STANDARD
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RATINGSDIRECT®

March 30, 2009

Eureko Group

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Eureko Group

Major Rating Factors

Strengths:
- Strong capitalization
- Strong competitive position
- Strong financial flexibility

Weaknesses:
- Underperforming life and pensions businesses, particularly in The Netherlands
- High geographic concentration in The Netherlands

Holding Company: Eureko B.V.
Counterparty Credit Rating
Local Currency
A-/Negative/--
Operating Companies Covered By This Report
Financial Strength Rating
Local Currency
A+/Negative/--

Rationale

The ratings on Achmea Pensioen- & Levensverzekeringen N.V., Achmea Schadeverzekeringen N.V., Achmea Zorgverzekeringen N.V., Interpolis BTL N.V., and N.V. Interpolis Schade--the operating entities of Netherlands-based insurance group Eureko--reflect the group's strong capitalization, strong competitive position, and strong financial flexibility. The ratings are constrained, however, by Eureko's underperforming life and pensions businesses, particularly in The Netherlands, and its limited geographic diversification.

Eureko's capitalization is viewed as strong. During the course of 2008, Eureko took action to protect its balance sheet from adverse equity movements and de-risking measures have continued into 2009. Although capital adequacy weakened substantially in the fourth quarter of 2008, a €1 billion injection from its shareholders, announced in February 2009, will restore it to the range that Standard & Poor's Ratings Services expects at the ratings level.

Eureko's strong competitive position is supported by its leading positions in the Dutch insurance markets and its diversity by distribution and product line. This is offset, to a degree, by the proportionally low geographic diversity of the group outside The Netherlands.

Eureko's financial flexibility (defined as the ability to source capital relative to capital requirements) is strong. Eureko successfully issued hybrid securities in July 2008 and accessed additional funding from its shareholders in first-quarter 2009. To date, Eureko has not approached the Dutch government to request additional funding.

Eureko is not yet meeting Standard & Poor's expectation of achieving positive value creation in its underperforming Dutch life and pensions businesses. This represents a continuing weakness in the ratings. Underlying performance in non-life insurance deteriorated in 2008, primarily due to market pressures, but underlying health insurance results held up better than expected and are expected to provide some support to the group's performance going forward.

Outlook

The negative outlook reflects continued challenging conditions in Eureko's core market.

The ratings may be lowered if Eureko cannot improve its operating performance to levels comparable with its peers, in life and non-life insurance in The Netherlands, in 2009. Any improvements are expected to be through greater efficiencies and not at the expense of market positions. Notwithstanding a comparison with peers, we should expect the following minimum standards to be achieved: non-life insurance to produce a combined ratio under 97%; life insurance to produce new business margins in excess of 1.2%; basic health insurance to show a reduced expenses ratio; and supplementary health insurance to show a combined ratio under 95%.

A revision of the outlook to stable is likely if Eureko produces results for 2009 that are at least in line with its major peers in the Dutch market.

Corporate Profile: Major Dutch insurance group

Eureko offers a full range of life, non-life, health, and pension products primarily in the Dutch market. In The Netherlands, it is No. 1 by gross premiums written (GPW) (2006) in the non-life sector, No. 3 in life and pensions, and No. 1 in health (including occupational health). Eureko also has insurance operations in Ireland (Friends First), Greece (InterAmerican), and Turkey (Eureko Sigorta), and smaller interests in France, the Slovak Republic, Romania, Bulgaria, Cyprus, Belgium, and Russia. Eureko also has a 33% investment in Powszechny Zaklad Ubezpieczen S.A. (PZU) (Poland) and offers banking services in The Netherlands and Ireland. The group is privately owned, with the largest shareholders being Vereniging Achmea (54.5% as at Dec. 31, 2008) and Rabobank Nederland (39.5%). Vereniging Achmea is a Dutch mutual operating for the benefit of Eureko, its employees, and its clients.

In December 2008, Eureko B.V. closed its agreement to acquire 100% of Russia's PromSvyazCapital Group's insurance businesses; LLC Insurance Company Oranta and CJSC Insurance Company Oranta-M--collectively known as 'Oranta'. Oranta ranks number 23 (GPW, 2007) in Russia and focuses mainly on motor insurance, with a multi-channel, nationwide distribution network, with principal operations in Moscow and St Petersburg. In the same month, Eureko completed the sale of 75% of its Euroclinic business in Greece to South Eastern Europe Fund L.P. ('SEEF'), a fund advised by Global Finance

Competitive Position: Leading Positions In Dutch Insurance Markets

Table 1

Eureko Group/Business Statistics					
	--Year ended Dec. 31--				
(Mil. €)	**2007**	**2006**	**2005**	**2004**	**2003**
Consolidated					
Total gross premiums written	14,853	14,302	6,577	5,524	5,656
Total assets under management	89,522	77,081	82,703	98,131	108,653
Nonlinked (%)	56.3	51.1	48.3	24.5	18.8
Linked (%)	23.6	26.5	23.2	8.2	6.4
Third-party funds (%)	-	--	8.6	50.0	59.1
Banking assets (%)	20.1	22.4	19.9	17.3	15.8
Non-life*					
Gross premiums written	10,436	9,838	3,770	3212.6	3052.8

Table 1

Eureko Group/Business Statistics (cont.)					
Net premiums written	9,610	9,093	3,632	3,091	2,930
Life					
Gross premiums written	4,417	4,464	2,807	2,312	2,603

*Non-life ratios are distorted by the combination of non-life and health business.

Eureko's strong competitive position is supported by its leading positions in the Dutch insurance markets and its diversity by distribution, brand, and product line in those markets.

Eureko has a strong competitive position in The Netherlands. By GPW, it ranks in the top three in the life, non-life, and health segments, and No. 1 overall. Standard & Poor's expects this strong competitive position to be leveraged to produce superior earnings for the group in The Netherlands, but notes that this has not been the case in the past few years. Premiums in basic and supplementary health grew strongly in 2008, up about 16% organically and a further 54% due to the addition of Agis. Life sales fell 4% year on year, with single premium business showing the larger fall, while GPW for non-life insurance were flat in 2008.

Eureko in The Netherlands operates under the Achmea banner. Within that, Achmea operates a multi-brand strategy, split by product (for example, Zilveren Kruis for health and occupational health insurance and the Agis health brand) and distribution channel (for example, Centraal Beheer for direct distribution, Interpolis for bank distribution, and Avero for intermediaries). Standard & Poor's regards this multi-brand approach in The Netherlands as sound and appropriate to the business. Achmea companies are frequently placed well in customer satisfaction surveys, across life and non-life business. The main area of relative weakness for distribution remains the intermediary channel, where the Avero brand does not have a strong position. Achmea's three-year program to improve client relationship management systems, including better data management and a rationalization of IT platforms, remains a key deliverable in the near term, and has not delivered expected results to date. About 15% of GPW in The Netherlands are distributed through Rabobank, under the Interpolis brand. The recent pressure on the broker channel affects Eureko less than some peers, due to its lesser reliance on intermediaries. In 2008, a new threat arose from the banking sector in the form of the spaar-banken products (effectively insurance savings contracts, without any insurance element), but this has been slow to make an impact to date.

Eureko lacks geographic diversity, but retains reasonable diversity by business line in its main markets. In 2008, about 93% of GPW arose in The Netherlands. Within The Netherlands, about 55% of GPW in 2008 were from basic health insurance, about 21% were from life insurance and the remainder was from non-life, supplemental health, and occupational health insurance. As the businesses develop in other markets, particularly Turkey, the geographic profile of the group will change, but this is expected to be a medium- to long-term shift, supplemented by several other small acquisitions.

Outside The Netherlands, the results for 2008 show flat sales in health, a 9% fall in life GPW, and a 39% increase in non-life premiums (of which about three-quarters is due to the full-year consolidation of Eureko Sigorta). However, the largest drop in revenue came from single premium investment contracts in Ireland, where premiums fell to €250 million from €689 million in 2007.

Prospectively, Eureko is expected to grow in line with the Dutch market in terms of GPW and maintain its leading positions in life, non-life, and health markets, while improving its new business margins (life) and combined ratios (non-life and health) relative to its peers. Outside the Dutch market, Eureko will need to stabilize market positions and contributions to the group in its main markets of Greece, Turkey, and Ireland, and continue to develop its operations in its other markets.

Management And Corporate Strategy: Good Track Record, But With Some Challenges Ahead

Eureko's management and corporate strategy are viewed as appropriate to the ratings. Standard & Poor's gives credit for the management team's track record of re-shaping the business since 2002 and the speed with which the Interpolis businesses were integrated. Offsetting this is the delayed improvement in profitability of the Dutch business and the challenges facing the nondomestic operations. We believe that the newly appointed CEO, Willem van Duin, will bring a mix of continuity and new life to the organization, but we wait to see if this will result in Eureko fully exploiting its strong market positions in the short to medium term. With both the CEO and CFO changing in the past nine months, Standard & Poor's expects stability in the senior management team going forward.

Strategy

Management's track record has historically added to the value of the group, but we consider that more focus on improving the profitability of its core businesses and its strategy and performance outside The Netherlands is required.

In the period from 2002 to 2005, management did much to reshape the Eureko group and position it for the future. The merger with the insurance operations of Rabobank in 2005 was another positive step and the speed with which the combined group was restructured (into seven functional Divisions in early 2006) was seen as another demonstration of good group management. The acquisition of Agis also makes good strategic sense to the group, filling in gaps in some of the Dutch regions and bringing good economies of scale to the health operations, although the five-year transition period for the full merger dampens these gains to a degree.

Outside The Netherlands, the strategy seems to be less cohesive. In Poland, Eureko has a strategic investment ("33% minus one share" stake) in the market-leading insurer PZU and Powszechny Zaklad Ubezpieczen na Zycie S.A. (both are rated A-/Negative/--), but this has embroiled the group in an ongoing dispute with the Republic of Poland over the future of PZU, and is a source of considerable management distraction. The failure of the Polish government to honor the agreement made in 1999 to sell a majority stake in PZU to Eureko, has neutralized Eureko's plans to develop its presence in Central and Eastern Europe. It is also concerning that no dividend was paid out to shareholders in respect of 2006, 2007, or (expected) 2008 and there remains a question over whether Eureko will be able to extract this increase in retained profits at PZU as part of the current negotiations.

Eureko's operations in Greece have been underperforming for several years and it is taking some time for the management to turn it around to the level required within the group. The operations in Slovakia, Bulgaria, and Romania appear to be on track, as do the recently acquired businesses in Turkey, although the price paid for them was high and incorporated a large degree of future value. Friends First in Ireland had a very tough year in 2008, due to its reliance on single premium business and real estate funds, and it is likely to struggle in 2009 for the same reasons. If managed well, this portfolio of nondomestic operations could provide meaningful diversification for the Eureko group in the medium term, but in the near term, division Europe will continue to face a number of management challenges and will require strong leadership to realize its potential.

Financial management

The successful restructuring of the balance sheet and the group since 2002 has led Standard & Poor's to look favorably on the group's financial management. The balance sheet has further developed since 2005, with Eureko's issues of hybrid equity. Economic/risk-based capital modeling is progressing well and is starting to be used throughout the group for financial decision making, for example, in hedging investment exposures or structuring the reinsurance program. Further progress on enterprise risk management (ERM) may be important to the ratings going forward, especially if the group expands meaningfully outside The Netherlands, but this is not expected in the near term.

Operational management

The main challenges facing the operational management of the group are the delivery of the remaining planned synergies of the Interpolis merger, improving profitability in the Dutch life business (through delivery on the IT system rationalization plan), maintaining profitability in the Dutch non-life business, and stabilizing the experience in the Dutch health businesses. Division Europe has further operational challenges, each of which seems to be somewhat country-specific. Progress of the new operational efficiency program (SENS) will be a good, objective measure of the new management team's ability to deliver on its goals.

Enterprise Risk Management: Adequate, But Improving

We consider the quality of Eureko's enterprise risk management (ERM) framework to be adequate, but note the progress being made to establish and improve control processes throughout the group. The Value & Risk program and Key Risks program are delivering improved information to management. It will take time for strategic decisions for the group to truly be based on the ERM framework, but the capital modeling is already being used for certain financial decisions and the culture of risk management is growing throughout the organization. Risk appetite is still being determined, but is currently defined by the Board using its economic capital model and "profit at risk," but these concepts are still being developed.

A new ALM Framework was introduced in 2008, using replicating portfolios and decision matrices to optimize asset allocations. There is increased focus on value-based management, but it is not yet fully embedded in the planning processes of the group. Preparations toward Solvency II appear to be progressing well, including participation in the fourth Quantitative Impact Study (QIS4) and the recent full membership gained of the CRO Forum, both of which demonstrate Eureko's progress and commitment to ERM going forward.

A new Group Financial Risk Committee has been established to focus on integrated financial risk management, which dovetails with the Group Operational Risk Committee, to cover all group risks. The scope of the Reinsurance Committee has been extended to look at all insurance risks. These are viewed as positive developments in Eureko's ERM framework.

Eureko allocates capital to each risk using its economic capital model and other sources and identifies its risks as: Strategic (based on its portfolio of companies and investments), Market, Insurance, Credit, Liquidity, and Operational. Management of each of these risks then falls to a committee at the holding and/or division level. Outside The Netherlands, each operating company within the group has its own Risk Department, which reports through the local Board to the group Executive Board. Achmea Bank operates its own risk management system.

All risks are monitored and reported on throughout the year. External audits of the control processes are carried out biannually (by KPMG). Internally, a broad array of monitoring and reporting schedules are in place, including: "in control" statements that are required from each Division and Holding department once a year, quarterly solvency statements for each legal entity showing their exposure to the risk of immediate interest rate and equity shocks and the Economic Capital model which is run fully once a year, with approximate updates in between.

Accounting: Standard Analytical Adjustments To IFRS Financials To Compute Total Adjusted Capital

Eureko adopted International Financial Reporting Standards (IFRS) in 2005. This had a relatively limited impact on our analysis.

Standard & Poor's made the following material adjustments to reported shareholders' equity to calculate total available capital (TAC):

- 50% credit given for the value in force of the life operation, which includes provision for the cost of options and guarantees and the cost of capital;
- Deduction of the non-life deferred acquisition costs from TAC;
- Deduction of the accrued dividend on 2008 earnings;
- The discount of non-life loss and unearned premium reserves added to TAC;
- Credit given for reserve redundancies in the Dutch non-life business; and
- A net charge made for a one-in-250-year property aggregate catastrophe loss.

Operating Performance: Strength Derived From Diversity Within The Dutch Market, But Overall Profitability Still Below Expectations

Table 2

Eureko Group/Operating Statistics

	--Year ended Dec. 31--				
(Mil. €)	**2007**	**2006**	**2005**	**2004**	**2003**
Consolidated					
Total revenue	17,953.0	18,696.0	11,620.2	8,583.6	8,601.4
Net income	979.0	984.8	705.9	1,022.5	265.0
Non-life*					
Non-life revenue	10,278.0	9,986.5	4,545.5	3,889.6	3,681.0
Profit before tax	437.0	521.1	423.7	322.6	297.3
Life					
Life revenue	6,056.0	7,330.3	5,841.0	3,658.3	3,742.2
Profit before tax	470.0	532.8	201.5	184.9	290.0

*Non-life ratios are distorted by the combination of non-life and health business.

Eureko's operating performance is strong overall, but has not been improving in line with our expectations. Improvement of back-office systems is continuing, but has not yet been sufficient to offset other pressures in the life and non-life markets. In health insurance, on the other hand, Eureko has benefitted from its merger with Agis and is now a market leader, producing a small but growing profit. Although the current performance is below that which

Standard & Poor's expects at this rating level, we believe that the quality of earnings, arising primarily from the three distinct segments in The Netherlands, is something that can be built on and can deliver the required results in the rating horizon.

Life insurance

Operating performance in life was negatively affected by adverse investment markets in 2008. Over the course of the year, embedded value fell to €4.1 billion, from €6.4 billion. Value of new business fell by 39%, compared to 2007, to €41 million, driven by a large fall at Friends First in Ireland. This led to an overall new business margin of 1.3%. Value of new business in The Netherlands decreased by about 11% to €33 million, meaning that the home market produced about 80% of new business value for the group, off about 90% of the GPW.

Pensions Services has been rebranded (Syntrus Achmea), but will need to focus on gaining and retaining customers to achieve profitable scale in this competitive market. Pension Insurance has prospects over the longer term, but is not expected to produce strong results in the short term.

Non-life insurance

Non-life results in 2008 benefitted from fewer than average catastrophe events. Eureko aims to maintain its market leadership in the non-life segment, but pressure on pricing will mean that greater operating efficiency and lower costs of acquisition will be needed to maintain profit here. In 2008, the expense ratio for the group worsened again, to 31.7%, but the claims ratio benefitted from fewer catastrophes, to the tune of 2.2%.

Health--Basic

The Basic Health market in the Netherlands is a volume business, where profitability is driven by cost management. From a higher-than-expected level in 2007, the cost ratio improved markedly in 2008 to nearly break even, at a combined ratio of 100.8%. We expect basic health insurance to produce a low, but high quality, revenue for the group going forward.

Health--Supplementary

Supplementary Health in The Netherlands got off to a rocky start in 2007, following the changes to the State health provision. However, actions taken by Eureko on underwriting standards and policy terms at the end of 2007 and for renewals in 2008 appear to have had an effect. Supplementary Health returned to profitability in 2008, posting a combined ratio of 90.3%, and we expect it to remain profitable in the coming years, with the income stream growing as the market evolves. This line should provide another stable source of earnings for the group going forward.

Health--Occupational

The Occupational Health (Workers' Compensation) market in The Netherlands is proving to be very difficult at the moment. Demand for Occupational Health Services is expected to continue to grow, but threats from complex and changing legislation, in addition to the usual competition issues, are likely to have a negative impact on pricing and contribution to the bottom line over the next few years.

Other

Operational and commercial synergies identified at the time of the merger with Interpolis in 2005 are now being delivered. Rationalization of back offices for different divisions and group and the formation of combined claims handling centers are also contributing strongly to the efficiencies. Standard & Poor's notes that delivery on IT projects has been a relative weakness for the group in the recent past, but it now appears to be on track and is starting to deliver benefits to the group, but a lot of the planned synergies are still to feed through to the bottom line. The remainder of the synergy savings will need to come from the commercial side, but current market conditions are likely to delay realization of these. The new SENS program is expected to build on these cost reductions, to produce annual savings of about €300 million by 2011.

Europe

Eureko's plans to expand outside The Netherlands will, to a large degree, depend on its ability to turn its home market into a strong profit and cash contributor to the group. That said, the recent acquisition in Turkey is already contributing well to the group, particularly on the non-life side. Europe remains a minor contributor to the group's bottom line.

No dividend was paid from PZU to shareholders in respect of 2006 or 2007 or is expected to be paid in respect of 2008, resulting in more of the value of that investment being trapped within it. The PZU situation also represents a continued management distraction for the group.

Standard & Poor's expects Eureko to improve its overall operating performance over the short to medium term. It is important that Eureko improves its relative performance in Dutch life and non-life markets, to demonstrate that it is able to capitalize on its large market presence. Continued improvement in the level of profit coming through health insurance will also be important to the rating in the near term.

Investments: Well Diversified, With Limited Exposure To Subprime Assets

Table 3

Eureko Group/Investment Statistics

	--Year ended Dec. 31--				
(Mil. €)	**2007**	**2006**	**2005**	**2004**	**2003**
Total investments	71,487.0	59,808.5	59,144.0	32,091	27,339
Investment in affiliates (%)	6.6	6.8	6.3	6.1	3.2
Bonds and other fixed-interest securities (%)	45.7	57.7	59.5	66.1	59.8
Mortgages (%)	--	0.6	1.8	0.2	0.0
Equities and other variable-interest securities (%)	11.8	14.6	11.5	11.5	14.5
Property (%)	3.2	4.2	3.6	4.7	7.2
Cash and bank deposits (%)	4.7	2.7	3.3	2.9	8.6
Loans and private placements (%)	7.6	10.7	11.8	5.2	6.5
Derivatives (%)	1.6	2.1	2.1	3.0	0.0
Other investments (%)	18.7	0.6	0.1	0.2	0.2
Total nonlinked investments (%)	70.5	65.9	67.5	74.9	74.7
Assets held to cover linked liabilities (%)	29.5	34.1	32.5	25.1	25.3

Eureko's investment profile is considered to be very strong; however, we note that the adverse market movements of 2008 have had a large impact on Eureko's capital and operating performance. The portfolio is well diversified and appropriate for its liabilities, although a number of concentrations exist. Credit quality is high, and market risk has been reduced to moderately low levels, with further de-risking actions being taken at the end of 2008 and the start of 2009. Asset-liability management is good in The Netherlands and asset-liability management testing and procedures have now been implemented across the group, which should lead to a more stable contribution to the bottom line in future. Eureko continues to develop its economic capital model that will be used to optimize the allocation of capital among the different business lines in due course.

Investment strategy

Eureko uses a concept of Profit at Risk and replicating portfolios to help it to optimize its investment portfolio. As at Dec. 31, 2008, the consolidated Eureko group held about 76% of its assets in fixed income, 7% in equities, 5% in real estate, and the remainder in other assets, cash, and derivatives.

Credit risk

Credit risk is low for Eureko. At Dec. 31, 2008, about 91% of the bond portfolio was rated 'A' or higher (79% 'AA' or better) and about 5% was below investment grade. Exposure to subprime and similar assets has proven very limited, although large write-downs had been suffered on holdings in associated companies, Millenium BCP and F&C. Eureko has strengthened its impairment polices over 2008 and is more actively managing its exposures in light of recent market events.

Liquidity: Strong, Based On Substantial Marketable And Near-Cash Instruments

Liquidity is viewed as strong, being supported by the substantial portfolio of marketable securities and near-cash instruments. Cash inflows exceed cash outflows in both the life and non-life businesses, lending further support to the robust balance sheet liquidity. Additional liquidity comes from committed credit facilities of about €750 million at Eureko B.V. (A-/Negative/--); however, part of these facilities were used to finance the redemption of the EMTN program debt at Achmea Holding in 2008. There have been no changes to Eureko's policies for available liquidity at holding and operating entities in 2008.

Capitalization: Strong In Amount And Quality

Eureko's capitalization is viewed as strong. Capital adequacy, as measured by Standard & Poor's risk-based capital model, is strong and expected to remain so. Quality of capital is also strong, with about 25% of required capital covered by hybrid, 13% by future profits, and the balance from shareholders' equity. On a statutory basis, solvency coverage was about 175% for the group, after the pro forma addition of the capital injection from the group's shareholders, expected to complete in April 2009. The actual solvency level had fallen to 150% as at end-2008.

Capital in the group is no less fungible than for most other insurance groups, with the exception of certain of the Dutch and Slovakian Health subsidiaries, which have legal or tax constraints on the transfer of capital or dividends to other group entities.

The market turmoil has hampered Eureko's capital position. Eureko suffered from exposure to equity and real estate investments in 2008, mitigated to a degree by some hedge protection bought on its equity holdings in the second quarter. Eureko had relatively little exposure to subprime and related assets. The largest hits to Eureko's balance sheet arose from impairments, including its holdings of Millenium BCP and F&C shares, which were written down markedly over the course of the year.

Reserves

Standard & Poor's considers the life reserves to be adequate and makes no additional haircuts to credit given for value in force in the capital model.

Non-life reserves are adequate, and material adverse reserve development on previous years is not expected to emerge. This conclusion is based on a review by Standard & Poor's of about 80% of Eureko's Dutch non-life and health reserves as at year-end 2007. In addition, as a result of this review, we consider that some redundancy exists in these reserves and, consequently, give them partial capital credit in our analysis. Eureko tests its reserves deterministically on a quarterly basis and, for non-life, stochastically on an annual basis. The actual level of reserves is actively managed to within a band around target levels.

Reinsurance

Eureko benefits from a comprehensive reinsurance program, which provides very good coverage against claims frequency and severity. This program is provided mainly by leading reinsurers, all of which are rated 'A-' or higher for short-tail contracts and 'A+' or higher for long-tail contracts. Eureko's catastrophe program provides cover for a one-in-200-year event. Some adjustments were made to both the catastrophe and noncatastrophe programs for 2008, to better fit with the risk profile of the group and the risk appetite of the management.

The reinsurance programs for all operating entities within Eureko are controlled by central guidelines (for example, security, cost, risk-based capital). Currently, Eureko maintains a two-track policy for reinsurance buying:

- For the divisions of Achmea in The Netherlands, the reinsurance buying is fully centralized through Eureko Re N.V. (Netherlands). Eureko Re N.V. optimizes net retentions from a group perspective and retrocedes to its reinsurance subsidiary Eureko Re Ltd. (Ireland) and to the external reinsurance market.
- The reinsurance buying model for the (non-Dutch) Operating Companies is decentralized, reflecting a more autonomous position for these operating companies within Eureko's central reinsurance policy framework. Eureko Re N.V. (Netherlands) participates in a number of non-life programs and Eureko Re Ltd. (Ireland) participates in a number of life programs for the non-Dutch entities.

In both cases, all operating entities retain the bottom-line responsibility for the type of reinsurance and retention levels they request.

Leverage and coverage

It is Eureko's policy to finance its insurance activities at the holding level, so no debt is issued by the insurance operating entities. Eureko B.V. is the ultimate holding company for the group and has the following leverage profile, as calculated by Standard & Poor's.

Table 4

Eureko B.V.'s Leverage Profile

	--Year ended Dec. 31--				
	2007	**2006**	**2005**	**2004**	**2003**
Ordinary debt/capital (%)	25.7	15.0	18.4	24.6	45.4
Hybrid debt/capital (%)	16.4	17.1	12.5	8.3	15.3
Interest coverage (x)	11.8	21.3	14.8	9.8	5.2
Fixed-charge coverage (x)	6.2	9.0	8.2	7.4	4.2

Financial Flexibility: Taking Advantage Of Its Private Ownership

Table 5

Eureko Group/Financial Statistics					
	--Year ended Dec. 31--				
(Mil. €)	**2007**	**2006**	**2005**	**2004**	**2003**
Non-life*					
Net technical reserves/gross technical reserves (%)	93.5	94.8	94.7	94.3	93.2
Life					
Life deferred acquisition costs/gross life reserves (%)	0.9	0.8	0.9	1.3	1.0

*Non-life ratios are distorted by the combination of non-life and health business.

Eureko's financial flexibility is strong. In 2005, Eureko entered the capital markets through the issue of hybrid securities. Subsequent issues have also been well received by the market. In the stress events of 2008, Eureko has exercised some of the financial flexibility inherent in its ownership structure, with additional capital being provided by its two major shareholders. To date, Eureko has not approached the Dutch government to request additional funding.

Table 6

Eureko Group/Members
Achmea Pensioen- & Levensverzekeringen N.V.
Achmea Schadeverzekeringen N.V.
Achmea Zorgverzekeringen N.V.
Interpolis BTL N.V.
N.V. Interpolis Schade

Ratings Detail (As Of March 30, 2009)*	
Holding Company: Eureko B.V.	
Issuer Credit Rating	
Local Currency	A-/Negative/--
Junior Subordinated (4 Issues)	BBB
Senior Unsecured (2 Issues)	A-
Subordinated (1 Issue)	BBB+
Operating Companies Covered By This Report	
Achmea Schadeverzekeringen N.V.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Counterparty Credit Rating	
Local Currency	A+/Negative/--
Achmea Hypotheekbank N.V.	
Issuer Credit Rating	A-/Stable/A-2
Certificate Of Deposit	A-/A-2
Commercial Paper	
Local Currency	A-2
Senior Secured (6 Issues)	A+

Ratings Detail (As Of March 30, 2009)*(cont.)	
Senior Unsecured (1 Issue)	A-
Short-Term Secured Debt (1 Issue)	A-1
Subordinated (2 Issues)	BBB+
Achmea Pensioen- & Levensverzekeringen N.V.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
Achmea Zorgverzekeringen N.V.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
Interpolis BTL N.V.	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
N.V. Interpolis Schade	
Financial Strength Rating	
Local Currency	A+/Negative/--
Issuer Credit Rating	
Local Currency	A+/Negative/--
Related Entities	
Achmea Holding N.V.	
Issuer Credit Rating	
Local Currency	A-/Negative/A-2
Domicile	Netherlands

*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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