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Moody's revises Skandia's outlook to stable from developing

Moody's Investors Service announced today that it had revised the rating outlook for Skandia Insurance Company Ltd to stable from developing. Separately, Moody's assigned an insurance financial strength rating of A3/stable outlook to Skandia Insurance Company Ltd.

Moody's said that the revision of Skandia's outlook from developing to stable reflects the completion of the group's strategic review, the group's improved leverage and risk profile following the sale of American Skandia, and the prospects for greater stability in the group's earnings following extensive cost cutting and product redesign, as demonstrated in the stabilizing profit margin. Moody's also noted the positive sales volumes in the UK and selective European operations. These factors are likely to translate into tangible benefits in the coming year, in Moody's opinion.

Offsetting these positives, Moody's also notes that the Skandia Group's cash flow has been negative for the first nine months of 2003, in part due to one -off items. However, Moody's expects that Skandia's cash flow will move into balance during the course of 2004.

Moody's said the rating is also supported by the low risk profile of the business written, good liquidity, and Skandia's leadership position in the market with 29% market share in the domestic unit linked insurance market.

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