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Research Update:

Liechtenstein-Based Corporate Insurer UNIQA Versicherung AG Assigned 'A-' Ratings; Outlook Stable

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Overview

- We regard international corporate insurer UNIQA Versicherung AG (UNIQA Liechtenstein) as highly strategic to its parent, Austria-based UNIQA Insurance Group (UNIQA), and as closely linked to the UNIQA group's reinsurer UNIQA Re, which we regard as a core operating subsidiary.
- We think one of UNIQA's main strategic targets is to expand international corporate insurance, focusing especially on Central and Eastern Europe.
- We are therefore assigning our 'A-' counterparty credit and insurer financial strength ratings to UNIQA Liechtenstein.
- The outlook is stable, reflecting that on UNIQA's core operating entities and our expectation that the group will remain strongly committed to its subsidiary.

Rating Action

On Oct. 10, 2014, Standard & Poor's Ratings Services assigned its 'A-' counterparty credit and insurer financial strength ratings to Liechtenstein-based international corporate insurer UNIQA Versicherung AG (UNIQA Liechtenstein). The outlook is stable.

Rationale

The ratings on UNIQA Liechtenstein reflect our view of the company's highly strategic group status to its parent, Austria-based UNIQA Insurance Group AG (UNIQA). Consequently, we rate UNIQA Liechtenstein one notch below the ratings on UNIQA's core operating entities (A/Stable/--).

UNIQA Liechtenstein offers international corporate insurance to UNIQA's clients in Central and Eastern Europe (CEE), including fronting within the group's own CEE network and co-insurance with international programs focused on the region. UNIQA Liechtenstein can also serve clients in Switzerland and the EU due to Liechtenstein's European Economic Area membership. Although the company is small in size, with gross written premiums of about Swiss franc (CHF) 12 million-CHF13 million that it estimates for 2014, we believe it benefits from its parent's continued strong commitment. For instance, UNIQA Liechtenstein has 90% reinsurance protection through Switzerland-based UNIQA Re AG, a core operating subsidiary in the UNIQA group. Additionally, the further development and growth of corporate insurance is one of UNIQA's key

initiatives within its strategy program UNIQA 2.0. UNIQA Liechtenstein is also highly integrated within UNIQA with regards to risk management, IT, asset management, compliance, and control functions.

UNIQA Liechtenstein offers facultative reinsurance support, property insurance, and product and general liability insurance, marine and technical insurance solutions to corporate clients. Founded in 1995, the company has shifted its focus to corporate insurance from insuring fine arts. The company is transferring its fine arts business to the group's branch office in Zurich and to its parent. This transfer will likely be completed in the next few months.

In our view, given UNIQA Liechtenstein's short history of international corporate insurance underwriting, we currently regard its operating performance as a weakness compared with UNIQA group as a whole. The company lacks a sustainable track record of positive bottom-line profitability (net income) so far. We believe that the business growth the company expects should contribute to break-even results over the next few years.

Outlook

The stable outlook on UNIQA Liechtenstein reflects that on UNIQA's core operating entities and our expectation that the group will remain strongly committed to its subsidiary.

We could lower our ratings on UNIQA Liechtenstein if we lowered our ratings on UNIQA, or if we viewed UNIQA Liechtenstein as no longer highly strategic to its parent. We could change our opinion of the company's group status if we observed deterioration in the group's commitment and support. Although we regard this as a remote scenario, it could arise from an end to reinsurance support to UNIQA Liechtenstein within the next 12-24 months.

A positive rating action could follow an upgrade of UNIQA, which we currently regard as a remote possibility over the next 12-24 months. We also would consider a positive rating action following a revision of UNIQA Liechtenstein's group status to core from highly strategic, which could occur if the company builds a sustainable track record of positive bottom-line profitability, in line with group targets over the coming 2-3 years.

Related Criteria And Research

Related Criteria

- Group Rating Methodology, Nov. 19, 2013
- Insurers: Rating Methodology, May 7, 2013
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

New Rating

UNIQA Versicherung AG

Counterparty Credit Rating

Local Currency

A-/Stable/--

Financial Strength Rating

Local Currency

A-/Stable/--

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