

INTERNATIONAL HEALTH INSURANCE DANMARK A/S

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RATIONALE

On April 7, 2004, Standard & Poor's Ratings Services raised its public information ('pi') counterparty credit and insurer financial strength ratings on Denmark-based International Health Insurance Danmark A/S (IHI) to 'Api' from 'BBBpi'.

The ratings reflect IHI's extremely strong earnings and strong levels of capitalization and technical reserves, although a significant exposure to reinsurance support is noted. The ratings are based only on published financial information and additional information in the public domain.

IHI is the world's largest provider of international private health insurance, with a 19% market share. The company is ranked seventh in the corporate market, with a share of 7%. The overall market is small and specialized, with premium volumes of approximately 2.3 billion. IHI offers protection against healthcare expenses internationally, and is targeted at corporate clients with travelling staff, expatriates, and affluent individuals. The company is represented in many countries, primarily in South America and Europe, with 59% of 2003 gross premium income being derived from the Americas, and 8% from Denmark; the remainder was derived from other European countries.

Premiums fell slightly in 2003 by 1.3% (2002: 11.7% growth), due to exchange rate movements between the dollar and the Danish krone. In 2001, IHI changed its reinsurance program significantly, reducing gross premium retention to just 50% in 2003 from 98% in 2000.

Earnings are considered to be extremely strong. Increased reinsurance cessions have changed the profile of IHI's technical account post-2001, and the technical results recorded attest to significantly increased profitability. The combined ratio fell to 79% in 2003 (2002: 84%), and the company recorded a very satisfactory pretax return on adjusted equity of 43% (2002: 40%). Earnings on a gross basis are stronger, with a 64% combined ratio for 2003 (2002: 71%). This allays some concerns over IHI's dependence on its reinsurers, which benefit considerably from IHI's success.

Capitalization is considered to be strong. In 2001, net premium exposure fell dramatically in relation to capital as a result of the increased utilization of reinsurance support; in 2003, the solvency ratio (net premiums written/adjusted shareholders' funds) was strong at 145% (2002: 201%). Although the increased utilization of reinsurance support leaves the company exposed to counterparty credit risk, Standard & Poor's draws significant comfort from the company's use of two highly rated reinsurers, **Koelnische Rueckversicherungs-Gesellschaft AG** (AAA/Stable/--), and **Converium AG** (A/Stable/--). Reinsurance is mostly on a quota share basis, as IHI is not particularly exposed to high severity claims. In the unlikely event of reinsurers not renewing, IHI could continue to write its current levels of business with solvency remaining satisfactory.

Technical reserves appear to be at a strong level. The account is short tail, with claims generally paid out within six-nine months; the company has an impressive history of run-off profits recorded since 1995. Technical reserves, at 33% of net premium income, are viewed as acceptable--albeit at a slightly reduced level compared with 2002, due to a change in reserving policy at IHI reflecting the consistent run-off profits. Shareholders' funds continue to support the reserves. A very strong level of liquidity is noted, with technical reserves amounting to just 23% of liquid assets. Exposure to equity investments is minimal.

RATINGS LIST

International Health Insurance Danmark A/S

- Public information counterparty credit rating
- Public information insurer financial strength rating

TO

FROM

Api/--/--

BBBpi/--/--

Api

BBBpi

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