

Insurer Profile

The Source For Informed
Financial Decision-Making



Seoul Guarantee Insurance Company

Rationale

Strengths:

- Strong position in local markets
- Good operating performance
- Likelihood of government support

Weaknesses:

- Moderate capitalization and obligation to repay its redeemable preferred stock
- Challenging operating environment for guarantee insurers
- Relatively high sensitivity to changes in the regulatory environment

Company Profile

(KRW billion)	FY2006	FY2007	FY2008
Gross exposure	139,788	153,046	170,121
Total revenue	983	1,147	1,142
Net premiums earned	763	788	884
Underwriting profits	393	450	194
Net investment income	156	279	131
Pretax income before cat reserve provision	880	781	400
Pretax income	824	735	344
After-tax net income	549	531	250
Total assets	4,581	4,736	4,480
Adjusted capital	2,216	2,460	2,276
Loss ratio (%)	23	22	50
Expense ratio(%)	17	15	20
Combined ratio(%)	41	37	70

The ratings on Korea-based Seoul Guarantee Insurance Co. (SGIC; A-/Stable/--) reflect its strong position in the domestic market, good operating performance, and the likelihood of support from the government of Korea (local currency: A+/Stable/A-1; foreign currency: A/Stable/A-1). Offsetting factors include SGIC's moderate capitalization and its obligation to repay redeemable preferred stock, the challenging operating environment for guarantee insurers, and the company's relatively high sensitivity to changes in the regulatory environment. SGIC is the only insurance company providing both guarantee and credit insurance in Korea, with domestic guarantee exposure totaling Korean won (KRW) 170 trillion as of fiscal 2008 (ended March 31, 2009). The company also has a strong market position in guarantee insurance, with a market share of about 30%. In addition, SGIC benefits from very limited competition due to the regulation of certain market segments and because other guarantee companies such as cooperatives, banks, and guarantee funds operated by the government offer slightly different insurance products. SGIC's overall operating performance is good, backed by the company's improved risk management system, reduced exposure to riskier business lines, and strong pricing power given its leading market position. The ratings on SGIC reflect the likelihood of support from the Korean government based on its systematic importance to the stability of Korea's financial system, as the company is the only guarantee company providing fidelity, credit, and financial guarantee insurance in Korea. The company's capitalization is moderate compared to its international peers, although it is improving as a result of good operating performance. Standard & Poor's does not expect SGIC's capital adequacy ratio to significantly deteriorate from the redemption of preferred stock, which began in fiscal 2007. We believe that the government will manage the pace of redemption in a way that will not cause a significant deterioration in the company's capitalization. Given guarantee insurers' sensitivity to economic cycles, the challenging operating environment caused by the current economic slowdown could impede operating performance over the next one to two years. Although Standard & Poor's expects SGIC to be able to weather the adverse economic environment to some extent, backed by its diversified portfolio and adequate risk management, the company's underwriting performance is likely to be negatively impacted. Compared to other insurers, SGIC is vulnerable to regulatory changes given that it operates within a statutory oligopoly. The favorable regulatory environment provides SGIC with essential advantages in market share and pricing power. We consider uncertainty over the implications of ongoing discussions on market liberalization to be a midterm risk factor, as changes to the regulatory environment are not expected until SGIC completes repayment of its redeemable preferred stock to the government.

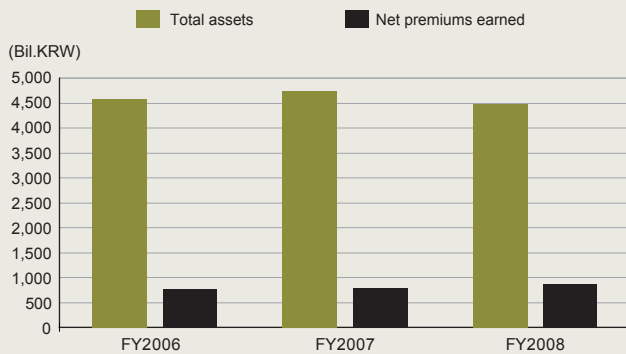
Insurer Profile dated
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Are Available
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Total Assets and Net Premiums Earned



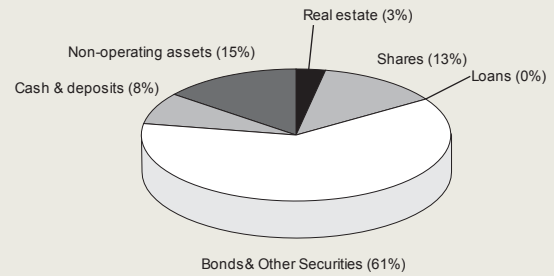
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Standard & Poor's traces its history back to 1860. Today, it is acknowledged as the global financial benchmark whose financial ratings, analysis and information help people throughout the world make well-informed financial decisions. Since 1971, Standard & Poor's has been rating the financial strength of insurers. This includes life insurers, annuity companies, property and casualty insurers, title, mortgage and bond insurers, reinsurers, as well as healthcare plans like HMOs. Standard & Poor's insurance rating services employs specialized financial analysts around the world who regularly report on the financial strength of some 4,000 insurers and reinsurers worldwide.

Standard & Poor's insurance analysts have had many years of training and experience, analyzing domestic and foreign insurance companies, large and small, in many different lines of business, thus making Standard & Poor's a unique source of analytical insight. Added to these strengths in insurance financial analysis is another Standard & Poor's advantage — our Ratings Services include other specialized groups that analyze and rate banks, mutual funds, industrial corporations, municipalities and sovereign governments, as well as the complex financing instruments available in today's dynamic markets. Standard & Poor's thus can call upon these powerful resources to support its analysis of the complex organizations evolving today in the business of insurance, pensions and healthcare.

Given the depth and sophistication of Standard & Poor's analyses, consumers, corporate risk managers, pension and employee benefit managers, as well as insurance brokers, agents and commercial bankers, recognize and value Standard & Poor's insurer financial strength ratings.

Total Asset Composition (FY 2008)



Why Standard & Poor's Insurance Ratings Are Important To You

Buying the right reinsurance program is a major challenge and an important financial decision for your organization. Designing a reinsurance program is a complex task that must weigh the terms and scope of the program, its pricing, the reinsurer's services and responsiveness to your changing needs. The financial strength of the reinsurer is often the most important part of this decision. That's why it's vital to check the reinsurer's Standard & Poor's financial strength rating.

The Ratings Explained

Standard & Poor's ratings represent our opinions about the financial strength of 4,000 insurers and reinsurers around the globe. If you are considering a reinsurer, these ratings help you make informed decisions about its financial strength.

The Standard & Poor's Security Circle Icons are assigned only to insurers and reinsurers which voluntarily submit to Standard & Poor's most rigorous review and subsequently achieve a rating in one of the top four categories for financial strength.

This extensive review includes interviews by Standard & Poor's analysts with the company's management, providing a solid understanding of the reinsurer's current and future operational and financial condition. Further, Security Circle reinsurers also have agreed to cooperate with Standard & Poor's ongoing monitoring of their financial condition. A plus (+) or minus (-) shows relative standing in a rating category.

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