

Research Update:

Grupo Catalana Occidente Core Entities 'A-' Ratings Affirmed; Outlook Remains Negative

Primary Credit Analyst:

Angelo Sacca, London (44) 20-7176-7073; angelo_sacca@standardandpoors.com

Secondary Credit Analyst:

Peter McClean, London (44) 20-7176-7075; peter_mcclean@standardandpoors.com

Table Of Contents

Overview

Rating Action

Rationale

Outlook

Related Research

Ratings List

Research Update:

Grupo Catalana Occidente Core Entities 'A-' Ratings Affirmed; Outlook Remains Negative

Overview

- We are affirming the ratings on operating entities of Grupo Catalana Occidente, S.A. y Sociedades Dependientes (GCO).
- The negative outlooks reflect the possibility that the anticipated improvement in the earnings of GCO's trade credit business to historical strong levels may not take place within the rating horizon, which would delay the rebuilding of capital.
- We anticipate a short-term weakening in capitalization due to GCO's potential obligations under a put option held by its fellow shareholders in Atradius.

Rating Action

On Dec. 2, 2009, Standard & Poor's Ratings Services affirmed its ratings on four core operating entities of Spain-based insurance group Grupo Catalana Occidente, S.A. y Sociedades Dependientes (GCO; not rated). We affirmed our 'A-' long-term counterparty credit and insurer financial strength ratings on Seguros Catalana Occidente, S.A. de Seguros y Reaseguros (SCO) and Bilbao, Compañía Anonima de Seguros y Reaseguros S.A. (Seguros Bilbao). At the same time, we affirmed our 'A-/A-2' counterparty credit and 'A-' insurer financial strength ratings on Netherlands-based credit insurer Atradius Credit Insurance N.V. (Atradius) and our 'A-' long-term counterparty credit and insurer financial strength ratings on Spain-based credit insurer Compañía Española de Seguros y Reaseguros de Crédito y Caución S.A. (CyC). The outlook on all entities is negative.

Rationale

The ratings continue to reflect our view that GCO prospectively has a strong operating performance, although it may be prone to swings in economic cycles arising from its large exposure to credit insurance via Atradius and CyC. It also reflects the strong competitive position arising from the combination of the two pre-existing groups.

We consider these factors to be offset by a short-term weakness in the earnings profile derived from Atradius and CyC, and by a short-term weakness in capitalization arising from GCO's potential obligations under a put option held by GCO's fellow shareholders in Atradius.

We have observed that GCO's noncredit insurance operating performance has been very strong and stable historically. Its strict profitability targets have

made it one of the strongest performers in its peer group, with an average return on equity of more than 23% over the five years up to 2007. However, the group made a marginal return in 2008, due to a combination of underwriting losses in the then recently acquired Atradius/CyC and unrealized investment losses. While the profitability of the Spanish noncredit business remains strong as at the third quarter 2009, in our view, the current weakness in the earnings profile of Atradius/CyC is likely to constrain earnings for the consolidated GCO group over the rating horizon. This may cause a delay in the rebuilding of capital.

We consider that GCO has a good competitive position, based on its good business diversification, good brand recognition, and the strength of its agency network in Spain. In our view, the acquisition of Atradius has enhanced GCO's competitive position to a strong level by giving it a leading position in the credit insurance market worldwide and by diversifying its book of risks. On the other hand, GCO's lack of a significant competitive advantage in its Spanish domestic market, outside credit insurance, will likely remain a constraint on its competitive position.

We regard GCO's capitalization as supporting the rating. Capital adequacy may suffer a short-term weakening caused by GCO's obligations under a put option held by its fellow shareholders in Atradius. Although the shareholders' intentions are unknown, we based our view on the assumption that the options would be exercised in full.

Outlook

The negative outlook primarily reflects the possibility that earnings in GCO's trade credit business may not improve within the rating horizon as expected, which would delay in rebuilding the capital to historical strong levels. Although we acknowledge the significant progress made by GCO in returning Atradius/CyC to profitability, we continue to believe that the uncertain economic outlook may place further pressure on earnings improvement. Our view is reinforced by the prolonged downturn in the Spanish economy, which may constrain the historically very strong earnings from GCO's noncredit lines of business.

The ratings might be lowered if capitalization deteriorates further to a level that we consider not commensurate with the current rating under our criteria. It might also be lowered if earnings indicators do not improve to a ratings-appropriate extent. An outlook revision to stable will depend on GCO's ability to restore profitability in its credit insurance business to strong levels and to rebuild capital to a level more commensurate with the ratings.

Related Research

- Interactive Ratings Methodology, April 22, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

Ratings List

Ratings Affirmed

Seguros Catalana Occidente, S.A. de Seguros y Reaseguros

Counterparty Credit Rating	A-/Negative/--
Insurer Financial Strength Rating	A-/Negative

Bilbao, Compañía Anónima de Seguros y Reaseguros S.A.

Counterparty Credit Rating	A-/Negative/--
Insurer Financial Strength Rating	A-/Negative

Atradius Credit Insurance N.V.

Counterparty Credit Rating	A-/Negative/A-2
Insurer Financial Strength Rating	A-/Negative

Atradius Reinsurance Ltd.

Counterparty Credit Rating	A-/Negative/--
Insurer Financial Strength Rating	A-/Negative

Atradius Trade Credit Insurance Inc.

Counterparty Credit Rating	A-/Negative/--
Insurer Financial Strength Rating	A-/Negative

Compañía Española de Seguros y Reaseguros de Crédito y Caución S.A.

Counterparty Credit Rating	A-/Negative/--
Insurer Financial Strength Rating	A-/Negative

Atradius Finance B.V.

Subordinated Debt*	BBB
--------------------	-----

*Guaranteed by Atradius Credit Insurance N.V and Atradius N.V.

NB: This list does not include all ratings affected.

Additional Contact:

Insurance Ratings Europe;InsuranceInteractive_Europe@standardandpoors.com

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4011.

Copyright © 2009 by Standard & Poors Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved. No part of this information may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P. S&P, its affiliates, and/or their third-party providers have exclusive proprietary rights in the information, including ratings, credit-related analyses and data, provided herein. This information shall not be used for any unlawful or unauthorized purposes. Neither S&P, nor its affiliates, nor their third-party providers guarantee the accuracy, completeness, timeliness or availability of any information. S&P, its affiliates or their third-party providers and their directors, officers, shareholders, employees or agents are not responsible for any errors or omissions, regardless of the cause, or for the results obtained from the use of such information. S&P, ITS AFFILIATES AND THEIR THIRD-PARTY PROVIDERS DISCLAIM ANY AND ALL 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 or their third-party providers and their directors, officers, shareholders, employees or agents be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the information contained herein even if advised of the possibility of such damages.

The ratings and credit-related analyses of S&P and its affiliates and the observations contained herein are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or make any investment decisions. S&P assumes no obligation to update any information following publication. Users of the information contained herein should not rely on any of it in making any investment decision. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of each of these activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P's Ratings Services business may receive compensation for its ratings and credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge) and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at 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)212.438.7280 or by e-mail to: research_request@standardandpoors.com.

Copyright © 1994-2009 by Standard & Poors Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. All Rights Reserved.