

Research Update:

Outlook On Four Subsidiaries Of Tokio Marine & Nichido Fire Insurance Co. Ltd. Revised To Negative; Ratings Affirmed

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Overview

- Standard & Poor's Ratings Services has revised its outlook on Japan to negative from stable.
- As a result, we have revised our outlooks on four of the overseas subsidiaries of Tokio Marine & Nichido Fire Insurance Co. Ltd. to negative from stable.
- The ratings on these subsidiaries are constrained by the long-term sovereign rating on their parent company, as their business franchises and assets are highly concentrated in Japan.
- We have also affirmed the ratings on these companies.

Rating Action

On April 27, 2011, Standard & Poor's Ratings Services revised its outlook on four of the overseas insurance subsidiaries of Japan-based Tokio Marine & Nichido Fire Insurance Co. Ltd. (TMNF) to negative from stable. The four insurance companies are Tokio Millennium Re Ltd., Tokio Marine Financial Solutions Ltd., Philadelphia Indemnity Insurance Co., and Philadelphia Insurance Co. At the same time, Standard & Poor's affirmed its 'AA-' financial strength rating on Tokio Millennium Re Ltd., 'AA-' counterparty credit rating on Tokio Marine Financial Solutions Ltd., and 'A+' counterparty credit and financial strength ratings on Philadelphia Indemnity Insurance Co. and Philadelphia Insurance Co.

Rationale

This rating action follows the revision of the outlook on Japan (AA-/Negative/A-1+) to negative from stable earlier today (see "Outlook On Japan Sovereign Credit Rating Revised To Negative; Ratings Affirmed At 'AA-/A-1+' " for further details).

The ratings on these companies are constrained by the long-term sovereign rating on Japan, as their parent company holds a high percentage of domestic assets in their portfolios and because their business is concentrated in the domestic Japan market. Tokio Millennium Re Ltd. is rated the same as its parent because of an explicit guarantee and the significant role it plays in diversifying TMNF's catastrophe exposure with non-Japanese exposures. It does so by providing traditional reinsurance policies and through purchasing catastrophe bonds. The rating on Tokio Marine Financial Solutions is based on a strongly worded net-worth-maintenance agreement. The ratings on Philadelphia Indemnity Insurance Co. and its sister company, Philadelphia Insurance Co.,

are based on their strategic importance to TMNF, which makes for an uplift in the ratings. According to our criteria, the ratings on these entities are capped at one notch below the ratings on the core group members.

Outlook

There is little likelihood that we will raise the ratings on these insurers--even if they greatly enhance their financial profiles--as long as the ratings and outlook on Japan remain unchanged. Conversely, if Standard & Poor's lowers its ratings on Japan, we will likely lower our ratings on these insurers.

Related Criteria And Research

- Outlook On Japan Sovereign Credit Rating Revised To Negative; Ratings Affirmed At 'AA-/A-1+', April 27, 2011.
- Outlooks On Hong Kong And Singapore Subsidiaries Of Tokio Marine Revised To Negative After Japan Sovereign Action, April 27, 2011.
- Outlooks On Eight Japanese Insurers Revised To Negative Following Sovereign Outlook Revision; Ratings Affirmed, April 27, 2011.
- Group Methodology, April 22, 2009.

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Tokio Millennium Re Ltd. Financial Strength Rating Local Currency	AA-/Negative/--	AA-/Stable/--
Philadelphia Indemnity Insurance Co. Philadelphia Insurance Co. Counterparty Credit Rating Local Currency	A+/Negative/--	A+/Stable/--
Financial Strength Rating Local Currency	A+/Negative/--	A+/Stable/--
Tokio Marine Financial Solutions Ltd. Counterparty Credit Rating Local Currency	AA-/Negative/A-1+	AA-/Stable/A-1+

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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