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Research Update:

R.V.I. Guaranty Co. Ltd. Outlook Is Revised To Stable From Negative.; 'A-' Ratings Affirmed

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Rationale

On Sept. 26, 2007, Standard & Poor's Ratings Services revised its outlook 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) to stable from negative. At the same time, Standard & Poor's affirmed its 'A-' counterparty credit and financial strength ratings on these companies.

The revision to a stable outlook is based on the view that the significant issues regarding potential real estate property losses, management turnover, and client concentrations have largely been addressed. RVI has improved its management team's expertise and depth with the hiring of a Chief Financial Officer and Chief Underwriting Officer. These senior management appointments have experience within residual value products. They are expected to improve RVI's enterprise risk management, but this will take a few years to fully develop. While client concentrations remain, RVI has renewed some significant accounts in 2007 and this will contribute toward maintaining strong revenues for the next 12 months. RVI has sold two real estate properties, and the financial effect is expected to be roughly neutral to earnings in 2007.

The ratings on RVI are based on the group's strong, though more concentrated, competitive position, conservative investments, and strong liquidity. Capital adequacy is also strong, and Standard & Poor's expects RVI to maintain excess capital to compensate for potential earnings and reserve volatility. Negative factors that affect the ratings are the group's reliance for a large portion of its revenues on current lease accounting standards and the risk that a change in those accounting standards would significantly affect RVI's premium volume and earnings.

RVI's risk profile is changing. The company is diversifying into other non-residual-value segments (financial guaranty reinsurance and fidelity and crime), and the performance of these new products remains unproven. Client concentrations have been a risk historically, and because the real estate segment is no longer writing new business, the group's reliance on key clients within the passenger vehicle and commercial equipment segments has increased.

Outlook

The stable outlook is based on Standard & Poor's view that RVI will maintain its strong competitive position, strong investments and liquidity, and strong capital adequacy to compensate for potential volatility within reserves and earnings in 2007 and 2008. Standard & Poor's expects that RVI will improve its underwriting and risk control standards in 2007 and 2008. A positive outlook is unlikely for the next 12 months, considering the company's developing risk management process and changing corporate strategy that is expected to expand

further into non-residual-value products in the next few years. A negative outlook is possible if RVI does not maintain its strong competitive position, improve its risk management, and measure a net profit near \$16 million in 2007.

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
R.V.I. Guaranty Co. Ltd.		
R.V.I. America Insurance Co.		
RVI National Insurance Co.		
Counterparty Credit Rating		
Local Currency	A-/Stable/--	A-/Negative/--
Financial Strength Rating		
Local Currency	A-/Stable/--	A-/Negative/--

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search.

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