GENERALI
Assicurazioni Generali

05/10/2011

PRESS RELEASE

Generali: Moody's affirms Aa3 rating; negative outlook (from stable)

Trieste – Moody's affirmed today Generali's Aa3 rating, highlighting that "the insurer's broad diversification and flexible product characteristics serve to insulate it somewhat from stress related to the sovereign". The rating agency changed the outlook to negative from stable following Italy's downgrade.

Please find below the original press release by Moody's.

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Moody's affirms Generali's ratings; outlook revised to negative

Global Credit Research - 05 Oct 2011

Outlook revision follows Italian sovereign downgrade to A2

London, 05 October 2011 -- Moody's Investors Service has today affirmed the Aa3 insurance financial strength (IFS), A1 senior unsecured debt, A2 (hyb) subordinated debt and A3 (hyb) preferred debt ratings of Assicurazioni Generali S.p.A. (Generali), as well as associated ratings for its main operating subsidiaries. The outlook for these ratings was changed to negative from stable.

Please refer to the end of this press release for a list of the affected ratings.

RATIONALE FOR AFFIRMATION
Today's affirmation follows Moody's downgrade of the rating of the government of the Republic of Italy to A2 with a negative outlook, from Aa2.

For full details please refer to http://www.moodys.com/research/Moodys-downgrades-Italys-government-bond-ratings-to-A2-with-a--PR_227333.

Moody's said that the affirmation of Generali's ratings reflects our view that, while the Italy-based insurance group's financial strength is influenced by Italy's credit strength, the insurer's broad diversification and flexible product characteristics serve to insulate it somewhat from stress related to the sovereign. This outcome is in line with Moody's general guidance on the characteristics of insurers that are supportive of financial strength ratings above the sovereign, particularly policy features that provide for loss sharing and diversified asset and business flows.
Moody's notes that Generali is exposed to Italy both in its operations, with just under 30% of its business sourced there (France and Germany together account for over 40%), and in its investment portfolio, with Italian government bonds now rated A2 comprising 20% (€51 billion) of total fixed income portfolio as at end-H1 2011. The vast majority of Italian sovereign exposure is in the group life operations and around 70% backs Italian liabilities. However, Moody's believes that the risk sharing mechanism of the insurer's Italian life insurance products materially mitigates the exposure to Italian sovereign debt. This mechanism offers a relatively high ability to share losses with policyholders through reducing credited returns, given the current large spread between investments returns and average guarantees. For Generali's Italian operations this spread was, on average, 1.9% and 2.3% respectively on Italian traditional products with yearly and maturity guarantee (€78 billion of mathematical reserves in total as at end-H1 2011).

RATIONALE FOR OUTLOOK REVISION

Generali's negative outlook mirrors the negative outlook on Italy's A2 government bond rating and reflects the increasing uncertainties around the economic and financial environment in Italy, the insurer's domestic market.
As explained above, Moody's believes Generali is somewhat insulated from Italian stress, but not entirely. Any further downgrade of Italy would likely lead to a downgrade of Generali's ratings due to the linkages discussed previously. These linkages include the reduced quality of the group's investment portfolio, Moody's view that the financial and economic environment in Italy will constrain profitability

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from Generali's Italian life insurance business, as well as the potential for further deterioration in other aspects of the insurer's investment portfolio should conditions in Italy decline further.

WHAT COULD DRIVE THE RATINGS UP/DOWN

Given the negative outlook on Generali, Moody's said that the following factors could prompt a downgrade of Generali (i) a further downgrade of Italy's sovereign rating; (ii) a material deterioration of solvency and operating performance of the group; and/or (iii) a material deterioration of the financial flexibility of the group, for example if financial leverage exceeds 35% on a long-term basis.

Conversely, Moody's might change the outlook to stable if the outlook on Italy's sovereign rating stabilises.

Generali Assicurazioni S.p.A., headquartered in Trieste, Italy, is a major international multi-line insurer. It reported gross premiums written of €73.2 billion in 2010 and shareholders' equity including minorities of €20.1 billion at 31 December 2010.

METHODOLOGY USED

The principal methodologies used in this rating were "Moody's Global Rating Methodology for Life Insurers" published in May 2010, and "Moody's Global Rating Methodology for Property and Casualty Insurers" published in May 2010. Please see the Credit Policy page on www.moodys.com for copies of these methodologies.

The following insurance financial strength ratings were affirmed with a negative outlook:
Assicurazioni Generali SpA, Aa3
Generali Deutschland Holding AG, Aa3
AachenMuenchener Lebensversicherung AG, Aa3
AachenMuenchener Versicherung AG, Aa3
Advocard Rechtschutzversicherung AG, Aa3
Generali Deutschland Pensionskasse AG, Aa3
Central Krankenversicherung AG, Aa3
Cosmos Lebensversicherungs-AG, Aa3
Cosmos Versicherung AG, Aa3
Dialog Lebensversicherungs-AG, Aa3
Envivas Krankenversicherung AG, Aa3
Generali Lebensversicherung AG, Aa3
Generali Versicherung AG, Aa3
Generali IARD, Aa3
Generali Vie, Aa3
The following security ratings were affirmed with a negative outlook:
Assicurazioni Generali S.p.A., Senior debt rating, A1
Assicurazioni Generali S.p.A., Subordinated debt rating, A2 (hyb)
Assicurazioni Generali S.p.A., Preferred stock debt rating, A3 (hyb)
Generali Finance B.V., Senior Unsecured debt rating (backed), A1
Generali Finance B.V., Subordinated Debt rating (backed), A2 (hyb)
Generali Finance B.V.,Preferred Debt rating (Junior Subordinate), A3 (hyb)

The Generali Group is one of Europe's largest insurance providers and the biggest European Life insurer, with 2010 total premium income of more than € 73 billion. It is also one of the world's top asset managers with assets of over € 400 billion, and a unique real estate operator with a property portfolio of more than € 24 billion.
With 85,000 employees worldwide and 70 million clients in more than 60 countries, the Group occupies a leadership position on Western European markets and an increasingly important place in Eastern Europe and Asia.
The parent company Assicurazioni Generali is listed on the Milan Stock Exchange (GASI.MI, G.IM) and has an AA- Standard & Poor's rating, an Aa3 Moody's rating, an AA- Fitch's rating and an A+ A.M. Best's rating.