

## Generali USA Life Reassurance Co.

### *Major Rating Factors*

#### *Strengths:*

- Established competitive position and disciplined underwriter in reinsurance market where demand is increasing but the number of suppliers has decreased.
- Proven senior management providing both continuity and seasoned experience.
- Strong GAAP earnings.
- Prudent capitalization, conservative investment strategy, and very strong liquidity.
- Demonstrated support from its parent group.

#### *Weaknesses:*

- Challenged to improve margins and RORs in highly competitive target market where it lacks the scale advantages of more established competitors.
- Relatively low investment yield resulting from its very conservative investment risk profile.
- Concentration risk, because about 40% of premium is derived from its top five clients.

### *Rationale*

The insurer financial strength rating on Generali USA Life Reassurance Co. (Generali USA) reflects the company's established competitive advantages and operating model that arise from its parent's sale of Business Men's Assurance Co. of America (BMA) to Royal Bank of Canada (RBC), and Generali USA's concurrent acquisition of BMA's entire reinsurance operations, through 100% coinsurance and subsequent novation. Generali USA is a wholly owned indirect subsidiary of Assicurazioni Generali SpA (AGS), Italy's largest insurer. Before the transaction on May 1, 2003, Generali USA was a shell company without insurance operations. Since commencing operations, Generali USA's senior management team has consisted primarily of the same executives previously responsible for BMA's reinsurance

#### *Financial Strength Rating*

*Local Currency*  
A/Stable/—

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operations. In addition, although Standard & Poor's Ratings Services views Generali USA as nonstrategic to its ultimate parent, the ratings include one notch of implicit support to reflect AGS' commitment to the operations.

Generali USA continues to make progress in executing its strategy targeting relationships with midsize and larger insurers with larger minimum annual business volume. Previously, the company's primary market consisted of a large number of smaller insurers with limited business volume. This up-market focus provides the opportunity to increase organic growth but also presents the challenges of a more commoditized environment. Generali USA continues to establish new and expanded business relationships in this target segment. Since commencing operations, its penetration of this segment was accelerated by the opportune acquisition of business when other reinsurers exited the market and by the addition of experienced sales management during the subsequent two years. Generali USA needs to sustain growth in this area to continue moderating its concentration risk, because the company derives about 40% of premiums from just its top five clients.

Operating performance remained strong in 2007 and was much better than expected because of very favorable mortality results. We expect the full-year GAAP ROR to be more than 7.5%.

### ***Outlook***

The stable outlook reflects Generali USA's solid business prospects and consistent earnings power, which are expected to continue. Exceptional performance or explicit support from AGS would be required to favorably affect the ratings. However, we could revise the outlook to negative if Generali USA is unable to sustain operating margins at expected levels or if the company experiences unexpectedly adverse underwriting results as it refocuses its operating strategy on business with midsize and larger insurers.

Generali USA will continue to take advantage of the reduced number of reinsurers in the U.S. and its proven track record to expand its list of clientele and grow its business. Total premiums and net new life volume growth are projected to increase about 10% annually. We expect GAAP net income to be flat in 2008, because 2007 results benefited from favorable mortality. Earnings and existing capital will support projected growth. This will minimize Generali USA's need to raise debt or require additional capital infusions from AGS. RORs generally are expected to be at least 6.5% in the next three years. We expect Generali USA to maintain prudent capitalization appropriate for its risk profile and the ratings. The company also will maintain its conservative investment profile but will incrementally increase investment risk to improve returns as spreads widen and interest rates rise.

### ***Competitive Position: Fewer U.S. Life Reinsurers Increases Company's Opportunity***

Generali USA established its strong competitive position during many years of serving primarily smaller insurance companies. The company is leveraging its established advantages and current market conditions to expand its business relationships with midsize and larger companies. This opportunity was enhanced by the recent exit of several competitors from the U.S. reinsurance market. This exit reduced reinsurance capacity and increased concern among cedants wanting to avoid increasing concentration with the remaining reinsurers. Generali USA's ability to warehouse and analyze detailed

seriatim policy data with proprietary technology enables the company to properly assess business risk. Generali USA is leveraging this ability to expand services to cedants and better secure its market position.

Table 1

<b>Generali USA Life Reassurance Co./Selected Statistics</b>				
	<b>—Year ended Dec. 31—</b>			
<b>(Mil. \$)</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Capital adequacy ratio (%)	210.3	226.9	225.4	N.A.
Liquidity ratio (%)	1,000.0*	1,000.0*	1,000.0*	1,000.0*
Total assets (including separate accounts)	731.9	671.3	635.2	622.0
Total premiums and considerations	235.4	196.0	233.3	478.4
Pretax income	(10.5)	(12.0)	(1.1)	(13.5)
Total adjusted capital (including asset valuation reserve)	242.6	246.3	240.3	233.6

Note: The company began insurance operations in 2003. The impact of Generali Reassurance (Bermuda) Ltd. is not reflected in the data. \*More than 1,000. N.A.—Not available.

Table 2

<b>Generali USA Life Reassurance Co./Business Statistics</b>				
	<b>—Year ended Dec. 31—</b>			
<b>(Mil. \$)</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Total revenue	329.5	282.4	312.1	543.2
Total premiums and considerations	235.4	196.0	233.3	478.4
Net first-year premiums	30.0	26.9	28.4	311.5
<b>Major lines</b>				
Individual life	211.6	181.7	216.9	436.3
Group life	6.4	2.4	3.4	0.7
Group accident and health	12.7	7.1	3.5	0.5
Individual accident and health	4.7	4.9	9.5	40.9

Note: The company began insurance operations in 2003. The impact of Generali Reassurance (Bermuda) Ltd. is not reflected in the data.

Traditionally, the company focused its reinsurance business on about 300 relationships with smaller insurance companies and a few larger insurers, primarily in the U.S. Its niche business providing reinsurance solutions, including product development, for smaller insurers has limited growth potential, because midsize and large insurance companies sell a great majority of all life insurance and because of the continuing consolidation of many of the smaller companies. In addition, smaller insurers generally require more extensive services, which limit the reinsurers' ability to leverage operational efficiencies.

In response, Generali USA retroceded business representing nearly one-half of its client base, but only about 2% of its volume, to an unrelated reinsurer in 2005 to facilitate its strategic shift to focusing on midsize and larger insurers that can generate larger premium volumes per treaty and to improve operating efficiencies. Generali USA can readily leverage the technology and expertise that it developed to serve smaller insurers to effectively serve midsize and larger clients. Although this up-market focus is

an opportunity to increase organic growth and leverage efficiencies of scale, the larger business volumes from each cedant mean that individual mistakes in underwriting or pricing can be more costly.

Generali USA has established business relationships with a significant majority of the midsize and large companies it now targets. It also has increased its share of ceded business with many such clients and remains well ahead of its original plans to acquire midsize and large clients for three main reasons. First, the number of life reinsurers in the market has thinned in the past few years, which increases direct writer's demand for additional names with which they can reliably diversify their reinsurance exposure. The situation is illustrated by the top five reinsurers now having a 75% market share versus 46% in 2000. Second, penetration of this segment was accelerated by the opportune acquisition of experienced sales executives when certain reinsurers exited the market. Third, Generali USA's reinsurance operations have existed under AGS ownership and management for more than 15 years, although they were housed in a different legal entity before May 1, 2003. Thus, although the legal entity is relatively new, the company benefits from its reputation and established track record developed over many years. Continued growth in the target market will help moderate its business concentration risk, because about 40% of premiums currently are derived from just its top five clients.

Generali USA focuses on reinsuring cedants' mortality risk only and does not participate in surrender or dividend provisions of the business assumed. The company also does not directly write any insurance business of its own. Generali USA provides its clients with a full range of automatic and facultative reinsurance solutions on yearly renewable term (YRT), about 60% of current production, coinsurance, and modified coinsurance bases through individual cessions and self-administered treaties. The array of products reinsured includes nearly all types of fully underwritten individual life products, as well as group life and accidental death products. Generali USA also provides product development, underwriting, claims, and other services in conjunction with its reinsurance solutions. In addition to these individual life products, the company began reinsuring group life insurance in 2003. In 2007, Generali USA consolidated both individual life and group sales under one manager to improve efficiency, increase retention, and leverage cross-selling opportunities. Early results show group sales are benefiting from the shift.

Generali USA is a licensed or accredited reinsurer in all 50 states and Washington, D.C. Its primary offices are in Kansas City, Mo., where it is incorporated. Its group reinsurance operations are staffed separately in Minneapolis, Minn.

***Prospective***

Generali USA's competitive position will remain strong and gather momentum as the number of reinsurance relationships with midsize and larger insurers continues to increase steadily and as its share of each cedant's book expands. This growth will gradually reduce the company's concentration with its top five clients. Total premiums and net new life volume growth are expected to increase about 10% annually.

## ***Management And Corporate Strategy: Managers Target Up-Scale Market***

### ***Operational management***

Because the business model is focused on assuming pure mortality risk, management's underwriting discipline is paramount to its continued success. One of Generali USA's key competitive and operational advantages is the quality and extent of its systems and data, which are more automated and detailed than what many competitors have. These resources facilitate a more timely and sophisticated analysis, supporting both initial underwriting and pricing as well as timely monitoring of experience that is crucial to limiting unexpected losses and maintaining consistent earnings. Generali USA is integrating current systems onto a single platform to streamline processes and increase flexibility. This will allow the company to better assess risks and reduce operating costs while providing better service to clients. Generali USA also performs regular cedant audits to verify that claims, administration, and underwriting are consistent with treaty terms. Audit results are considered when negotiating treaty terms and conditions.

### ***Financial management***

Management's financial risk tolerance is low and focuses on growing organically rather than through acquisitions. This minimizes the need to leverage its balance sheet (by raising debt capital) or require capital infusions from AGS. We expect earnings and existing capital will support projected premium growth. This will moderate the company's need to access external capital.

Management maintains a very conservative, unleveraged balance sheet with low credit risk. This helps minimize distractions from its main focus on managing its mortality-based business risk and ensures more reliable bottom line results. Management also promotes financial stability by retroceding its per-life mortality risk, which exceeds predetermined retention levels.

In late 2007, Generali USA recaptured its Triple-X related coinsurance business from Generali Reassurance (Bermuda) Ltd. (GRB; wholly owned by AGS) and retroceded this business to AGS. Previously, excess Triple-X reserve credits had been secured with short-term letters of credit (LOC), facilitated by AGS on behalf of GRB and Generali USA. Under an automatic retrocession agreement, AGS will now directly manage financing required to back the Triple-X excess reserves for Generali USA. Recognizing the rollover risk inherent in short-term LOCs relative to the increasing and longer term Triple-X reserve requirements, AGS is using longer dated LOCs to secure the reserve credits that Generali USA requires. This approach is flexible, cost efficient, and will allow the group to react to regulatory changes without the significant upfront sunk costs associated with securitizations. GRB will continue to retain the YRT business it assumes.

AGS will evaluate and set incentives for Generali USA's management based on an internal consolidation that includes all risks AGS assumes from Generali USA. This will provide additional insight into the value of Generali USA's business.

***Enterprise Risk Management: Adequate Risk Awareness***

We view Generali USA's enterprise risk management (ERM) as adequate because of management's prudent risk taking, and its focused business profile reduces the complexity of the risks that must be managed effectively with limited managerial resources. Because staffing is limited, senior management is involved in all material operations and risk management. Management demonstrates an appropriate awareness of its major risks and is actively addressing those risks. ERM's impact on the ratings is neutral.

The company's primary risk is unexpected adverse mortality experience in its life reinsurance business, including event risk in its emerging group reinsurance segment. Disintermediation risk resulting from individual policyholder behavior is negligible, because the company does not assume account value or policyholder dividend liabilities. Most reinsurance treaties, however, do have provisions that permit the cedant to recapture the risk on an equitable basis. Management takes limited investment risk and leverages the investment expertise of its parent group by outsourcing investment management to an upstream affiliate, Generali SGR SpA.

In addition to a history of disciplined underwriting, Generali USA manages the risk of adverse mortality experience primarily by retroceding insurance amounts that exceed its maximum per-life retention levels (currently \$2 million) into an Automatic Excess Pool that comprises five reinsurers. Another \$2 million of retention will be facilitated by a retrocession arrangement with its parent beginning in 2008, increasing aggregate retention for Generali USA and AGS combined to \$4 million per life. Generali USA's retrocessions to its parent will reduce unaffiliated retrocessions by more than two-thirds. The increase in per-life retention reflects its generally favorable mortality experience, ability to absorb the incremental risk, and additional support from the parent.

Group retentions are \$500,000 per individual for life and \$500,000 for accidental death and dismemberment. The company also maintains event-based catastrophe cover that provides up to \$55 million in two layers in excess of a \$20 million deductible. The catastrophe cover on net retention applies to all business, but it is intended primarily to address its group reinsurance business exposure, which is more susceptible to single-event risk at client office locations. Management will increase its catastrophe cover as the group reinsurance exposure grows. Generali USA limits group exposure under any treaty to \$75 million to not exceed its catastrophe cover limits. There are a few exceptions where group treaties exceed these limits, but there are mitigating circumstances that moderate the risk.

Generali USA does not, however, maintain an aggregate stop-loss cover to limit the impact of adverse overall individual mortality experience. Management proactively evaluates potential causes of pandemic, monitor-related news, and devises plans to address these very rare, but potentially very high, severity events.

In addition to performing regulatory cash flow and random scenario testing of its assets and liabilities, management is developing a more sophisticated internal capital model to improve its ability to assess and manage risk exposures, capital needs, and risk-adjusted returns.

### **Accounting**

In 2006, Generali USA appointed Ernst & Young LLP as its new auditor, replacing PricewaterhouseCoopers LLP. No material weaknesses have been identified. Generali USA provides audited financial statements on both statutory and GAAP accounting bases, which are adequate for the ratings process. Because the company is not registered with the SEC, GAAP disclosures are not as extensive as what registered companies typically provide when publicly filing their GAAP financial statements.

### **Operating Performance: Earnings Improved, Bolstered By Favorable Mortality**

Generali USA's consistently strong operating results reflect the continuity of management and a disciplined focus on underwriting and pricing. Earnings rebounded in 2006, with a 5.6% GAAP ROR. This followed weak results in 2005, which were depressed because of poor industrywide mortality in first-half 2005, which is attributed to a statistical fluctuation that will not recur frequently. Favorable mortality in 2007 helped bolster returns, with the full-year ROR estimated to exceed 7.5%. Because Generali USA believes this level of favorable mortality is not sustainable, the company will not use it to support more competitive pricing. Sustainable RORs of more than 6.5% are anticipated but are somewhat less than the RORs achieved by established reinsures with greater scale.

Generali USA's past focus on reinsuring a large number of the smallest insurers limited the company's ability to drive stronger earnings from advantages of scale and expense efficiency. Its current focus on midsize and larger insurers will result in incremental efficiencies and improvement in earnings quality above historical levels. The retrocession and novation in 2005 of about 50% of its clients that constituted only 2%-3% of its business volume helped improve efficiency and, more importantly, freed up management resources to focus on its new strategy. In addition, earnings benefit from the lower cost financing for excess Triple-X reserves obtained through its parent, AGS.

Earnings consistency is supported by management's disciplined approach to repricing or terminating existing treaties when actual results are sufficiently out of line with pricing expectations. The development of Generali USA's targeted client base is vital to diversifying revenue streams, enhancing scale, and achieving significantly improved operating efficiencies and earnings.

### **Prospective**

We expect Generali USA to earn an ROR of at least 6.5% annually.

Table 3

#### **Generali USA Life Reassurance Co./Summary Operating Statistics**

<i>(Mil. \$)</i>	—Year ended Dec. 31—			
	2006	2005	2004	2003
Pretax income	(10.5)	(12.0)	(1.1)	(13.5)
Net income	(9.2)	(12.0)	(1.1)	(13.5)
Return on revenue (%)	(3.17)	(4.26)	(0.34)	(2.49)
Return on assets (%)	(1.49)	(1.84)	(0.17)	(4.19)
Pretax statutory rate of return on capital (%)	(5.14)	(6.85)	(0.62)	N.A.
Pretax GAAP income	21.2	12.2	22.0	7.5

Table 3

<b>Generali USA Life Reassurance Co./Summary Operating Statistics (cont. 'd)</b>				
	<b>—Year ended Dec. 31—</b>			
<b>(Mil. \$)</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Pretax GAAP rate of return on capital (%)	10.42	6.97	12.67	N.A.
Pretax GAAP return on assets (%)	1.84	1.18	2.38	1.73

Note: The company began insurance operations in 2003. The impact of Generali Reassurance (Bermuda) Ltd. is not reflected in the data. N.A.—Not available.

Table 4

<b>Generali USA Life Reassurance Co./Operating Statistics</b>				
	<b>—Year ended Dec. 31—</b>			
<b>(Mil. \$)</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
General expenses	21.4	17.6	21.2	17.9
Expense ratio (%)	30.1	35.8	37.4	14.8
Unit expenses (in whole dollars)	3.3	3.0	4.0	3.6
General expenses as a percentage of total assets	2.9	2.6	3.3	2.9
Investment spread (%)	1.0	0.5	1.6	(2.3)
<b>Accident and health</b>				
Loss ratio (%)	67.7	61.2	76.8	90.1
Expense ratio (%)	22.9	29.4	25.5	15.5
Combined ratio (%)	90.7	90.6	102.3	105.6

Note: The company began insurance operations in 2003. The impact of Generali Reassurance (Bermuda) Ltd. is not reflected in the data.

### ***Investments: High-Quality, Conservative Investments***

Generali USA maintains a very conservative investment strategy appropriate for its liability profile, with guidelines that explicitly prohibit acquiring new investments in riskier or less liquid asset classes (e.g. commercial mortgages, real estate, speculative-grade securities, and private placement or 144A securities.) In addition, investments not explicitly permitted by company guidelines are expressly prohibited. The company takes little credit risk and requires at least 85% of fixed-income investments to be rated 'A' or higher. As of third-quarter 2007, bonds constituted more than 90% of invested assets, of which 77% were rated 'AAA', 20% were rated 'AA' or 'A', 3% were rated 'BBB', and none were rated lower. These results reflect investment statistics for the Generali USA statutory entity only. Nearly 90% of the GRB's invested assets of \$317 million were in cash and short-term receivables to facilitate a recapture and subsequent retrocession to AGS, the parent company.

Investments are prudently diversified, with concentrations in any industry (other than Treasury and government agency securities) limited to no more than 15% of invested assets. Reasonable limits on issuer concentrations are defined as a percent of capital and vary by credit rating ranging from 8.5% of capital for 'AAA' to 2.5% of capital for 'BBB' securities. Preferred and common stock investments also are limited to 5% of admitted assets, with no more than 2% in any one issuer, which must be domiciled in North America. Such investments currently constitute less than 2% of admitted assets.

Generali USA uses derivative instruments sparingly and intermittently for income generation. Derivative instruments are limited to sales of covered call options on securities it owns and covered puts on securities that are otherwise permitted under its investment guidelines. In addition, guidelines prudently limit exposure to call (including callable bonds) and put options to 5% of admitted assets. No significant derivative positions have been open since Sept. 30, 2005.

Although GRB is wholly owned by AGS, as an unauthorized reinsurer in Missouri, GRB must hold assets in trust and LOCs, which together equal the reserve credits Generali USA can recognize. Consequently, more than 99% of GRB's invested assets are held in trust for the benefit of Generali USA. Upstream affiliate Generali SGR SpA manages invested assets for both Generali USA and GRB.

The conservative investment profile, which results in a relatively low investment yield (4.45% in 2006 improved from 3.93% in 2005), is consistent with Generali USA's business profile, which focuses on mortality risk and includes few interest sensitive liabilities that would necessitate higher yielding and riskier investments. In addition, having commenced operations in 2003 during a period of relatively low interest rates, narrowing investment-risk spreads and flattening yield curves contributed to the current high level of investment conservatism. As investment spreads and interest rates increase toward normal levels, management is likely to take incremental investment risk to improve investment returns but will retain a conservative investment profile.

Table 5

<b>Generali USA Life Reassurance Co./Investment Statistics</b>				
	<b>—Year ended Dec. 31—</b>			
<b>(Mil. \$)</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Net investment income	27.9	22.9	19.1	10.5
Total invested assets	657.0	596.1	567.2	511.3
Net realized capital gains	1.3	0.4	0.0	0.0
Asset risk to invested assets (%)	1.6	1.9	2.5	N.A.
High-risk assets to total invested assets (%)	1.7	2.2	0.0	0.0
Net investment yield (%)	4.45	3.93	3.54	3.93
Five-year realized capital gains to invested assets (%)	0.05	0.02	0.00	0.00
<b>Portfolio composition</b>				
Cash, cash equivalents, and short-term investments (%)	10.3	8.8	8.0	3.5
Bonds (%)	69.0	65.9	65.3	66.5
Mortgage-backed securities (%)	19.0	23.1	26.7	30.0
Stocks (%)	1.6	2.2	0.0	0.0
Other (%)	0.2	0.0	0.0	0.0

Note: The company began insurance operations in 2003. The impact of Generali Reassurance (Bermuda) Ltd. is not reflected in the data. N.A.—Not available.

**Prospective**

Because the company generally does not take on liabilities with embedded cash surrender options, it has minimal exposure to interest rate risk and persistency volatility. Consequently, the company can

reasonably tolerate somewhat wider asset/liability duration differences than companies with substantial interest sensitive liabilities. Currently, the duration target for investments is five to 10 years, compared with its liability duration of eight to nine years.

**Liquidity: Few Demand Liabilities Drives High Level Of Liquidity**

Liquidity is exceptionally high because of the quality of the investment portfolio, which has only moderate credit risk exposure, and the minimal amount of demand liabilities on its books. In addition, Generali USA’s policy is to maintain at least 2% of admitted assets in cash or cash equivalents to manage liquidity needs. This required level of cash is by itself enough to support an extremely strong Standard & Poor’s liquidity ratio of more than 1,300%.

Table 6

<b>Generali USA Life Reassurance Co./Liquidity And Reserves Statistics</b>				
—Year ended Dec. 31—				
<i>(Mil. \$)</i>	2006	2005	2004	2003
<b>Allocation of reserves</b>				
Individual life	90.7	89.3	86.4	85.1
Accident and health	6.1	6.6	6.9	6.3
Other	3.2	4.1	6.7	8.6
Liquidity ratio (%)	1,000.0*	1,000.0*	1,000.0*	1,000.0*
Liquid assets to total assets (%)	86.9	85.3	85.8	N.A.

Note: The company began insurance operations in 2003. The impact of Generali Reassurance (Bermuda) Ltd. is not reflected in the data. \*More than 1,000. N.A.—Not available.

**Capitalization: Strong Capitalization Expected Through 2008**

Generali USA’s consolidated capitalization is strong and appropriate for its risk profile and the ratings. Because GRB is affiliated with and exclusively assumes insurance risk from Generali USA, we analyze capital primarily by consolidating GRB with Generali USA. GRB is an offshore entity and does not provide U.S. statutory financials. Therefore, a consolidated Standard & Poor’s capital adequacy ratio is not available. However, Generali USA’s year-end 2006 NAIC risk-based capital ratio was a healthy 324%. The company expects to maintain its NAIC risk-based capital at more than 300% through 2010, based on its own projections of its business plans and resulting statutory financials. Management is committed to maintaining appropriate levels of capital at each entity and on a consolidated basis.

**Prospective**

We expect Generali USA to maintain prudent capitalization appropriate for its risk profile and the ratings.

Table 7

<b>Generali USA Life Reassurance Co./Capitalization Statistics</b>				
—Year ended Dec. 31—				
<i>(Mil. \$)</i>	2006	2005	2004	2003
Total assets	731.9	671.3	635.2	622.0
General account assets	731.9	671.3	635.2	622.0

Table 7

<b>Generali USA Life Reassurance Co./Capitalization Statistics (cont.'d)</b>				
	—Year ended Dec. 31—			
<i>(Mil. \$)</i>	2006	2005	2004	2003
Total liabilities excluding separate accounts (excluding asset valuation reserve)	489.3	425.0	394.9	388.4
Total adjusted capital (including asset valuation reserve)	242.6	246.3	240.3	233.6
Unrealized capital gains	0.3	0.2	0.0	0.0
Capital adequacy ratio (%)	210.3	226.9	225.4	N.A.
Company action level to NAIC risk-based capital ratio (%)	324.8	352.9	353.0	313.8
Assets risk to total adjusted capital ratio (%)	4.3	5.0	6.3	N.A.
High-risk assets to total adjusted capital ratio (%)	4.7	5.4	0.0	0.0

Note: The company began insurance operations in 2003. The impact of Generali Reassurance (Bermuda) Ltd. is not reflected in the data. N.A.—Not available.

### ***Financial Flexibility: Maintains Access To Adequate Funding***

The company's adequate financial flexibility depends primarily on its ultimate parent, AGS, which has a tactical interest in the diversification that Generali USA's mortality risk business provides. In May 2003, AGS contributed \$289 million to Generali USA to capitalize it upon acquiring BMA's reinsurance book, thus demonstrating AGS' commitment to its life reinsurance operations while disposing of BMA's other operations to RBC. AGS provides additional flexibility by accepting an additional \$2 million of retention above Generali USA's direct retention.

Although Generali USA has the capacity to issue its own debt, it is expected to remain debt free for at least the next one or two years. Its initial access of the debt markets was originally expected to be in the form of a long-term funding solution for the Triple-X reserves, historically retroceded to its affiliate, GRB. However, management has decided against undertaking such an action because of the relatively high costs and inflexibility with such a structure, given the evolving regulatory environment and potential reserve moderation that may occur from principal-based reserving initiatives. Instead, Triple-X financing will be managed by ceding these risks to AGS, which will manage reserve financing on its own balance sheet with directly sourced LOCs.

### ***Ratings Detail (As Of January 29, 2008)<sup>1</sup>***

#### ***Operating Company Covered By This Report***

##### ***Generali USA Life Reassurance Co.***

Financial Strength Rating

***Local Currency*** A/Stable/—

Counterparty Credit Rating

***Local Currency*** A/Stable/—

#### ***Related Entities***

##### ***Assicurazioni Generali SpA***

Financial Strength Rating

***Local Currency*** AA/Stable/—

Issuer Credit Rating

***Local Currency*** AA/Stable/—

<b>Ratings Detail (As Of January 29, 2008)* (cont. 'd)</b>	
Junior Subordinated	A
Senior Unsecured	
<i>Local Currency</i>	AA-
Subordinated	
<i>Local Currency</i>	A+
<i>Domicile</i>	Missouri

\*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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