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Bulletin:

Wuerttembergische Lebensversicherung Ratings Unaffected By Stop To Dividend Payments Following Life Insurance Reform

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FRANKFURT (Standard & Poor's) July 17, 2014--Standard & Poor's Ratings Services said today that Wuerttembergische Lebensversicherung AG's (WL) 'A-' ratings are unaffected by management's decision to stop dividend payments.

We continue to regard WL as a core subsidiary of W&W Group, and consider that its financial security to policyholders remains unchanged. The life insurance product offering in our view is a key pillar of W&W's bancassurance strategy and an integral part of its cross-selling efforts.

The company's decision follows the recently approved German life insurance reform, which restricts German life insurers' ability to distribute dividends under certain conditions relating to their sustained ability to meet long-term policyholder guarantees (for further details see "German Life Insurance Reform Proposals Favor Policyholders," published on June 18, 2014, on RatingsDirect). The decision was made public as an ad hoc announcement because 16.58% of the shareholders in this subsidiary of W&W AG are external.

WL contributed a sizable 28% share or €44 million to W&W Group's net income in 2013. However, over the past few years WL retained nearly all earnings to strengthen its capital position, thereby not materially contributing to the group holding W&W AG's ability to pay dividends to its shareholders.

Furthermore, in our view, the temporary stop to dividend payments does not undermine WL's ability and willingness to meet the interest payment requirements on its two outstanding subordinated debt issues (both rated 'BBB'). While the optional deferral trigger allows deferral of coupons 12 months after the last dividend payment, WL publicly stated its commitment and willingness to continue coupon payments. We also assume that WL maintains the earnings capacity to meet these interest payments in the future.

RELATED RESEARCH

- "German Life Insurance Reform Proposals Favor Policyholders," June 18, 2014
- Wuerttembergische Lebensversicherungs AG's Proposed Junior Subordinated Notes Rated 'BBB', April 23, 2014

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