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Research Update:

R.V.I. Guaranty Co. Ltd. And Affiliates Ratings Placed On Credit Watch Negative

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Rationale

On Aug. 12, 2008, Standard & Poor's Ratings Services placed its 'A-' counterparty credit and financial strength ratings on R.V.I. Guaranty Co. Ltd., R.V.I. America Insurance Co., and R.V.I. National Insurance Co. (collectively referred to as RVI) on CreditWatch negative.

The rating action reflects our view that RVI's earnings in 2008 will be significantly lower than in 2007, due largely to anticipated future losses within the passenger vehicle line of business. RVI had strong net income in 2007 of \$19 million (treating RVI's policies as insurance policies as opposed to derivatives on a U.S. GAAP basis) and consistent with the rating, but in 2008 net income is expected to be about \$1 million-- less than the previous rating expectation of about \$15 million. The earnings decline in 2008 might result in the rating being lowered one-notch. However, if RVI's competitive position is viewed as having deteriorated, including, but not limited to, loss of clients, significantly reduced volume of revenues, or significant price competition, the rating might be lowered a total of two notches from its current level. The CreditWatch is expected to be resolved within 90 days.

The ratings on RVI are based on the company's strong, though very concentrated competitive position, conservative investments, and strong liquidity. RVI's capital adequacy is also strong, and Standard & Poor's expects RVI to maintain excess capital to compensate for potential earnings volatility, reserve volatility, sizeable financial guaranty exposures, and declining used car values. Negative factors that affect the rating are RVI's reliance for a large portion of its revenues on the lease accounting standards currently in place, and the risk that a change in those standards would significantly affect its premium volume and earnings. This could lead to a potential downgrade of at least one notch. However, no significant lease accounting changes are expected over the next three years. RVI's risk profile is changing as the company diversifies into financial guaranty reinsurance, and while the additional risk assumed as a quota share reinsurer is very high quality, the dramatically outsized exposures relative to RVI's existing balance sheet and capital base, create the possibility that a small deviation in portfolio performance will have a significant impact on RVI--potentially resulting in the rating being lowered more than one notch. RVI is expected to improve and further develop its risk management process within the next 12 months in support of the changing risk profile into nonresidual value products.

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
R.V.I. Guaranty Co. Ltd.		
RVI National Insurance Co.		
R.V.I. America Insurance Co.		
Counterparty Credit Rating		
Local Currency	A-/Watch Neg/--	A-/Stable/--
Financial Strength Rating		
Local Currency	A-/Watch Neg/--	A-/Stable/--

Ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. It can also be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4017.

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