

October 24, 2008

**Research Update:**

**Czech-Based Reinsurer VIG RE  
zajist'ovna a.s. Assigned 'A+'  
Ratings; Outlook Stable**

**Primary Credit Analyst:**

Ralf Bender, CFA, Frankfurt (49) 69-33-999-194;ralf\_bender@standardandpoors.com

**Secondary Credit Analyst:**

Wolfgang Rief, Frankfurt (49) 69-33-999-190;wolfgang\_rief@standardandpoors.com

**Table Of Contents**

---

Rationale

Outlook

Ratings List

## Research Update:

# Czech-Based Reinsurer VIG RE zajišť'ovna a.s. Assigned 'A+' Ratings; Outlook Stable

## Rationale

On Oct. 24, 2008, Standard & Poor's Ratings Services assigned its 'A+' insurer financial strength and counterparty credit ratings to Czech-based VIG RE zajišť'ovna a.s. (VIG RE). The outlook is stable.

The ratings on VIG RE reflect its core status to Austria-based Wiener Staedtische Versicherung AG Vienna Insurance Group (VIG; parent and core operating company; A+/Positive/--). VIG RE forms an integral part of VIG's risk-management strategy and will be equipped with at least strong capitalization. The company predominantly writes business emanating from the group and maintains a comprehensive reinsurance program. VIG RE's investment strategy is focused on conservative and liquid asset classes.

Major rating factors:

- VIG RE is an integral part of VIG's risk-management strategy. VIG recently set up VIG RE to minimize the risk-transfer costs of the group's primary insurance operations in a flexible and efficient way. VIG manages the company as a profit center and expects to make profits from 2009 onward. Administrative and investment functions are outsourced to sister companies within the group.
- The vast majority of VIG RE's business will emanate from the group, particularly in the first years of existence. Nevertheless, VIG RE also aims to attract external reinsurance business. The ratings assume that third-party business will remain below 20% of gross premium income over the rating horizon because we do not see third-party reinsurance as a one of the group's core activities.
- VIG RE has a comprehensive reinsurance program. The company covers a diversified portfolio by country and business line. Although the company benefits from a detailed knowledge of its group-internal primary business, the retrocession program is expected to be set very conservatively relative to its capital base. We expect the retrocessionaires to be highly rated.
- VIG RE has sound liquidity. The company's asset base will likely comprise a highly liquid bond portfolio. This should allow the company to meet liabilities in a timely manner. In addition, a credit line has been set up with a domestic bank. We also expect that VIG will make additional liquidity available to VIG RE if necessary.
- VIG RE has strong capitalization and financial flexibility. We expect VIG RE's risk-based capitalization to be managed at least in the 'A' range, reflected from the outset in its €100 million equity capital base. Given that VIG RE operates as a profit center and retains significant parts of the risks underwritten, the company will likely remain securely capitalized. We expect that the group will make additional financial resources available if needed.

## Outlook

The stable outlook reflects that on VIG, and the influence of the sovereign rating on its domicile, Czech Republic (foreign currency A/Stable/A-1; local currency rating A+/Stable/A-1). For more details on these issuers, see the full analyses on "Wiener Staedtische Versicherung AG Vienna Insurance Group," and "Czech Republic," published on RatingsDirect on June 5, 2008, and Oct. 8, 2007, respectively.

The ratings could be lowered if VIG RE's third-party reinsurance business exceeded 20% of its gross premium income. Pressure on the ratings could also come from changes to the company's retrocession program or risk-based capital or liquidity positions that would expose the balance sheet to greater risks than currently factored into the ratings.

Upside potential would require both VIG and the sovereign to have stronger credit profiles.

## Ratings List

### New Rating

VIG RE zajist'ovna a.s.

Counterparty Credit Rating

A+/Stable/--

Financial Strength Rating

A+/Stable

### Additional Contact:

Insurance Ratings Europe; [Insurancelnteractive\\_Europe@standardandpoors.com](mailto:Insurancelnteractive_Europe@standardandpoors.com)

Ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at [www.ratingsdirect.com](http://www.ratingsdirect.com). It can also be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4017.

Copyright © 2008 Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (S&P). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscriber's or others use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.9823 or by e-mail to: [research\\_request@standardandpoors.com](mailto:research_request@standardandpoors.com).