STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

# Lower-For-Longer Interest Rates: Assessing The Risk To Europe's Life Insurers

**Primary Credit Analyst:**
Lotfi Elbarhdadi, Paris (33) 1-4420-6730; lotfi.elbarhdadi@standardandpoors.com

**Secondary Credit Analysts:**
Mark Button, London (44) 20-7176-7045; mark.button@standardandpoors.com
Miroslav Petkov, London (44) 20-7176-7043; miroslav.petkov@standardandpoors.com
Volker Kudszus, Frankfurt (49) 69-33-999-192; volker.kudszus@standardandpoors.com
Taos D Fudji, Milan (39) 02-72111-276; taos.fudji@standardandpoors.com

## Table Of Contents





1470178 | 302045798

# Lower-For-Longer Interest Rates: Assessing The Risk To Europe's Life Insurers

Interest rates in Europe have been sliding for many years and dropped precipitously last year to near zero, with sweeping consequences for the business models of many companies--especially traditional life insurers (see chart 1 below). That's because most life insurers in Europe offer savings products with guaranteed returns and rely heavily on investment returns to match the guarantees they offer. Here, Standard & Poor's assesses the extent of the risks to European life insurers. Based on our analysis of the life insurers we rate in Europe, and given our economists' recently revised expectations that rates will remain lower for longer, we believe low interest rates will remain the No. 1 source of risk the companies face for the next couple of years at least.

The earnings potential and capital adequacy of insurers more exposed to interest rate risk in our view will continue to gradually trend lower, and, all other things remaining equal, could lead to negative rating actions in coming years. This opinion is one of the main reasons for the negative bias to our ratings in the sector. That said, we do not expect a high proportion of our ratings to be at risk, based on our base case interest rate forecasts through to 2017. The risk to ratings is likely to be the greatest for those insurers whose capital adequacy, earnings diversity, and management actions are likely to fall short in counteracting low interest rates. How each insurer's product features, pricing and guarantee structures, and asset allocations evolve will also play a major role as we form our credit opinion.

**Overview**

- Low interest rates have trended down even lower in the past year in Europe, and in our view are now the main threat to capital and earnings for the region's insurers, particularly for life and savings players.
- However, vulnerability to interest rate risk varies across markets and insurers.
- To lessen the threat, regulators and insurers have been reacting with a number of measures.
- The ability of insurers to withstand low interest rates will largely depend on how they adjust their risk-return balance and adapt to market dynamics.

## The Importance Of Product Features And Business Mix

The life insurers that are most exposed to interest rates are those with a traditional long-term savings business with guaranteed rates. The higher and longer-tenor the guarantees offered, the greater the pressure on capital and earnings. Other factors that make one insurer more vulnerable than another are the level of interest rates in the country of exposure, asset-liability duration mismatches, and product mixes, as well as how prudently each one manages its risks and capital adequacy. An insurer with strong capital management is better positioned to withstand interest rate risks.

According to our estimates and market data, the countries with the highest and longest traditional savings guarantees on the existing business portfolio include Germany, Austria, Belgium, the Netherlands, Norway, Denmark, Finland, Switzerland, and Sweden. Countries such as France and Italy feature lower long-term guarantees on average. Spanish

savings products offer relatively high guarantees, but practices pertaining to the matching of assets and liabilities are stringent enough to limit reinvestment risk. The U.K. life market has long been gearing toward unit-linked contracts without investment guarantees (where the policyholder bears the investment risks), and consequently carries relatively low exposure to interest rate risks.

We analyze exposure to interest rate risk as part of our Insurance Industry and Country Risk Assessment (IICRA; see table 1). This is a major building block in our assessment of an insurer's business risk profile and in the assignment of our ratings. More specifically, our views about interest rate risk feed into our industry risk assessment, particularly in our evaluation of product risk and profitability. As such, we generally view product risk, and to some extent profitability, as negative industry risk factors overall for markets featuring high guarantees or an asset-liability mismatch. For instance, this year we revised our IICRA on the Nordic (Denmark, Sweden, Norway) and Austrian life markets to intermediate risk from low risk, because we saw heightened product risk from their large exposure to low interest rate risks. For the German life insurance market, while our IICRA remained unchanged, earlier this year we changed our view on one of the IICRA's building blocks, industry risk, to moderate from intermediate, due to our view that low interest rates will have more of a pronounced negative effect on the sector's earnings expectations.

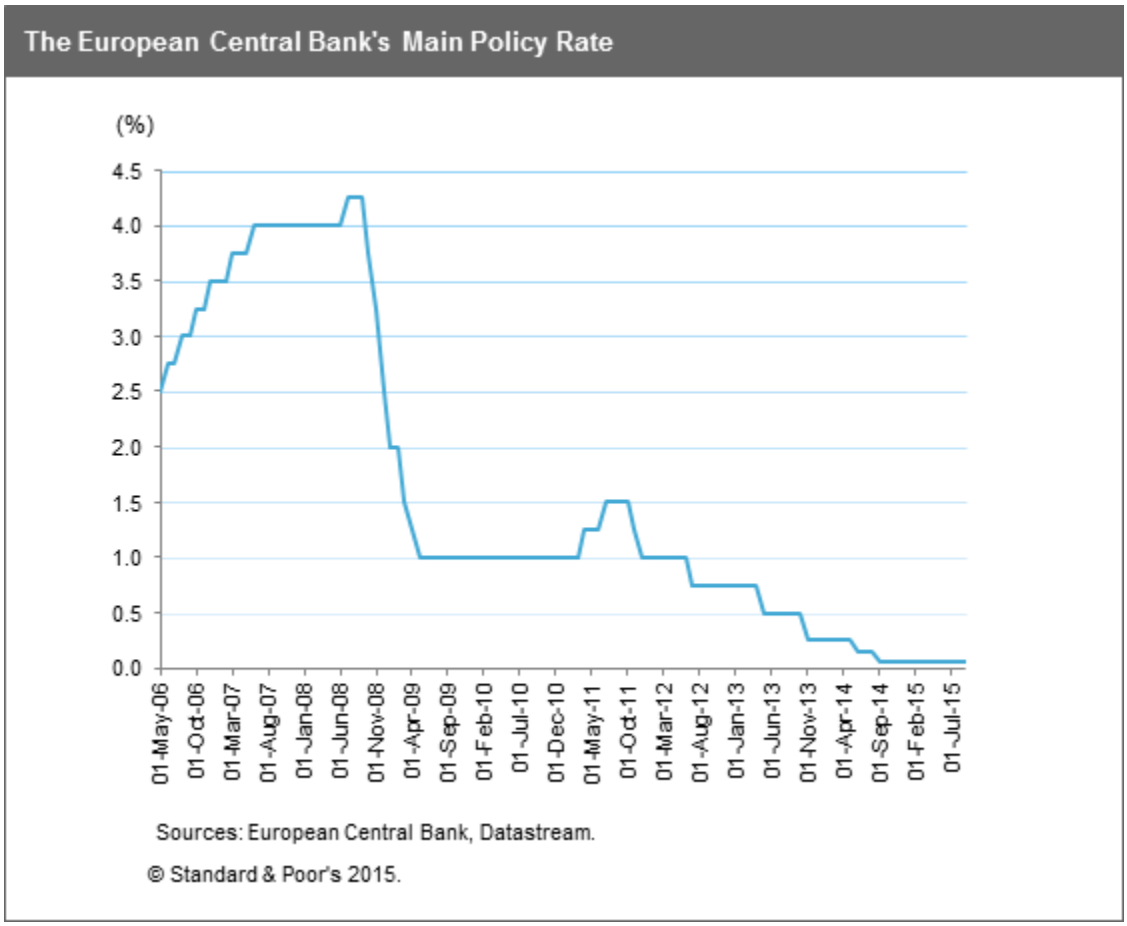
**Table 1**

**Guarantees And IICRA Assessments**

| Country | Guaranteed rate on backbook (%) | Maximum guaranteed rate on new business | Share of traditional life reserves | IICRA | Country risk | Industry risk | Product Risk | Profitability |
|---|---|---|---|---|---|---|---|---|
| Germany | 3.00 | 1.25 | 70 | Intermediate risk | Very low risk | Moderate risk | Negative | Negative |
| France | 1.00 | 0 | 77 | Low risk | Low risk | Intermediate risk | Neutral | Neutral |
| Italy | 1.60-1.80 | 0 | 80 | Moderate risk | Moderate risk | Intermediate risk | Neutral | Neutral |
| Denmark | 2.50 | 0-1.50 | 71 | Intermediate risk | Very low risk | Intermediate risk | Negative | Neutral |
| Sweden* | 3.30 | 0 | 57 | Intermediate risk | Very low risk | Intermediate risk | Negative | Neutral |
| Norway | 3.00-3.50 | 0-2.00 | 85 | Intermediate risk | Very low risk | Intermediate risk | Negative | Neutral |
| Finland | 3.00-3.50 | 0-1.50 | 42 | Intermediate risk | Low risk | Intermediate risk | Negative | Neutral |
| U.K. | N.A. | N.A. | 29 | Low risk | Very low risk | Intermediate risk | Neutral | Neutral |
| Spain | 3.00-3.50 | 1.00 | 88 | Intermediate risk | Very low risk | Intermediate risk | Neutral | Neutral |
| Austria | 2.80-2.90 | 1.00-1.50 | 65 | Intermediate risk | Low risk | Intermediate risk | Negative | Neutral |
| Netherlands | 3.50 | N.A. | 60 | Intermediate risk | Very low risk | Moderate risk | Negative | Neutral |
| Belgium | 3.00 | 1.00-1.75 | 85 | Intermediate risk | Low risk | Intermediate risk | Neutral | Negative |
| Switzerland | 1.00-1.75 | 1.00-1.75 | 92 | Low risk | Very low risk | Intermediate risk | Negative | Neutral |

*Contracts can offer a guarantee of between 100% and 85% of gross premium paid. N.A.--No estimate available. Sources : Standard & Poor's estimates, IMF reports, EIOPA, European Supervisory Authorities, European Insurer Associations.

**Chart 1**




## How Much Can Capital Management Help?

The drop in interest rates has been weakening risk-adjusted capital adequacy, as it inflates the cost of options and guarantees related to traditional life contracts. In addition, it has been raising vulnerability to low interest rates as reflected in the generally higher embedded-value sensitivities that European insurers published at year-end 2014 compared with those of 2013. And yet, regulatory Solvency I ratios have risen, which illustrates the shortcomings of this framework in capturing a risk-adjusted picture of capital adequacy. At the same time, our measure of capital adequacy suffered from the decline in the present value of future profits from traditional life and savings books.

Despite our view of an erosion in capital adequacy, we believe that according to our model, it has remained in bounds. Based on a sample of 40 life biased insurers that we rate in Europe with, in our view, material exposures to low interest rates, we assess that their spot measure of capital adequacy on average remained in line with our benchmarks for an 'A' rating at year-end 2014 (based on our capital model, according to our criteria: "Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model," published on June 7, 2010, in RatingsDirect). However, looking at capital and earnings prospectively, including the quality of capital and risk position, our views about insurers' balance sheets are weaker than the spot measure of capital adequacy

indicates. This weaker prospective view could begin to have a greater impact on our views about the financial strengths of insurers if low interest rates persist.

As our view of capital and earnings is based on our base case assumptions for interest rates (see "Eurozone Economic Outlook: Steady For Now, Despite Slower World Trade," published Sept. 30, 2015), our overall anticipation of rating stability could change if we revise these assumptions. Should interest rates fall further, for example by 50 basis points by end-2015 through end-2017 compared with year-end 2014, we would see a further slide in capital adequacy and ultimately more pressure on the ratings over the next two years. Assuming no management actions, we can envisage more widespread negative rating actions on life insurers in Europe, most likely for markets where our IICRA product or profitability assessments are negative. However, we believe downgrades under this scenario will likely be limited to one notch on average.

Looking at insurer balance sheets on a case-by-case basis, we see a wide variation in interest rate risk and consequently contrasting potential impact on the ratings. This reflects the different ways in which insurers allocate assets, with more or less pronounced reinvestment risk due to contrasting duration mismatch positions. Plus, each insurer has adopted its own strategic response to the low yields.

Consequently, so far, our rating actions directly or indirectly related to interest rate risk in the European life sector have remained limited. On the back of our expectations for lower earnings and somewhat increased asset risk taking, both of which weakened prospective capital adequacy, in 2015 we lowered the ratings on German insurance groups Versicherungskammer Bayern to 'A' from 'A+', and Nürnberger to 'A-' from 'A'. We also lowered the ratings on Norwegian insurer Storebrand Livsforsikring to 'BBB+' from 'A-' because of the risk to capital and earnings from declining interest rates. We changed the outlook on Germany-based Alte Leipziger Lebensversicherung a.G.'s 'A' ratings to negative from stable. We also placed Dutch insurer Delta Lloyd Group's ratings on CreditWatch with negative implications following poor first-half 2015 results.

## Book Profits Will Sooner Or Later Take A Hit

According to our economists' latest forecast, interest rates will remain lower for longer (see table 2) as the European Central Bank executes its quantitative easing program, which they believe could end up being larger and longer-lasting than they originally anticipated. Such investment conditions continue to gradually degrade insurers' overall investment yields. However, investment returns have been holding up well, and in some instances increased in 2014, mostly due to capital gain realizations. We nevertheless estimate that overall, fixed-income running yields have fallen an average annual 10 to 30 basis point (bps) over the past three years. At unchanged asset allocations, this downward trend is likely to continue over the next three years. For European markets featuring high guarantees, investment returns for traditional life insurers so far have remained higher than book guarantees on average. However, investment spreads above guarantees (excluding gain realizations, barring increased asset risk taking, and at unchanged policyholder reserve buffers) are likely to decline further, prompting insurers to rely increasingly on other margin sources, such as cost, fee, and technical margins. For markets with lower average guarantees, profit-sharing rules and competition are generally stiff, leading insurers to retain narrow investment margins once they allocate their annual share to policyholders.

**Table 2**

**Standard & Poor's Interest Rate Forecasts**

| 10-year bond yield (yearly average) | Germany | France | Italy | Spain | Netherlands | Belgium | Eurozone | U.K. | Switzerland |
|---|---|---|---|---|---|---|---|---|---|
| 2014 | 1.2 | 1.7 | 2.9 | 2.7 | 1.5 | 1.7 | 2.0 | 2.6 | 0.7 |
| 2015f | 0.6 | 0.8 | 1.8 | 1.8 | 0.8 | 0.9 | 1.3 | 2.0 | 0.0 |
| 2016f | 1.0 | 1.3 | 2.2 | 2.2 | 1.5 | 1.5 | 1.7 | 2.5 | 0.5 |
| 2017f | 1.4 | 1.8 | 2.7 | 2.6 | 2.0 | 2.3 | 2.2 | 3.0 | 1.1 |

f--Standard & Poor's forecast.

## The Market May Look Past Solvency II's Transitional Measures

Solvency II, Europe's new regulatory framework as of Jan. 1, 2016, emphasizes an economic view of balance sheets. Even though insurers may earn a sufficient investment yield to meet guarantees in the medium term, low interest rates are weakening their economic solvency and consequently their Solvency II balance sheets. At the same time, the new framework allows for transitional measures to smooth the impact of moving toward full economic balance sheets (see "The Impact Of Solvency II Capital Adequacy On Our Rating Analysis For European Insurers," published on May 19, 2015). Transitional measures give insurers time to take actions to address the sensitivity of their economic capital position. We view some of the transitional adjustments as involving material departures from economic principles. However, as the economic position, excluding the transitional benefit, will be public, we believe that market observers will take a close look at capital adequacy without transitional measures. This will in our opinion provide further impetus for insurers to act to address their exposure to low interest rates.

After Solvency II comes into force, Standard & Poor's will continue using its risk-based capital model as its primary measure for assessing capital adequacy. However, our rating methodology also incorporates the risk of regulatory breach in our capital and earnings assessment. As such, our views will factor in whether low interest rates could increase the likelihood of near-term regulatory intervention risk.

## Insurers And Regulators Are Acting On Many Fronts

Directly in response to interest rate risk, insurers in Europe have been reacting with a range of measures such as guaranteed rate reductions on new business, a reduction in crediting rates on the inforce book, the creation of additional reserve buffers, and policyholder reserve reinforcements. We're also seeing product shifts, for example toward unit-linked business, as well as lower volumes on guaranteed business, new product development, and to some extent the increased use of hedging strategies. Not only that, but they are also taking on more credit and market risk, such as through investments in longer-term or less liquid assets.

Policymakers across Europe have also been working on several fronts to reduce potential risks to insurers' solvency ratios, while fulfilling with their consumer protection mandate. So far, their actions have been a mix, encompassing enforceable measures to reduce guaranteed rates on new business, recommendations to take certain actions geared toward building stronger reserve buffers, incentives to protect portfolios against interest rate risk, and options to offer to policyholders conversion of guaranteed insurance policies into less capital consuming unit-linked ones.

## How Insurers Respond To Market Dynamics Is Key

Interest rates have remained low for a long time, and may set in at historically low levels for longer than most would have expected. Standard & Poor's views the low interest rate environment as one of the main risks to European insurers' capital and earnings. It could lead to a weakening of insurers' financial strength over the next few years, particularly for players focused on life and savings products. Yet, not all insurers are exactly the same in their ability to ward off the consequences. Their vulnerability varies widely by country in Europe, and even by insurer within each European market.

Solvency II, the new risk-based regime, will shed more light on the risks arising from low interest rates, as it emphasizes an economic view. In contrast, the current Solvency I regime shows a flawed picture of the size of capital buffers in allowing the addition of unrealized capital gains on bonds, a shortcoming that masks the risks that life and saving insurers face. Meanwhile, in response to interest rate risk, many regulators in Europe have been carrying out remedial actions. For their part, insurers are responding with a variety of measures in the areas of assets, liabilities, product design, product mix, and premium volumes. The degree to which insurer financial strength remains resilient in the face of low yields will largely depend on the effectiveness of these actions, and how prudently insurers manage their capital adequacy.

## Appendix: Developments In Selected Life Insurance Markets

Here, we survey what actions insurers and regulators are taking in Europe in view of the risks associated with low interest rates, in the main countries where we rate life insurers in Europe. In addition, where available, we present our views about market developments and our ratings.

### Germany

In Germany, a 2015 legislative reform led to a rebalancing of asset-value reserve sharing among policyholders, as a way to build additional balance sheet buffers. The package of measures also creates certain dividend restrictions to shareholders, and lowers the maximum guaranteed rate on new business to 1.25%, which will gradually dilute the average guaranteed rate on the existing book of business. The package also allows insurers to offset investment losses with risk profits that would reduce capital requirements under Solvency II, while increasing the policyholder share of risk profits to at least 90% from at least 75%. More recently, the latest proposals by the Ministry of Finance suggest that regulators would abolish setting a maximum guaranteed rate for new business from 2016. Furthermore, through the additional reserving requirement ("ZZR") mechanism, insurers have to set aside additional reserves to back portfolios with high guaranteed rates, which will further lower the average effective guaranteed rate. These measures will help support German life insurers in their ability to meet inforce guarantee commitments in the future. Plus, for a long time, German insurers have been managing traditional life policies through the buildup of policyholder bonus funds ("RFB") reserves. We include a portion of RFB when we calculate total adjusted capital that we use in our capital model. At year-end 2014, we estimate that such reserves represented on average one-third of our TAC for the life insurers we rate, and a ratio of about 5% to 18% of traditional policy reserves.

### Austria

In Austria, like in Germany, a ZZR mechanism was introduced in 2013, though with slightly different features. In addition, Austrian life insurers have been managing their allocations through a RFB, even though the Austrian RFB is much less prominent as percentage of capital and traditional life reserves for insurers based there than for German peers. The sector has lower guarantee levels on average than in Germany, and just recently decided to lower the maximum guarantee on new business to 1.0% from the current 1.5%. Austrian life insurers have also been focusing more on unit-linked contracts than in other continental European insurance markets in recent years.

### The Netherlands

In the Netherlands, many life players have stopped underwriting new business in individual life savings, not only in light of the level of interest rates, but also as a result of fierce competition from bank products due to shrinking competitive advantages in terms of guarantees or tax treatment over the recent past. As a result, The Netherlands is one of the rare markets in Europe where we view growth prospects as negative, as part of our IICRA assessment. Such scarce growth prospects are leading insurers to compete in the pension schemes arena that features tight pricing conditions, which could further aggravate exposure to interest rate risk. To the sector's credit, though, most insurers have put in place interest rate hedging to mitigate risk.

### Belgium

In Belgium, over the past few years, insurers have been selling contracts with lower guarantees on individual and group policies. For group pensions, where minimum guarantees are set by law, insurers have been recently limiting their guarantees to levels lower than the regulatory minimum that employers have to meet, leaving the funding of the difference within employers' remit. The National Bank of Belgium (NBB) has prompted insurers to re-establish more systematically the flashing-light reserve mechanism. In addition, the central bank has issued recommendations on capital gain realization policies. NBB is also contemplating further adjustments to guaranteed rate mechanisms, particularly in group contracts, where the law sets minimum guarantees to levels delinked with current interest rates.

### Switzerland

One of the main areas of supervisory intervention in Switzerland is the annual resetting of the minimum guarantee in the mandatory part of the group pension business (65% of traditional life reserves). However, these minimums (1.75% for 2015) are still a source of pressure on insurers given low interest rates in the country. Individual contracts, representing 35% of traditional reserves, and mainly comprising annuities and endowments, still feature high average guarantees, but new business is increasingly sold with lower guarantees. The market features one of the lowest shares of unit-linked reserves in total life reserves across Europe.

### The Nordics

Over the past five years, Danish insurers have been skewing new business toward unit-linked policies, which currently stand at 55% of gross written premiums in the sector. On the traditional portfolio, guarantees on new business have been lowered. At the same time, insurers are putting interest rate hedges in place. Nevertheless, the long tenor of guarantees continues to squeeze traditional savings margins. Also negative for the market is the high equity proportion in Danish insurers' assets (20%) relative to other European insurance markets.

In Sweden, insurers have been selling traditional savings products with low guarantees over a number of years. Over the past three years, however, they have been increasing the share of traditional savings relative to unit-linked, owing

mainly to high bonus rates. In a sign of higher risk-taking, we see much higher investment in equities and affiliates than in Europe, with 43% allocation within traditional contract investments.

In 2014, the Norwegian Ministry of Finance allowed insurers to propose the conversion of guaranteed paid-up policies into unit-linked policies, subject to full provisioning. Furthermore, regulations as early as 2008 gave insurers the option to reprice guarantees, even on in-force business. Further actions, such as reducing the guarantees for new business, have also been introduced in the market.

### Finland

In Finland, insurers have been focusing on orienting premiums towards unit-linked, as guaranteed products represent 42% of the sector's reserves, a level generally lower than that of most European countries. The biggest downside risk of lower interest rates is the share of long maturities in traditional liabilities and life insurers' high equity allocation.

### France

In France, we estimate the long-term guaranteed rate (technical rate) on in-force portfolios at slightly below 1% overall, net of policy charges. New business has been written at a 0% guarantee for more than 10 years. The Banque de France was vocal at year-end 2014 in asking insurers to lower the rates credited to policyholders and to allow for stronger profit-sharing reserves (see "Ultra-Low Interest Rates Could Mean Ultra-Low Earnings By 2020," published on April 9, 2015). Insurers reduced credited rates by 30 bps in 2015 on average and have built up 20 to 50 bps of additional profit-sharing reserves in 2014. Profit-sharing reserves reached an average 2.3% of policy reserves at year-end 2014. We expect insurers to continue reducing their credited rates at a comparable pace in 2015 and 2016.

### Italy

Italian insurers have long been moving new business toward low or zero guaranteed rates, which has lowered the average guarantee in the existing book of business. Other initiatives include the end-of-contract guarantee, which pays accumulated interest only at the contract's maturity. Other market practices encompass segregated fund management allowing close asset-liability management (ALM), along with the generally shorter maturity of life insurance policies (approximately six years) than in other European countries. In addition, Italian insurers in the first half of 2015 significantly grew unit-linked sales to more than 30% of premium collections (see "Insurance Business Enhances Italian Banks' Profit Potential In The Current Low Interest Rate Environment," published June 11, 2015).

### U.K.

Life insurers in the U.K. have a strong track record of close ALM practices. In addition, approximately two-thirds of the sector's reserves are unit-linked, one of the highest ratios in Europe. Guarantees on traditional business are very low and bonus allocation is among the most flexible in Europe, which means lower downside risk to lower interest rates than for most European insurance markets.

### Spain

In Spain, one of the main features of guaranteed savings products is their close matching with assets providing similar returns, which is required by the regulator. This mitigates much of the reinvestment risk, despite a still high level of guarantees in the market.

## Related Criteria And Research

### Related criteria

- Insurers: Rating Methodology, May 7, 2013
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

### Related research

- Eurozone Economic Outlook: Steady For Now, Despite Slower World Trade, Sept. 30, 2015
- Insurance Industry And Country Risk Assessment Update: September 2015, Sept. 10, 2015
- Insurance Business Enhances Italian Banks' Profit Potential In The Current Low Interest Rate Environment, June 11, 2015
- The Impact Of Solvency II Capital Adequacy On Our Rating Analysis For European Insurers, May 19, 2015
- Ultra-Low Interest Rates Could Mean Ultra-Low Earnings By 2020, April 9, 2015

We have determined, based solely on the developments described herein, that no rating actions are currently warranted. Only a rating committee may determine a rating action and, as these developments were not viewed as material to the ratings, neither they nor this report were reviewed by a rating committee.

**Additional Contact:**
Insurance Ratings Europe; InsuranceInteractive_Europe@standardandpoors.com

Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.