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Summary:

NEMI Forsikring ASA

Primary Credit Analyst:
Peter McClean, London (44) 20-7176-7075; peter_mcclean@standardandpoors.com

Secondary Credit Analyst:
Rowena Potter, London (44) 20-7176-7070; rowena_potter@standardandpoors.com

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	Local Currency
Credit Rating:	BBB/Stable/--

Rationale

The ratings on Oslo-based non-life insurer NEMI Forsikring ASA (NEMI; formerly Norway Energy & Marine Insurance ASA) reflect the company's strong capitalization, strong operating performance, and good competitive position. Offsetting factors include a more aggressive investment policy, and the company's high reliance on reinsurance. The ratings also reflect NEMI's status as a strategically important subsidiary of Iceland-based insurer Tryggingamidstodin hf. (TM; BBB/Stable/--), although no implicit or explicit support from TM is factored into the ratings.

NEMI's capitalization is considered to be strong overall. The company's extremely strong capital adequacy partly offsets concerns about the relatively small absolute size of its capital base, the slight deterioration in capital quality derived from the more aggressive holding in equity funds, and the extent of its reliance on reinsurance.

Although NEMI's earnings weakened in 2006, the underlying trend remains strong. NEMI is expected to sustain strong operating performance throughout 2007-2008, although at a lower level than that seen up until 2005. Furthermore, the softening market means that the company's resolve to selectively scale back its growth under these market conditions is currently facing its first real test.

NEMI has a good competitive position. Behind its strong growth over the past few years lies a multi-niche strategy which enabled NEMI to grow gross premiums written by 16% to Norwegian krone (NOK) 865 million in 2006. Standard & Poor's Ratings Services' appraisal of NEMI's overall competitive position is constrained, however, by the company's small size relative to its peers, which limits its ability to influence market behavior.

Outlook

The stable outlook reflects our expectation that capital adequacy will remain at least at a very strong level. It is also expected that NEMI's operating performance during 2007-2008 will continue to reflect its stated strategy of opportunistically seeking profitable growth. Any significant change in this strategy may cause the ratings to be reviewed. The combined ratio (before movements in security reserves) is expected to be in the 92%-95% range. Any significant deterioration in the capital position of either TM or NEMI could lead to the ratings being lowered. Although the acquisition of NEMI by TM is ultimately expected to improve the competitive position of both companies, any upside to the ratings is viewed as limited in the short term.

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

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