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Research Update:

R.V.I. Guaranty Co. Ltd. And Affiliates Ratings Remain On CreditWatch Negative

Primary Credit Analyst:

Taoufik Gharib, New York (1) 212-438-7253; taoufik_gharib@standardandpoors.com

Secondary Credit Analyst:

Damien Magarelli, New York (1) 212-438-6975; damien_magarelli@standardandpoors.com

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Rationale

On Nov. 19, 2008, Standard & Poor's Ratings Services said that it is keeping 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, where they were placed on Aug. 12, 2008, with negative implications.

The ratings are on CreditWatch to reflect our view that RVI's earnings in 2008 will be significantly lower than in 2007, largely because of anticipated losses within the passenger vehicle line of business. RVI's net income was \$19 million in 2007 (treating RVI's policies as insurance policies as opposed to derivatives on a U.S. GAAP basis), which is strong and consistent with the rating. However, in 2008, we expect RVI's net income to be about \$1 million less than our previous expectation of about \$15 million.

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 on the lease accounting standards currently in place for a large portion of its revenues as well as the risk that a change in those standards would significantly affect its premium volume and earnings. This could lead to a downgrade of at least one notch. However, no significant lease accounting changes are expected over the medium term.

RVI's risk profile is changing as the company diversifies into financial guaranty reinsurance. Although the additional risk it is assuming as a quota share reinsurer is of 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, which could result in the rating being lowered more than one notch. We expect that RVI will improve and further develop its risk-management process within the next 12 months in support of the changing risk profile into nonresidual value products.

CreditWatch

The earnings decline in 2008 might result in us lowering the rating one notch. However, if we believe that RVI's competitive position has deteriorated--including, but not limited to, loss of clients, significantly reduced volume of revenues, or significant price competition--we could lower the rating two notches. We expect to resolve the CreditWatch status of the ratings within the next three months as we receive third-quarter financial

results and more granular data from the company.

Ratings List

Ratings Remaining on CreditWatch Negative

R.V.I. Guaranty Co. Ltd.

RVI National Insurance Co.

R.V.I. America Insurance Co.

Counterparty Credit Rating

Local Currency

A-/Watch Neg

Financial Strength Rating

Local Currency

A-/Watch Neg

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