

**Announcement: Moody's confirms the Baa3 insurance financial strength rating of Net Insurance S.p.A.; outlook is negative**

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Global Credit Research - 08 Feb 2012

London, 08 February 2012 -- Moody's Investors Service today confirmed the Baa3 insurance financial strength rating (IFSR) of Net Insurance SpA (Net Insurance) with a negative outlook. This action concludes the rating review on the IFSR initiated last October.

**RATINGS RATIONALE**

The confirmation of the rating reflects our view that recent actions undertaken by the management in 2011 will be adequate to readdress the weakening profitability experienced by Net Insurance since 2009. As a result we expect a reversal of the profitability trend seen in the recent past.

Specifically the company has taken several initiatives including, inter alia: (i) a change in client mix, by reducing its exposure to private clients, who had primarily led to a spike in claims in both 2008 and 2009; (ii) a shift in distribution towards the banking channel, with banks providing an important first customer screen and expected to source ~70% of premiums in 2011; (iii) strengthened the underwriting policies and claims recovery efforts and (iv) adopting actions to reduce claims originated by operational inefficiencies. As a result of these actions we expect the company's combined ratio to return to a level below the 100% in the near term.

Notwithstanding our expectation of improving underwriting results, we anticipate continuous pressure on the company's investment result given the volatile financial conditions in Europe. We also expect a deterioration of the company's asset quality and capital adequacy in 2012, as the sovereign turbulence and banking sector pressure continue to take their toll on credit quality.

**OUTLOOK**

The negative outlook reflects the weak economic environment in Italy which limits the growth potential of the company in its core established products.

Commenting on what could result in downward pressure on Net's IFSR, Moody's mentioned a sustained depressed operating performance - P&C combined ratio remaining above 100% in the medium-term - and/or a material deterioration of Net's risk profile and capital structure. Furthermore, material regulatory change in the Italian Law governing the CDQ and DP products, as well as any very aggressive market entry by a major financial institution in the money-loss sector which could erode significantly Net's current market position, would add pressure on the rating.

Net Insurance is a company specialised in job loss insurance in Italy and expanded into life business with a product dedicated to pensioners.

**METHODOLOGIES USED**

The 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.moody's.com](http://www.moody's.com) for copies of these methodologies.

Headquartered in Rome, Net Insurance S.p.A. reported 2010 consolidated gross written premiums of €117.7m and consolidated net premiums of €67.3m under IFRS. Consolidated total assets were €397m

and consolidated shareholders' equity was €38m under IFRS as at 31 December 2010.

The following rating was confirmed with a negative outlook:

Net Insurance SpA: Baa3 insurance financial strength rating

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