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Research Update:

DRAFT: Outlook On Insurer Tryggingamidstodin Revised To Stable After Same Action on Iceland; 'BBB-' Ratings Affirmed

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S&P: Tryggingamidstodin Outlook To Stable, 'BBB-' Rtgs Afrmd

Overview

- On Jan. 24, 2013, we revised the outlook on the Republic of Iceland to stable from negative on receding fiscal risk and affirmed our 'BBB-/A-3' ratings, based on our view that Iceland's proposed mortgage debt relief program would not materially increase general government debt, provided that the program is financed through increased budgetary revenue.
- Insurer Tryggingamidsodin hf.'s exposure to Iceland, both in terms of business and assets, leads us to cap our long-term ratings on the company at the level of our long-term rating on Iceland.
- We are therefore revising our outlook on Tryggingamidstodin to stable from negative and affirming our 'BBB-' ratings on the company.
- The stable outlook mirrors that on Iceland, although on a stand-alone basis we expect Tryggingamidstodin's management to continue to successfully implement its strategy and sustain moderately strong capital and earnings.

Rating Action

On Jan. 28, 2014, Standard & Poor's Ratings Services revised the outlook on Iceland-based non-life insurer Tryggingamidstodin hf. (TM) to stable from negative. At the same time, we affirmed our 'BBB-' insurer financial strength and counterparty credit ratings on the company.

Rationale

The outlook revision follows our similar action on Iceland and reflects our view of TM's material exposure to the sovereign's credit quality. Because TM writes almost all of its business in Iceland and has an investment portfolio that consists largely of Icelandic assets, we cap the long-term rating on the company at the level of that on Iceland. For more information, please refer to "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," published on Nov. 19, 2013, on RatingsDirect.

Our view of TM on a stand-alone basis is unchanged and reflects the company's fair business risk profile and upper adequate financial risk profile. We base our assessment of TM's business risk profile on our opinion of its moderate industry and country risk and adequate competitive position. As regards its financial risk profile, we factor in our view of its moderately strong capital and earnings, moderate risk position, and adequate financial flexibility. We combine these factors to derive a 'bbb' anchor for TM.

For more information, please refer to "Icelandic Insurer Tryggingamidstodin hf. Affirmed At 'BBB-' After Insurance Criteria Change; Outlook Stable," published on July 5, 2013.

Outlook

The stable outlook on the long-term ratings on TM reflects that on the long-term rating on Iceland. Any rating action on Iceland would trigger a similar action on TM.

We expect that TM's management will continue to successfully implement its strategy, sustaining its moderately strong capital and earnings and maintaining or lowering its investment risk profile. We also expect that the strong earnings that form part of our base-case assumptions will continue to support TM's capital and earnings and competitive position.

We could lower the ratings on TM if we downgraded Iceland. We do not envisage lowering the ratings on TM based on its stand-alone characteristics. However, we could consider doing so if we saw a material increase in risk in the investment portfolio or a pronounced deterioration in capital adequacy, or if liquidity became a concern for TM.

We could raise the ratings on TM if we upgraded Iceland.

Ratings Score Snapshot

Financial Strength Rating	BBB-/Stable
Anchor	bbb
Business Risk Profile	Fair
IICRA	Moderate Risk
Competitive Position	Adequate
Financial Risk Profile	Upper Adequate
Capital & Earnings	Moderately Strong
Risk Position	Moderate Risk
Financial Flexibility	Adequate
Modifiers	0
ERM and Management	0
Enterprise Risk Management	Adequate

Management & Governance	Satisfactory
Holistic Analysis	0
Liquidity	Strong
Sovereign risk	-1
Support	0
Group Support	0
Government Support	0

IICRA—Insurance Industry And Country Risk Assessment.

Related Criteria And Research

Related criteria

Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013

- Insurers: Rating Methodology, May 7, 2013
- Enterprise Risk Management, May 7, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Principles Of Credit Ratings, Feb. 16, 2011
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Related research

Republic of Iceland Outlook Revised To Stable From Negative On Receding Fiscal Risk; 'BBB-/A-3' Ratings Affirmed, Jan. 24, 2014

Outlook On Icelandic Insurer Tryggingamidstodin hf. Revised To Negative; Ratings Affirmed At 'BBB-', Aug. 2, 2013

- Icelandic Insurer Tryggingamidstodin hf. Affirmed At 'BBB-' After Insurance Criteria Change; Outlook Stable, July 5, 2013

Ratings List

Ratings Affirmed; Outlook Action

To From

Tryggingamidstodin hf.

Counterparty Credit Rating

Local Currency BBB-/Stable/-- BBB-/Negative/--

Financial Strength Rating

Local Currency BBB-/Stable/-- BBB-/Negative/--

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Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at

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