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INSURANCE

Gothaer Allgemeine Versicherung's 20NC10 Unsecured Subordinated Bonds 'BBB' Rating Affirmed

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FRANKFURT (Standard & Poor's) Sept. 26, 2006—Standard & Poor's Ratings Services said today it affirmed its 'BBB' long-term subordinated debt rating on the EUR250 million 20-year, noncallable for 10 years (20NC10) unsecured subordinated fixed-to-floating-rate bonds issued by Germany-based non-life insurer, Gothaer Allgemeine Versicherung AG (GA; A-/Stable/—), following receipt of final documentation.

"The two-notch differential between the counterparty credit rating on GA and the subordinated debt rating assigned to the notes reflects their subordinated nature and the interest deferral features," said Standard & Poor's credit analyst Ralf Bender.

The notes qualify as Category 2 ("strong") capital under Standard & Poor's recently announced classification of hybrid securities, reflecting their long-term nature, subordination, and the ability of GA to defer interest without causing an event of default. The deferral feature gives management the discretion to defer payment (on a cumulative basis) if GA simultaneously refrains from: declaring a dividend; upstreaming profits via a profit and loss transfer agreement with its parent company; making a payment on GA's balance-sheet profit account; and paying interest on or repurchasing GA's parity or more junior securities. Specifically, the notes constitute subordinated and unsecured obligations of the issuer. The obligations rank pari passu among themselves and at least pari passu with all other present and future unsecured subordinated obligations of the issuer or any other issuing subsidiary of GA. The notes are callable for the first time in September 2016 and on every interest payment date thereafter. Early redemption is subject to regulatory limitations requiring replacement by other, at least equivalent, funds or after explicit regulatory approval. It is Standard & Poor's expectation that the notes will remain a long-term feature of GA's capital structure.

Initially, the issuer will pay a fixed coupon of 5.527% per year, commencing on Sept. 29, 2007. If not called the interest rate will convert into a quarterly payable three-month-Euribor plus 250 basis-point floating rate from and including Sept. 29, 2016. There is no step up.

The proceeds of the issue will be mainly used to strengthen the capital base of the group's insurance operations and for other general corporate purposes.

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