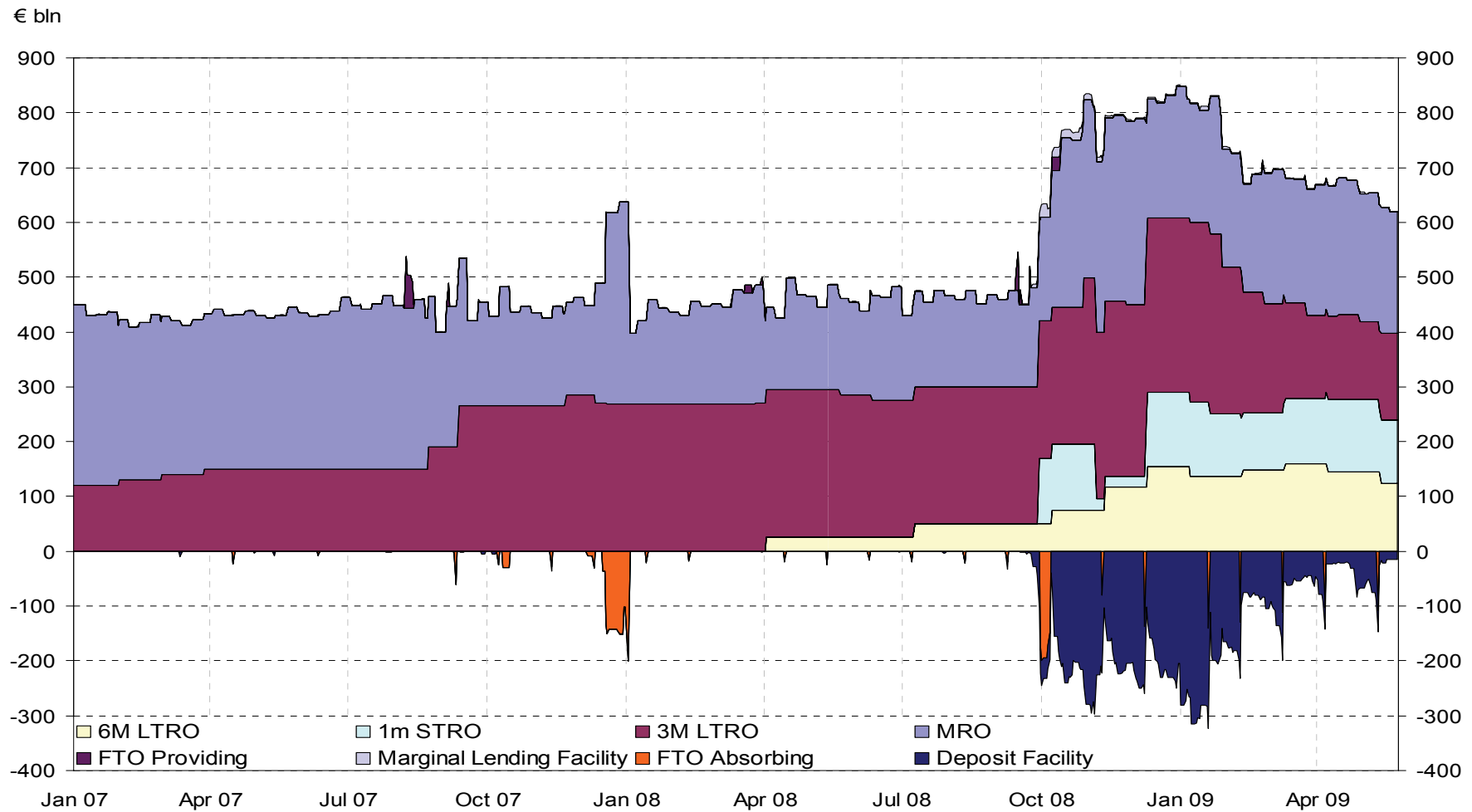
Multiplier = Ratio of M2 or M3 on Monetary base

Monetary Base = Bank notes + Bank reserves. Data from ECB Balance sheet



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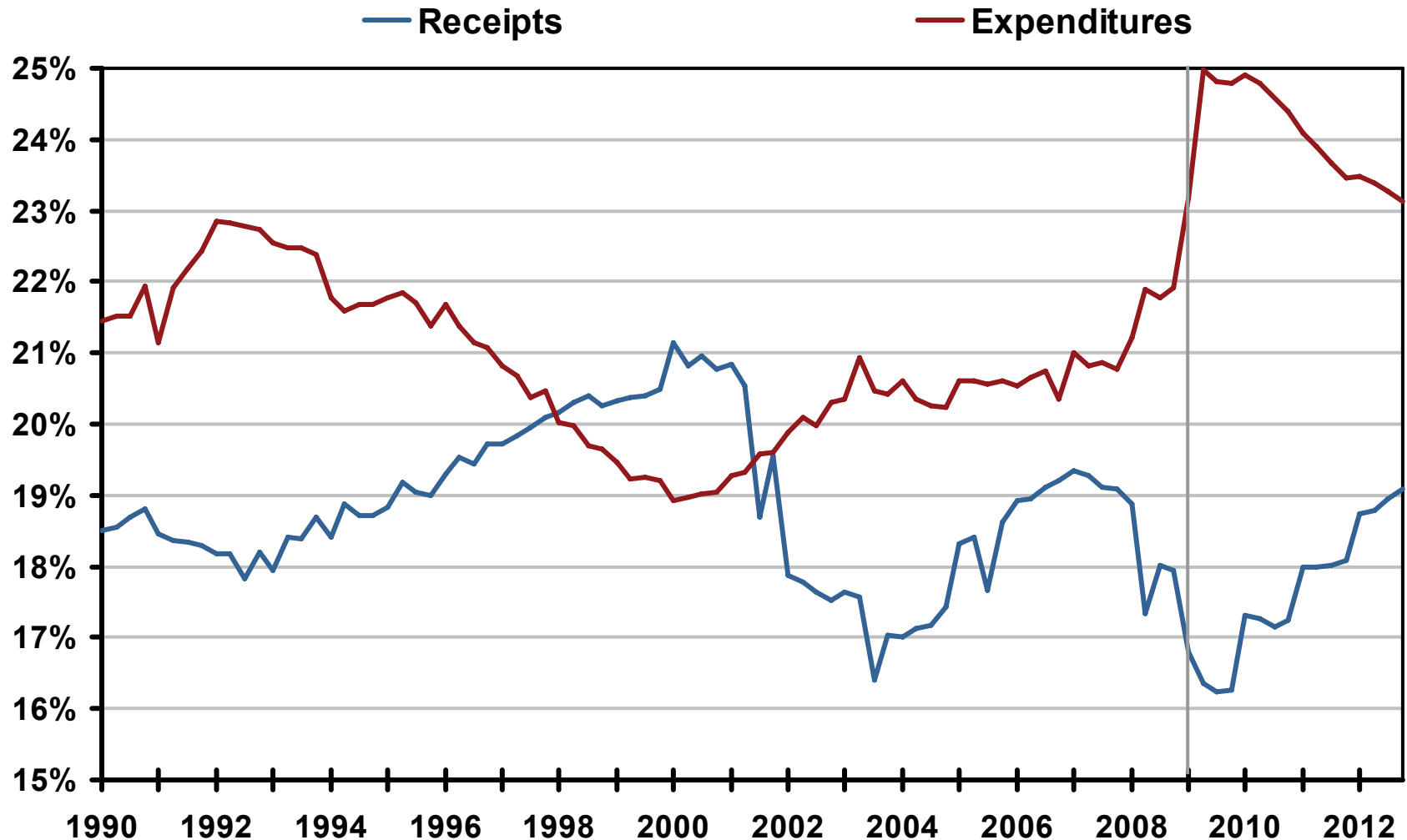
Euro liquidity operations : outstanding amounts



Src: European Central Bank

Temptation to “Monetize” Public Debt Will Be Strong

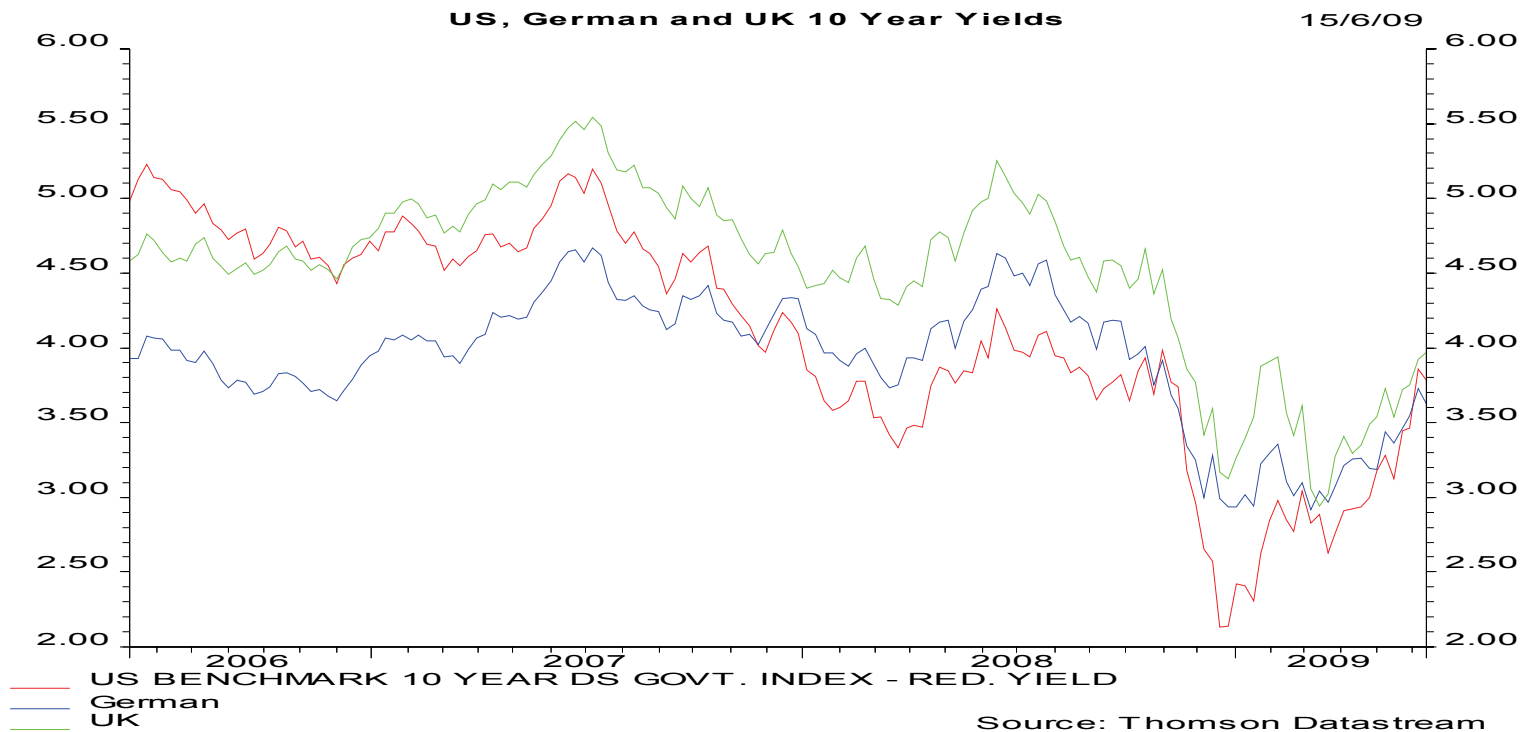
US Fiscal Receipts and Expenditures as Percent of GDP



Source: Bureau of Economic Analysis (BEA).

The Major Risk: A W-Shaped Recession

- Short lived recovery in early 2010
- Followed by new pull back
 - Activity on Credit markets stalls
 - EM's on the verge of deflation
 - Banking systems almost fully nationalized, surge in public debt
 - US dollar FX rate collapses (twin deficits), making European exports very uncompetitive
- **“Bond Bubble” bursts, causing interest rates to shoot up, killing incipient recovery in capital spending**



A grayscale photograph of classical stone columns, likely from a government building or courthouse. The columns are fluted and have a papyrus capital. The word "Coffee" is overlaid in a bold, blue, sans-serif font in the center of the image.

Coffee



The New Capitalism: What does the future hold for US insurers and banks?

Jayan Dhru
Global Head – Financial Institutions Ratings

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Role of Government Support in U.S. Financial Institutions Ratings

- **Broadly, we see higher risks related to bank sector than previously assumed**
 - Franchise stability and market confidence are critical components of credit
 - Higher credit loss expectations
 - Further slowdown in lending unfolding
- **S&P's Bank Industry Country Risk Assessment (BICRA) revised on Dec. 17, 2008, reflecting credit performance deterioration and macroeconomic weakness**
- **U.S. revised to Group 2 from Group 1**
- **Downgrades or Outlook Changes on 22 Banks As a Result of Reassessment based on Our Analysis of Industry Fundamentals**
- **Significant Capital Raises & Extensive Government Support Have Been Mitigating Credit Deterioration**

**Average Bank Rating In The US Declined To BBB+ From
'A' In June 2007**

Role of Government Support (continued)

- **U.S. government measures – while no panacea – have provided measure of stability to bank ratings that otherwise were vulnerable to deteriorating market confidence and an associated “credit cliff”**
- **Benefits have been especially noteworthy in cases of systemically important banks, which have received extraordinary external support**
- **In some instances, we’ve explicitly identified extent of enhancement added to “stand-alone credit profile” to derive issuer credit rating, reflecting our assessment of potential for additional extraordinary government intervention**
- **We see much of current government support as temporary. At some point, banks will be expected to operate on less supported basis again**
- **Key rating issue will be extent to which banks use period of support to reconfigure and strengthen their businesses**
- **Flip side of extraordinary support is that regulation will, in our view, become tighter and more prescriptive**

Selected Major Financial Institutions

Issuer/Counterparty Credit Ratings*			
	Holding Company	Operating Company	Notching Uplift from Government Support
U.S.-based:			
Bank of America Corp.	A/Stable/A-1	A+/Stable/A-1	3
Citigroup Inc.	A/Stable/A-1	A+/Stable/A-1	4
Goldman Sachs Group Inc. (The)	A/Negative/A-1	A+/Negative/A-1	2
JPMorgan Chase & Co.	A+/Negative/A-1	AA-/Negative/A-1+	0
Morgan Stanley	A/Negative/A-1	A+/Negative/A-1	3
Wells Fargo & Co.	AA/CW Neg/A-1+	AA+/CW Neg/A-1+	0
Europe-based:			
Barclays PLC	A+/Negative/A-1	AA-/Negative/A-1+	0
Credit Suisse Group	A/Stable/A-1	A+/Stable/A-1	0
Deutsche Bank AG	N.A.	A+/Stable/A-1	0
HSBC Holdings PLC	AA-/Negative/A-1+	AA/Negative/A-1+	0
Royal Bank of Scotland Group PLC	A/Stable/A-1	A+/Stable/A-1	4
UBS AG	N.A.	A+/Stable/A-1	2

*Ratings as of May 1, 2009. Source: Standard & Poor's Research

U.S. Government Response

Multi-Pronged Approach

- Freeing up liquidity
- Increasing access to term funding
- Direct capital injections into banks
- Macroeconomic stimulus

Uses of Stress Testing

- It's a tool—used since 2006
- Impact on earnings
- Impact on capital adequacy
- The “One Size Fits All” design will be adjusted for company specifics
- We will examine results of others' stress tests as available

S&P Stressed Loss Assumptions – Annual Losses

Asset Type	Actual NCOs Rate 4Q 2008 (%)	Base Case Loss Assumptions Annual NCOs (%)	Stress Case Loss Assumptions Annual NCOs (%)
Residential Mortgage	0.97	2.00	3.00
Home Equity	2.58	4.00	7.00
Construction & Land	5.82	8.00	10.00
Multifamily	0.76	2.00	3.00
Commercial Mortgage	0.66	4.00	7.00
C&I	1.56	2.50	3.50
Other Consumer	3.60	5.00	7.50
Credit Cards	6.53	10.00	13.00
Other Loans	1.57	3.00	4.50
Agric Prod & Farm	0.32	1.00	3.00
Depository Institutions	1.13	2.00	3.00
Loans to Foreign Govt.	0.00	0.50	0.75
Lease Financing Receivables	0.78	2.00	4.00
Total Loans	2.21	4.09	5.97

Source: S&P analysis and FRY-9C regulatory reports

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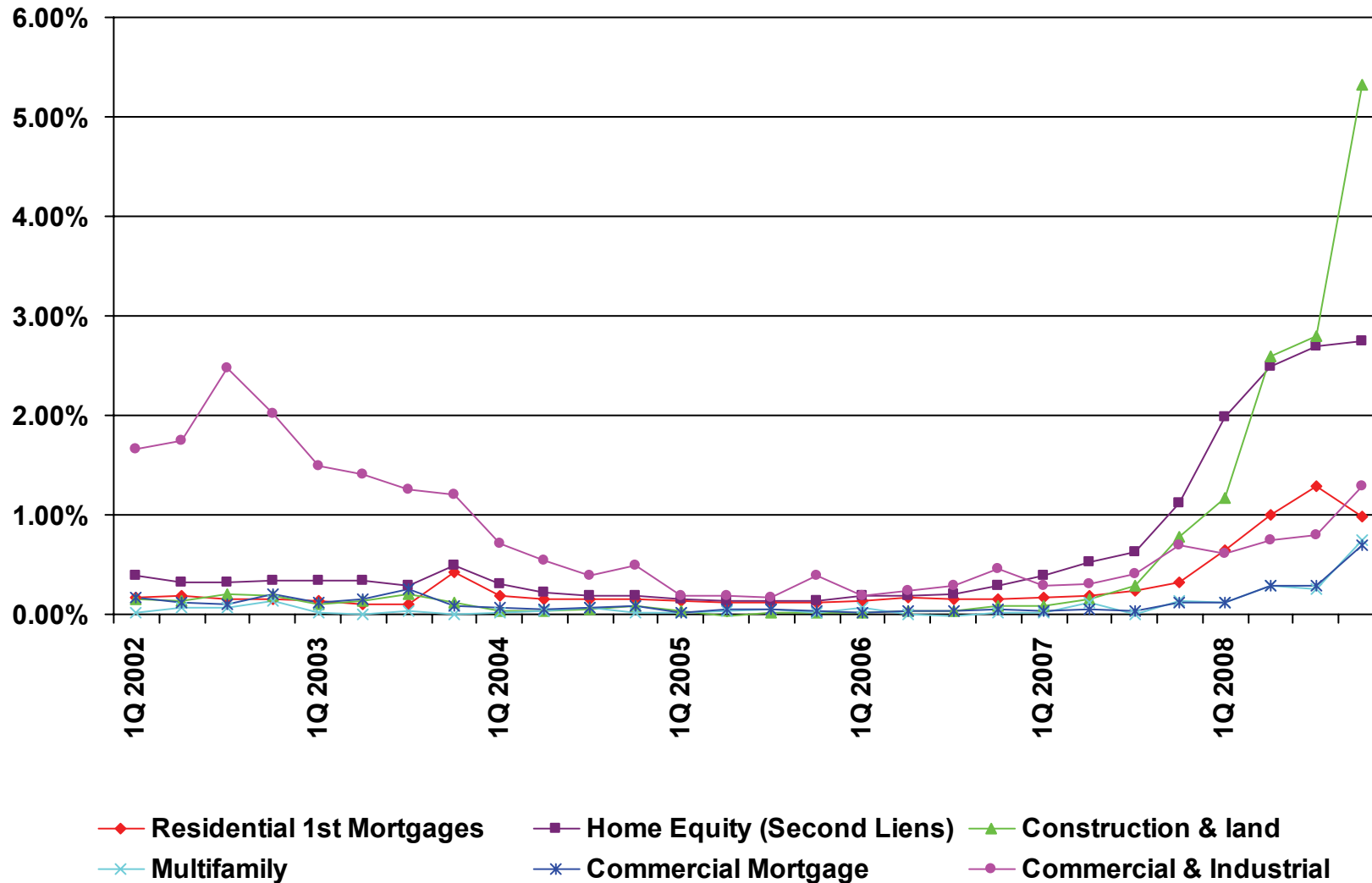
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S&P Stress Case: Impact of Loan Losses on Earnings and Capital

- Stressed period continues for all of 2009 and 2010
- Purchase accounting adjustments for loans acquired deducted from loss estimates
- Normalized pre-provision income based on fourth-quarter 2008
- RWA remains flat; securitized credit card receivables on balance sheet
- Loan-loss reserves raised to cover 1 year of stressed net charge-offs
- Assume 50% losses on unrealized losses on private-label mortgage-backed securities and 80% for the stress case
- Risks of other complex securities holdings not addressed
- Assume dividend cuts
- Estimate Tier 1 capital, TCE/Tangible Assets, TCE/RWA. Add capital raises after December 2008

Net Charge-Off Rates at Historic Highs

Data for 2002-2008



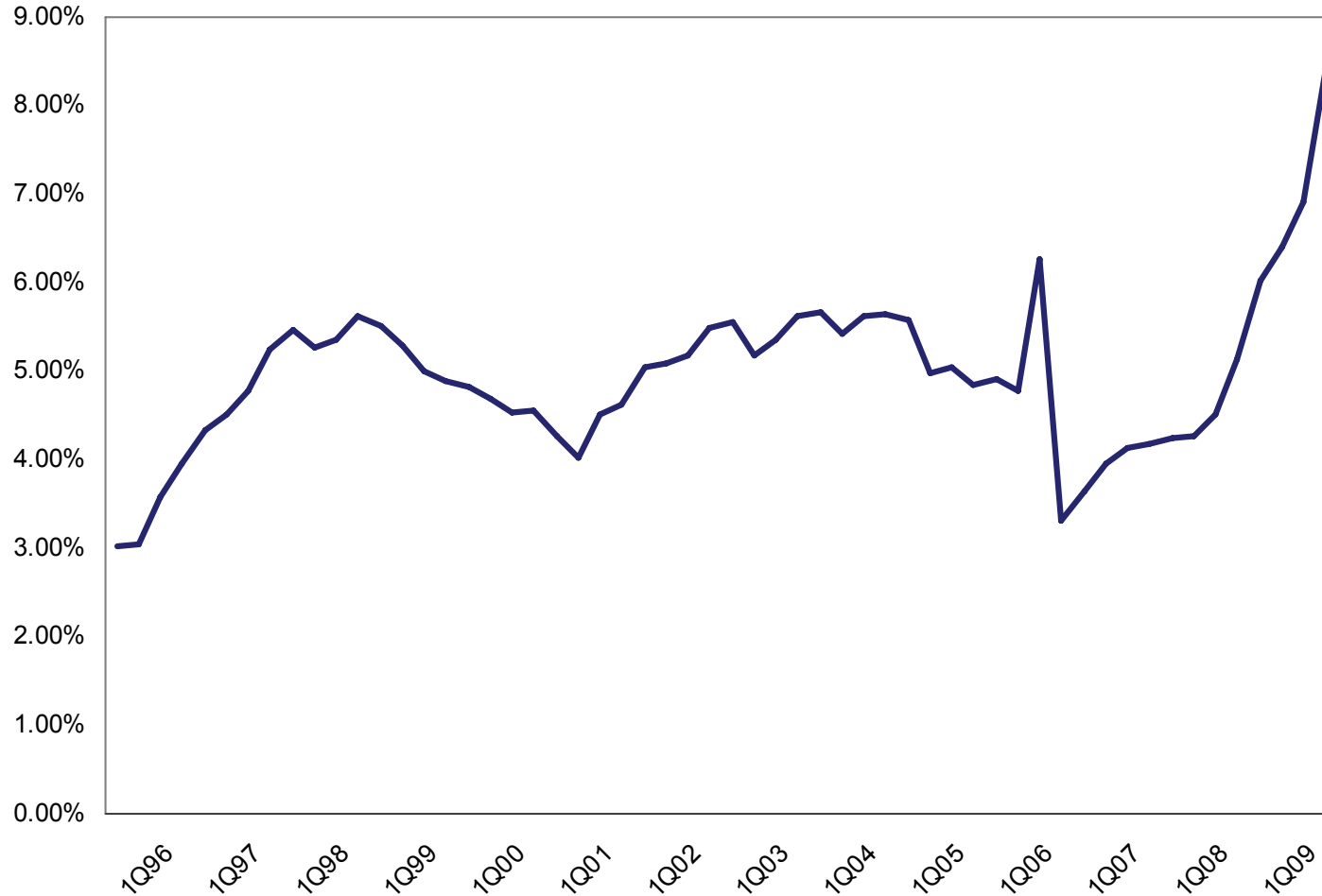
Source: FRY-9C regulatory reports

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Card Loss Rates Headed Higher

Managed Credit Card Net Charge-Offs



Source: Company reports of 6 major card issuers

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Common Equity Is Greater Need Than Tier 1

Scenario:	Pretax Margin (Year 1)	Pretax Margin (Year 2)	Banks that Fail Adjusted Tier 1 (%)	Banks that Fail TCE / TA (%)	Banks that Fail TCE / RWA (%)
Base Case	-30.65%	-7.29%	20%	38%	32%
Stress Case	-79.73%	-31.83%	72%	78%	82%

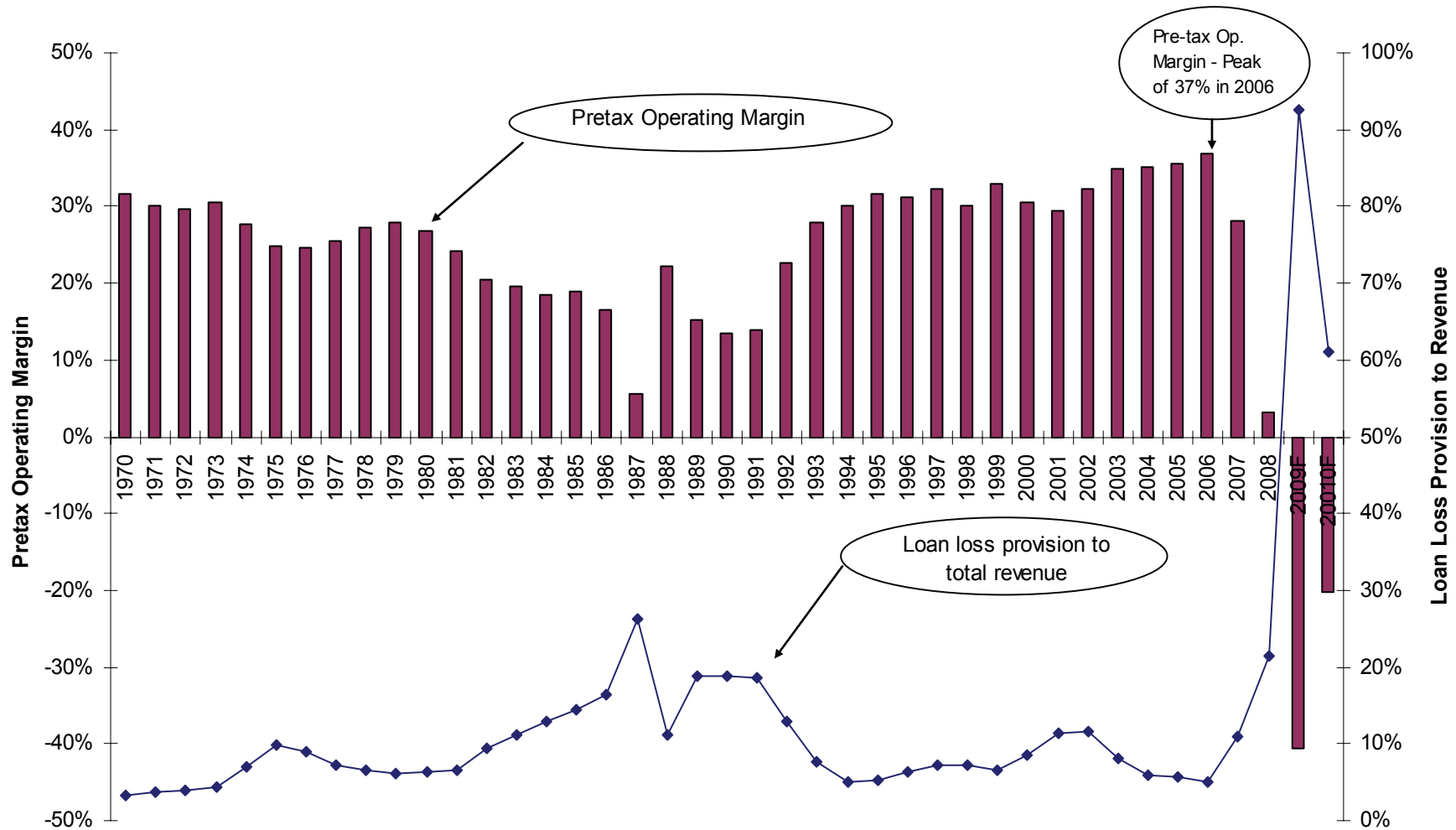
Results of Stress Tests Show Moderate Capital Needs

(\$Bil)

Scenario:	Annual Credit Losses	Reserve Build	Pretax Profit Margin		Estimated Tier 1 / RWA Shortfall	Estimated TCE / TA Shortfall	Estimated TCE / RWA Shortfall
			Year 1	Year 2			
Base Case	\$230	\$109	-31%	-7%	\$21	\$31	\$37
Stress Case	\$335	\$223	-80%	-32%	\$148	\$204	\$193

Profitability – Our Expectation

Pretax Operating Margin & Loan Loss Provision to Total Revenue



Source: FDIC and S&P

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2009 U.S. Life Industry Outlook

Strong Fundamentals Remain Intact, But...

Continued Market Pressures May Impact Ratings Downward

- **Standard & Poor's outlook on the U.S. life industry changed to "Negative" in October 2008**

- **View for the coming months**
 - The outlook for the U.S. life industry is negative, but in our opinion the sector's strong fundamentals remain intact
 - If ratings were negatively affected, the downgrades would likely be one to two notches, at most

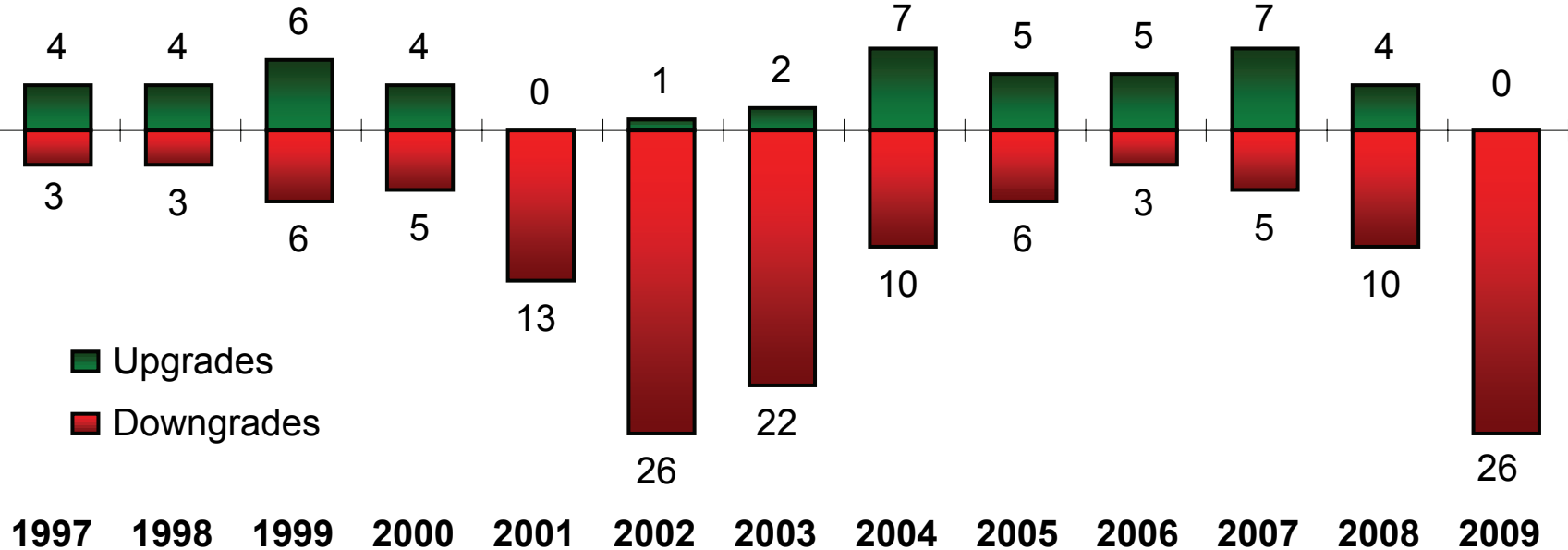
Key Strengths

Our View of the U.S. Life Insurance Industry

- **Relatively stable insurance cash flows from mortality, morbidity and expense performance**
- **Generally strong liquidity profile due to surrender charges, protected liabilities and highly marketable investment portfolios**
- **Well positioned to capture opportunities in the retirement market**
- **Despite various recent market pressures, strong capitalization generally remains intact**

Credit Rating Trends

U.S. Life Insurance 1997 – 2009



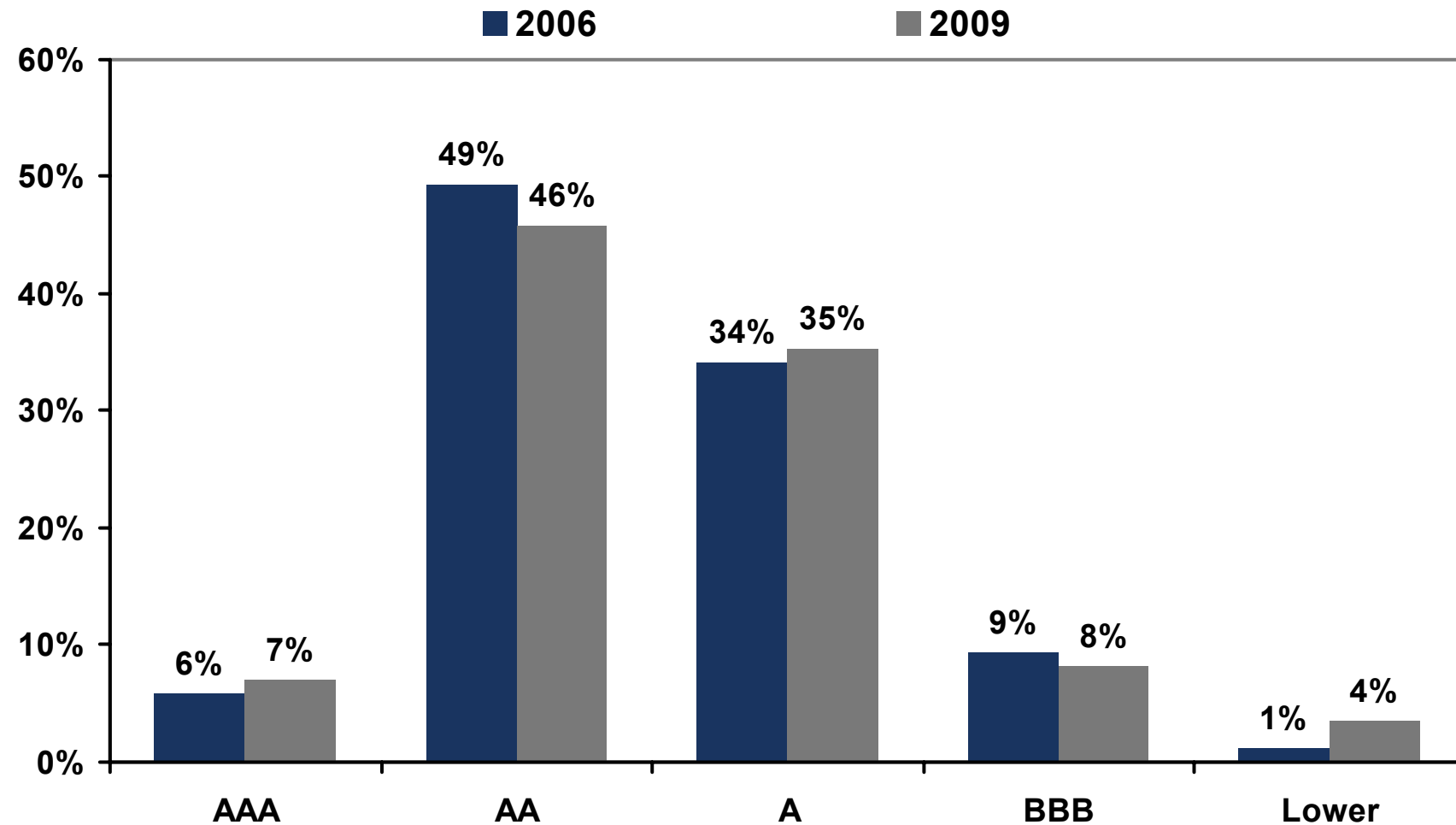
Source: Standard & Poor's.
 2009 totals through April 26, 2009; multiple rating actions within a given year are included.



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Distribution of Credit Ratings

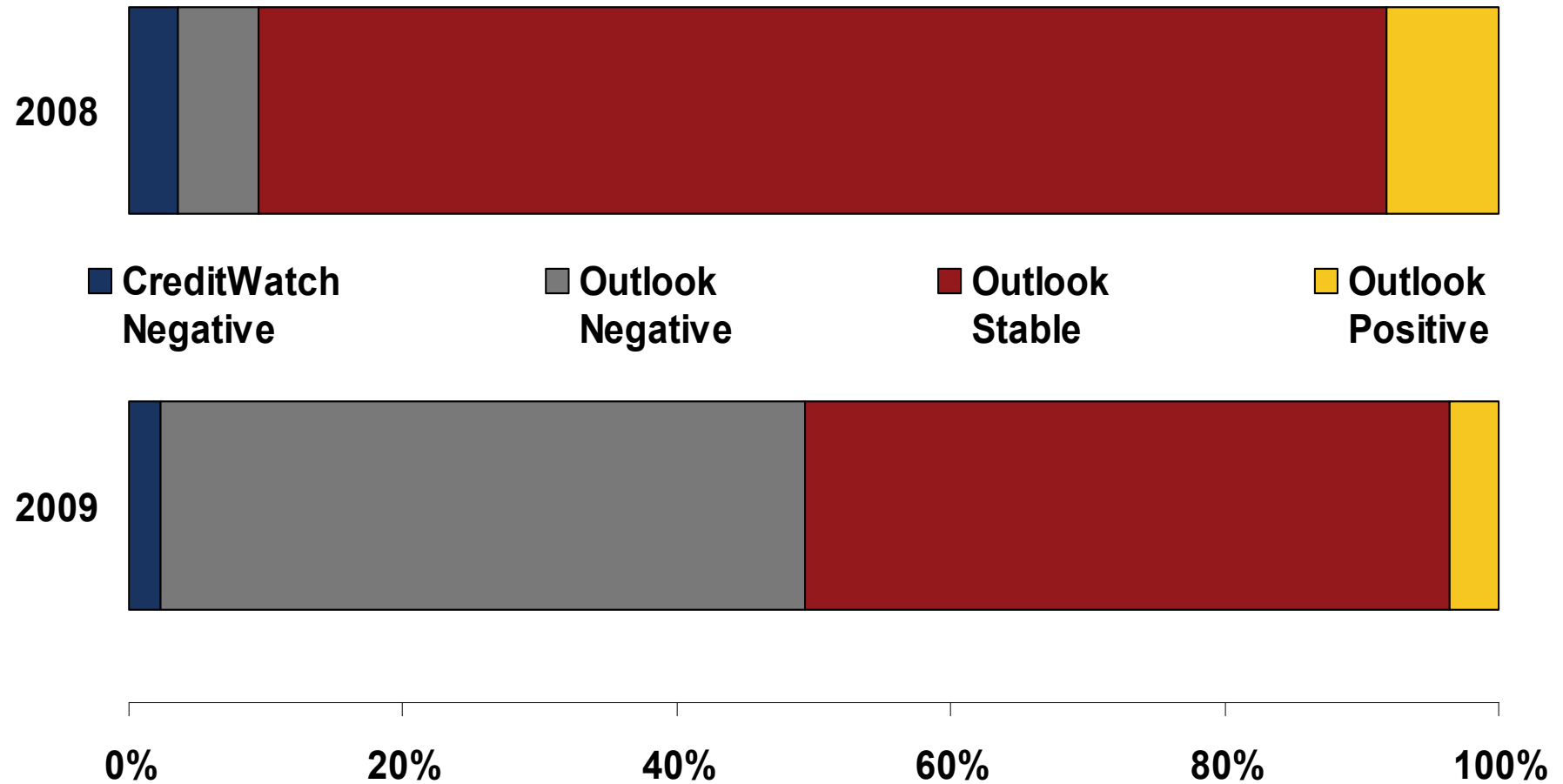
U.S. Life Insurance 2006 vs. 2009



Source: Standard & Poor's.
Ratings of 86 interactively-rated companies and groups as of April 26, 2009 looking backward to 2006.

Credit Ratings Outlook

U.S. Life Insurance 2008 vs. 2009



Source: Standard & Poor's.
Ratings of 86 interactively-rated companies as of April 26th of each year.



U.S. Life Outlook Remains Negative

Three Key Themes

1. Higher than expected credit defaults

- Investment grade bonds
- Below investment grade bonds
- Commercial real estate
- RMBS/CMBS

2. Equity market levels and volatility

- Direct exposure
- Indirect exposure/product driven

3. Reduced financial flexibility

- Financial services companies not attracting capital

Incorporating Incremental Stress

Taking into Account Unprecedented Stresses

Standard & Poor's View

- **U.S. insurers' holdings could experience unprecedented stress in the next 12 to 18 months**

- **These holdings represent 80% of the industry's invested assets in:**
 - Bonds
 - Commercial mortgages (CM), and
 - Commercial mortgage-backed securities (CMBS)

Standard & Poor's Incremental Stress Analysis

Applied in Periods of Unprecedented Stresses

- **Incremental stress analysis evaluates the amount of capital that an insurer would need to cover losses in the current economic environment at confidence intervals commensurate with ratings categories, as follows:**
 - 99.9% – AAA;
 - 99.7% – AA;
 - 99.4% – A;
 - 97.2% – BBB (five year time horizon)
- **Should be interpreted as reflecting a near-term (one to two years) view based on current market conditions**

Application of Stress Factors – Corporate Bonds

On Insurers' Holdings

- **Applied by credit rating and maturity bucket to insurers' balance sheets on a pro forma 2008 basis**

- **Example: For the five- to 10-year maturity bucket, at the “AAA” confidence interval, Standard & Poor’s added an incremental stress capital charge of 4.03% for “BBB”-rated bonds to the existing 4.33% baseline factor, reflecting a total stress (existing plus additional) of 8.36%**

Application of Stress Factors – Commercial Mortgages (CM)

On Insurers' Holdings

- **Using the ACLI Mortgage Database, the worst observed economic cycle for commercial mortgages occurred from 1988–1995**
- **The cumulative foreclosure rates were approximately 17% and average loss severity rates were approximately 27%**
- **The stress assumption does not differ by maturity**
- **Example: At the “AAA” confidence interval level, Standard & Poor’s added an additional stress of 3.77% to the existing 2.90% baseline factor, reflecting a total stress of 6.67%**

Application of Stress Factors on Insurers' Holdings

Commercial Mortgage-Backed Securities (CMBS)

- **Most CMBS transactions are facing increasing stress as the economic conditions deteriorate**
- **Standard & Poor's loss estimates will increase in response to the worsening market conditions, with expected losses for the 2005–2007 originations rising the most**
- **Our stress assumptions are that many of these assets will transition to lower ratings**
- **The vast majority, approximately 95%, of these securities within insurers' CMBS portfolios are identified as NAIC 1 bonds (A-AAA)**
- **Example:**
 - At the “AAA” confidence interval, we added an incremental stress capital charge of 39.49% for “BBB”-rated bonds to the existing 4.33% baseline factor, reflecting a total stress (existing plus additional) of 43.82%

Impact of Current Economic Stresses

On U.S. Insurers' Earnings and Competitive Position

- **Standard & Poor's ratings actions recently taken**
 - Reflect impact of economic stress on earnings and competitive position of life companies
 - As much as they reflect impact on capital adequacy
- **Expected effect of these stresses**
 - Will challenge life companies' competitive strengths
 - Thus, we have lowered our projections of many companies' earnings
- **The recent market dislocations have challenged most enterprise risk management (ERM) programs**
 - Insurers with large equity-related risks are reviewing ERM programs
 - And, are looking to increase product pricing to cover higher hedging costs



European Insurers: So Far, So Good?

Rob Jones
Managing Director, Financial Institutions Ratings,
Standard & Poor's

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The Headlines (Standard & Poor's Views)

“Europe's Insurers Feel The Strain, But The Sector Retains Its Strength”¹

“Solvency II: Wounded, But Still Alive And Kicking”²

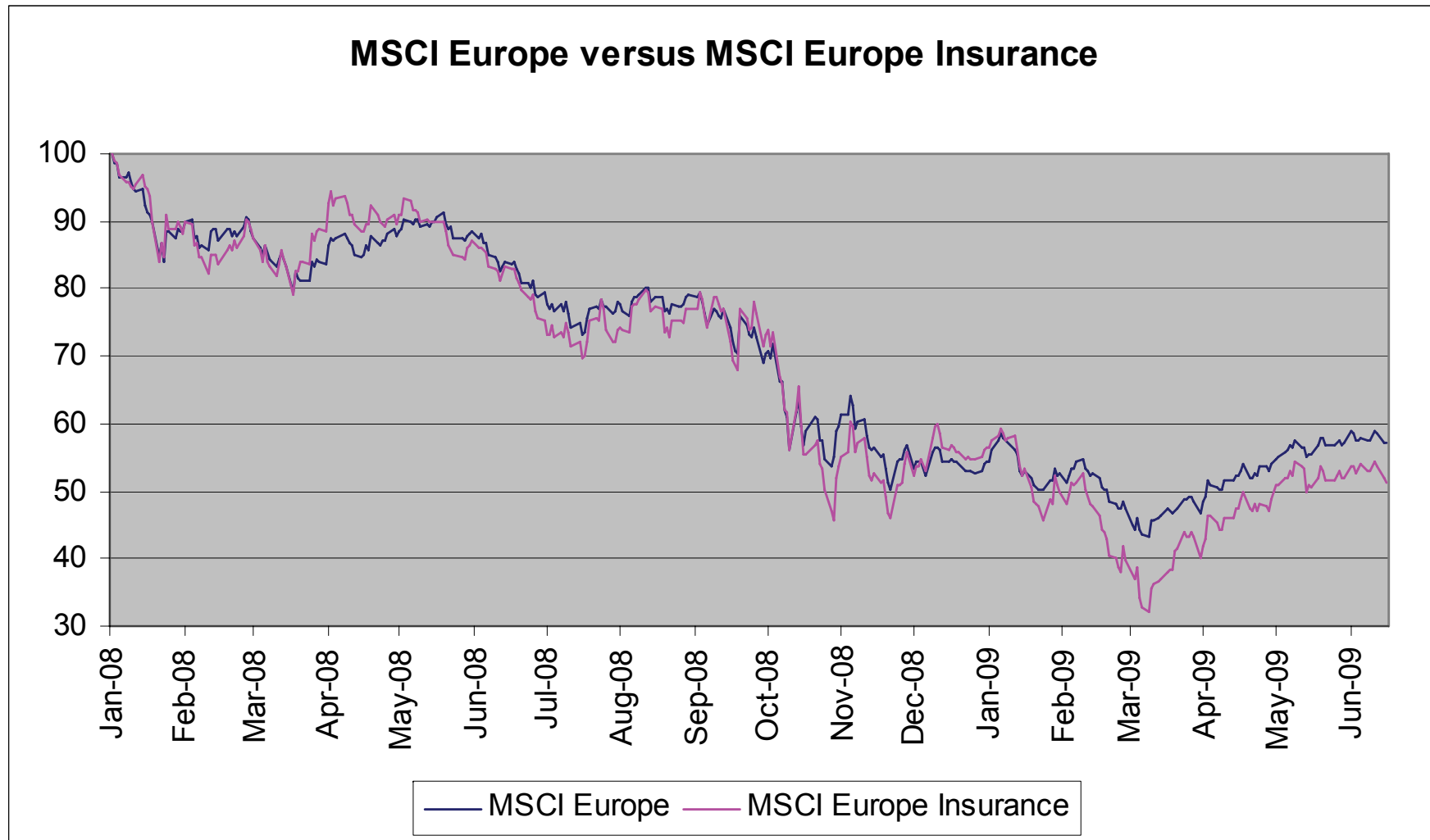
1 April 22, 2009

2 February 12, 2009

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European Insurers: What Do Equity Markets Think?

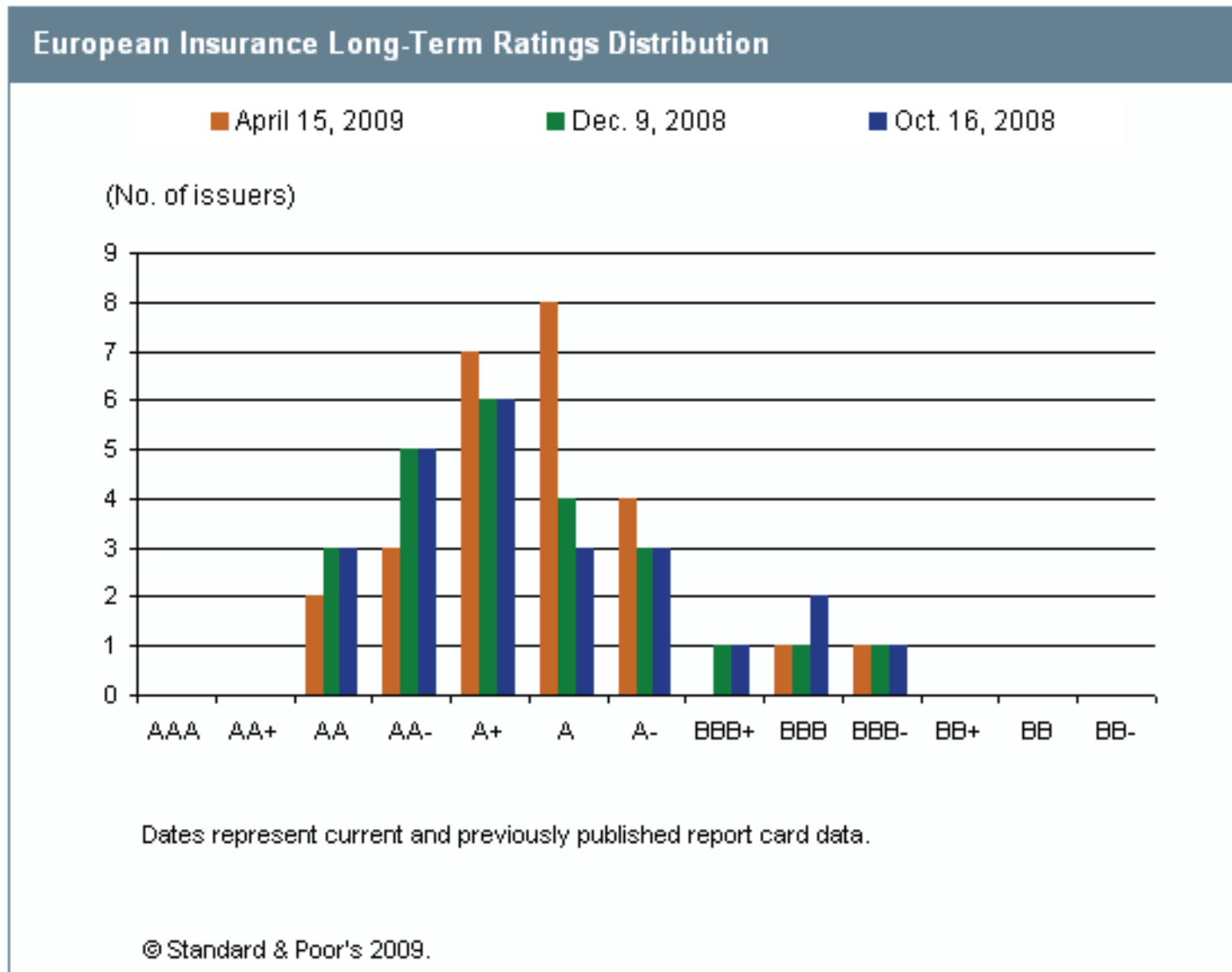


Source: Bloomberg Data as at June 16, 2009

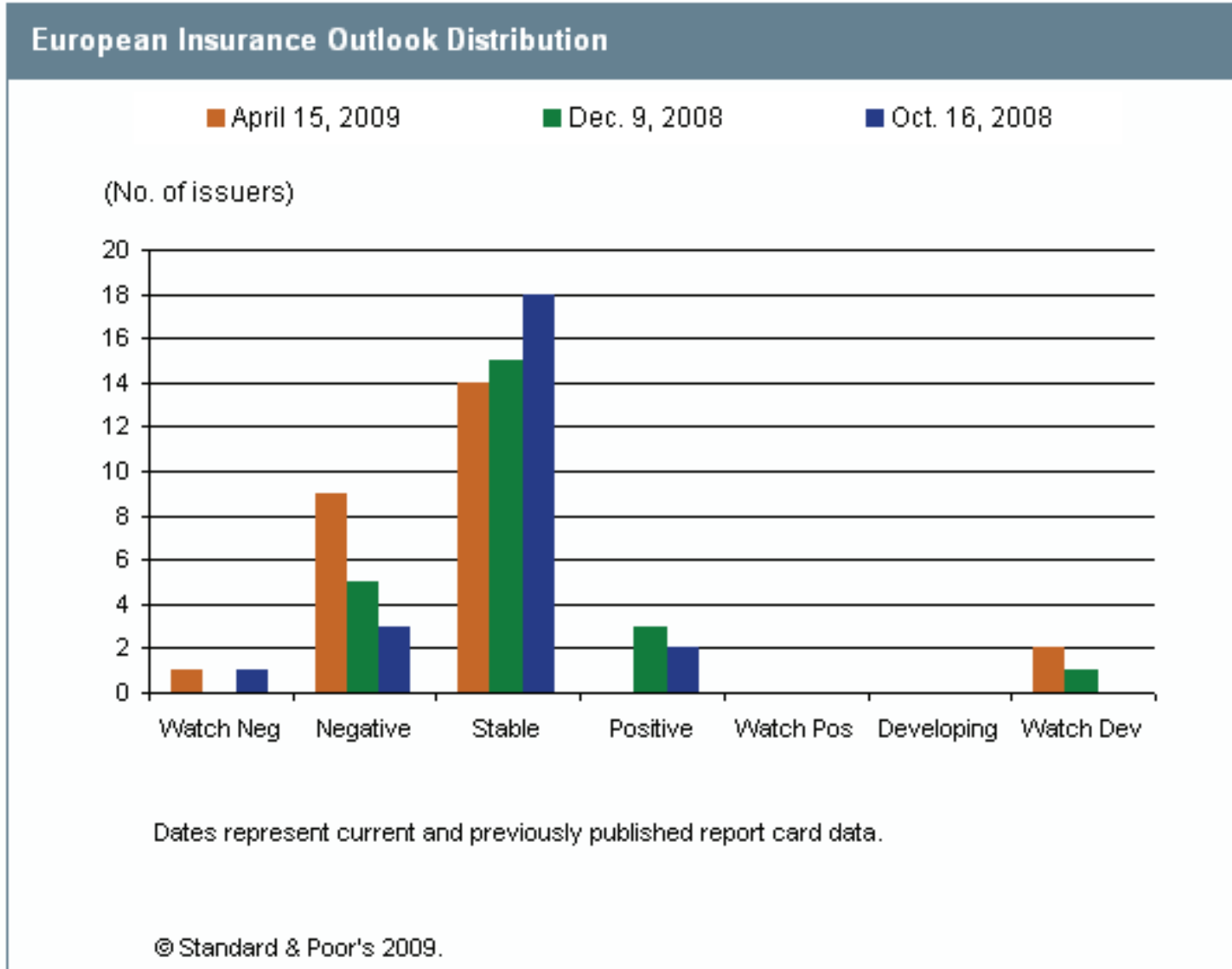
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Our Opinion: Insurer Ratings – European Majors



Our Opinion: Insurer Outlooks – European Majors



Reinsurers – Cyclical Turn In Q4 2008

Balance sheets 2008

- Capital adequacy remains a strength (in spite of asset write downs and Hurricane Ike)
- Lower asset risk
 - High credit quality
 - Short duration
 - Moderate holdings in equities
- Loss reserves still adequate, but less so

Income statements 2009

- Price adequacy is generally sound
- Lower economic activity
- Low investment returns
- Catastrophe/financial turmoil losses?

Primary Non-Life Insurance - Cycle Yet To Turn Convincingly

Balance sheets 2008

- Capital adequacy remains a strength
- Reinsurance protection demand higher, supply lower
- Lower asset risk
 - High credit quality
 - Short duration
 - Moderate holdings in equities
- Loss reserves still adequate, but less so

Income statements 2009

- Price adequacy is variable
- Lower investment return
- Lower economic activity
- Non-compulsory insurance cancellations/non-renewals
- Higher propensity to claim (including fraud)
- Financial turmoil claims

Primary Life Insurance – A Sector Under Stress

Balance sheets 2008

- Higher asset risk (especially in US life subsidiaries)

Income statements 2009

- Economic pressures comprehensively negative
 - Higher lapse risk
 - Less discretionary income
 - Value based fees declining
 - Guarantees
 - Lower investment return

Capital Adequacy Is A Weakness For Some...

- Capital started the year at cyclical high
- ERM practices limited the downside
- Capital adequacy need not match target rating level at all times
- Greater tolerance of shortfall for higher rated insurers
 - Stronger competitive positions and earnings
- Tolerance influenced by earnings prospects

...Financial Flexibility Has Been Stretched Too, But Is Now Improving

Insurers' options:

- **Equity capital**
 - Suspend share repurchase programs?
 - Reduce dividends?
 - Raise capital?
- **(Hybrid) Debt capital**
 - Miss call dates?
 - Defer interest?
 - Raise capital?
- **Balance sheet management**
 - Hedge asset risks?
 - Buy more reinsurance?
 - Sell more cat bonds/sidecars?
- **Or look to policyholders / cedants?**
- **Or even governments?**

Insurers Are Not Banks....

- Confidence sensitive, but different implications
- Naturally liquid balance sheets and cash flows except:
 - Post catastrophe
 - Surrender activity
- Low leverage / capital markets dependence
 - Insurance linked securitisation (ILS) still in its infancy
- Lower systemic threat

However, they may suffer some of the regulatory consequences

So Summing Up, In Our Opinion, In The Medium Term:

European insurance remains a strong sector with its business model intact...but, expect more negative than positive rating actions this year

.....Longer Term.....

***“Solvency I is no longer fit for purpose
.....current turmoil highlights the
urgency of implementing Solvency II”****

- **Solvency II remains on target for October 2012**
 - With some important compromises
- **Reinforced by the de Larosière report**

** From “Solvency II: Wounded, But Still Alive And Kicking” February 12, 2009*

Group Support (1)

- **Initial proposal to allow subsidiaries to cover only MCR rather than SCR, with difference made up by parental guarantees**
 - Would have allowed groups to downstream diversification benefits to subsidiaries
 - Fundamental to Directive
 - Smaller member states opposed
 - Council of Ministers versus EC and EP
- **CEA supportive although most insurers (quietly) opposed**
- **Implications of absence**
 - Undermines group solvency proposals
 - Loss of market efficiency / competitiveness
 - Loss of capital fungibility

Group Support (2)

- **Market response**
 - Lobby CEIOPS and EC
 - Group structure rationalisations accelerated
 - Internal reinsurance
 - Internal hybrid

Capital Requirements For Holding Equities

- **QIS 2 tested 40% for global equity SCR**
- **QIS 4 tested 32% and a dampener**
- **Per QIS 4 report: Majority of insurers and supervisors believe minimum should be 40% and believe dampener lacks credibility**
- **Internal models average equity stress = 39% per QIS 4**
- **Directive includes dampener (SCR may fall by 10%)**

Solvency II: Impact On Capital Adequacy

- **Based on QIS 4: 11% of Europe's insurers failed to cover SCR (QIS 3: 16%) but:**
 - What about the buffer?
 - Capital adequacy at cyclical peak (QIS 4 based on 2007 balance sheets)
- **25% of Europe's insurers may need to:**
 - Raise capital
 - Buy more reinsurance or other mitigants
 - Reduce risk
 - Write less business
 - Merge or be acquired
 - Close to new business

Competitive Landscape Changes

Pillar 1 diversification benefits will give the more diversified groups capital relief and a pricing advantage

- Smaller insurers may find it increasingly difficult to compete while providing similar returns to their owners

Risk management capability and sophistication required to respond to Solvency II is demanding

- Systems overhauls may be needed, actuarial skills are in short supply
- Insurer readiness (Simplifications and Proxies used extensively in QIS 4)
- Supervisor readiness (63% of insurers to use internal models per QIS 4)

= *European Market Consolidation*

Are Insurers Ready?

Country readiness:

- 1 UK
- 2 (Switzerland)
- 3 Netherlands, Denmark, (Bermuda)
- 4 Germany, Portugal, Sweden
- 5 France, Belgium, Italy, Spain, Ireland, Finland

Leading pan-European groups well prepared in our opinion



CEO/CFO Panel: Rebuilding confidence in insurers

Panellists:

Dr. Stefan Lippe, CEO, Swiss Re

Dr. Konstantin Klien, CEO, UNIQA

Oliver Bäte, CFO-Elect, Allianz

Moderator:

**Yann Le Pallec, Managing Director, Head of Insurance
Ratings, EMEA, Standard & Poor's**

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A grayscale photograph of classical stone columns, likely from a government building or courthouse. The columns are fluted and have a prominent base. The word "Lunch" is overlaid in a bold, blue, sans-serif font in the center of the image.

Lunch



CRO Panel: ERM: Did it do the job?

Panellists:

Jo Oechslin, Group CRO, Munich Re

Jeroen Potjes, Chief Insurance Risk Officer, ING Group

Tom Grondin, CRO, AEGON

Moderator:

**Laura Santori, Senior Director, Financial
Institutions Ratings, Standard & Poor's**

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Main Room: Nymphenburg I & II

(1) Global multiline insurers: How do they shape up?

**Karin Clemens, Senior Director, Financial Institutions Ratings,
Standard & Poor's**

Schwabing IV to VI

(2) Ratings in insurance markets – how are they used?

**Peter Hughes, Vice President, Commercial & Product Management,
Standard & Poor's**

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Global Multiline Insurers: How do they shape up?

Karin Clemens
Senior Director, Financial Institutions Ratings,
Standard & Poor's

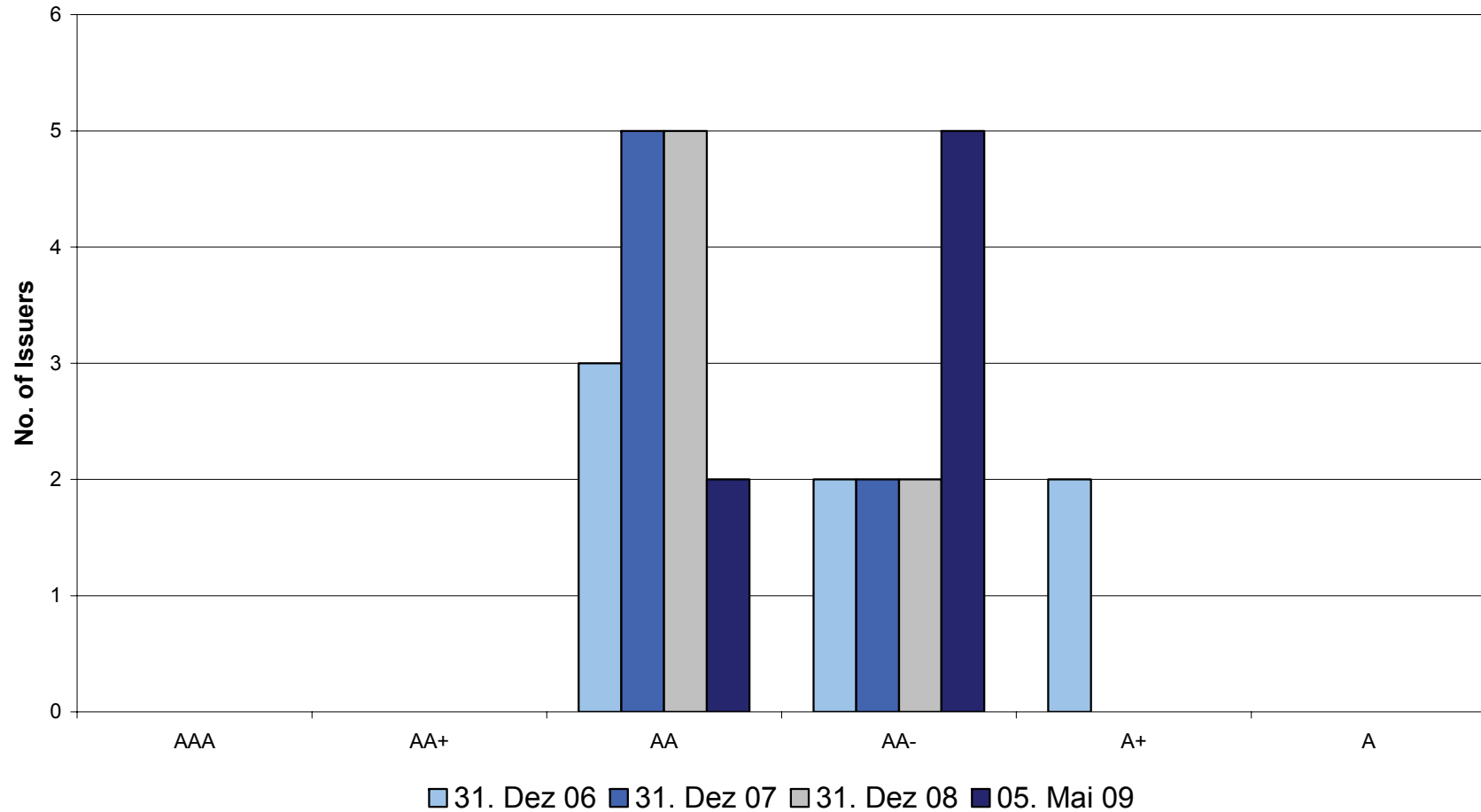
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Agenda

- **Europe-Based Global Multiline Insurers – Ratings Profile**
- **Our View On 2009 Rating Drivers**

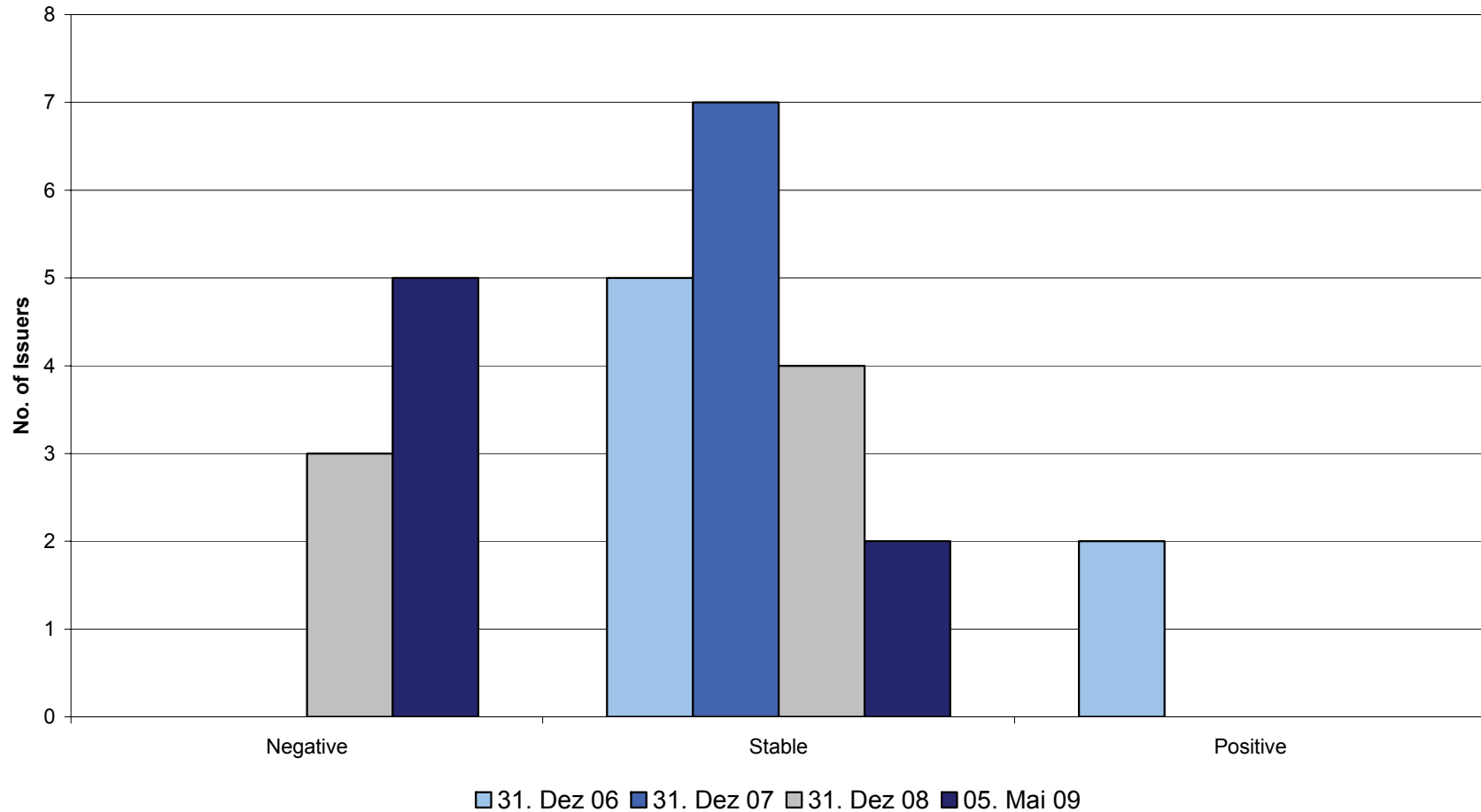
GMI's Entered The Tougher Environment From A Position Of Relative Strength

Insurer Financial Strength Rating Distribution Of Europe-Based Global Multiline Insurers



.... But The Headroom In Ratings Has Reduced Considerably

Outlook Distribution of Europe-Based Global Multiline Insurers



Ratings (as of 16 June 2009)

Entity	IFSR*/Outlook	Rating/Outlook
	Core Operating Entities	Holding Company
Allianz SE	AA/Stable	AA/Stable/A-1+
AXA	AA/Negative	A+/Negative/A-1
Assicurazioni Generali SpA	AA-/Stable	AA-/Stable/--
Aegon N.V.	AA-/Negative	A-/Negative/A-2
Aviva PLC	AA-/Negative	A/Negative/--
ING Verzekeringen N.V.	AA-/Negative	A+/Negative/A-1
Zurich Insurance Co.	AA-/Negative	A/Negative

* Insurer Financial Strength Rating

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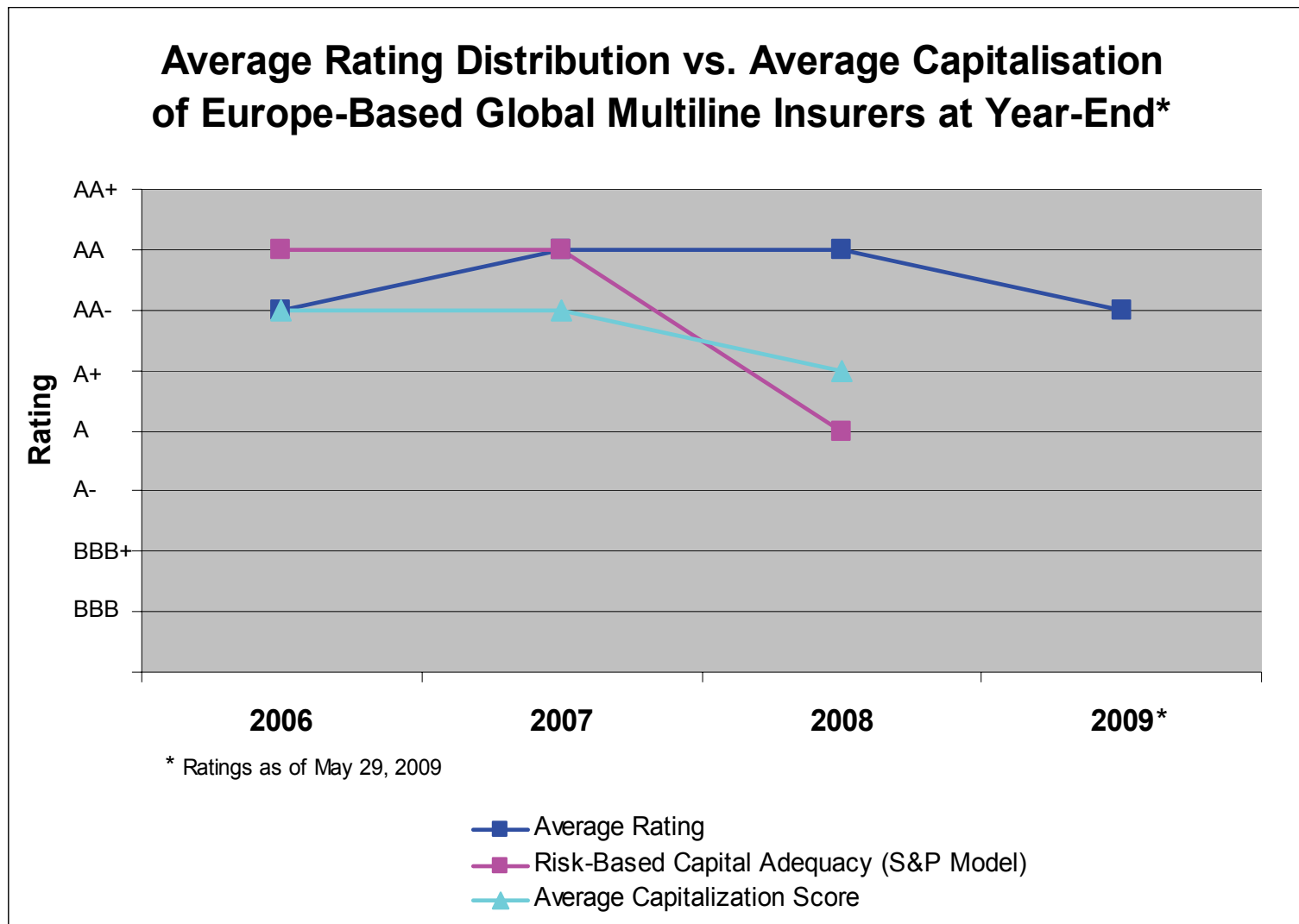
Agenda

- Europe-Based Global Multiline Insurers – Ratings Profile
- **Our View On 2009 Rating Drivers**

Our View On 2009 Rating Drivers

- **Capitalization remains in the focus**
- **Financial flexibility is stretched, but improving**
- **Operating performance key to rebuild capital**
- **Investment exposures to be closely monitored**

Capitalization: The S&P View



Europe-Based Global Multilines Include: Aegon, Allianz, Aviva, AXA, Generali, ING, ZFS

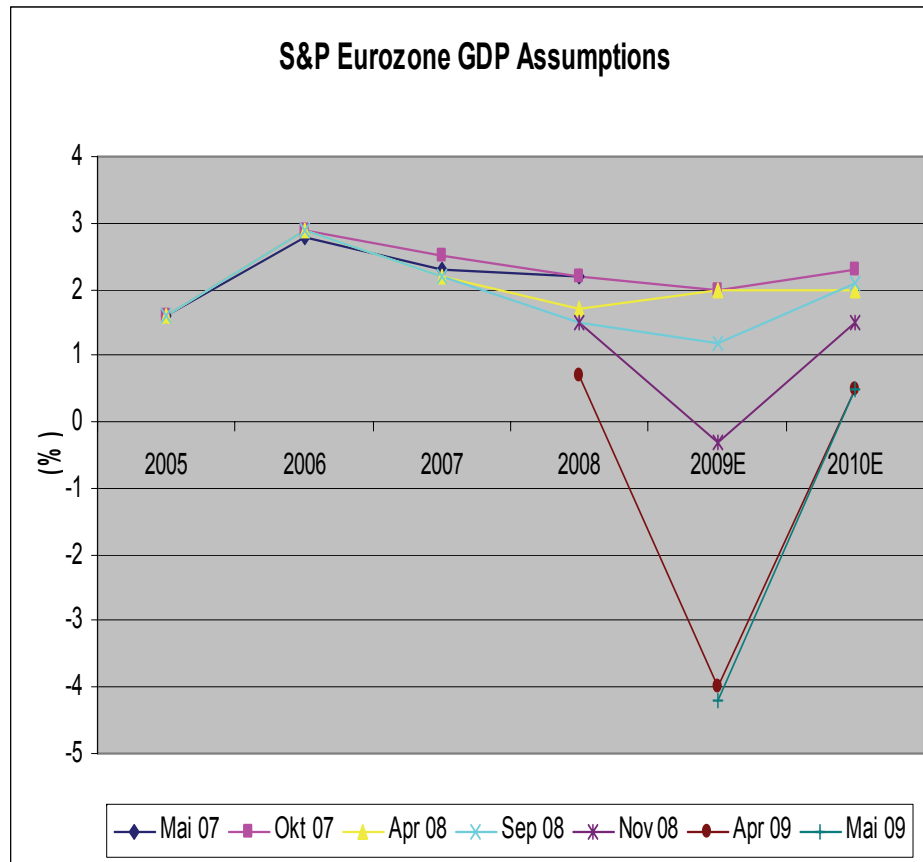


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Capitalization Likely to Drive Greater Rating Divergence

- **Reemphasis on capital by market participants**
- **No fundamental changes to existing capital strategies**
- **Capitalization has in our opinion become a relative weakness for the majority of GMI**
- **Allianz risk-based capital adequacy has in our view proven more resilient on a relative basis helped by the sale of Dresdner**
- **AEGON and ING continue to have what we consider very strong risk-based capital adequacy partly owing to government support**

2009 Economic Outlook: Deteriorating Fast

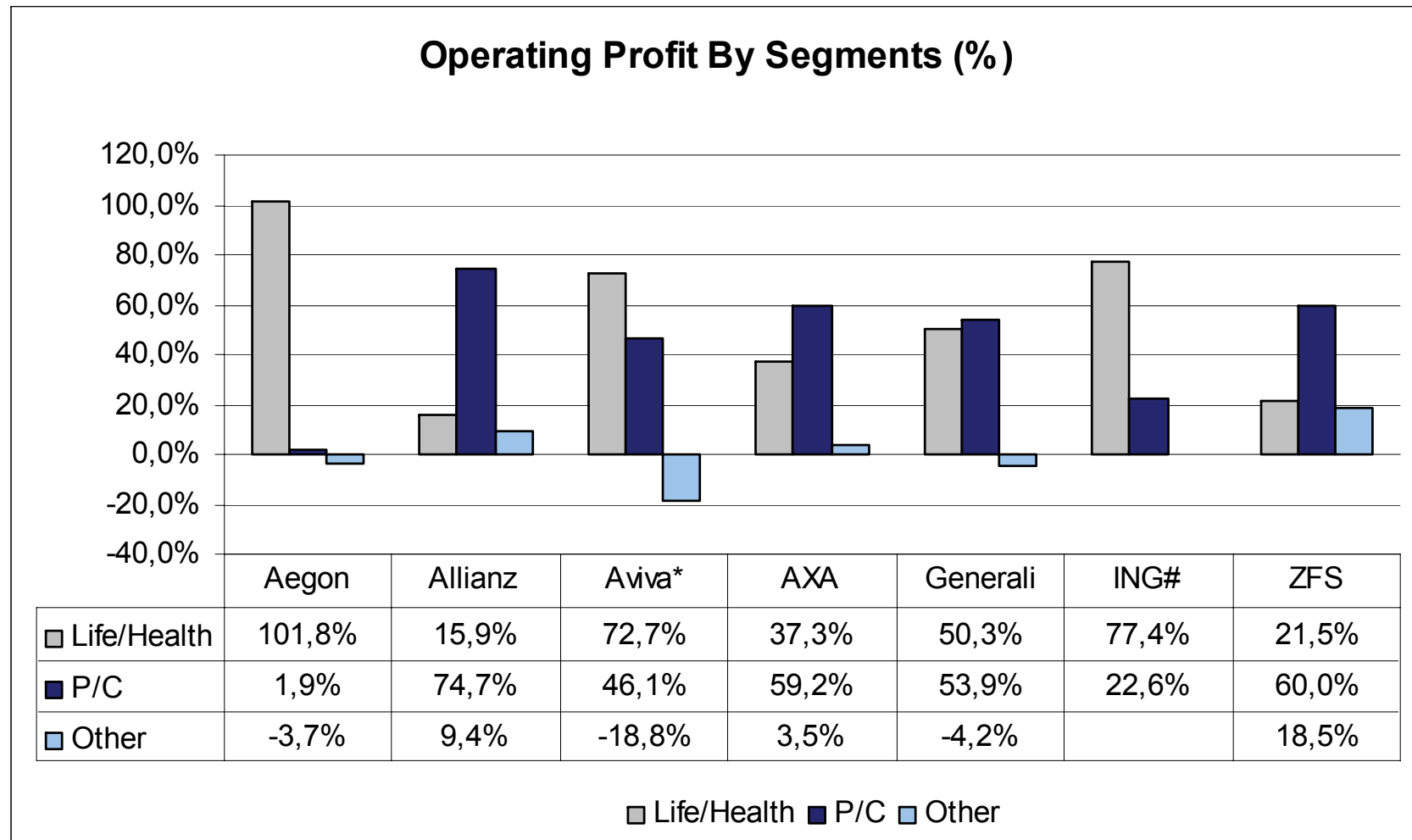


- Tougher environment leads to worsening business and operating performance prospects
 - Stagnant non-life premiums
 - Increased non-life claims frequency
 - Falling new life business
 - Higher life policy lapses

Source: Standard & Poor's Macroeconomic Forecasts

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GMI's With a Non-Life Bias Show Greater Earnings Resilience



Insurance profits only

Source: Company Accounts

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Turn In The Non-Life Cycle Will Be Critical To Ratings

- **Pricing cycle in non-life primary insurance has not changed dramatically**
- **No clear catalyst for significant rate increases**
- **Recession will likely moderate rate increases**
- **Underwriting performance in 2009 likely to decline**

Turn In The Non-Life Cycle Will Be Critical To Ratings

Zurich Insurance Company Rate Change Monitor		
	3 Months 2009	12 Months 2008
Commercial:		
Global Corporate	3,0%	-5,0%
North America Commercial	2,0%	-3,0%
Europe	2,0%	1,0%
International	3,0%	2,0%
Personal:		
Europe	1,0%	2,0%
International	3,0%	1,0%
Farmers	3,0%	7,0%

Allianz estimated price trends for 2009 on new business			
	Personal	Commercial	Total
Germany	-0,3%	0,8%	0,2%
Austria	0,0%	--	0,0%
Switzerland	-0,1%	-0,8%	-0,4%
Italy	-0,3%	--	-0,3%
Spain	-3,5%	-8,3%	-5,6%
France	2,4%	1,9%	2,2%
USA	-0,6%	0,7%	0,2%
UK	8,0%	4,9%	5,9%
Australia	5,4%	16,9%	9,9%

Source: Company Q1 2009 Results Presentations

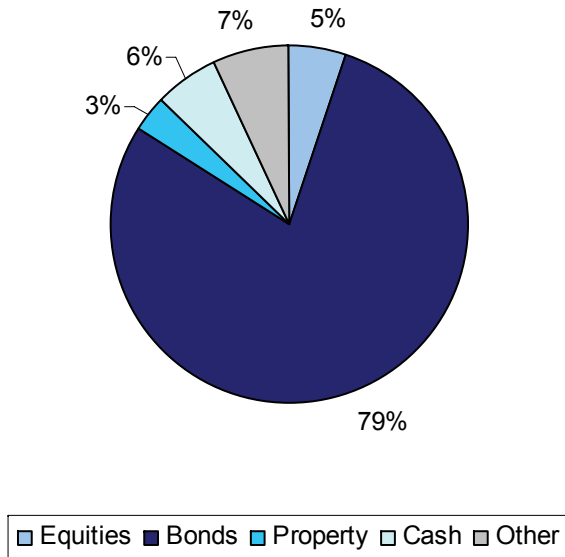
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Pressure On Life Insurance Will In Our View Persist

- **Strong positive correlation to the general economic development**
- **Demand challenged by weak capital markets and rising unemployment**
- **Lower assets under management result in reduced fee income**
- **Risk of persisting low interest rates**
- **Hedging costs and costs of options and guarantees have increased**

Investment Exposures Remain In The Focus

Aggregate Portfolio Composition Europe-Based Global Multilines



Source: Company Reports

- **Pressure on investments will in our view continue to impact GMIs capitalization and profitability although to a varying degree**
- **Equity market sensitivity has reduced compared with the last capital market downturn**
- **Exposure to credit risk remains a key focus**

Downgrade Potential Across Credit Grades And Sectors

- **Global ratio of potential downgrades to potential upgrades increased to 7 to 1 at the end of first quarter 2009**
- **Banks display the highest downgrade propensity, closely followed by media and entertainment, consumer products, insurance and forest products and building materials**
- **Of our rated universe, 32% had either a negative outlook or ratings on CreditWatch negative as of May 21, 2009**
- **Geographically the U.S. continues to top the list of potential bond downgrades, with roughly 55% of current ratings showing downside risk, followed by Europe with 20%**

Source: Standard & Poor's RatingsDirect: „Downgrade Potential Across Credit Grades And Sectors“; May 28, 2009

Summary

Pressure on credit quality is in our view likely to persist:

As a negative we see

- **Capitalization relative to the rating is likely to remain stretched**
- **Underlying earnings will be a key rating driver and are unlikely to recover before 2010**

As a positive we see

- **Very strong competitive positions**
- **Relative resilience in underlying non-life earnings**
- **Liquidity**

- **Further potential risks are:**
- **Investment markets reversing course again**
- **Higher than expected catastrophe losses**
- **Irrational pricing behaviour**
- **Inflation**

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Ratings in insurance markets – how are they used?

Peter Hughes
Vice President, Commercial & Product Management,
Standard & Poor's

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A grayscale photograph of classical stone columns, likely from a government building or courthouse. The columns are fluted and have a prominent base. The word "Coffee" is overlaid in a bold, blue, sans-serif font in the center of the image.

Coffee



Main Room: Nymphenburg I & II

(1) Developments in Central & Eastern European Markets

David Laxton, Senior Director, Financial Institutions Ratings, Standard & Poor's and Paul Bradley, Director, Financial Institutions Ratings, Standard & Poor's

Schwabing IV to VI

(2) Insurance Linked Securities: Here to Stay?

David Harrison, Senior Director, Financial Institutions Ratings, Standard & Poor's and Cameron Heath, Director, Financial Institutions Ratings, Standard & Poor's

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Emerging Market Focus: Central and Eastern Europe

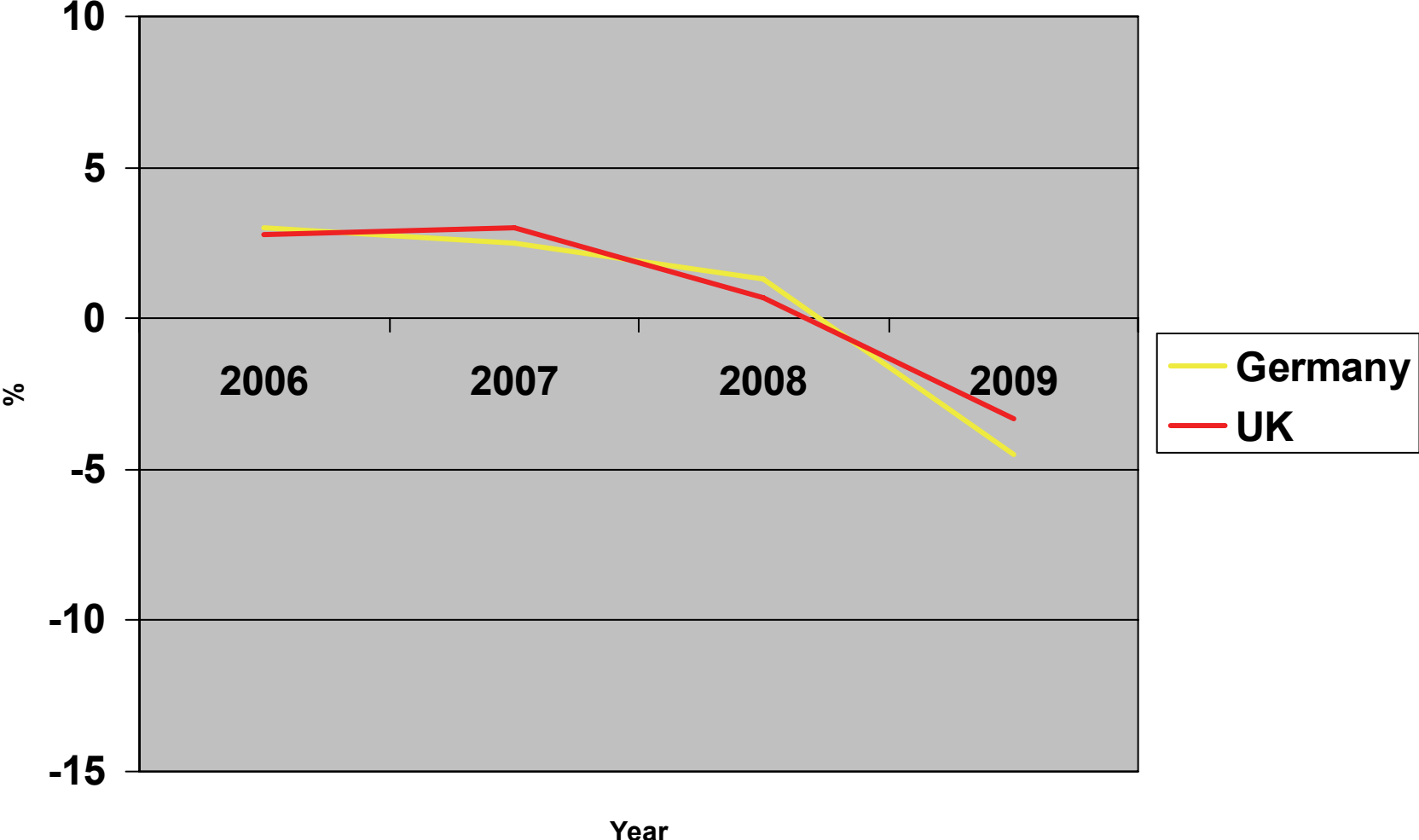
**David Laxton – Senior Director
Paul Bradley - Director
Standard & Poor's**

25th June 2009

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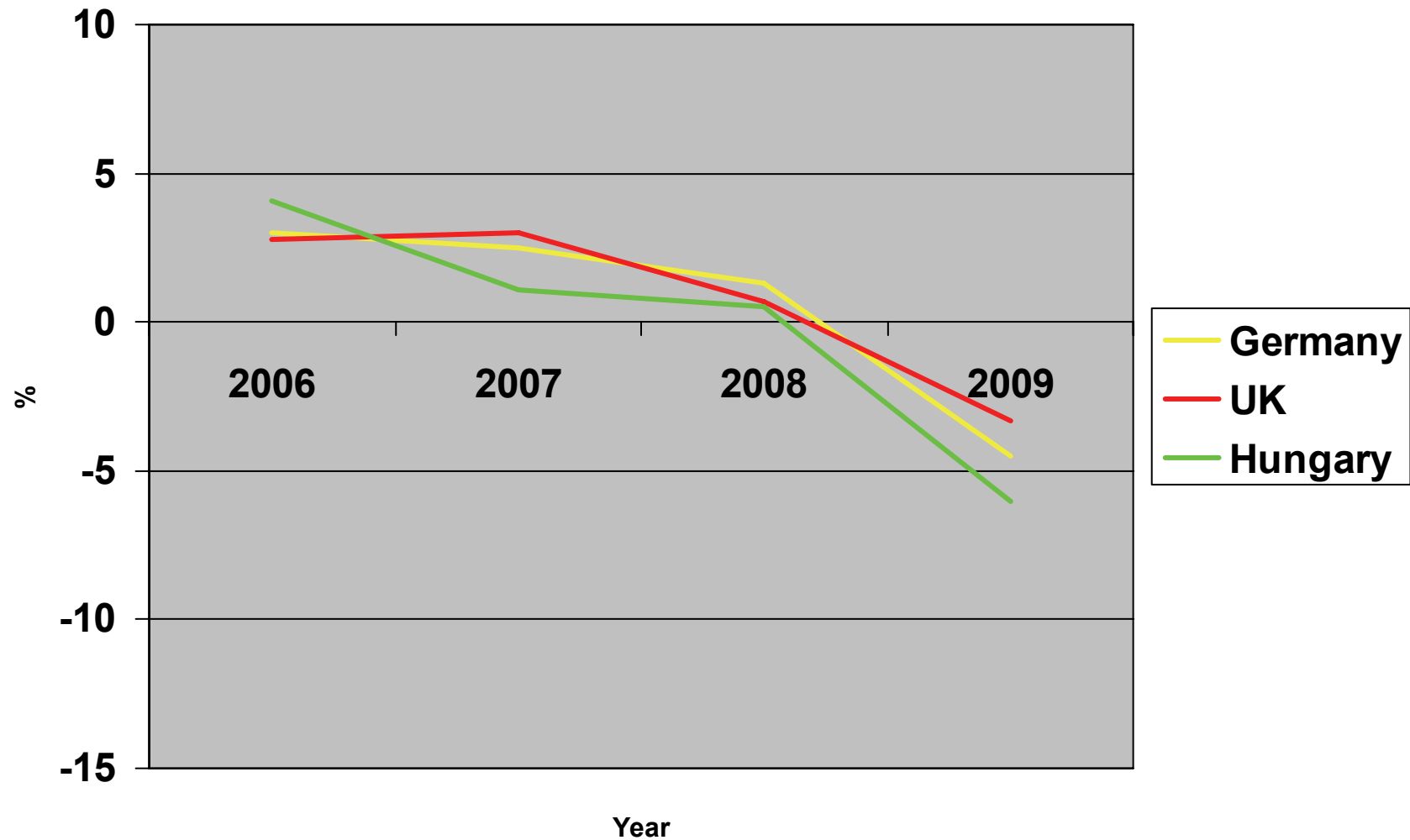
GDP % Annual Change



•Source: Standard & Poor's



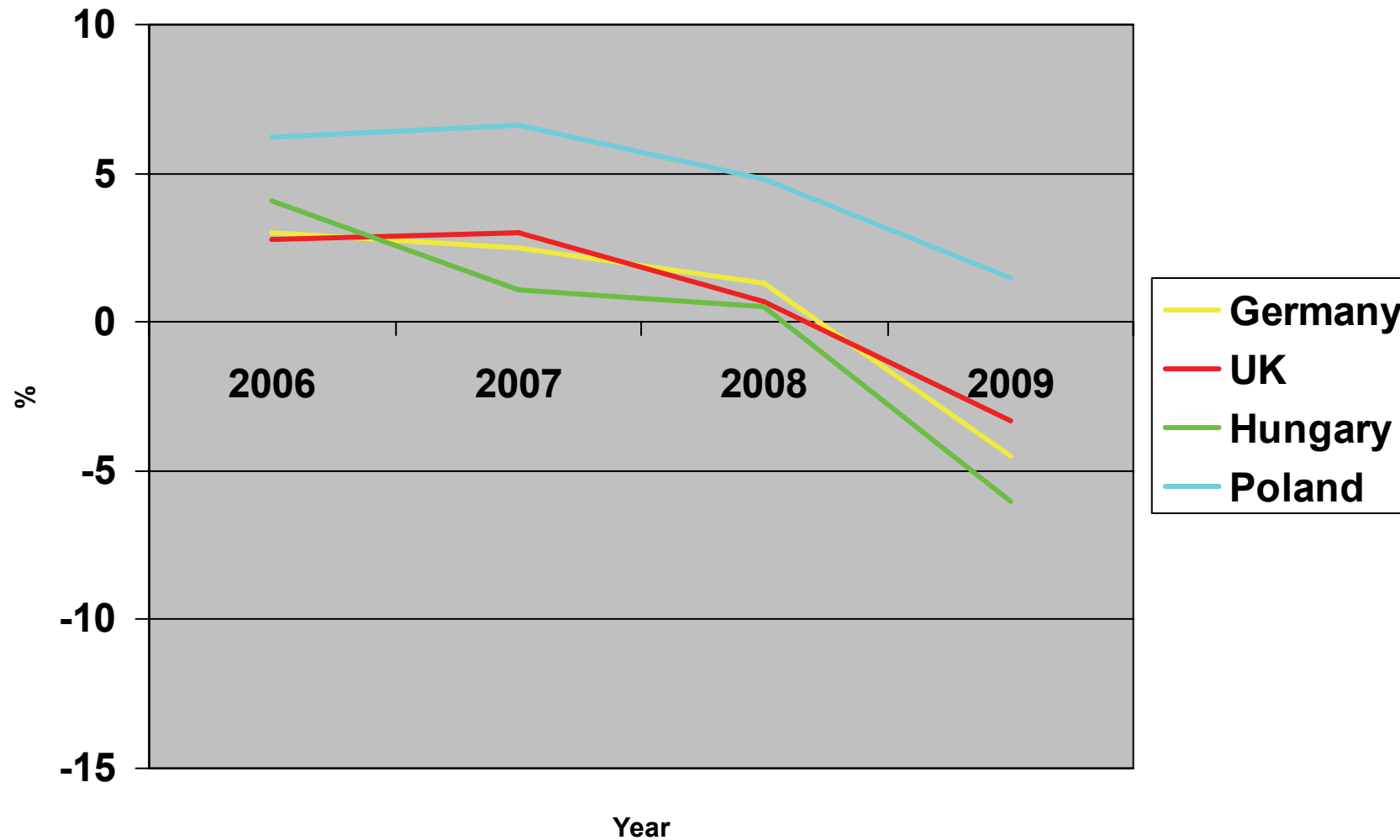
GDP % Annual Change



•Source: Standard & Poor's

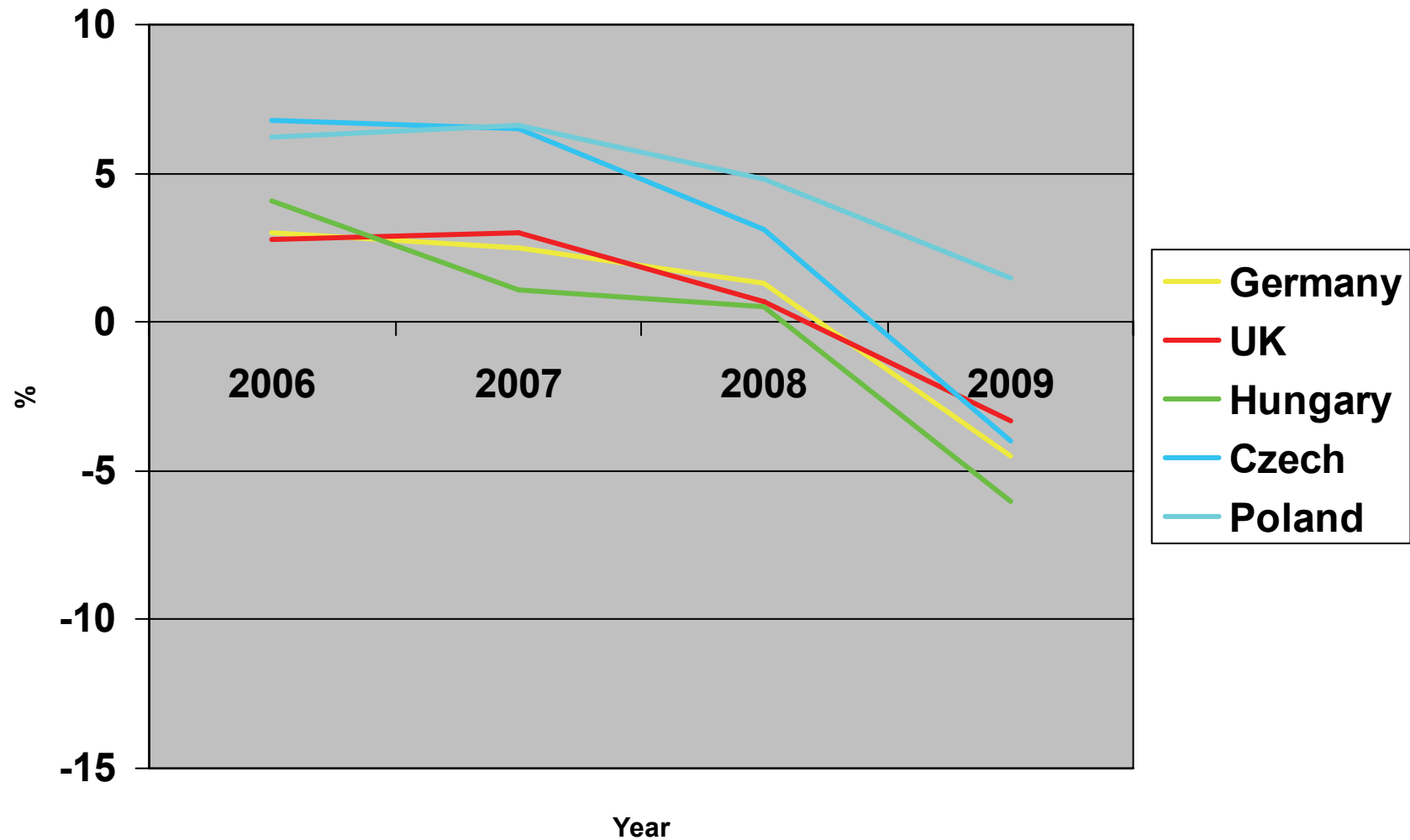
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GDP % Annual Change



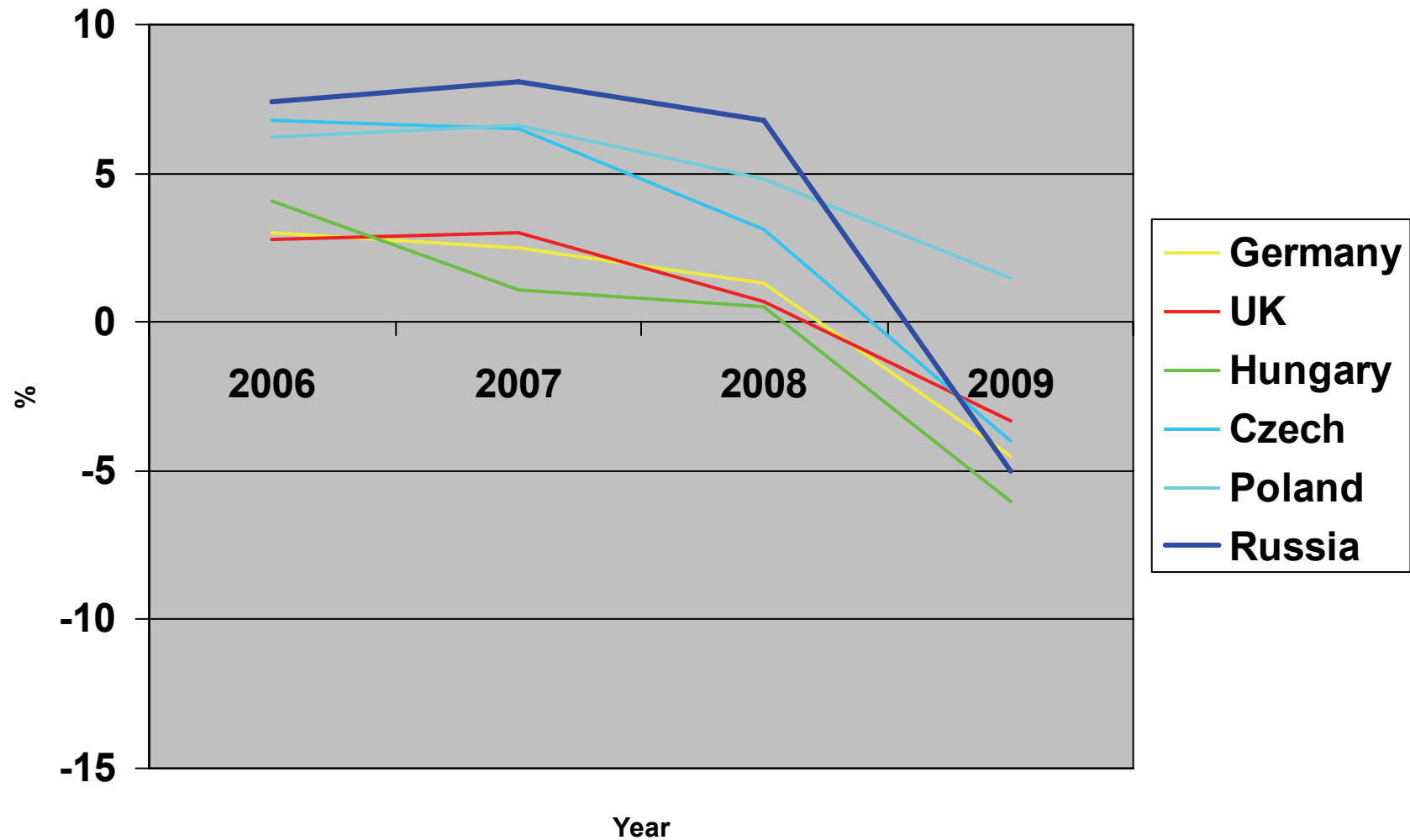
•Source: Standard & Poor's

GDP % Annual Change



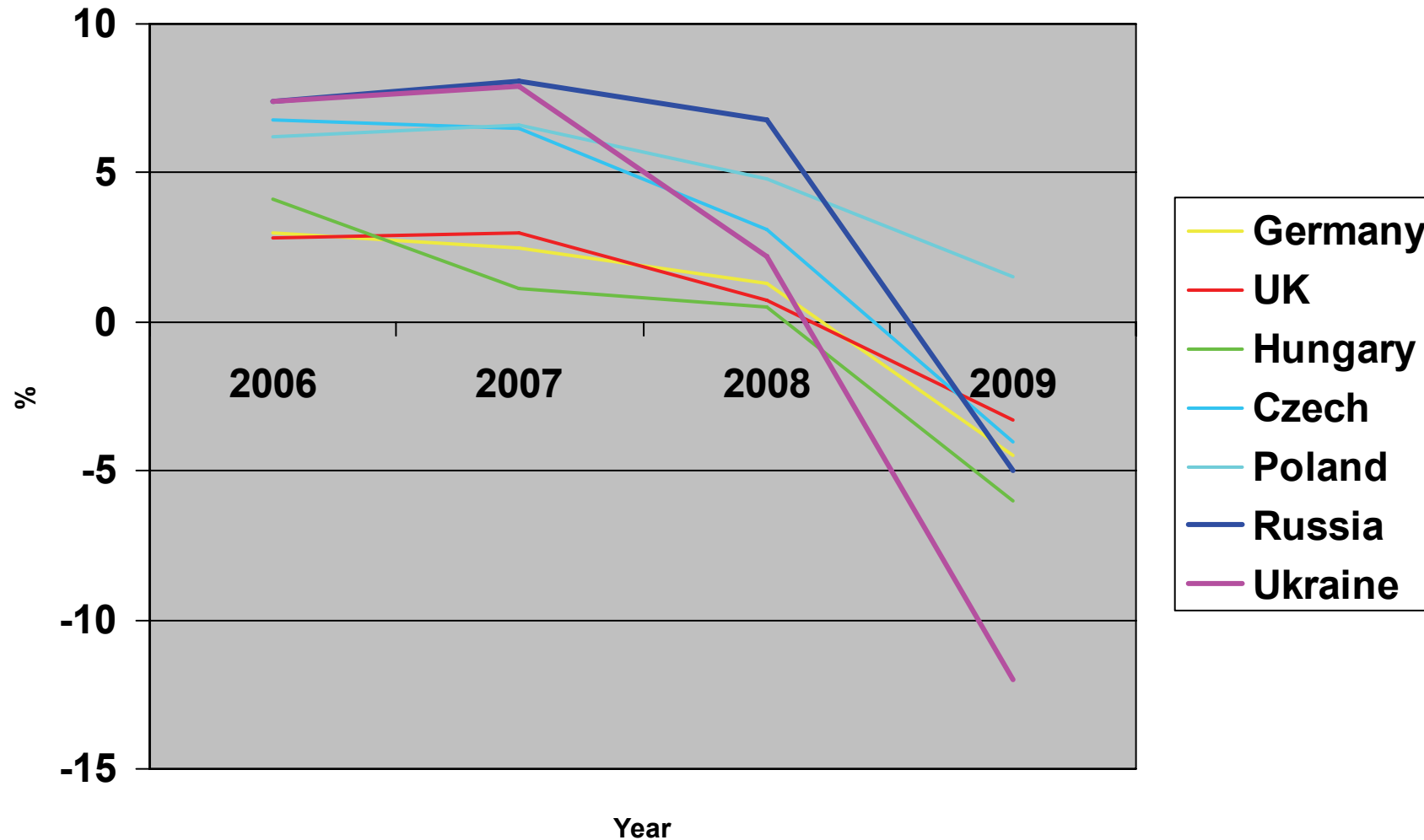
•Source: Standard & Poor's

GDP % Annual Change



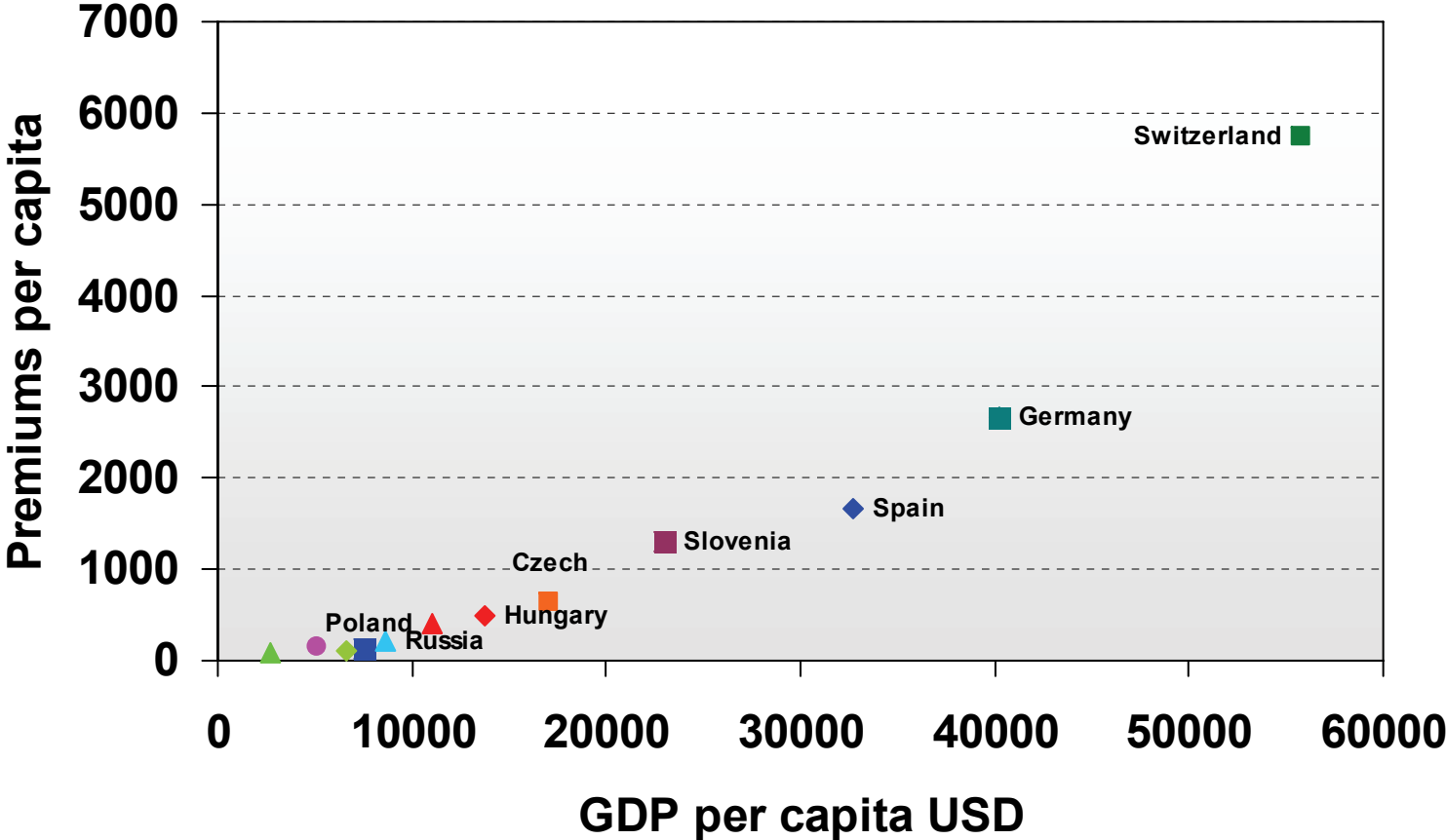
•Source: Standard & Poor's

GDP % Annual Change



•Source: Standard & Poor's

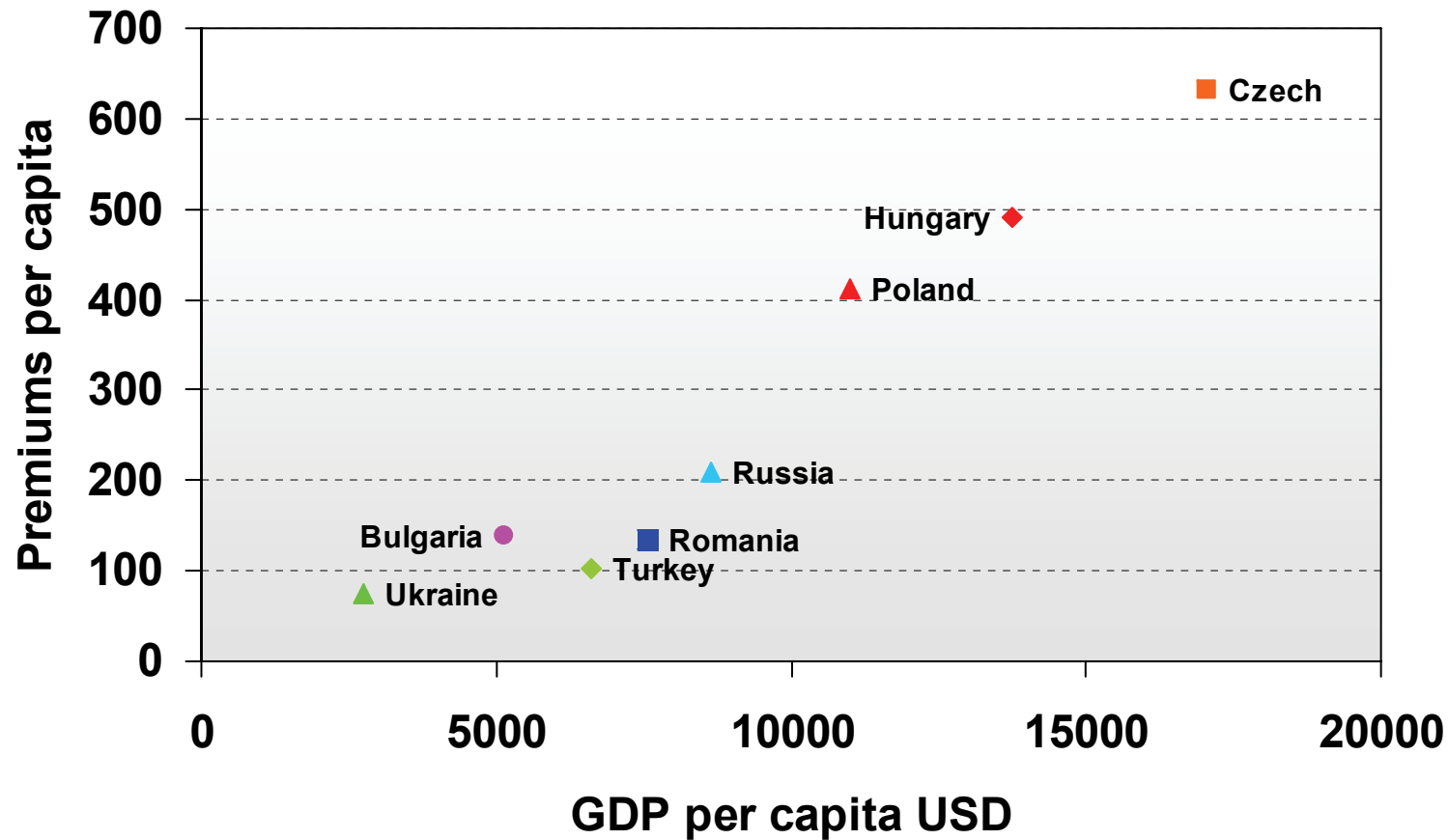
GDP and Premium per capita - 2007



▲ Poland ■ Czech ◆ Hungary ■ Slovenia ■ Romania ● Bulgaria ■ Germany ◆ Spain ▲ Russia ◆ Turkey ▲ Ukraine ■ Switzerland

•Source: Sigma **STANDARD & POOR'S**

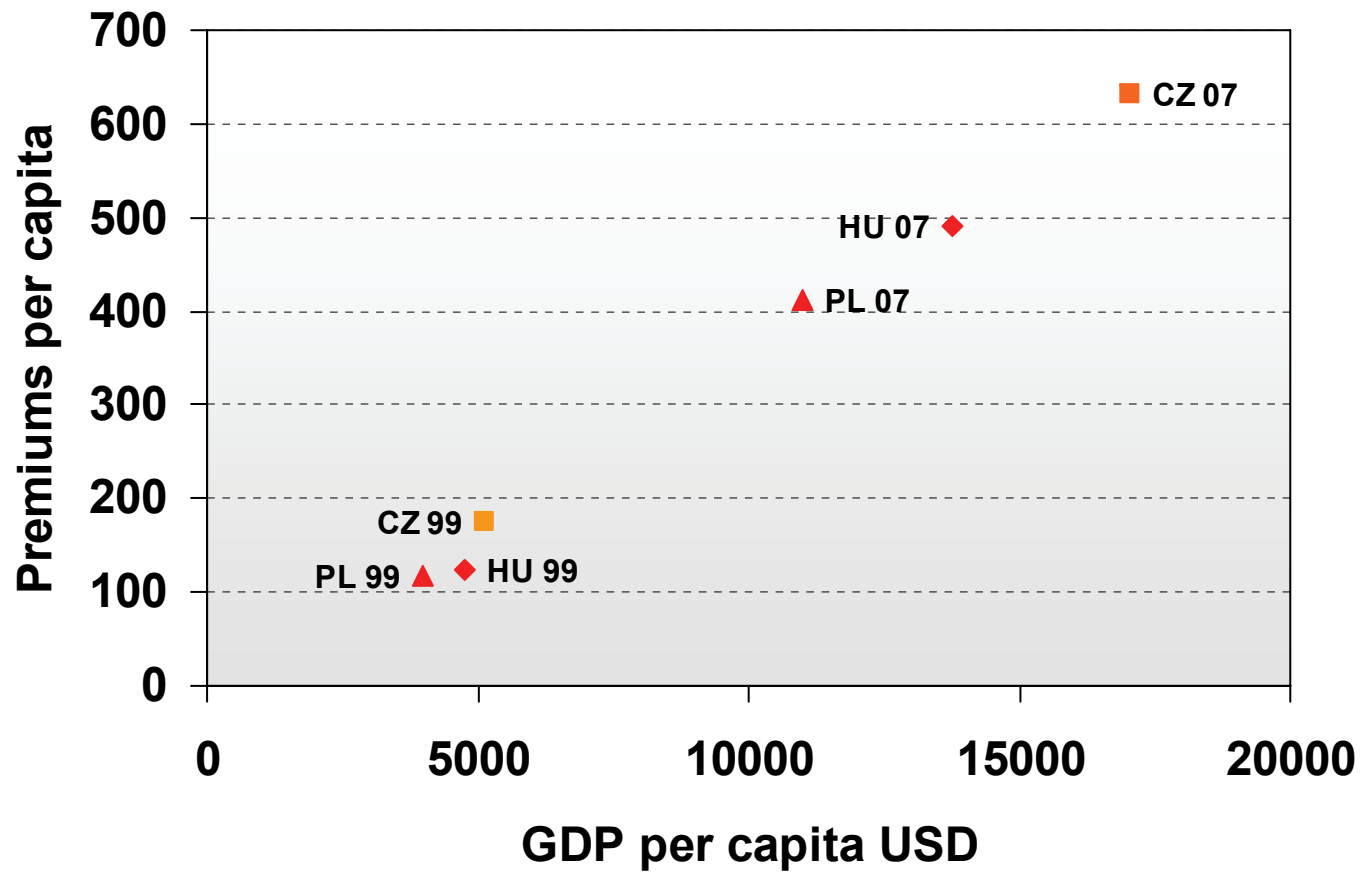
GDP and Premium per capita - 2007



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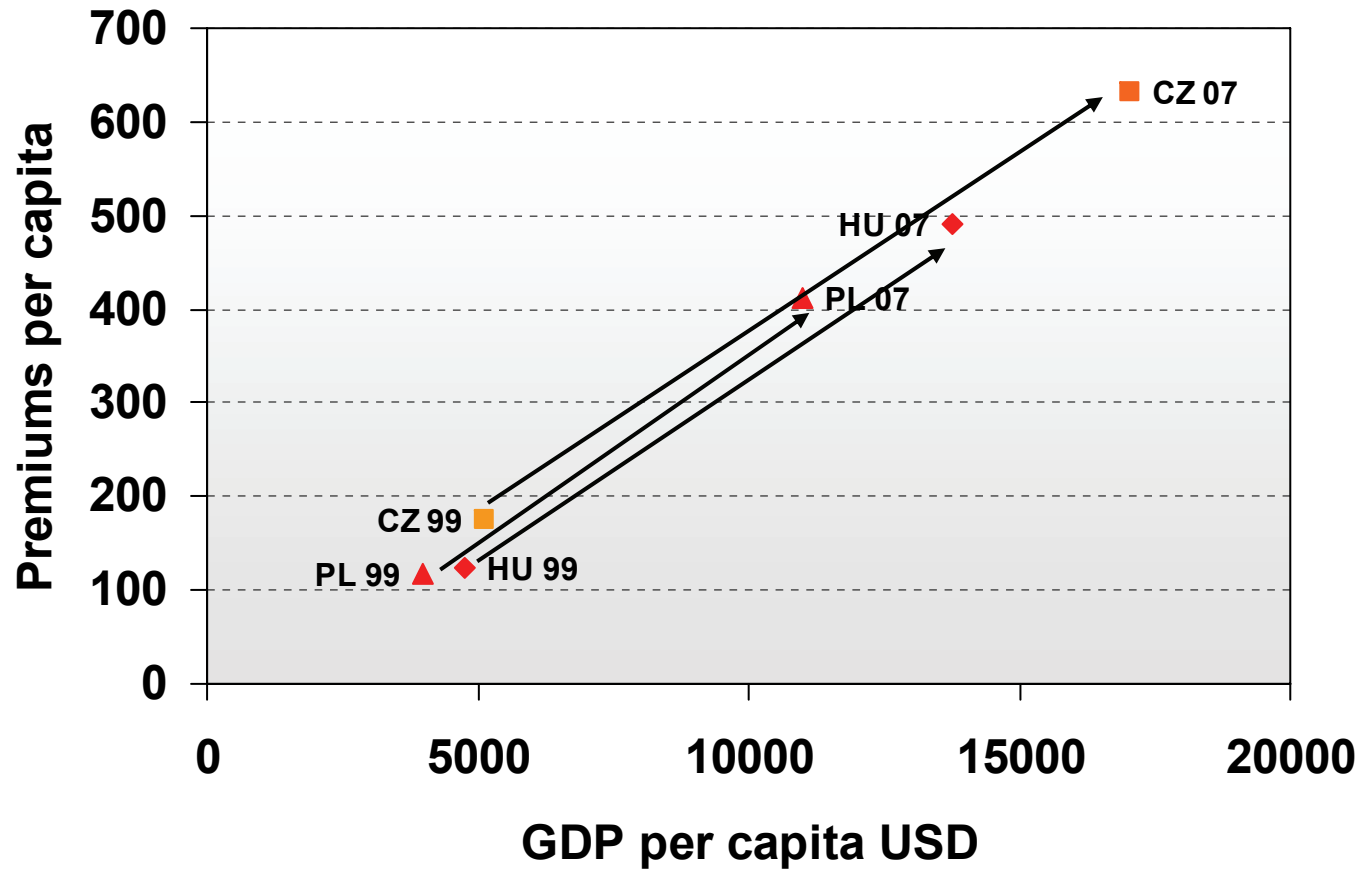
•Source: Sigma **STANDARD & POOR'S**

GDP and Premium per capita – 1999-2007



•Source: Sigma **STANDARD & POOR'S**

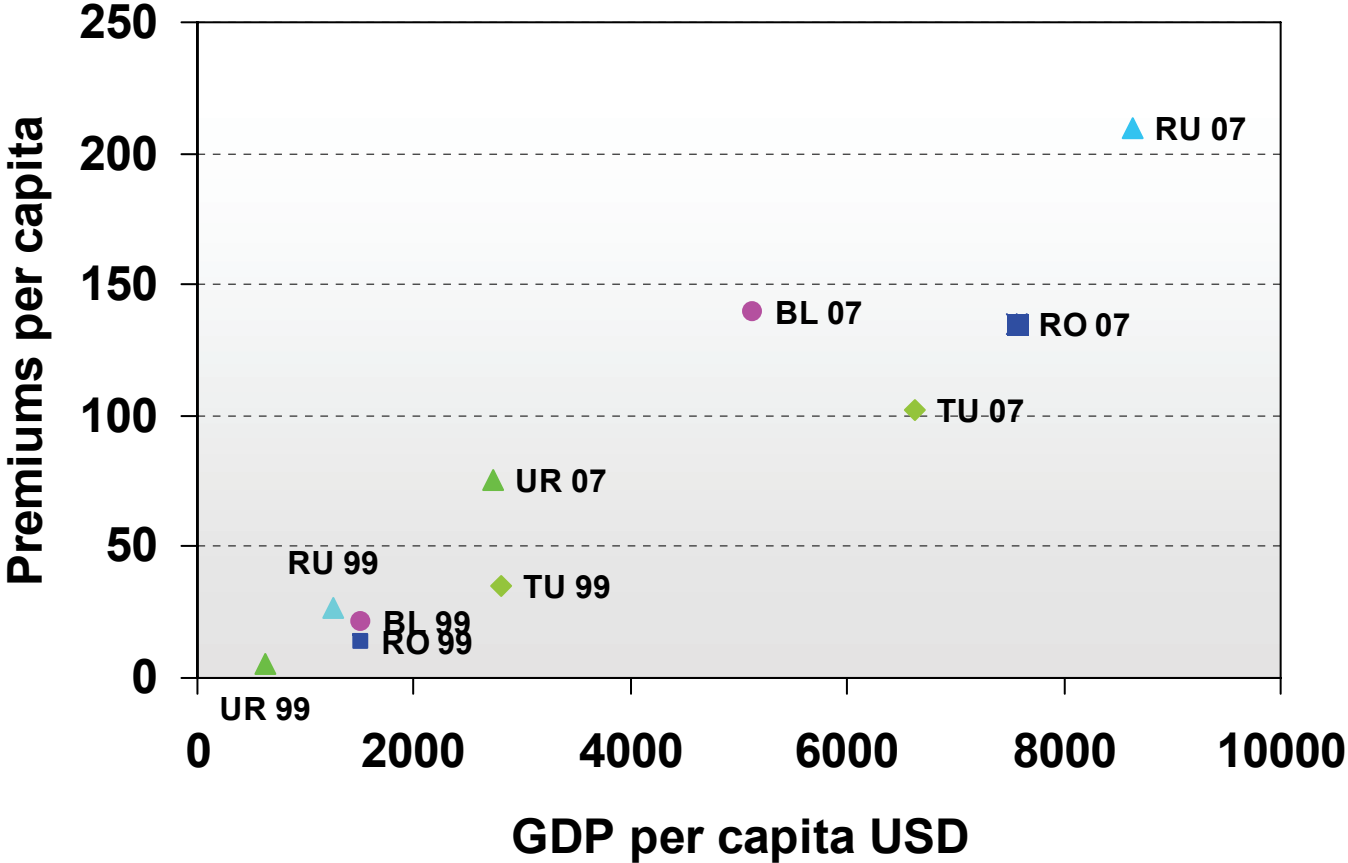
GDP and Premium per capita – 1999-2007



▲ PL 07 ■ CZ 07 ◆ HU 07 ▲ PL 99 ■ CZ 99 ◆ HU 99

•Source: Sigma **STANDARD & POOR'S**

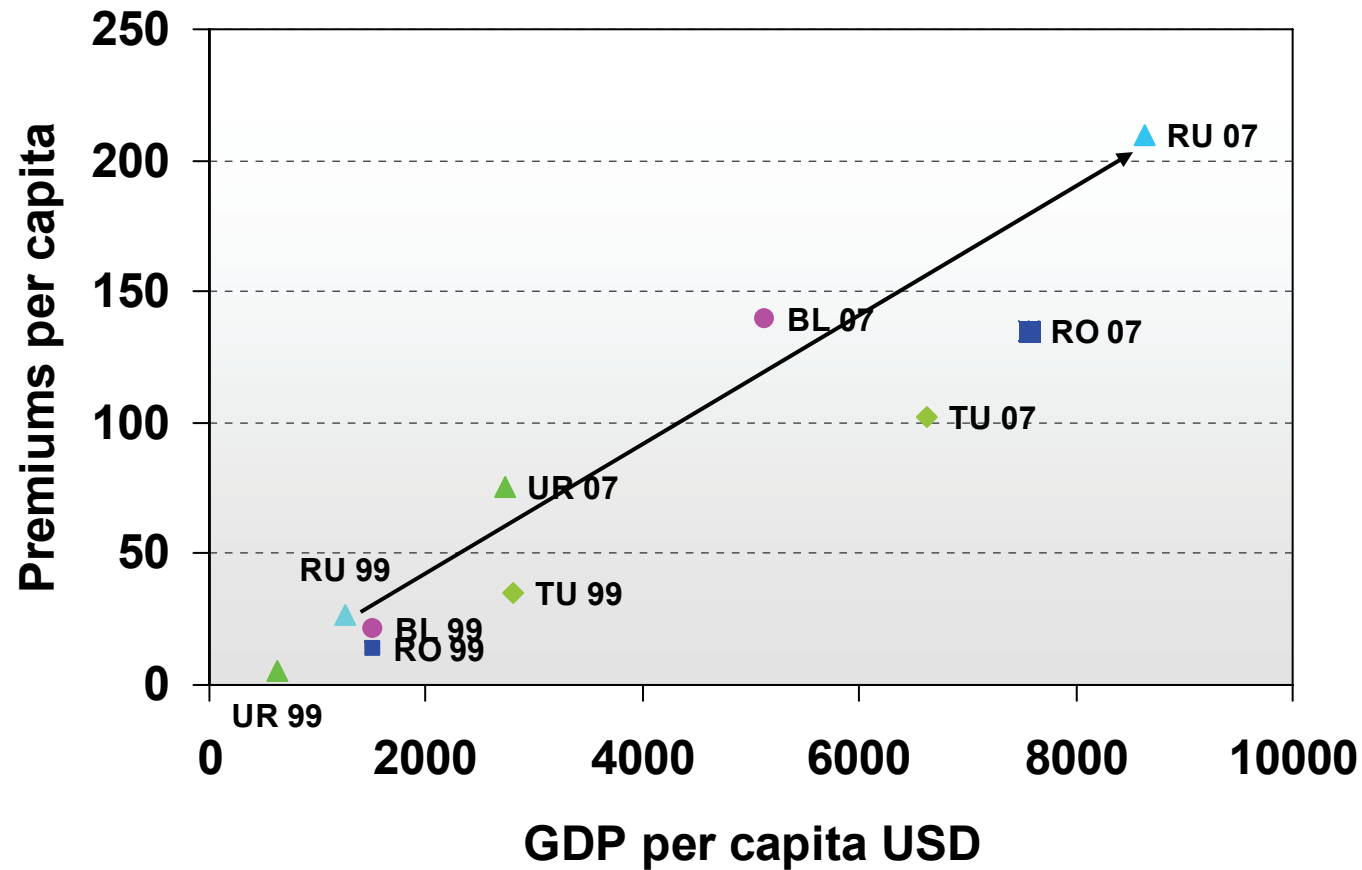
GDP and Premium per capita – 1999-2007



■ RO 07
 ● BL 07
 ▲ RU 07
 ◆ TU 07
 ▲ UR 07
 ■ RO 99
 ● BL 99
 ▲ RU 99
 ◆ TU 99
 ▲ UR 99

•Source: Sigma **STANDARD & POOR'S**

GDP and Premium per capita – 1999-2007

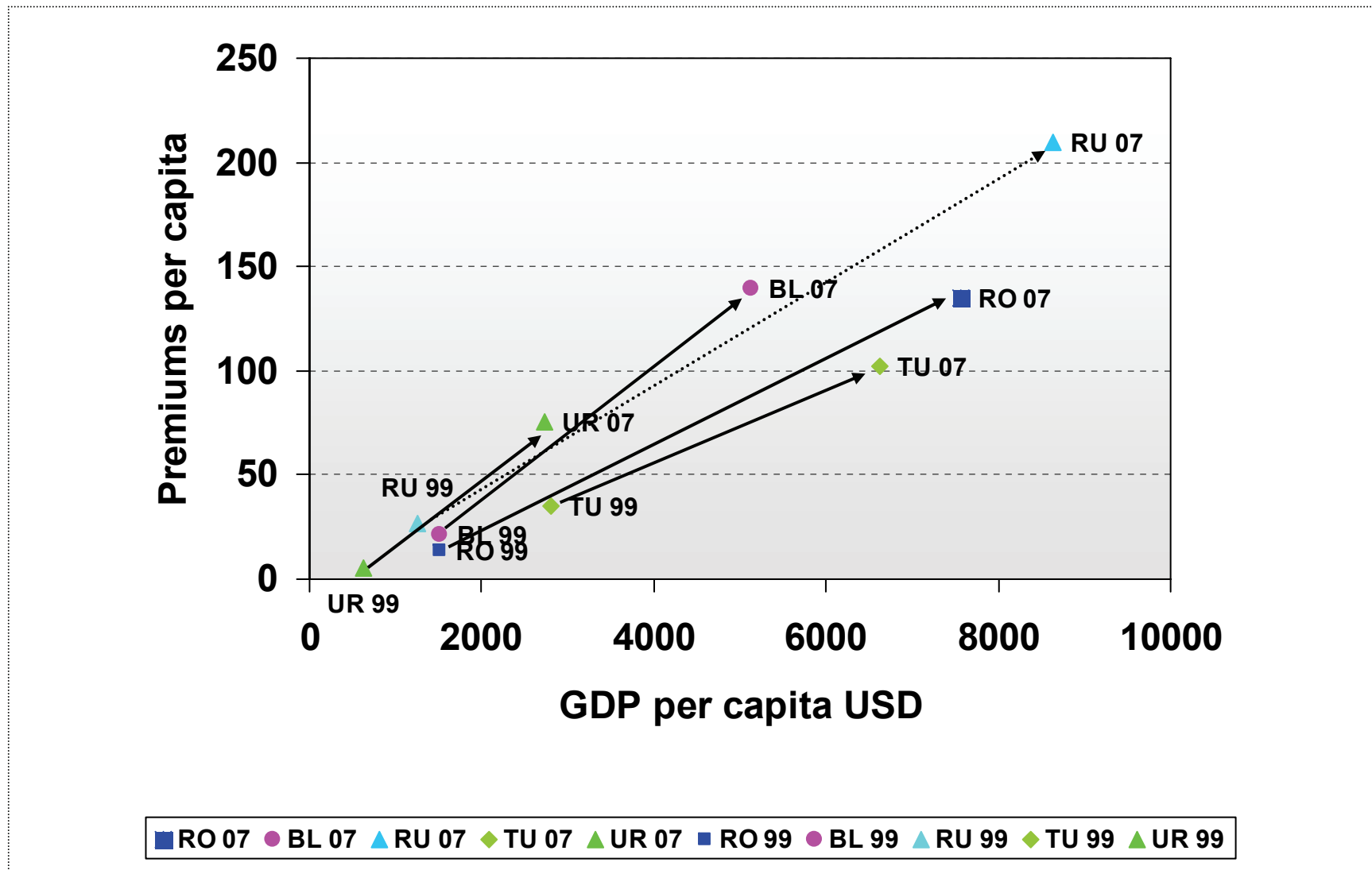


■ RO 07 ● BL 07 ▲ RU 07 ◆ TU 07 ▲ UR 07 ■ RO 99 ● BL 99 ▲ RU 99 ◆ TU 99 ▲ UR 99

•Source: Sigma

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GDP and Premium per capita – 1999-2007



•Source: Sigma

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Market Developments

- **Czech Republic**

- Non-life insurance

- Fewer than expected large claims in early 2009
 - Slower premium growth

- Life insurance

- Linked sales under pressure
 - Solvency volatility

Market Developments

- **Hungary**
 - Economic challenges
 - Life insurance
 - Sales continue to be under pressure
 - Non-life Insurance
 - Growth slowing
 - Technical results expected to remain positive in 2009

Market Developments

- **Slovenia**
 - Unprecedented storms
 - Liability claims
 - Continuing competition

Market Developments

- **Poland**
 - Rapid growth in life sales
 - Improving motor rates

Market Developments

- **Russia**

- Industrial risks –

- less insurance being purchased
 - Flight to quality

- Retail risks

- Increased price competition for motor risks

Financial Strength Ratings

Central & Eastern European Ratings as at 18th June 2009

Bulstrad Insurance & Reinsurance PLC (Unsolicited Ratings)	Bulgaria	BBpi/--/--
Allianz Pojistovna A/S (Unsolicited Ratings)	Czech Republic	BBBpi/--/--
Ceska pojistovna a.s.	Czech Republic	A+/Stable/--
CSOB Pojistovna, a. s.	Czech Republic	A-/Stable/--
First American Czech Insurance Co. A.S.	Czech Republic	A+/Negative/--
Generali Pojistovna as (Unsolicited Ratings)	Czech Republic	BBBpi/--/--
UNIQA Pojistovna A/S (Unsolicited Ratings)	Czech Republic	BBBpi/--/--
VIG RE zajist'ovna a.s.	Czech Republic	A+/Stable/--
AHICO First American-Hungarian Insurance Co	Hungary	A+/Negative/--
Generali-Providencia Biztosito Zrt	Hungary	BBB-/Negative/--
K&H Biztosito Zrt. (Unsolicited Ratings)	Hungary	BBB-pi/--/--
UNIQA Biztosito Rt (Unsolicited Ratings)	Hungary	BBB-pi/--/--
Eurasia Insurance Co.	Kazakhstan	B+/Stable/--

Financial Strength Ratings

Central & Eastern European Ratings as at 18th June 2009

HDI Asekuracja TU SA (Unsolicited Ratings)	Poland	BBBpi/--/--
Polskie Towarzystwo Reasekuracji S.A.	Poland	BBB/Stable/--
Powszechny Zaklad Ubezpieczen na Zycie S.A.	Poland	A-/Stable/--
Powszechny Zaklad Ubezpieczen S.A.	Poland	A-/Stable/--
STU Ergo Hestia S.A. (Unsolicited Ratings)	Poland	BBBpi/--/--
Towarzystwo Ubezpieczen i Reasekuracji WARTA S.A. (Unsolicited Ratings)	Poland	BBBpi/--/--
Allianz Insurance JSC	Russia	BBB-/Stable/--
Ingosstrakh Insurance Co.	Russia	BBB-/Negative/--
LEXGARANT Insurance Co. Ltd.	Russia	B/Stable/--
Moscow Reinsurance Co.	Russia	BB-/Positive/--
OJSC Sogaz	Russia	BB/Stable/--
Unity Re	Russia	BB-/Stable/--
Pozavarovalnica Sava, d.d.	Slovenia	A-/Stable/--
Triglav Insurance Co. Ltd.	Slovenia	A/Stable/--
Triglav Re, Reinsurance Co. Ltd.	Slovenia	A-/Stable/--
Milli Reasurans T.A.S.	Turkey	trA

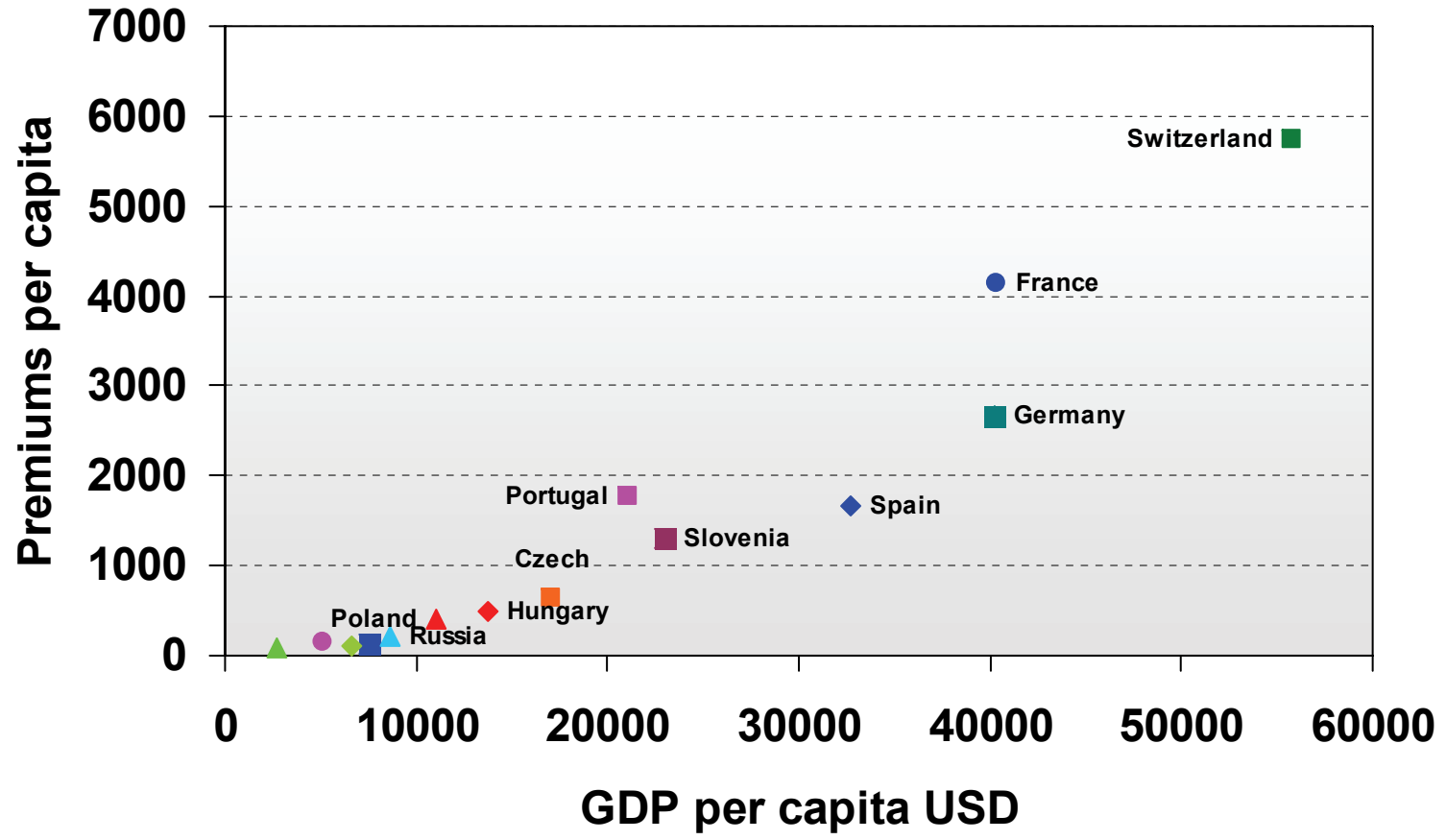
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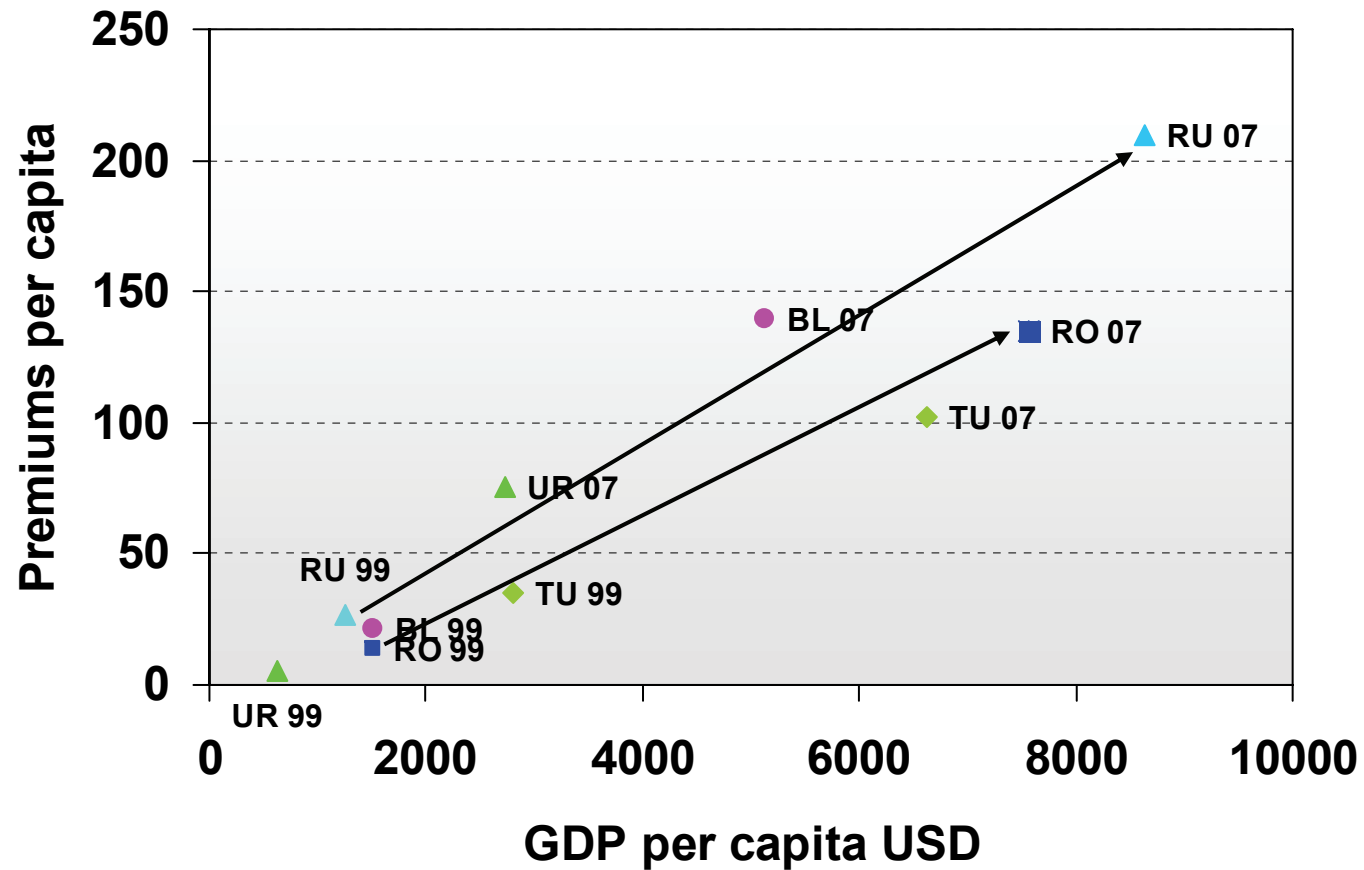


GDP and Premium per capita - 2007



•Source: Sigma **STANDARD & POOR'S**

GDP and Premium per capita – 1999-2007



■ RO 07 ● BL 07 ▲ RU 07 ◆ TU 07 ▲ UR 07 ■ RO 99 ● BL 99 ▲ RU 99 ◆ TU 99 ▲ UR 99

•Source: Sigma

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Analyst / Investor Panel: ERM: Did it do the job?

Panellists:

Ralph Hebgen, Insurance Analyst, Keefe, Bruyette & Woods

Trevor Petch, European Insurance Analyst, Insight Investment

Manish Bakhda, Director, European Insurance Analyst, Barclays Capital

Moderator:

**Rob Jones, Managing Director, Financial Institutions Ratings,
Standard & Poor's**

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4th Annual European Insurance Symposium “Rebuilding Capital, Reputations and Confidence”

Closing remarks

Yann Le Pallec
Managing Director, Head of Insurance Ratings, EMEA,
Standard & Poor's

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A grayscale photograph of several classical columns with fluted shafts and papyrus capitals. The columns are arranged in a row, receding into the distance. The word "Close" is overlaid in a bold, blue, sans-serif font in the center of the image.

Close