

Announcement: Moody's affirms ING insurance ratings; outlook changed to negative

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London, 13 December 2010 -- Moody's Investors Service affirmed the A2 insurance financial strength (IFS) ratings of the US life insurance subsidiaries (collectively, ING US -- see list, below) of ING Groep N.V. (ING Group, senior debt at A1, stable) and the Baa1 senior rating of ING Verzekeringen N.V. (ING Insurance), but changed the outlook on these ratings to negative from developing. Other insurance-affiliated ratings were also affirmed with a negative outlook, with the exception of the A1 senior debt rating of Lion Connecticut Holding, Inc. which is guaranteed by ING Group, and has a stable outlook, the Ba1 preferred stock rating of Equitable of Iowa Capital Trust II and the Ba1 subordinated debt of ING Insurance, whose outlooks are positive (see complete rating list below).

The rating affirmation and outlook change to negative follow a number of ING Group announcements regarding its insurance operations, including a new 'base plan' for two separate listings - one US focused and one European led IPO - by 2012, as well as sizable charges in 3Q10 and expected in 4Q10 related to its U.S. insurance operations.

Commenting on the rating affirmation for ING US, Moody's said it was based on the group's well-established, and in some cases, strong positions in certain sectors of the U.S. retirement services and life insurance markets, as well as strong regulatory capital adequacy, as measured by NAIC Risk Based Capital Ratios (RBC). According to Vice President and Senior Credit Officer, Laura Bazer: "Parental capital support received by ING US, particularly during the financial crisis, together with additional macro hedging for its legacy variable annuity (VA) business, has helped the company rebuild capitalization as it moves towards public ownership." Moody's would expect ING Group to continue to provide support to ING US -- in the form of commercial paper and other debt guarantees, capital and/or liquidity, if it should be needed, at least until the IPO is completed.

The rating agency also noted positively ING US' recent initiatives to exit or de-emphasize non-core, and/or underperforming businesses (i.e., reinsurance, institutional investment products, etc.), although this will also result in a smaller, less diversified business. The A2 IFS rating on the U.S. subsidiaries represents their stand-alone, intrinsic credit profile, given ING Group's plans for their ultimate divestiture.

Commenting on the change in outlook for ING US to negative from developing, Moody's said it was triggered by ING Group's clarification of its divestiture plan for its global insurance operations. In the past, Moody's had placed greater weight on the possibility of a trade sale among divestiture options. Given ING Group's focus on an IPO for ING US, the developing outlook - which had incorporated the possibility of a sale of ING US to a higher-rated acquirer - is no longer appropriate.

Instead, the rating agency said a negative outlook is now appropriate because - although core earnings have shown recent signs of improvement -- ING US's net income remains weak, due to both continuing legacy variable annuity issues, as well as above-average investment losses, largely from structured securities. Charges taken in 3Q10 and expected in 4Q10 will continue to depress earnings and internal capital generation. Moody's pointed out that the outlook on ING US' ratings would have been negative as of October 2009, excluding the possibility of a trade sale. The current negative outlook also incorporates the uncertainty and execution risk associated with the IPO process.

In terms of the change in outlook of ING Insurance - the holding company for the insurance subsidiaries globally - Moody's said that the negative outlook primarily reflects pressures on the US insurance operations. Given the uncertainty about the ultimate structure of the group following the divestiture of the insurance operations, the senior debt rating of ING Insurance currently reflects the combined credit strength of the group's various insurance operating entities.

The Ba1 preferred stock rating of Equitable of Iowa Capital Trust II and the Ba1 subordinated debt of ING Insurance reflect Moody's opinion on the risk of coupon deferral on these hybrid securities. The positive outlook reflects the possibility that this rating may be upgraded when the execution risk associated with the group's restructuring process diminishes.

The following factors could result in a downgrade of ING US' ratings: 1) the erosion of ING US' business franchise and distribution, resulting in declining core retirement product and life insurance sales and operating earnings; 2) returns on capital consistently in the low single digits; 3) asset losses of \$1 billion in 2011; 4) RBC ratio falling below 325%; or 5) consolidated financial leverage above 30% and earnings coverage below 4x.

Because the outlook is negative, an upgrade of ING US' ratings is not likely. However, the following factors could bring it back to stable: 1) improvement in core product earnings and stabilization of non-core product earnings (i.e., legacy VA), resulting in consistent return on capital in the mid-single digits; 2) RBC consistently at or above 325%; and 3) financial leverage of less than 30% and earnings coverage of greater than 4x.

The following ratings were affirmed with a negative outlook from developing:

- ING Life Insurance & Annuity Company: insurance financial strength rating at A2;
- ING USA Annuity and Life Insurance Company: insurance financial strength rating at A2, short-term insurance financial strength ratings at P-1;
- Security Life of Denver Insurance Company: insurance financial strength rating at A2;
- Reliastar Life Insurance Company: insurance financial strength rating at A2;
- Reliastar Life Insurance Company of New York: insurance financial strength rating at A2;
- ING USA Global Funding Trust 3: senior secured debt rating A2;
- ING Security Life Institutional Funding: senior secured rating at A2 and P(A2);

- ING Verzekeringen N.V.: senior debt rating at Baa1; short-term rating for commercial paper at (P)Prime-2;
- ING America Insurance Holdings, Inc.: senior debt rating (guaranteed by ING Verzekeringen N.V.) at (P)Baa1; rating for Euro commercial paper (guaranteed by ING Verzekeringen N.V.) at (P)Prime-2; rating for U.S. commercial paper (guaranteed by ING Verzekeringen N.V.);
- Lion Connecticut Holdings, Inc.: long-term issuer rating at Baa2.

The following rating was affirmed with a stable outlook:

- Lion Connecticut Holdings, Inc.: senior unsecured debt rating (guaranteed by ING Groep NV) at A1.

The following ratings were affirmed with a positive outlook:

- Equitable of Iowa Companies Capital Trust II: Ba1 cumulative preferred stock (with optional coupon deferral provision) rating.;
- ING Verzekeringen NV: Ba1 cumulative dated subordinated debt securities with optional coupon deferral provision.

ING Life Insurance & Annuity Company, ING USA Annuity and Life Insurance Company, Reliastar Life Insurance Company, Reliastar Life Insurance Company of New York, and Security Life of Denver Insurance Company are all wholly indirectly-owned life insurance subsidiaries of ING Groep, N.V.. Based in Amsterdam, ING Groep N.V. had total assets of EUR1,261 billion at 3Q10 and reported net income of EUR2.78 billion for the nine months ending September 30, 2010.

Based in Amsterdam, ING Verzekeringen N.V., had total consolidated assets amounting to EUR326 billion at end-September 2010 and reported a net loss of EUR588 million on a consolidated basis for the nine months ending September 30, 2010.

The principal methodology used in rating of ING Verzekeringen N.V. and its global affiliates was Moody's Global Rating Methodology for Life Insurers, May 2010. Other rating methodologies and factors that may have been considered in the process of rating this issuer can also be found on Moody's website.

The last rating actions on ING Insurance and ING US took place on 27 October 2009 when Moody's downgraded the insurance financial strength ratings of ING Group's US life insurance operating companies to A2 from A1 and ING Verzekeringen's senior debt to Baa1 from A2 and assigned a developing outlook. ING Verzekeringen's short-term Prime-1 debt rating was also downgraded to Prime-2. The last rating actions on the subordinated securities took place on 02 February 2010 when Moody's confirmed the Ba1 ratings of ING Verzekeringen NV's subordinated debt securities and Equitable of Iowa Companies Capital Trust II's preferred stocks with a positive outlook. The B1 rating of ING Capital Funding Trust III's trust preferred securities was also confirmed with a positive outlook.

Moody's insurance financial strength ratings are opinions of the ability of insurance companies to pay punctually senior policyholder claims and obligations. Please see Moody's website at www.moody's.com/insurance for more information.

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