



### S&P innalza a "BBB" il rating di Fondiaria-Sai

Firenze, 10 agosto 2005 - Fondiaria-Sai S.p.A. rende noto che l'agenzia di rating Standard & Poor's ha elevato a "BBB" da "BBB-" il rating del gruppo Fondiaria-Sai, mantenendo l'outlook stabile.

Si riporta di seguito il testo integrale del comunicato stampa diramato da Standard & Poor's in data 9 agosto 2005.

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**GRUPPO  
FONDIARIASAI**



## **Italian Insurer Fondiaria-SAI SpA, Milano Assicurazioni SpA Upgraded To 'BBB'; Outlook Stable**

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**Rationale**

On Aug. 9, 2005, Standard & Poor's Ratings Services raised its long-term counterparty credit ratings and its insurer financial strength ratings on Italian composite insurance group Fondiaria-SAI SpA and its core entity, Milano Assicurazioni SpA, to 'BBB' from 'BBB-'. The outlook is stable.

The upgrade reflects Fondiaria-SAI's more conservative financial management and improved capitalization; capitalization nevertheless remains low for the current rating level. Further factors supporting the ratings are the group's strong competitive position and strong operating performance. These strengths are partially offset by Fondiaria's high investment leverage, with the equity portfolio still concentrated on a few lines.

**Major rating factors**

- Improved financial management. The group's risk tolerance is progressing to a more adequate level, as management has initiated a more attentive investment strategy and a more cautious stance toward acquisitions. The rebound of the equity market has provided the company with more flexibility to actively manage its equity participations.
- Improved capitalization. Capitalization recovered in 2004 and in the first half of 2005, but remains low for the current rating level. The improvement was mainly driven by the increase in unrealized equity gains and partially by the level of retained earnings.

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- Strong competitive position. Fondiaria-SAI's premier position in the Italian non-life sector derives mainly from its undisputed leadership in the motor segment, achieved through a well-entrenched agent distribution network. The group's long-standing expertise in the motor market and its large customer base also represent important competitive advantages.
- Strong operating performance. Fondiaria-SAI's earnings are strong, sustained by resiliently very strong underwriting results in motor; the group enjoys strong cost efficiency associated to its motor market share. Earnings remain concentrated, however, as motor accounted for over 65% of the underwriting result in 2004. The profitability of the life business in fact remained marginal in 2004, despite the high contribution of life premiums.
- Relatively high equity exposure. Market risk is high, given the group's equity exposure of over 15% of total investments at year-end 2004, based on book value, and 2.5x investment leverage. Concentration risk is also high, as the five largest equity participations represented about 55% of the total equity portfolio.

### **Outlook**

The stable outlook is based on the assumption that Fondiaria-SAI will implement a more cautious strategy concerning financial investments in order to reduce the concentration of its equity portfolio. In addition, future strategic decisions—on acquisitions and joint ventures for example—are not expected to impair the level of capitalization or to increase investment concentration.

Although we believe that motor business might experience some marginal pressure on rates starting in 2006, we expect Fondiaria-SAI to maintain an overall combined ratio averaging 95% in the next three years. Cost-cutting and merger synergies have not been fully exploited and there is scope for an additional €150 million (\$186 million) improvement, mainly from efficiency in the claim-management system, in the next two years. The life business is expected to continue to contribute marginally to the group's earnings, but upside potential may come from an improving competitive position in this area.

### **Ratings List**

	To	From
<b>Fondiaria-SAI SpA</b>		
<b>Counterparty credit rating</b>	<b>BBB/Stable/—</b>	<b>BBB-/Stable/—</b>
<b>Insurer financial strength rating</b>	<b>BBB/Stable</b>	<b>BBB-/Stable</b>
<b>Milano Assicurazioni SpA</b>		
<b>Counterparty credit rating</b>	<b>BBB/Stable/—</b>	<b>BBB-/Stable/—</b>
<b>Insurer financial strength rating</b>	<b>BBB/Stable</b>	<b>BBB-/Stable</b>
<b>SAInternational S.A.</b>		
<b>Senior unsecured debt rating*</b>	<b>BBB-</b>	<b>BB+</b>
<b>*Guaranteed by Fondiaria-SAI SpA</b>		

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