

March 19, 2008

**Research Update:**

# German Insurer Neue Leben Rated 'A+' On Core Status To Talanx; Outlook Stable

**Primary Credit Analyst:**

Hiltrud Besgen, Frankfurt (49) 69-33-999-192; hiltrud\_besgen@standardandpoors.com

**Secondary Credit Analyst:**

Karin Clemens, Frankfurt (49) 69-33-999-193; karin\_clemens@standardandpoors.com

## Table Of Contents

---

Rationale

Outlook

Ratings List

## Research Update:

# German Insurer Neue Leben Rated 'A+' On Core Status To Talanx; Outlook Stable

## Rationale

On March 19, 2008, Standard & Poor's Ratings Services assigned its 'A+' counterparty credit and insurer financial strength ratings to Germany-based life insurer neue leben Lebensversicherung AG (neue leben). The outlook is stable.

The ratings reflect Standard & Poor's view that neue leben is core to Germany-based Talanx Primary Group (TPG; core operating entities rated A+/Stable/--), which is a leading German primary insurance group intermediately held by Talanx AG (A-/Stable/--). Core status is assigned based on neue leben's proven success in effectively executing the bancassurance model with the highly diversified network of German savings banks. A further positive rating factor is the company's very high operational efficiency.

Partially offsetting these strengths is the strategic challenge to achieve meaningful growth in the German savings bank sector, which is dominated by the public law insurers (PLI). In addition, the company's earnings potential is moderate and limited due to its exposure to the challenging and highly regulated German life insurance market.

Standard & Poor's considers neue leben to be a core subsidiary of TPG by supporting the group's strategy to further broaden its diversification through business growth in life insurance. Neue leben is the largest unit within the group's bancassurance division and contributed about 38% to the division's gross premiums written (GPW) in 2007. In contrast to other strategically important operations of TPG's bancassurance group, neue leben's business model is not dependent on one unique distribution partner. Instead, it has benefited from solid cooperation with about 130 members (including nine of the top 10) of the widespread network of 457 independent German savings banks. The sustainability of the close cooperation between neue leben and its banking partners is additionally underpinned by seven banks that maintain exclusive distribution agreements while they act as major shareholders of the company.

- Neue leben has proven its ability to outperform market growth in GPW recording an increase of 6.8% on average over 2002-2006 compared with 3.7% in the market.
- Neue leben demonstrates high flexibility and operational efficiency reflected in expense and lapse ratios that are sustained below the market average. The administrative expense ratio of 1% on average over the past three years is one of the lowest in the German market. The strong operational efficiency enabled the company to maintain its bonus declaration at a consistently high level among the top five insurers in Germany.
- Neue leben will be challenged to expand its business in the savings bank sector, where it competes against the PLI domain. The PLIs comprise 12 primary insurance groups that together account for about €16.5 billion in

GPW, or about 11% of the German insurance market in 2006 and act as the most important insurance partners to the savings banks in their respective regions.

- The company's operating performance is moderate. Neue leben's overall profitability is somewhat limited due to the substantial portion of traditional with-profit products in its portfolio and the exclusive exposure to the highly regulated German life insurance market.

## Outlook

The stable outlook on neue leben reflects the stable outlook on Talanx AG and its core operating entities, and that in the future neue leben will move in tandem with its parent. We expect that neue leben will enhance its integral position within TPG prospectively by defending its strong position within the German savings banks sector. Furthermore, the company should continue to leverage the potential of the wide spread network of independent German savings banks.

## Ratings List

Counterparty credit rating	A+/Stable/--
Insurer financial strength rating	A+/Stable/--

### **Additional Contact:**

Insurance Ratings Europe; [InsuranceInteractive\\_Europe@standardandpoors.com](mailto:InsuranceInteractive_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 Hotline (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. Members of the media may also contact the European Press Office via e-mail on: [media\\_europe@standardandpoors.com](mailto:media_europe@standardandpoors.com).

Copyright © 2008, Standard & Poors, 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).