

Morgan Stanley & Co. International plc+ **Jon Hocking**
Jon.Hocking@morganstanley.com
+44 (0)20 7425 2307

Farooq Hanif
Andrew Broadfield
Kathy Fear
Adrienne Lim
Maciej Wasilewicz

October 17, 2008

Industry View
In-Line

Insurance

Fat Tail Friday

We look at the risk of dividend cuts to conserve capital. European insurers' balance sheets have been able to withstand some of the harsh market shocks so far. We still think most companies will avoid taking immediate action if this volatility continues, as long as it is not prolonged. However, if credit and equity markets suffer further stress from current levels, some balance sheets are likely to be tested. In this scenario, we believe dividend cuts or reduced buybacks are more likely than rights issues. In this note, we try to identify those insurers most at risk.

Our stock views: We make no changes to our Most Preferred / Least Preferred list this week. We see the greatest risk of *surprise* dividend cuts to conserve capital at **Aegon**, **Allianz**, and **ING**, although strong free cash flow generation could mean that the risk is slightly lower at **Allianz**. For this reason, both **Aegon** and **ING** remain on our Least Preferred list, despite theoretically attractive valuations and continued underperformance. The lowest capital risk comes mainly from non-life names – we would highlight **Zurich** and **Swiss Re** in particular, which are both on our Most Preferred list

Chart of the week: We summarise our estimate of the end 2008 surplus capital of selected companies, according to the measures we think each is targeting. We also show cash generation above dividends paid.

Fat Tail Fun: Congratulations to **Martin Ayres** — who correctly identified Houdini as having received double indemnity for his death in 1962. This week, who carried out the first scientific valuation of profitability at the UK life insurer Old Equitable in 1776?

Exhibit 1

Most Preferred / Least Preferred Stocks

Most preferred	Least preferred
Aviva	Aegon
AXA	Generali
Swiss Re	ING
VIG	L&G
Zurich	Standard Life

Source: Morgan Stanley Research
N.B. Stocks are shown in alphabetical order

Recent Reports

Title	Date
Swiss Re: Bear Case Cut to SFr 52, Offers 8% Upside Andrew Broadfield / Maciej Wasilewicz	Oct 9, 2008
Aviva: Significant Expense Opportunity in Non-Life Jon Hocking / Adrienne Lim	Oct 7, 2008
Insurance: Fat Tail Friday Jon Hocking / Farooq Hanif / Andrew Broadfield / Kathy Fear / Adrienne Lim / Maciej Wasilewicz	Oct 3, 2008

Contents

Stock Selection: Most Preferred / Least Preferred
Charts of the Week: Surplus Capital and Cash Generation
Weekly Focus: Risk of Dividend Cuts and Lower Buybacks
Insurance Comparables
Performance Analysis
Yield Curves
Insurers vs Banks
Calendar of Events
Fat Tail Friday Library
Morgan Stanley Global Insurance Team Coverage

Coming up

Date	Events
21 October	Prudential new business results

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision. Customers of Morgan Stanley in the US can receive independent, third-party research on companies covered in Morgan Stanley Research, at no cost to them, where such research is available. Customers can access this independent research at www.morganstanley.com/equityresearch or can call 1-800-624-2063 to request a copy of this research.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

+ = Analysts employed by non-U.S. affiliates are not registered with FINRA, may not be associated persons of the member and may not be subject to NASD/NYSE restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Most Preferred / Least Preferred List

Exhibit 2

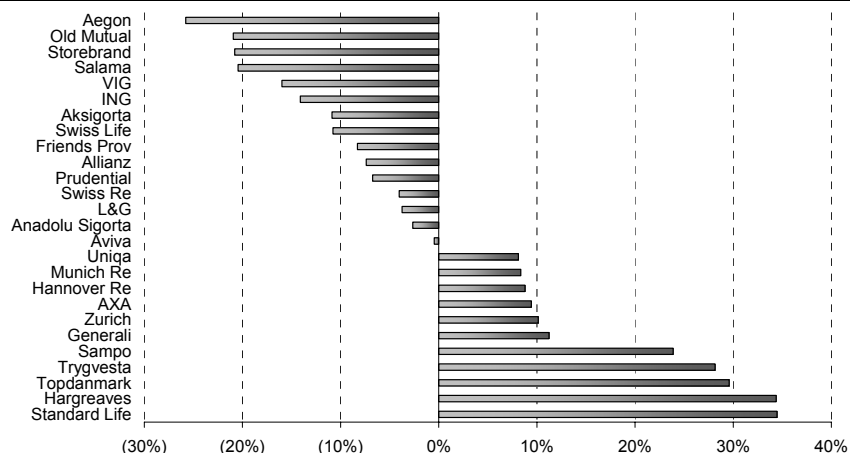
Most Preferred / Least Preferred: We make no changes this week

Most preferred	Rating	16 Oct	Price target	Potential upside / downside	Investment thesis
Aviva	O	392.0	671	71%	Aviva is our preferred UK listed name. It trades at attractive multiples and has strong dividend yield support. The group is well diversified with defensive non-life earnings. More than half of group EV earnings are in euros, which has strengthened versus sterling. We also believe there is significant scope to reduce expenses - especially in the non-life operations.
AXA	O	18.7	28	50%	AXA has demonstrated sector leading risk management and following the revelation of its hedging programme, we believe concerns over its downside solvency risk will continue to lessen. In addition, the key point for us from 1H08 results was that the business model continues to perform well. Despite good recent performance, we believe its risk-reward is still compelling.
Swiss Re	O	44.0	95	116%	Although Swiss Re has greater structured asset exposure than its peers, it also has materially less net equity and corporate bond risk. Its strong liquidity and robust capital position contradict its 50% discount to the sector. The turbulence in the broader capital markets should present opportunities too over the coming 12-24 months.
VIG	O	23.5	60	155%	Vienna Insurance Group has significant market shares across the CEE region, driving strong growth in earnings. We forecast 23% CAGR in group profit to 2012. Given its solid growth and broad geographic footprint we believe VIG makes a good defensive holding with limited downside risk.
Zurich	O	228.9	417	82%	Zurich's low equity exposure, 7.3% 08e dividend yield and strong capital position are attractive features, in our view. We believe its defensive earnings and balance sheet make this an attractive stock. Zurich has demonstrated its commitment to strong capital discipline by pulling out of bidding for RBSI and resuming its buy-back immediately.
Least preferred					
Aegon	U	4.0	9	126%	We expect emerging challenges in the US business, with earnings pressure from lower alternative investment returns, rising impairments and hedging volatility. Although at a discount to EV, we see better earnings growth and cash flow prospects elsewhere in the sector. The biggest risk to our negative view comes from a rising US dollar.
Generali	U	21.7	25	13%	While Generali has a good track record of restructuring and improving profitability, we believe the latest strategic plan targets are ambitious and there is downside risk to the consensus view that it can reach its 2009 earnings targets. We believe organic growth of 7% p.a. is required in addition to the planned restructuring in order to hit the targets.
ING	E	11.9	26	118%	Despite large markdowns on ABS taken to date, we believe there the outlook for impairments on parts of the Alt-A book remains uncertain. In addition, we believe the underlying earnings outlook could weaken, especially owing to rising loan loss provisions.
L&G	E	71.8	118	64%	While in absolute terms L&G shares are not expensive, we think the recent underperformance is likely to continue. Although the group has good visibility with regard to bulk annuity volumes, a slowdown in other lines (e.g. unit-linked bonds and protection) is likely to negatively affect sales. The group's capital is highly exposed to equities and property.
Standard Life	E	235.5	239	1%	Standard Life is highly exposed to the weakening operating environment in the UK life insurance market and pressure on single premium unit-linked volumes. While it appears inexpensive on EV metrics (0.81x EV 09e), its IFRS P/E multiple of 15.6x (2008e), vs 8.45x for the sector, is not justified by its earnings growth or free cash flow prospects, in our view.

N.B. Stocks are in alphabetical order. For more detail on our investment thesis and valuation methodology and risks associated with price targets mentioned, please refer to the latest relevant research on these stocks, which is available through your sales representative; Client Link at www.morganstanley.com; or other electronic systems. Source: Morgan Stanley Research

Exhibit 3

Universe Performance vs. SXIP YTD: Standard Life and Hargreaves overtake Nordics on YTD performance

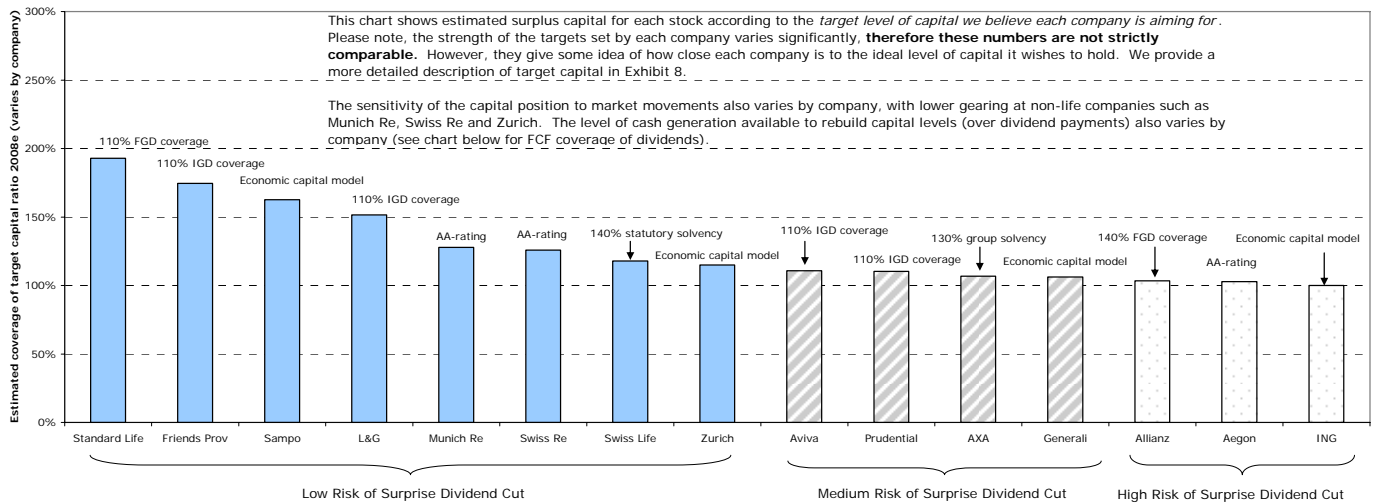


Source: Datastream, Morgan Stanley Research. Prices as of close 15 October 2008

Charts of the Week: Surplus Capital and Cash Generation

Exhibit 4

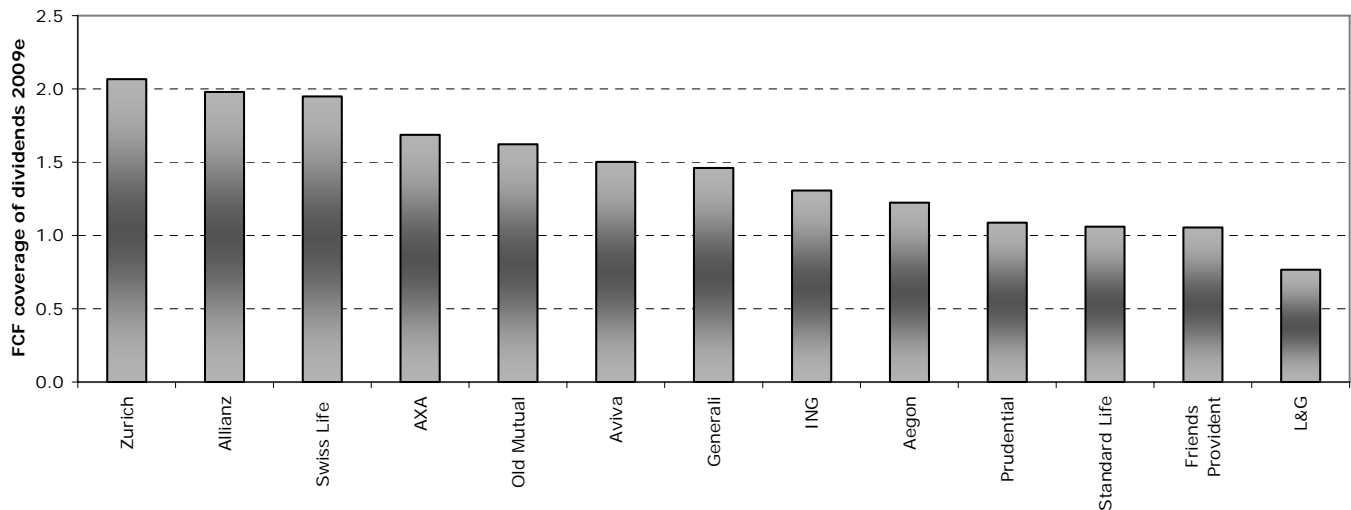
Our estimate of the surplus capital at end-2008 at selected companies, according to each company's estimated target capital ratio. As we discuss in this note, we believe ING, Aegon and Allianz have the highest risk of a surprise dividend cut. We see a medium risk at Aviva, Prudential, AXA and Generali.



Source: Morgan Stanley Research estimates

Exhibit 5

Our estimate of the coverage of 2009e dividend payouts by free cash flow – the higher the coverage, the higher the ability to offset capital pressure through internal cash generation, in our view.



Source: Morgan Stanley Research estimates

Weekly Focus: Risk of Dividend Cuts and Lower Buybacks

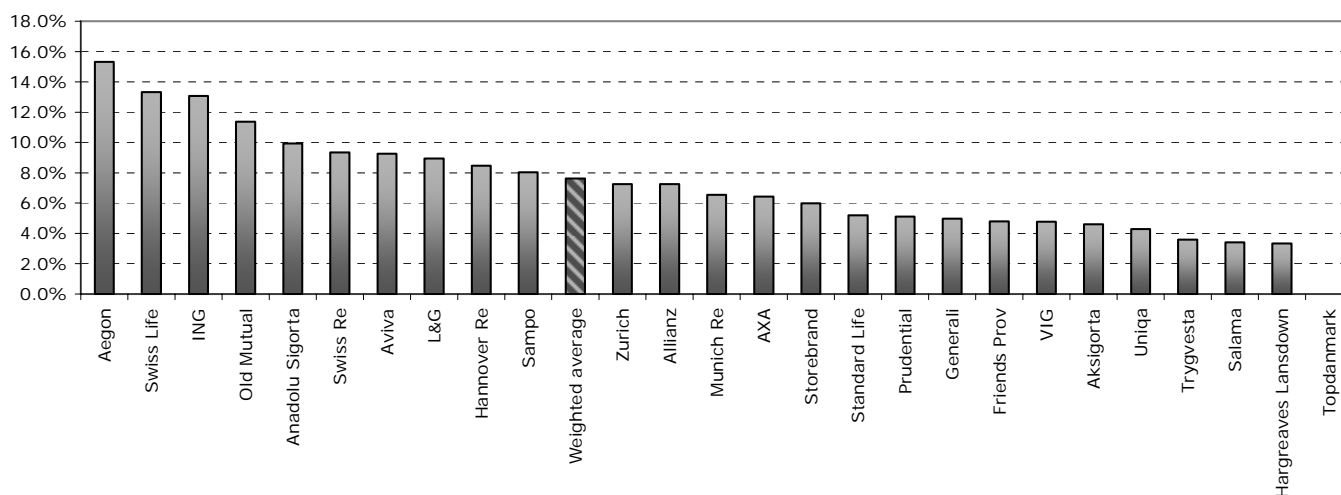
Conclusion: capital position risks have increased, but dividend cuts will come before rights issues

- Insurers' balance sheets have remained robust during recent volatility, but risks are increasing.** So far, during 2008 our analysis suggests that the sector's capital position and cash generation have been able to withstand market volatility better than they did in 2002-2003. However, with each downward lurch in equity and credit markets, balance sheet risks increase. For some insurers, further market pressure could mean they get closer to the point at which they need to take action to conserve capital.
- We believe dividend and buyback cuts will come before rights issues if markets turn more negative.** We believe the sector's high average dividend yield, and buyback programmes at certain insurers, provide a source of capital that insurers are more likely to use in the first instance to defend their capital positions. Rights issues would involve unwanted dilution, but they would also dent a reputation built by the companies in recent years for improving risk and capital management. We think this is something that companies will be keen to avoid.

- We believe the highest risks of *surprise* dividend cuts are at Aegon, Allianz and ING.** In this note we have tried to put each company into buckets of 'high', 'medium' and 'low' risk of a *surprise* dividend cut. This is based on our assessment of capital constraints, dividend policy and cash generation. The key driver for these three stocks is the desire to maintain economic capital strength and financial strength ratings. We see a low risk from most of the non-life names, such as **Zurich** and **Swiss Re** (both on our Most Preferred List) and **Munich Re**, as well as a number of stocks that we believe have relatively strong capital positions.
- Generally, the life insurance names are more exposed to dividend risk than non-life insurers.** There are clearly some exceptions to this (e.g. **Allianz**), but greater investment-related volatility in earnings and capital means that life insurers form the main constituents of the 'medium' risk category. We have tried to highlight those names where we do not see a high risk of a surprise cut, but where *dividend growth* may be lower than the market expects. We believe lower-than-expected *dividend growth* is a particular risk at **Generali**, compared to both its own strategic plan targets and consensus estimates.

Exhibit 6

2008e dividend yields: there is a wide range, exaggerated by recent market movements and variations in dividend policy



Source: Morgan Stanley Research estimates

The sector's dividends and buybacks provide an attractive reservoir of cash

There is a wide variation in dividend payouts and policies between different companies. As Exhibit 6 shows, different payout policies and recent extreme market movements have exaggerated the spread of dividend yields across the sector. These vary from over 15% at **Aegon** all the way down to zero at **Topdanmark**, which has a policy of not paying dividends, but instead paying out all surplus through buying back shares.

On average, there is a large potential 'reservoir' of capital being paid out in sector dividends and buybacks. We estimate the weighted average dividend yield of the sector is 7.3% in 2008. Based on a total sector market capitalisation of €269bn, we estimate the sector is paying out over €19bn in cash dividends every year. In addition, we estimate a further €3-4bn notionally committed to buyback programmes at certain companies.

Further market pressure may mean some companies come close to their capital thresholds. We believe capital pressures due to investment losses have been fairly well absorbed by sector balance sheets. Our recent capital position stress testing (*Fat Tail Friday – September 12, 2008*) concluded that companies would be able to absorb the combined impact of a 20% drop in equity markets, a 5–20% fall in corporate bond prices (depending on rating) and a 10% drop in ABS values, from end August 2008. However, the recent sharp drop in equity markets and spread widening brought the sector close to just such a scenario. If there is further downside market pressure, we believe some stocks in the sector will come close to a point at which they will try to take pre-emptive action to conserve their capital positions.

Exhibit 7

Selected buyback programmes in the sector

Stock	Buyback programme
L&G	£1bn share buyback committed of which £835mn bought back as at Sept 2008
Munich Re	€5bn between March 2007 and March 2010
Old Mutual	£350m buyback completed at HY
Sampo	Permission to buy back up to 10% of outstanding A shares
Storebrand	Permission to buy back up to 10% of outstanding shares
Swiss Life	SFr1.5bn in 2008, of which SFr 430m completed by time of H1 results
Swiss Re	SFr7.75bn between March 2007 and March 2010. Completed SFr4bn to date
Topdanmark	Buyback of Dkr750mn guided to for FY08. At 1H08 Topdanmark had acquired Dkr383mn.
Trygvesta	Buyback of Dkr1.4bn declared for 2008. At 1H08 TrygVesta had completed Dkr424mn of this. TrygVesta has an annual buyback based on its capital model.
Zurich	\$2bn authorised between March 08 and March 09

Source: Company data

We believe companies will consider dividend cuts and payout reductions before rights issues. As we have already commented, there is a fairly large store of capital that can be conserved by reducing payouts. If any further fall in markets is a temporary drop, and not prolonged, we believe insurers are more likely to rebase dividends than have rights issues. As well as avoiding dilution, managements are keen to defend a reputation for having managed their balance sheets and capital risks better than in 2002-2003 (in our view). Rights issues would be more likely to fund acquisitions – but we do not expect this in the near-term.

Which companies are closest to cutting dividends?

If markets recover from current levels, we think dividend cuts or worries about balance sheet pressure will start to evaporate. However, in a scenario where things turn more negative, we have examined several criteria to judge dividend risk:

- **Capital constraints.** Based on our own capital models – using a rating agency approach – we believe the sector's capital position has coped well with recent market pressure. However, the problem is that there are many different ways of measuring capital in the sector. We have looked at each company's own disclosure of its capital position, based on what it thinks is its binding constraint. In some cases this may be trying to maintain an 'AA' S&P rating, in others to maintain a regulatory solvency surplus.
- **Dividend policy.** Some companies have strictly defined dividend policies, usually related to earnings or cash flow generation. Even if capital positions are robust, these companies may cut dividends if earnings come under pressure, e.g. due to a pressure from investment losses.
- **Growth requirements.** Some companies may have adequate dividend cover from stated earnings, but may have a greater need to conserve capital to fund growth. We look at free cash flow (i.e. allowing for capital required for new business growth) coverage of dividends to gauge this.

We show some key data in Exhibits 8-11. These show our analysis of capital positions, dividend policy and dividend cover from free cash flow. Based on our analysis, we have categorised companies into 'high', 'medium' and 'low' risk of a *surprise* dividend cut. We show which stocks fall into each category in Exhibits 8 and 9.

October 17, 2008

Insurance

Exhibit 8

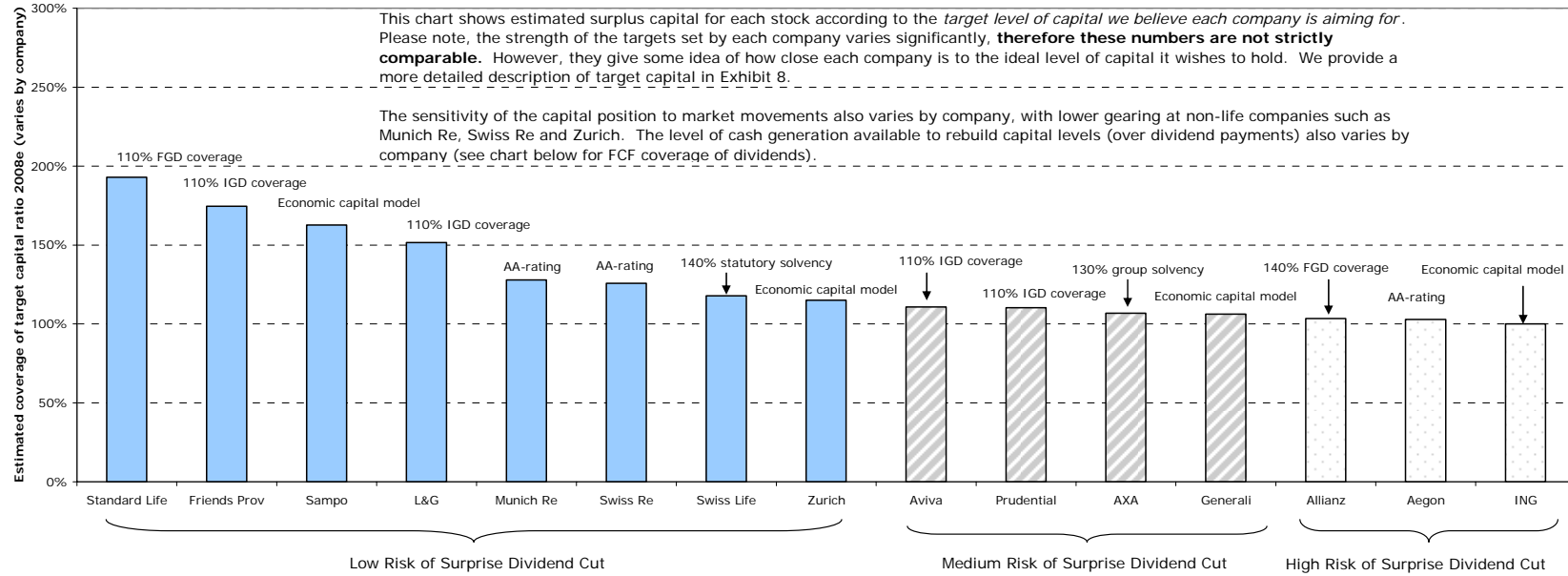
Our analysis of the capital surplus of the insurers, based on what we see as their key constraining capital measure, and the risk of a surprise dividend cut if markets turn more negative – we see a high risk at Aegon, Allianz and ING

Stock	Currency	Last Disclosed Surplus Capital	What measure is capital surplus based upon?	Estimated end 2008 capital surplus	Risk of a surprise dividend cut
Aegon	€	€842m surplus at 30 June 2008	Risk-based capital to maintain AA level rating at country units	Approx €400-500m by year end based mainly on credit impairments	High
Allianz	€	c.140% (€11bn) solvency coverage as at 30 Sept 2008 and after Commerzbank deal (Div accrued for 1H but not 3Q)	FGD (Financial Conglomerates Directive) - we believe mgmt targets at least 140% in normal markets	140% - close to target	High
Aviva	£	£1.9bn IGD surplus at 30 Sept 2008, 130% coverage	IGD (Insurance Groups Directive) - we believe mgmt targets at least 110% coverage	£1.4bn adjusting for fall in equity markets and dividends - around 120% coverage	Medium
AXA	€	€10bn surplus at 30 June 2008, we estimate €4bn over 130% solvency ratio target	Group Solvency I - wants to maintain above 130%	€8bn surplus, allowing for market moves, free cash and M&A - we estimate €2bn over 130% target	Medium
Friends Provident	£	£1.0bn group solvency excess capital resources at 30 Sept 2008 - we believe this is close to 190% coverage	IGD (Insurance Groups Directive) - we believe mgmt targets at least 110% coverage	£1.0bn - we estimate the surplus will be little changed - well over target surplus	Low
Generali	€	€1.7bn allowing for taking out €1bn hybrid to finance Banca del Gottardo acquisition, at 30 June 2008	Generali's economic capital model	Approximately €1bn	Medium
Hannover Re	€	€1.6bn (end 2007)	Based on Hannover Re's internal AA rating	Falling below €1bn	Medium
ING	€	€10bn group surplus including diversification benefit on economic capital basis (128%) at 30 June 2008, approximately €3bn above 120% target	ING's economic capital model (99.95% confidence over 1-year - targeting AA)	Around €5-6bn after diversification benefit - coverage potentially falling below 120% target	High
L&G	£	£3.4bn IGD surplus capital at 30 June 2008	IGD (Insurance Groups Directive) - we believe mgmt targets at least 110% coverage	We estimate around £2bn allowing for buyback, dividends and market moves, still well over target surplus	Low
Munich Re	€	€5-6bn at end 2007, based on S&P AA-rating	S&P AA rating	We estimate flat at €5-6bn based on adjustments to model less financial market moves	Low
Old Mutual	£	£1.5bn FGD surplus at 30 June 2008	FGD (Financial Conglomerates Directive)	We estimate £1bn allowing for asset exposures	Medium
Prudential	£	£1.4bn IGD surplus at 30 June 2008 - we estimate 130% coverage	IGD (Insurance Groups Directive) - we believe mgmt targets at least 110% coverage	We estimate £1bn allowing for asset exposures - still some buffer above minimum target	Medium
Sampo	€	€2,930mn at 30th June 2008	Internally calculated economic capital requirement	~€2.5bn assuming 20% fall in Nordea share price from 1H08	Low
Standard Life	£	£3.5bn FGD surplus at 30 June 2008	FGD (Financial Conglomerates Directive) - we believe mgmt targets at least 110% coverage	We estimate £2-3bn allowing for asset exposures	Low
Storebrand	NOK	NKr5,095mn at 30th June 2008	Solvency Margin	~130% solvency margin	Medium
Swiss Life	SFr	SFr3.4bn surplus at 30 June 2008, 185% coverage	Statutory solvency basis - we believe mgmt targets at least 140%	SFr2.5bn including impact of remaining buyback and other losses, offset by falling interest rates - approximately 165% coverage	Low
Swiss Re	SFr	SFr5-6bn above S&P AA rating as at mid-September 2008	S&P AA rating	Expect this to remain largely unchanged as earnings offset buy-back and div payments.	Low
Trygvesta	DKK	DKr1,256mn at 30th June 2008	TrygVesta's capital model - based on maintaining an A-rating from S&P	130% CAR on TrygVesta's capital model	Medium
Zurich	\$	\$6bn at end 2007	Internal economic model based on AA requirements	We estimate \$4bn at year-end	Low

Source: Company data, Morgan Stanley Research estimates

Exhibit 9

A summary of our estimates of 2008e capital positions according to each company's estimated individual capital criteria, as well as our assessment of the risk of surprise dividend cuts



Source: Company data, Morgan Stanley Research

Exhibit 10

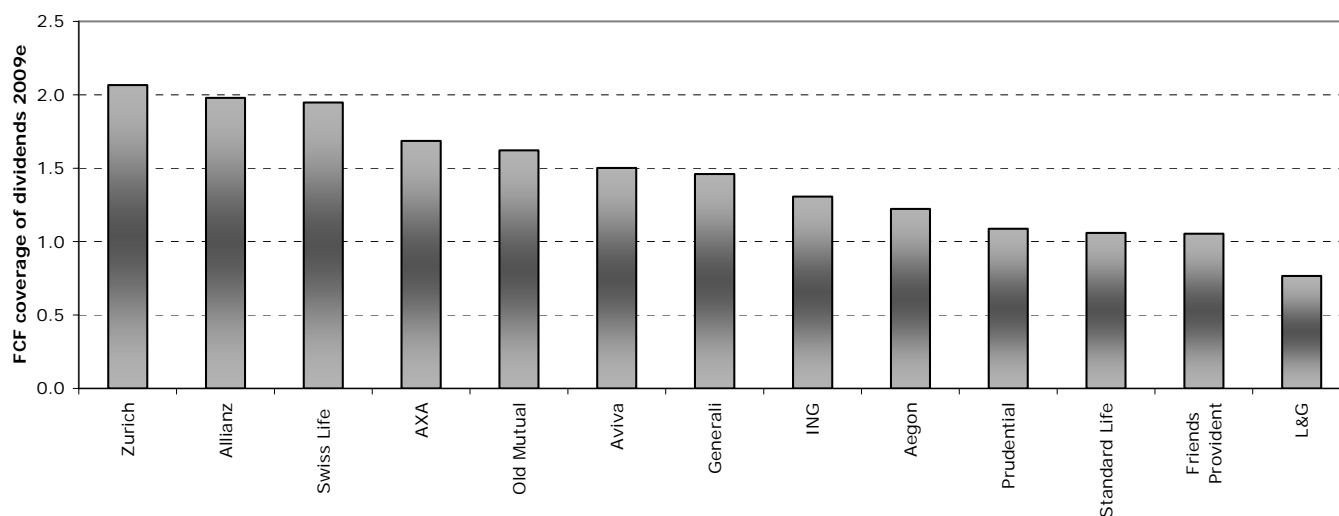
Company dividend policies – if stated

Stock	2008e dividend payout (m)	2009e dividend payout (m)	Dividend policy	Estimated 2009e FCF coverage of dividends
Aegon (€)	927	992	No quantified policy	1.2
Allianz (€)	2,472	2,478	No quantified policy, although say they want to achieve market average payout	2.0
Aviva (£)	896	986	Progressive - but target dividend cover on IFRS operating earnings after tax is 1.5-2.0x	1.5
AXA (€)	2,473	2,473	40-60% payout ratio of adjusted earnings	1.7
Friends Provident (£)	154	94	Progressive - £90-100m in 2008, expected to grow in line with operating cashflow	1.1
Generali (€)	1,220	1,457	Target declared dividend growth over 2007-2009 of 29% per year	1.5
Hannover Re (€)	219	212	35%-40% payout ratio	-
ING (€)	3,160	3,241	No quantified policy	1.3
L&G (£)	351	378	Progressive dividend policy	0.8
Munich Re (€)	1,124	1,067	Dividend to be more closely tied to earnings, but company intends to keep it at least flat	-
Old Mutual (£)	412	425	Progressive - grow dividend in line with underlying earnings growth	1.6
Prudential (£)	452	458	Progressive - dividend cover on IFRS operating profit (post tax) of around 2x	1.1
Sampo (€)	686	670	4-6% target dividend yield	-
Standard Life (£)	255	272	Dividend policy is to pay a progressive dividend	1.1
Storebrand (NOK)	534	564	35% of profit after tax	-
Swiss Life (SFr)	600	460	40-60% payout ratio from 2009e	1.9
Swiss Re (SFr)	1,318	1,341	State they want to achieve a sustainable and progressive dividend	-
Trygvesta (DKK)	1,156	800	50% of the profit for the year after tax	-
Zurich (\$)	2,082	1,918	Sustainable, progressive and competitive dividend	2.1

e = Morgan Stanley Research estimates
Source: Company data, Morgan Stanley Research

Exhibit 11

Free cash flow coverage of dividends across the sector (2009e) – where we have calculated this



Source: Morgan Stanley Research estimates

Stocks with a high risk of surprise dividend cuts

We see a high risk of 'surprise' dividend cuts or payout reductions at Aegon, Allianz and ING. Note that we are distinguishing between companies where we (and the market) already expect a dividend cut, and those where there is a chance of a 'surprise' dividend cut. We are already forecasting a cut at **Swiss Life**, as is the market, in-line with its stated dividend policy. However, for **Aegon, Allianz** and **ING**, we are currently not forecasting a cut, and neither is consensus (see Exhibit 12). We make some further comments on each of these stocks below.

Aegon – potential cut to keep AA-rating

Aegon's disclosed capital surplus at 30 June 2008 of €842m is based on its models of the minimum capital required to maintain the AA-rating of its operating subsidiaries. We estimate that Aegon currently generates little surplus retained capital after taking into account dividend payments (as Exhibit 11 illustrates, Aegon's FCF dividend cover is at the lower end of the sector; we estimate at 1.2 times in 2009).

Aegon management recently announced that it expected to maintain sufficient surplus to maintain its AA-rating to year end 2008, despite expected credit impairments (impacting net income by approximately €275m in Q3). Management stated that it wished to take further steps to maintain a strong capital base, including risk reduction and methods to release capital from its existing business (e.g. securitisation). However, if market conditions turn more negative, in credit and equity markets, leading to further earnings pressure, we believe management will also consider reducing its dividend, or returning to a policy of paying out dividends in shares (without buying back).

Allianz – potential cut to maintain target solvency

Allianz uses its conglomerate solvency coverage, based on the rules of the EU Financial Conglomerates Directive, to guide investors on its capital position. We estimate a surplus on this basis of approximately €11bn at 30 September 2008, equivalent to approximately 140% coverage of requirements. This allows for the Commerzbank deal and its subsequent share price decline.

However, Allianz targets capital surplus above the FCD requirements of between 150% and 170%, although we understand it is prepared to let it dip to 140% (or just below) in stress scenarios. It is fair to say that we are in such a scenario now. If the financial markets are able to stabilise, then we estimate that Allianz's capital surplus will be 140% after

dividends by year end – just about acceptable if the market outlook brightens a little.

There are positive factors that may give Allianz more room to manoeuvre too. Allianz has one of the best levels of free cash flow generation in the sector, and the German regulator recognises unrealised losses on bonds in its solvency calculation, unlike France and the Benelux, and may consider suspending this. At 2Q08, this would have added 15% to Allianz's solvency position (we expect this gap to have closed since as interest rates have dropped).

However, if credit and equity markets do turn more negative, we believe there exists a material risk that management could turn to a dividend cut to help support the capital position and, potentially, Allianz's AA-rating.

ING – pressure on economic capital and 'spare leverage'

ING manages its capital position on many different metrics, including regulatory, rating agency and economic capital. It also uses the concept of 'spare leverage', which looks at spare cash that could be upstreamed from the Bank and Insurance subsidiaries to the Holding Company if debt/equity ratios were stretched to their maximum in the Insurance company (15%) and tier-1 capital was reduced in the Bank to a minimum threshold of 7.2%. Under this method, the spare leverage was €3.9bn at 2Q08, but is likely to have fallen through the impact of acquisitions and dividend payments alone to €1.8bn, before considering other asset effects.

ING's capital is further complicated by double-leverage, using senior core debt at the Holding Company and injecting this as equity into the Insurance and Bank companies (approximately €5bn). This structure is accepted by the rating agencies and the Dutch regulator, the justification being that it represents the 15% diversification benefit across the group (e.g. between the Bank and Insurance company).

In our assessment of ING's capital strength, we have used ING's internal economic capital model, which showed a surplus of approximately €10bn at 2Q08, covering requirements by 128%. This includes the €5bn diversification benefit. ING targets a ratio of at least 120% - this is its own internal requirement to maintain a sufficient capital buffer to deal with volatility of the economic capital calculation (assets taken at market value, and the market value of liabilities influenced by the swap curve, where interest rates have recently fallen, pushing up liabilities).

We believe that a combination of acquisitions, dividend payments and market movements is likely to push the total

capital surplus, including diversification, to approximately €5-6bn by the end of the year, bringing the coverage ratio below the 120% threshold. We also believe that ING's spare leverage could fall below the €1bn level under its current definition. We believe it is unlikely that ING is facing a rating downgrade or any regulatory need to raise capital. For example, we believe the Dutch regulator is satisfied by the tier-1 ratio targeted by ING in the Bank. However, on an economic capital basis we believe ING could take action to improve its capital base if markets deteriorate further – through a dividend cut.

Swiss Life – cut is already expected by the market

The scaling down of Swiss Life's buyback programme announced at 1H08 results (now SFr 1.5bn in 2008 rather than the original target of SFr 2.5bn in 2008 and 2009) and lower investment results, reduces the scope for dividend payout in 2009e. Swiss Life has a payout policy of 40-60% of earnings, starting from 2009. On this basis, we are forecasting a cut in dividend per share in 2009 (payable in 2010) of 18%. However, the market is already pricing-in a dividend cut greater than our forecast (see Exhibit 12, which shows a consensus cut in 2009e declared DPS of 32%).

Given a relatively low exposure to ABS and equity markets, we believe Swiss Life's statutory capital surplus at 30 June 2008 of SFr 3.4bn should hold up well by the end of the year. This view allows for approximately another €1bn of capital to be bought back and market movements since 1H08 results were announced. Therefore, we think the risk of a capital-related *surprise* dividend cut is low.

Stocks with a low risk of dividend cuts

The risk of *surprise* dividend cuts is generally low, in our view, at non-life names and a number of stocks with strong capital positions. These stocks are: **Friends Provident, Legal & General, Munich Re, Sampo, Standard Life, Swiss Re and Zurich**. Despite relatively high equity gearing at the UK life stocks in this list, most have relatively strong levels of capital surplus, which we believe are *relatively* less likely to be challenged by current market conditions.

Exhibit 12

Our current dividend estimates vs consensus – we see a risk of lower than expected growth at Generali

Stock	Currency	2008e DPS	2009e DPS	2009e yld	09e/08e div growth	2008e consensus DPS	2009e consensus DPS	Consensus growth	Our DPS variance with consensus 2009e
Aegon	Benelux (€)	0.61	0.61	13.1%	0%	0.62	0.65	5%	-6%
Allianz	Germany (€)	5.51	5.54	6.5%	1%	5.50	6.00	9%	-8%
Aviva	UK (£)	36.30	39.93	9.0%	10%	36.0	40.0	11%	0%
AXA	France (€)	1.20	1.26	6.0%	5%	1.20	1.30	8%	-3%
Friends Prov	UK (£)	3.95	4.07	4.5%	3%	4.00	4.00	0%	2%
Generali	Italy (€)	1.08	1.15	5.3%	6%	1.08	1.29	19%	-11%
Hannover Re	Germany (€)	1.81	1.75	7.9%	-3%	1.80	1.80	0%	-3%
ING	Benelux (€)	1.56	1.60	11.6%	3%	1.50	1.58	5%	1%
L&G	UK (£)	6.42	6.90	8.4%	8%	6.40	7.00	9%	-1%
Munich Re	Germany (€)	5.82	6.30	6.5%	8%	5.50	6.00	9%	5%
Old Mutual	UK (£)	7.19	7.55	9.8%	5%	7.10	7.60	7%	-1%
Prudential	UK (£)	18.90	19.85	4.6%	5%	19.00	20.00	5%	-1%
Sampo	Finland (€)	1.20	1.20	8.1%	0%	1.20	1.20	0%	0%
Standard Life	UK (£)	12.25	13.04	5.0%	6%	12.00	13.00	8%	0%
Storebrand	Norway (NOK)	1.29	1.63	6.8%	27%	1.25	1.55	24%	5%
Swiss Life	Switz (SFr)	17.00	13.00	9.4%	-24%	18.18	12.41	-32%	5%
Swiss Re	Switz (SFr)	4.11	4.11	8.2%	0%	4.11	4.35	6%	-5%
Topdanmark	Denmark (DKK)	0.00	0.00	0.0%	-	0.00	0.00	-	-
Trygvesta	Denmark (DKK)	12.13	17.43	5.2%	44%	13.00	18.48	42%	-6%
Zurich	Switz (SFr)	16.61	17.32	6.9%	4%	16.00	17.00	6%	2%

Source: FactSet, Company data, Morgan Stanley Research estimates

October 17, 2008

Insurance

We note that **Munich Re**, **Swiss Re** and **Zurich** all have significant share buyback programmes in place, which provide an extra cushion. In adverse markets, these companies are able to reduce the extent of their buybacks to protect dividends and capital positions – we view this as simply a reflection of their strong capital positions overall and relative balance sheet flexibility. All three also generate relatively high levels of free cash flow that allow them to accumulate surplus capital to repair any balance sheet issues. In addition, **Munich Re** and **Zurich** have relatively lower exposure to risky asset markets and, potentially, less volatile earnings. Even **Swiss Re** has acted to hedge out some of its asset exposure.

Potential for lower than expected dividend growth

Four of the stocks we consider in Exhibit 9 fall into the ‘medium’ risk category, namely **Aviva**, **AXA**, **Generali** and **Prudential**. These are stocks that may use dividend policy to conserve capital in extreme market scenarios, but where we find capital constraints are of a relatively lower concern than those in the ‘high risk’ category. In the case of **Aviva**, **AXA** and **Generali**, good free cash flow cover of dividends allows each to rebuild capital positions without having to resort to a dividend cut.

However, dividend growth for some of these stocks may be held back by market conditions. We show our DPS forecasts in Exhibit 12, together with consensus estimates for selected stocks. In general, our estimates appear to be lower than consensus for a number of stocks – but particularly for **Generali**, which we believe is most exposed to lower than expected dividend growth.

Our dividend forecast for Generali reflects our view that the company will miss 2009e consensus EPS. Its strategic plan target of doubling its dividend per share 2006 and 2009 suggests a dividend payout of approximately €1.50 per share by 2009. The market is already assuming that **Generali** will miss this target, with a consensus forecast of €1.29 DPS for 2009. However, this level of growth is still ambitious (implying 19% dividend growth). Given our view that **Generali** is more exposed to equity market risk than the market perceives, and given a capital position that we believe may come under pressure if equity markets come under further sustained pressure, we believe there is a substantial risk of lower than consensus growth. Our base case forecast for 2009 DPS is currently 11% below consensus (our 2009 EPS of €2.22 is also approximately 10% below current consensus).

We would also highlight Aviva and Prudential. Both have sufficient equity market and investment market exposure to create some uncertainty about their cash earnings outlook in a volatile market. **Aviva** has relatively high forecast dividend growth (continuing at 10% per annum beyond 2009e, which may be curtailed by volatile markets. In **Prudential’s** case, a relatively low level of dividend cover by free cash flow also leaves it open to some dividend growth risk, in our view.

Week Ahead – Our Thoughts and Previews on Next Week’s Events

Overview

Prudential will be reporting their Q3 new business results next week.

Prudential — Q308, Tuesday 21st October, 7am BST

In our view, the key issues ahead of Pru’s interim results are:

Can the momentum in Asia continue? HY sales showed strong resilience in the Asian business despite concerns of weakening market conditions. The focus on Q3 will be whether this momentum can continue and whether Pru has seen market share gains from the impact of AIG in Asia.

Bulk Annuities Pipeline: Prudential has already disclosed a £1bn deal (£100m APE) with Cable & Wireless. The pipeline of quotations in the market remains strong and any other bulk deals will be of significant interest.

US: To what extent has the weak equity markets affected variable annuity sales in Jackson National?

Exhibit 13

Prudential 3Q08e estimates (APE)

£mn	3Q07	3Q08e	% growth
Asia	320	398	25%
UK	166	303	183%
US	159	163	2%
Total New Business	645	864	34%

Source: Company data, Morgan Stanley Research

October 17, 2008
Insurance

Insurance Comparables

Exhibit 29

European Insurance Comps: Universe is trading at 0.95x FY08e EV and yielding 7.6% based on FY08e

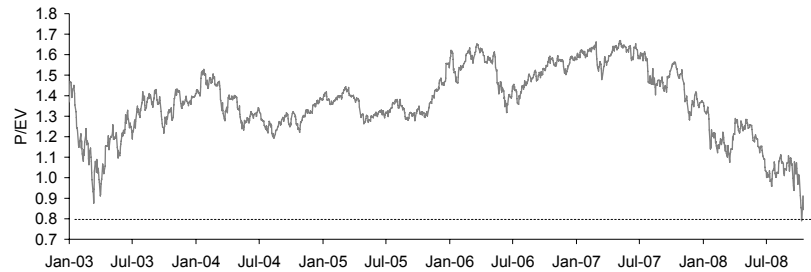
		Price at 15/10/08	Market Cap (m)	Rating	Price Target	Upside Potential (%)	P/SOTP 2008e	P/EV 2007	P/EV 2008e	P/EV 2009e	P/EV earnings 2007	P/EV earnings 2008e	P/EV earnings 2009e	P/E 2007	P/E 2008e	P/E 2009e	Div Yield 2008e	Div Yield 2009e	FCF yield 2007	FCF yield 2008e	FCF yield 2009e	RoEV 2008e	RoEV 2009e
Aegon	Benelux (€)	4.0	6,189	U	9.0	126%	0.48	0.30	0.30	0.29	3.5	2.7	2.8	2.7	9.7	3.6	15.3%	15.3%	-18.4%	18.1%	19.7%	(0.3%)	10.7%
Aksigorta	Turkey (TL)	3.3	1,010	O	6.7	103%	0.48	0.71	0.74	0.71	8.8	10.9	10.2	8.8	10.9	10.2	4.6%	4.9%	0.0%	0.0%	0.0%	6.5%	7.3%
Allianz	Germany (€)	76.0	34,379	E	129.0	70%	0.59	0.70	0.84	0.75	4.5	-43.7	4.8	4.2	60.0	5.2	7.2%	7.3%	27.9%	2.0%	14.3%	(1.6%)	17.3%
Anadolu Sigorta	Turkey (TL)	0.9	308	O	1.5	70%	0.41	0.49	0.54	0.50	4.5	3.5	4.2	4.5	3.5	4.2	9.9%	8.3%	0.0%	0.0%	0.0%	17.7%	14.7%
Aviva	UK (£)	392.0	10,418	O	671.0	71%	0.50	0.61	0.64	0.60	5.1	4.7	4.6	7.4	7.5	5.9	9.3%	10.2%	1.7%	22.0%	14.2%	12.9%	14.0%
AXA	France (€)	18.7	38,530	O	28.0	50%	0.67	1.09	1.16	1.07	5.6	5.7	6.3	6.7	9.8	7.4	6.4%	6.8%	7.8%	12.8%	11.5%	19.1%	18.4%
Friends Prov	UK (£)	82.4	1,915	U	74.0	(10%)	0.69	0.58	0.70	0.66	NM	6.5	6.0	NM	23.8	9.8	4.8%	4.9%	8.4%	11.0%	5.2%	9.0%	11.7%
Generali	Italy (€)	21.7	30,571	U	24.5	13%	0.95	1.09	1.23	1.14	7.9	8.0	8.6	10.3	10.5	9.8	5.0%	5.3%	7.2%	-0.8%	7.2%	13.1%	13.5%
Hannover Re	Germany (€)	21.4	2,581	U	35.2	64%	0.56	0.70	0.80	0.73	3.1	6.5	5.1	3.5	6.6	4.9	8.5%	8.2%	0.0%	0.0%	0.0%	10.7%	15.8%
Hargreaves Lansdown	UK (£)	168.3	798	E	223.0	33%	0.73	18.49	11.49	9.59	22.5	16.5	13.9	22.5	16.5	13.9	3.3%	3.8%	5.9%	4.3%	5.9%	0.0%	0.0%
ING	Benelux (€)	11.9	24,808	E	26.0	118%	0.47	0.65	0.76	0.66	2.5	9.2	3.3	2.8	3.7	4.0	13.1%	13.4%	18.7%	28.3%	17.0%	6.8%	23.3%
L&G	UK (£)	71.8	4,211	E	118.0	64%	0.50	0.53	0.55	0.52	7.3	5.4	5.0	10.0	10.1	9.1	8.9%	9.6%	9.0%	11.3%	6.9%	9.4%	11.1%
Munich Re	Germany (€)	89.1	18,391	E	157.0	76%	0.59	0.68	0.67	0.60	3.9	6.3	4.6	4.9	6.6	5.4	6.5%	7.1%	0.0%	0.0%	0.0%	10.5%	14.1%
Old Mutual	UK (£)	63.3	3,491	O	108.0	71%	0.47	0.49	0.57	0.53	3.7	3.8	3.9	3.7	4.5	4.9	11.4%	11.9%	28.3%	18.5%	19.7%	12.8%	14.9%
Prudential	UK (£)	370.0	9,238	E	665.0	80%	0.50	0.69	0.72	0.64	5.0	4.6	4.8	12.8	81.1	14.2	5.1%	5.4%	12.9%	12.4%	5.4%	13.4%	13.5%
Salam	UAE (ED)	1.5	1,583	O	4.6	217%	0.34	1.29	1.13	1.02	10.4	8.8	8.2	10.4	8.8	8.2	3.4%	3.7%	0.0%	0.0%	0.0%	12.7%	12.2%
Sampo	Finland (€)	14.9	8,519	E	19.0	27%	0.85	1.15	1.35	1.32	2.6	NM	10.4	2.4	12.6	10.5	8.0%	8.0%	0.0%	0.0%	0.0%	NM	13.4%
Standard Life	UK (£)	235.5	5,128	E	239.0	1%	0.90	0.82	0.85	0.81	8.2	8.1	8.7	6.9	15.6	18.8	5.2%	5.5%	11.0%	9.6%	5.6%	10.2%	9.8%
Storebrand	Norway (NOK)	21.5	9,673	O	59.0	174%	0.33	0.34	0.32	0.30	2.1	4.0	3.6	2.7	6.9	4.6	6.0%	7.6%	0.0%	0.0%	0.0%	8.1%	8.3%
Swiss Life	Switz (SFr)	127.5	4,473	E	235.0	84%	0.70	0.35	0.39	0.37	2.4	-7.7	3.4	3.1	2.0	5.0	13.3%	10.2%	20.6%	20.3%	18.5%	(3.9%)	9.9%
Swiss Re	Switz (SFr)	44.0	15,527	O	95.1	116%	0.40	0.51	0.51	0.47	3.6	4.0	3.2	4.1	6.6	3.7	9.3%	9.4%	0.0%	0.0%	0.0%	10.7%	15.6%
Topdanmark	Denmark (DKK)	648.0	10,803	E	803.0	24%	0.87	2.73	2.56	2.24	7.9	11.8	7.0	8.6	16.0	7.1	0.0%	0.0%	0.0%	0.2%	0.1%	22.5%	34.6%
Trygvesta	Denmark (DKK)	337.0	22,916	U	367.0	9%	0.89	2.36	2.56	2.21	10.0	15.5	9.7	10.1	13.9	9.7	3.6%	5.2%	0.0%	0.0%	0.0%	1.7%	21.4%
Uniq	Austria (€)	14.0	1,677	E	23.7	69%	0.56	0.61	0.54	0.52	4.2	9.5	11.1	11.0	6.8	8.6	4.3%	3.5%	0.0%	0.0%	0.0%	17.6%	6.0%
VIG	Austria (€)	23.5	3,008	O	60.0	155%	0.41	0.54	0.70	0.63	4.7	-35.0	4.3	7.9	7.1	6.1	4.8%	5.6%	0.0%	0.0%	0.0%	(1.8%)	16.2%
Zurich	Switz (SFr)	228.9	32,531	O	417.0	82%	0.47	0.96	0.97	0.86	4.6	6.5	4.7	5.2	5.4	5.0	7.3%	7.6%	9.6%	15.5%	13.8%	14.6%	20.7%
Weighted average	€	NA	254,755	NA	NA	66.8%	0.60	0.90	0.95	0.86	4.8	-1.5	5.6	5.06	8.45	6.26	7.6%	7.9%	10.0%	9.5%	9.7%	9.3%	16.0%

* Hargreaves Lansdown's figures are based on calendar years, not fiscal years.

Source: Company data, Morgan Stanley Research e = Morgan Stanley Research estimates

Exhibit 30

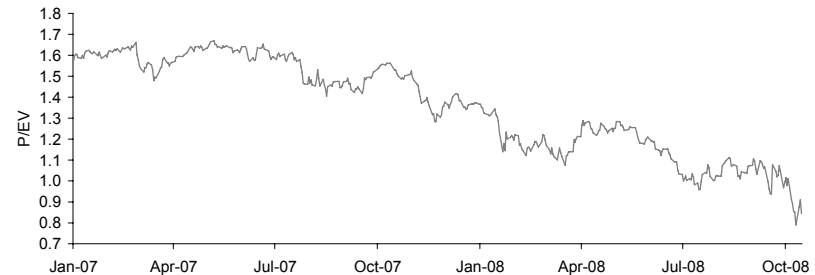
P/EV Series 2003 to Date: Now below 2003 lows



Source: DataStream, Morgan Stanley Research. Prices as of close 15 October 2008

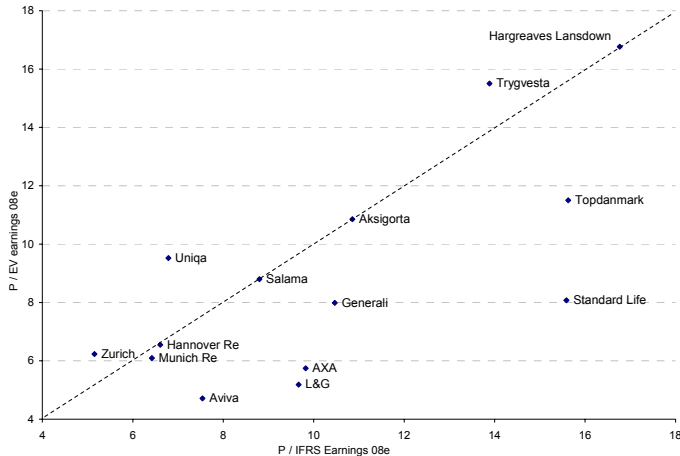
Exhibit 31

P/EV Series 2007 to Date: Continues to decline



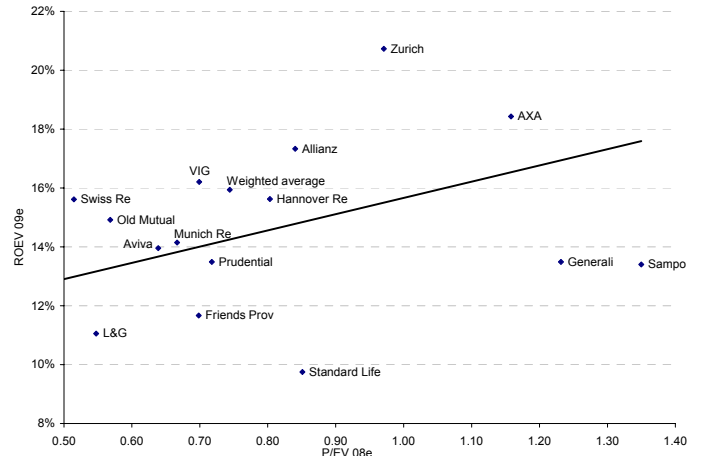
Source: DataStream, Morgan Stanley Research. Prices as of close 15 October 2008

Exhibit 32
P / EV earnings 08e vs. P / IFRS earnings 08e



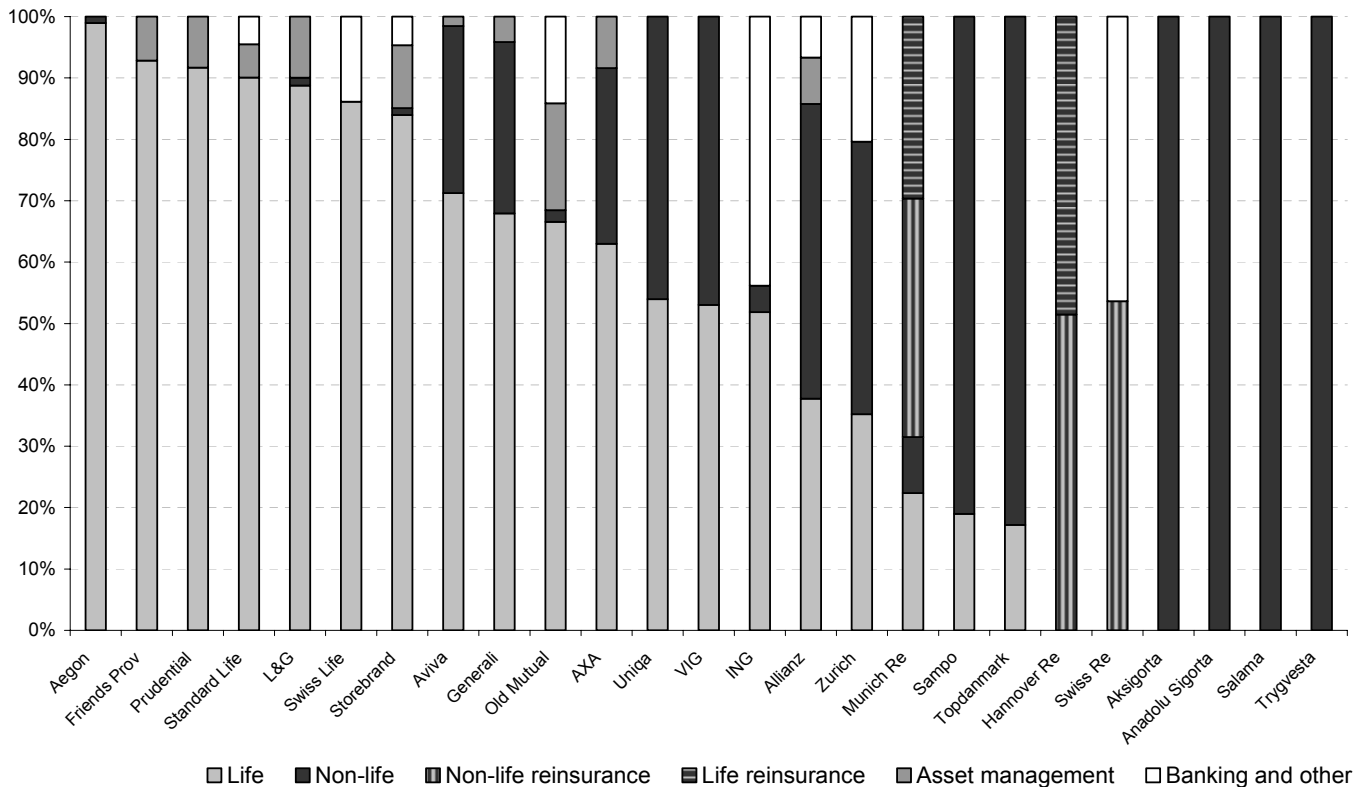
Source: DataStream, Morgan Stanley Research estimates. Prices as of close 15 October 2008

Exhibit 33
RoEV 09e vs. P/ EV 08e



Source: DataStream, Morgan Stanley Research estimates. Prices as of close 15 October 2008

Exhibit 34
Business mix of coverage universe FY08e: Life insurance dominates, very few pure plays



Source: Morgan Stanley Research estimates
Calculations based on estimated capital allocation. In the case of Aegon, 'Life' also includes the group's life reinsurance business. In the case of Swiss Re 'Banking and other' is its Life Reinsurance business.

Performance Tables

Exhibit 35

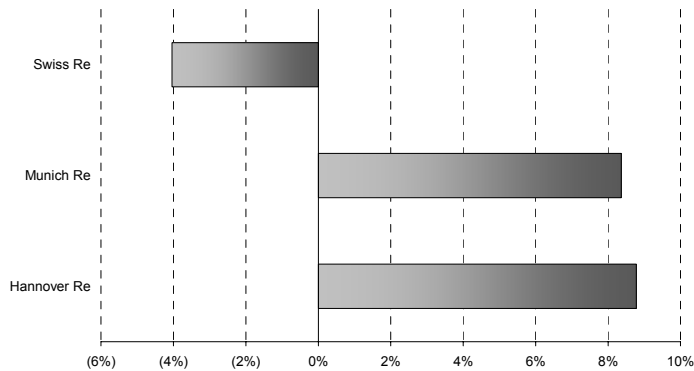
Universe Performance: Sector has dropped 19.3% in the last month, 41.3% YTD

Company Sort ● Ascending ○ Descending	Price at 16/10/08	Market Cap	52 Week		Absolute				Rel. vs. DJ STOXX 600 E				Rel. vs. DJ STOXX 600 INS (SXIP)				Rel. vs. DJ STOXX 600 BANKS (SX7P)			
			High	Low	1m	3m	12m	YTD	1m	3m	12m	YTD	1m	3m	12m	YTD	1m	3m	12m	YTD
Aegon Benelux (€)	4.0	6,189	14.3	3.5	(48.0%)	(46.1%)	(71.6%)	(67.1%)	(27.9%)	(26.5%)	(27.3%)	(24.5%)	(28.6%)	(30.3%)	(23.9%)	(25.8%)	(27.2%)	(32.0%)	(17.7%)	(18.8%)
Aksigorta Turkey (TL)	3.3	1,010	8.7	3.2	(22.5%)	(14.1%)	(60.0%)	(52.2%)	(2.5%)	5.5%	(15.7%)	(9.6%)	(3.2%)	1.8%	(12.3%)	(10.9%)	(1.8%)	0.0%	(6.1%)	(3.9%)
Allianz Germany (€)	76.0	34,379	161.5	69.9	(25.9%)	(26.7%)	(52.6%)	(48.7%)	(5.9%)	(7.1%)	(8.3%)	(6.1%)	(6.6%)	(10.8%)	(4.9%)	(7.4%)	(5.2%)	(12.6%)	1.3%	(0.4%)
Anadolu Sigorta Turkey (TL)	0.9	308	1.8	0.8	(19.3%)	(1.1%)	(50.6%)	(43.9%)	0.8%	18.5%	(6.2%)	(1.4%)	0.0%	14.8%	(2.9%)	(2.7%)	1.4%	13.0%	3.4%	4.3%
Aviva UK (£)	392.0	10,418	755.5	392.0	(19.9%)	(17.9%)	(47.6%)	(41.8%)	0.1%	1.7%	(3.2%)	0.8%	(0.6%)	(2.0%)	0.2%	(0.5%)	0.8%	(3.8%)	6.4%	6.5%
AXA France (€)	18.7	38,530	30.9	17.2	(8.3%)	8.4%	(39.6%)	(31.9%)	11.8%	28.0%	4.7%	10.7%	11.0%	24.3%	8.1%	9.4%	12.4%	22.5%	14.3%	16.4%
Friends Prov UK (£)	82.4	1,915	184.0	75.0	1.7%	3.3%	(52.9%)	(49.6%)	21.8%	22.9%	(8.6%)	(7.0%)	21.0%	19.1%	(5.2%)	(6.3%)	22.4%	17.3%	1.0%	(1.3%)
Generali Italy (€)	21.7	30,571	33.4	20.7	1.2%	(4.7%)	(30.4%)	(30.1%)	21.2%	14.9%	14.0%	12.5%	20.5%	11.2%	17.3%	11.2%	21.9%	9.4%	23.6%	18.2%
Hannover Re Germany (€)	21.4	2,581	36.4	20.5	(19.0%)	(28.4%)	(39.9%)	(32.5%)	1.1%	(8.8%)	4.4%	10.0%	0.3%	(12.6%)	7.8%	8.8%	1.7%	(14.3%)	14.1%	15.7%
Hargreaves Lansdown UK (£)	168.3	798	239.0	132.0	(9.1%)	21.9%	(25.4%)	(6.9%)	11.0%	41.5%	18.9%	35.6%	10.3%	37.8%	22.3%	34.4%	11.7%	36.0%	28.6%	41.3%
ING Benelux (€)	11.9	24,808	31.9	10.4	(40.4%)	(35.9%)	(62.8%)	(55.4%)	(20.3%)	(16.2%)	(18.4%)	(12.9%)	(21.0%)	(20.0%)	(15.0%)	(14.1%)	(19.6%)	(21.8%)	(8.8%)	(7.2%)
L&G UK (£)	71.8	4,211	140.1	71.8	(22.0%)	(21.5%)	(47.0%)	(45.0%)	(2.0%)	(1.9%)	(2.7%)	(2.5%)	(2.7%)	(5.7%)	0.7%	(3.7%)	(1.3%)	(7.4%)	6.9%	3.2%
Munich Re Germany (€)	89.1	18,391	136.4	85.1	(10.8%)	(17.1%)	(34.8%)	(32.9%)	9.2%	2.5%	9.5%	9.6%	8.5%	(1.2%)	12.9%	8.4%	9.9%	(3.0%)	19.1%	15.3%
Old Mutual UK (£)	63.3	3,491	184.0	63.3	(30.1%)	(26.8%)	(63.7%)	(62.2%)	(10.1%)	(7.2%)	(19.3%)	(19.7%)	(10.8%)	(10.9%)	(16.0%)	(20.9%)	(9.4%)	(12.7%)	(9.7%)	(14.0%)
Prudential UK (£)	370.0	9,238	784.5	370.0	(26.0%)	(23.0%)	(50.3%)	(48.0%)	(5.9%)	(3.4%)	(6.0%)	(5.5%)	(6.7%)	(7.1%)	(2.6%)	(6.7%)	(5.3%)	(8.9%)	3.6%	0.2%
Salama UAE (ED)	1.5	317	4.3	1.2	(22.5%)	(47.8%)	(61.7%)	(61.7%)	(2.4%)	(28.2%)	(19.2%)	(19.2%)	(3.1%)	(32.0%)	(20.4%)	(20.4%)	(1.8%)	(33.8%)	(13.5%)	(13.5%)
Sampo Finland (€)	14.9	8,519	21.9	12.0	(11.6%)	(3.2%)	(30.7%)	(17.4%)	8.5%	16.4%	13.6%	25.1%	7.7%	12.7%	17.0%	23.9%	9.1%	10.9%	23.2%	30.8%
Standard Life UK (£)	235.5	6,592	288.0	196.6	1.1%	19.8%	(15.9%)	(6.8%)	21.1%	39.4%	28.4%	35.7%	20.4%	35.7%	31.8%	34.5%	21.8%	33.9%	38.1%	41.4%
Storebrand Norway (NOK)	21.5	1,211	71.0	20.7	(41.1%)	(32.8%)	(71.0%)	(62.1%)	(21.0%)	(13.2%)	(26.7%)	(19.6%)	(21.8%)	(16.9%)	(23.3%)	(20.8%)	(20.4%)	(18.7%)	(17.0%)	(13.8%)
Swiss Life Switz (SFR)	127.5	2,905	306.4	124.0	(29.7%)	(48.1%)	(57.1%)	(52.1%)	(9.6%)	(28.5%)	(12.8%)	(9.5%)	(10.4%)	(32.3%)	(9.4%)	(10.8%)	(9.0%)	(34.0%)	(3.2%)	(3.8%)
Swiss Re Switz (SFR)	44.0	10,082	108.7	37.7	(29.2%)	(29.3%)	(59.5%)	(45.3%)	(9.2%)	(9.7%)	(15.2%)	(2.8%)	(9.9%)	(13.4%)	(11.8%)	(4.0%)	(8.5%)	(15.2%)	(5.6%)	2.9%
Topdanmark Denmark (DKK)	648.0	1,450	896.0	600.0	(9.6%)	(6.8%)	(27.9%)	(11.7%)	10.4%	12.8%	16.4%	30.8%	9.7%	9.1%	19.8%	29.6%	11.1%	7.3%	26.0%	36.5%
Trygvesta Denmark (DKK)	337.0	3,075	425.5	297.5	8.4%	9.8%	(22.3%)	(13.1%)	28.4%	29.4%	22.1%	29.4%	27.7%	25.6%	25.4%	28.2%	29.1%	23.9%	31.7%	35.1%
Uniqa Austria (€)	14.0	1,677	24.4	13.7	(23.0%)	(22.1%)	(40.6%)	(33.2%)	(3.0%)	(2.5%)	3.7%	9.4%	(3.7%)	(6.2%)	7.1%	8.1%	(2.3%)	(8.0%)	13.3%	15.1%
VIG Austria (€)	23.5	3,008	58.2	23.5	(35.6%)	(38.2%)	(52.3%)	(57.3%)	(15.5%)	(18.5%)	(7.9%)	(14.7%)	(16.3%)	(22.3%)	(4.5%)	(16.0%)	(15.5%)	(18.5%)	(7.9%)	(14.7%)
Zurich Switz (SFR)	228.9	21,124	361.8	208.9	(15.2%)	(11.6%)	(36.8%)	(31.2%)	4.8%	8.0%	7.4%	11.4%	4.1%	4.3%	10.8%	10.1%	4.8%	8.0%	7.4%	11.4%
Weighted average					(19.3%)	(15.9%)	(47.7%)	(41.3%)					0.8%	3.7%	(3.4%)	1.2%	1.4%	(1.8%)	6.2%	6.9%

Source: DataStream, Morgan Stanley Research

Exhibit 36

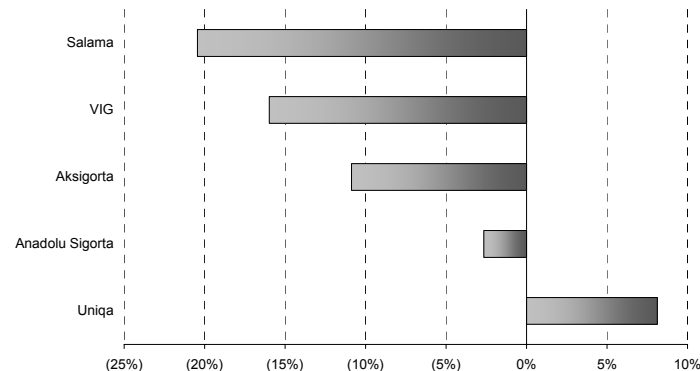
Reinsurers vs. SXIP YTD – Swiss Re lags Hannover, Munich



Source: DataStream, Morgan Stanley Research. Prices as of close 15 October 2008

Exhibit 37

CEE insurers vs. SXIP YTD – Uniqa highest

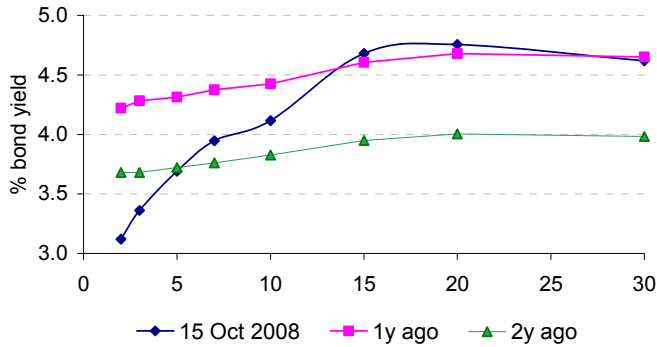


Source: DataStream, Morgan Stanley Research. Prices as of close 15 October 2008

Yield Curves: Euro and UK curves steepening

Exhibit 38

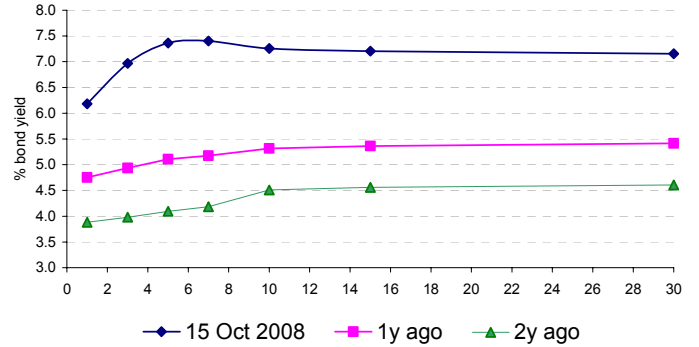
Eurozone govt. bond yield curves



Source: Datastream, Morgan Stanley Research

Exhibit 41

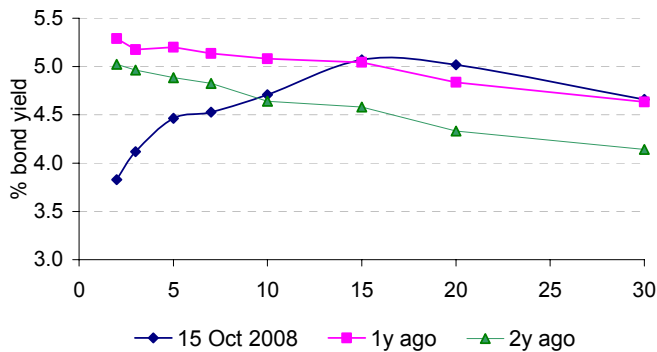
Eurozone AA corporate bond yield curves



Source: Datastream, Morgan Stanley Research

Exhibit 39

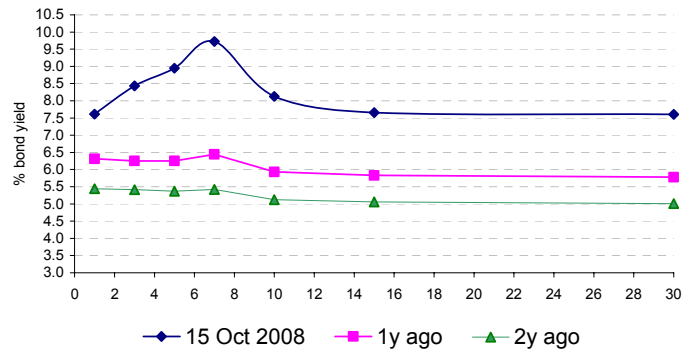
UK govt. bond yield curves



Source: Datastream, Morgan Stanley Research

Exhibit 42

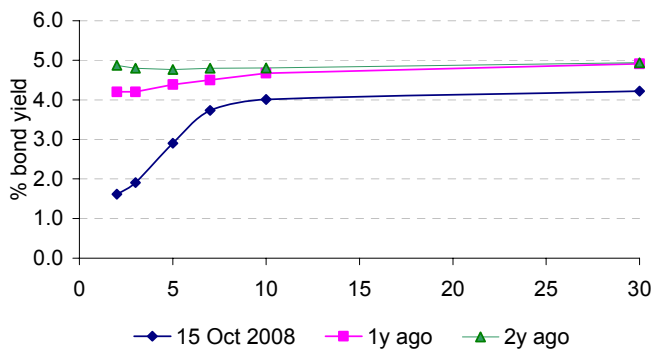
UK AA corporate bond yield curves



Source: Datastream, Morgan Stanley Research

Exhibit 40

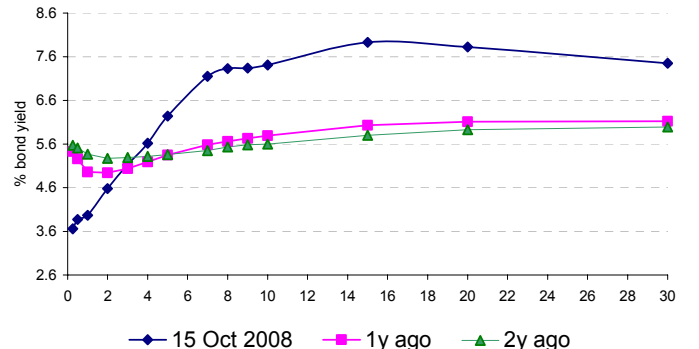
US govt. bond yield curves



Source: Datastream, Morgan Stanley Research

Exhibit 43

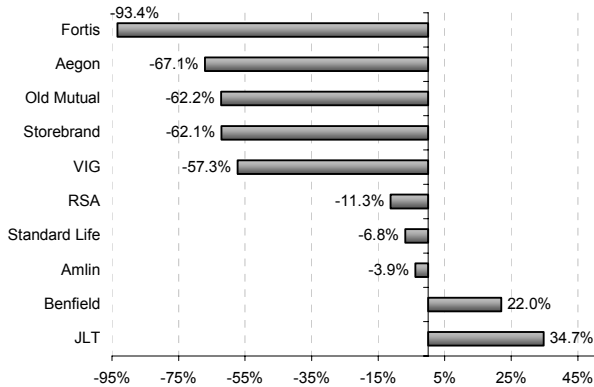
US AA corporate bond yield curves



Source: Datastream, Morgan Stanley Research

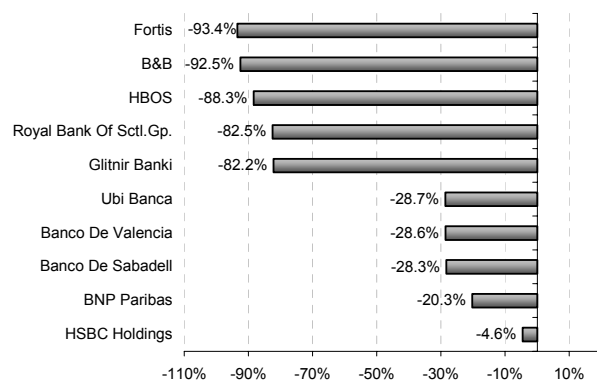
Insurers vs. Banks

Exhibit 44
Insurers: Top 5 Best and Worst Performers YTD



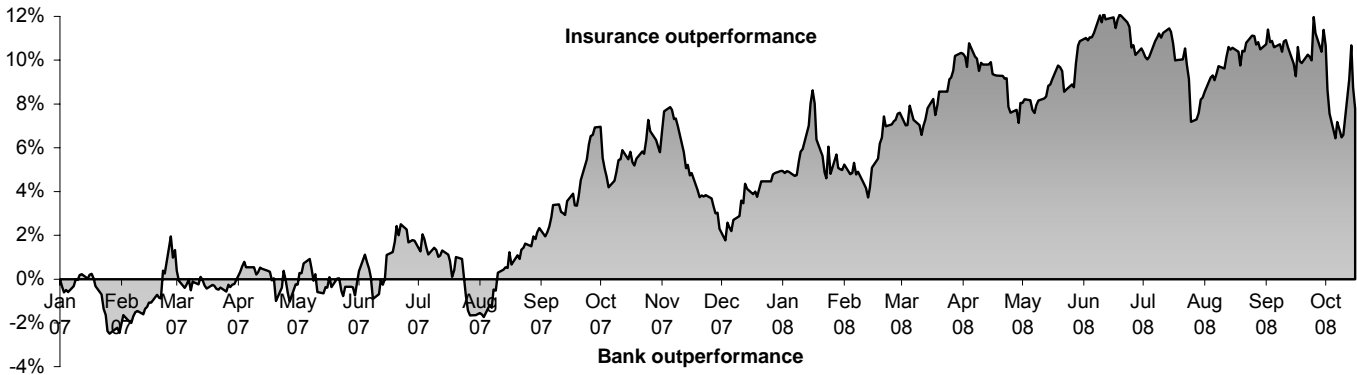
Source: Datastream, Morgan Stanley Research. Prices as of close 15 October 2008

Exhibit 45
Banks: Top 5 Best and Worst Performers YTD



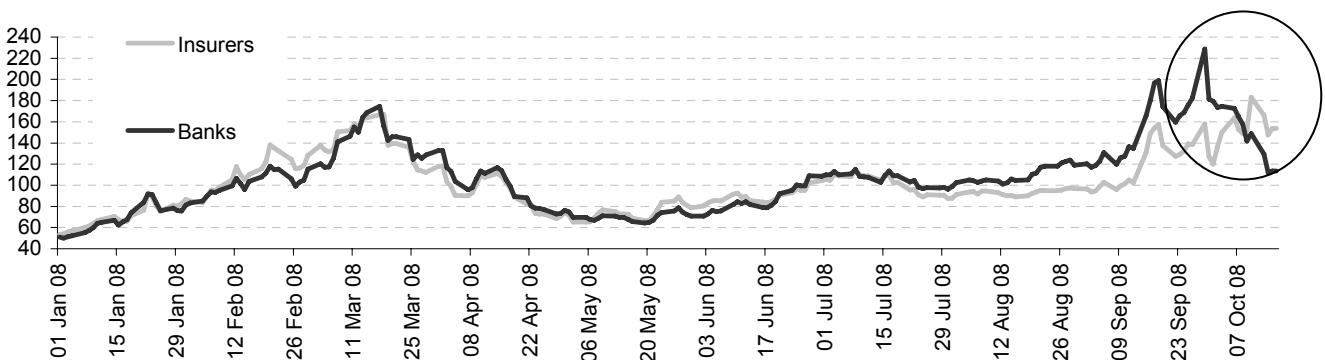
Source: Datastream, Morgan Stanley Research. Prices as of close 15 October 2008

Exhibit 46
Insurers vs. Banks relative performance – insurers continuing to outperform



Source: Datastream, Morgan Stanley Research. Insurance index used is the SXIP, Banks is the DJ STOXX Europe 600 Banks (SX7P).

Exhibit 47
CDS Spreads insurers and banks YTD: Spreads between banks tightening, but insurers now perceived as significantly more risk for the first time this year – we believe reflecting capital concerns



Source: Datastream, Morgan Stanley Research.

October 17, 2008

Insurance

Calendar of Events

Exhibit 48

Upcoming events, October – December 2008

DATE	COMPANY	EVENT
21 October 2008	Prudential	3Q08 NB results
28 October 2008	Aviva	3Q08 interim management statement
29 October 2008	Alleanza	3Q08 results
29 October 2008	Storebrand	3Q08 results
30 October 2008	Mapfre	3Q08 interim results
30 October 2008	Generali	9M08 results
30 October 2008	Standard Life	3Q08 Interim management statement and NB results
31 October 2008	Friends Provident	3Q08 Interim management statement and NB results
3 November 2008	Fortis	3Q08 results
4 November 2008	Swiss Re	3Q08 results, conference call
5 November 2008	Hannover Re	3Q08 interim results
5 November 2008	Sampo	3Q08 results
6 November 2008	Old Mutual	3Q08 interim management statement
6 November 2008	Aegon	3Q08 results
6 November 2008	AXA	9M08 Activity Indicators
6 November 2008	RSA	3Q08 interim management statement
7 November 2008	Munich Re	Interim report as at 30 September 2008
10 November 2008	Allianz	3Q08 interim results
11 November 2008	TrygVesta	3Q08 results
11 November 2008	Vienna Insurance	3Q08 results
12 November 2008	ING	3Q08 results
12 November 2008	Swiss Life	3Q08 interim statement
12 November 2008	Mediolanum	9M08 results
12 November 2008	Storebrand	Capital Markets Day
13 November 2008	ZFS	9M08 results to 30 September 2008
18 November 2008	Baloise	3Q08 interim statement
24 November 2008	Aegon	Analyst & Investor day, London
25 November 2008	Topdanmark	Q1-Q3 2008 report
25 November 2008	AXA	Investor and Analyst day
27 November 2008	Uniqa	3Q08 report, conference call
30 November 2008	Hargreaves Lansdown	Annual General Meeting
2 December 2008	Swiss Life	Investors' Day 2008

Source: Company data, Morgan Stanley Research

Fat Tail Friday Library

Weekly Focus articles

Date	Weekly Focus	Sector
10 October 2008	Insurance Sector Growth	Europe
3 October	TARP "Take 2"	United States
25 September 2008	Taking Stock	Europe
19 September 2008	AIG – Understanding the Global Footprint	United States
12 September 2008	Capital Strength	Europe
5 September 2008	Debt capacity	Europe
29 August 2008	South African insurance	South Africa
22 August 2008	Reinsurance performance	Europe
15 August 2008	Non-life reserve releases	Europe
08 August 2008	Nordic non-life	Nordic region
01 August 2008	Claims inflation – Don't Forget Secular Issues	Europe
25 July 2008	Consensus – The Missing Link	Europe
18 July 2008	Free Cash Flow – The Third Way	Europe
11 July 2008	Insurance Sector Beta	Europe
4 July 2008	Non-life Expense Ratios	Europe
27 Jun 2008	Life insurance profitability – a complex picture	Europe
20 Jun 2008	Swedish life market - structural issues abate, but near-term headwinds	Europe
13 Jun 2008	Management compensation	Europe
06 Jun 2008	Steadily rising dividend yields signal buying opportunity	Europe
30 May 2008	Total shareholder returns - economic moat and value creation	Europe
23 May 2008	Non-life capital discipline - is it really 'different this time'?	Europe
16 May 2008	Turkish non-life review	EMEA
09 May 2008	UK new business review - sales seen as increasingly at risk	UK
02 May 2008	Not banking on bancassurance - increasing competition from banks for savings?	Europe
25 Apr 2008	Non-life earnings - different strokes for different folks	Europe
18 Apr 2008	Asian insurance	Asia
11 Apr 2008	Stock performance themes YTD	Europe

Fat Tail Features

Date	Fat Tail Feature	Author	Company
25 September 2008	Views on UK GI market ahead of Aviva's investor day	Igal Mayer CEO	Norwich Union Insurance
19 September 2008	The Growth of the Defined Benefit Pension Scheme Buyout Market: Trends in Pricing and Affordability	Mark Wood, CEO	Paternoster
18 July 2008	The Return of the King	Anthony Bice, Andrew Buchanan	Oliver Wyman
11 July 2008	Private Placement Life Insurance market	Peter Huber	Swiss Life
4 July 2008	The Nordic Insurance Perspective	Stine Bosse, CEO	TrygVesta
13 Jun 2008	Electronic Data Transmission in the (Re)insurance Marketplace – Concrete Steps Towards Reality	Peter Arbenz Head of Reinsurance Information Management	Swiss Re
23 May 2008	Wraps	Paul McMahon Managing Director of UK Distribution Services	AXA
09 May 2008	Retail Financial Services Value Creation The Implications of Wraps	Paul Bradshaw, Chairman	Nucleus Financial Group
18 Apr 2008	Analyst and Investors' Visit to Hong Kong and Jakarta	Mark Tucker, CEO	Prudential

Fat Tail Fun Hall of Fame

Date	Name	Answer
3 October 2008	Trevor Petch	Edward was the Christian name of the owner of Lloyd's coffee shop, the establishment where Lloyds' of London began
26 September 2008	Esther Dijkman	AIG
19 September 2008	Pierre Wauthier	ZFS was founded as a marine insurer in 1872
12 September 2008	Martin Ayres	Smeed's Law is an empirical rule relating traffic fatalities to traffic congestion
5 September 2008	Anthony Bice	The Greek character 'μ' stands for the 'force of mortality' in actuarial terminology

Morgan Stanley Global Insurance Sector Coverage

European coverage

Analyst	Contact	Covered stocks
Jon Hocking	Jon.Hocking@morganstanley.com +44 (0)20 7425 2307	Aviva, Friends Provident, Hargreaves Lansdown, L&G, Old Mutual, Prudential, Standard Life
Farooq Hanif	Farooq.Hanif@morganstanley.com +44 (0)20 7425 6477	AEGON, AXA, Generali, ING, Swiss Life
Andrew Broadfield	Andrew.Broadfield@morganstanley.com +44 (0)20 7425 2449	Allianz, Hannover Re, Munich Re, Swiss Re, Zurich
Kathy Fear	Kathy.Fear@morganstanley.com +44 (0)20 7425 1830	Aksigorta, Anadolu Sigorta, Salama, Sampo, Storebrand, Topdanmark, TrygVesta, Uniqa, Vienna Insurance Group
Adrienne Lim	Adrienne.Lim@morganstanley.com +44 (0)20 7425 6679	Aviva, Friends Provident, Hargreaves Lansdown, L&G, Old Mutual, Prudential, Standard Life
Maciej Wasilewicz	Maciej.Wasilewicz@morganstanley.com +44 (0)20 7425 9104	Aegon, Allianz, AXA, Generali, Hannover Re, ING, Munich Re, Swiss Life, Swiss Re, Zurich

Global coverage

Analyst	Contact	Coverage area	Location
Nigel Dally	Nigel.Dally@morganstanley.com +1 914 225 4836	US Life	Westchester, US
Hayley Busell	Hayley.Busell@morganstanley.com +1 914 225 4866	US Life	Westchester, US
Sanjeev Bajpai	Sanjeev.Bajpai@morganstanley.com +1 914 225 4869	US Life	Westchester, US
Scott Thomas	Scott.Thomas@morganstanley.com +1 212 761 6586	US Property / Casualty	New York, US
Matthew Grainger	Matthew.C.Grainger@morganstanley.com +1 212 761 8023	US Property / Casualty	New York, US
Scott Russell	Scott.G.Russell@morganstanley.com +61 2 9770 1536	Asia Pacific – Insurance	Sydney, Australia
David Humphreys	David.Humphreys@morganstanley.com +61 3 9256 8943	Asia Pacific – Insurance	Melbourne, Australia
Lily Choi	Lily.Choi@morganstanley.com +852 2848 6564	Asia Pacific Financial Services & Banks	Hong Kong
Minyan Liu	Minyan.Liu@morganstanley.com +852 2848 6729	Asia Pacific Financial Services & Banks	Hong Kong
Jennifer Han	Jennifer.Han@morganstanley.com +82 2 399 4978	Asia Pacific – Insurance	Seoul, Korea
Hideyasu Ban	hideyasu.ban@morganstanley.com +81 3 5424 5381	Japan Financial Services & Banks	Tokyo, Japan

Methodology and Risks to Valuation

Valuation methodology and risks

We use sum of the parts as our principal valuation approach — given the multi-line nature of the European insurance sector, we believe that this is the most appropriate methodology.

Capital is allocated by line of business and multiples applied based on our assessment of the sustainability of returns and a detailed peer group comparison.

The impact of capital structure on returns to shareholders is explicitly considered with the clear identification of the proportion of the return that is derived from financing. Furthermore, we explicitly adjust the cost of equity by calculating leverage-adjusted betas.

Our life valuations are principally derived from embedded value metrics, while for other business units we use IFRS metrics. In our assessment of value and relative risk we are increasingly considering free cash flow metrics — i.e. the cash produced by the business after meeting life new business strain and the increased capital requirement from growth.

For each stock under coverage we produce a risk-reward profile identifying where we believe it could trade under a bear, base or bull case scenario. Our price targets are typically derived by weighting the potential outcomes. Please see individual company research for a more detailed discussion of the weightings used to derive our price targets.

In Exhibit 6, we show the key drivers behind our price target estimates. These include estimated sustainable ROEV and COE used to derive base case valuations as well as a summary of our base, bear and bull case valuations and the weightings applied to calculate our price targets.

Specific risks to valuation and price targets

Aegon

- Improvement in market sentiment towards credit risk in the sector
- Investment market performance and macroeconomic conditions
- Growth and competition in life insurance business
- Acquisitions depending on price, funding and type

Allianz

- Falling non-life insurance pricing or higher than expected claims.
- Uncertainty in the future mark-to-market impact of the Commerzbank stake and other investments.

- Uncertainty in future investment returns affecting demand for life products and investment profits.

Aviva

- Direction of profitability of the UK general insurance market, especially motor
- Competition in life and pensions across Europe
- Changes to longevity assumptions

AXA

- A strong fall in equities would hurt the highly leveraged balance sheet
- Lower growth in life or asset management or disappointing synergies from Winterthur
- Stronger competition in non-life, catastrophe losses or higher expenses

Friends Provident

- Uncertainty in UK life and pensions growth and growth in international markets
- Gearing to equity markets
- Mark-to-market impact of the stake in F&C

Generali

- Disappointing improvements in underlying profitability in the life insurance business from restructuring projects
- Changes to combined ratio assumption
- Poor investment returns

Hannover Re

- Catastrophe losses
- Inflationary pressure can impact claims run-off and create reserving deficits
- Uncertainty in future reinsurance pricing trends

ING

- Increase in loss provision costs
- Reduction in asset growth and interest margins
- Lower new business growth or weaker margins

L&G

- Increase in annuitant mortality
- Worsening UK housing market
- Increased competition in annuity market

Munich Re

- Catastrophe losses
- Inflationary pressure can impact claims run-off and create reserving deficits
- Uncertainty in future reinsurance pricing trends
- Uncertain asset returns and future growth in life insurance business

Old Mutual

- Volatility in the Rand / UK Sterling exchange rate

October 17, 2008

Insurance

- Uncertain investment returns and hedging effectiveness in global life insurance business
- Lower than expected net inflows and returns in asset management
- Uncertain growth outlook in life insurance business
- Volatility from mark-to-market of listed holdings

Prudential

- Uncertainty in growth outlook for Asian life insurance markets
- Volatility in investment returns
- Hedging costs and new business growth in UK and US businesses

Sampo

- Uncertain insurance growth
- Volatility in investment returns
- Non-life pricing competition and cycle

Standard Life

- Capital markets risk
- Lapsation of contracts in UK business
- Exposure to annuitant mortality
- Increased competition in the UK platform business

Swiss Life

- Falling long-term European and Swiss bond yields results in lower embedded value
- Downside guarantee risks in traditional life insurance
- Uncertainty in life insurance growth outlook and revenues at AWD

Swiss Re

- Catastrophe losses
- Inflationary pressures can impact claims run-off and create reserving deficits

Vienna Insurance Group

- Execution risk following proposed Erste acquisition
- Fraud, regulatory change and political climate could all affect success of growth strategy

Zurich

- Capital markets risk
- Claims inflation and catastrophe risk

October 17, 2008

Insurance

Exhibit 49

A summary of the key assumptions driving our price target, including rationale for base/bull/bear weightings

Stock	Currency	Base Case valuation	Bear Case valuation	Bull Case valuation	Base Case weighting %	Bear Case weighting %	Bull Case weighting %	PT	Base Case 08e P/EV	Sust. ROEV	COE	Rationale for base/bear/bull case weightings
Aegon	€	8.7	3.1	10.0	100%	0%	0%	9	0.66	10.2%	13.0%	Base Case is best estimate
Allianz	€	127.7	82.4	166.7	100%	0%	0%	129	1.41	13.3%	10.9%	Base Case is best estimate
Aviva	p	796.4	338.4	920.4	60%	30%	10%	671	1.30	13.4%	10.9%	Higher bear case than bull case weighting reflects near-term downside asset risks
AXA	€	28.3	17.4	32.9	100%	0%	0%	28	1.74	15.0%	11.7%	Base Case is best estimate
Friends Provident	p	118.1	44.1	133.1	35%	60%	5%	74	1.00	10.5%	11.7%	Higher bear case than bull case weighting reflects near-term downside growth risks for the company
Generali	€	23.9	12.5	27.5	100%	0%	0%	24.5	1.36	12.5%	12.0%	Base Case is best estimate
Hannover Re	€	38.1	23.7	47.8	55%	30%	15%	35.2	1.39	16.1%	11.2%	Higher bear case than bull case weighting reflects near-term downside asset risks
ING	€	26.2	11.7	30.6	100%	0%	0%	26	1.65	20.4%	13.0%	Base Case is best estimate
L&G	p	147.9	69.9	158.9	50%	40%	10%	118	1.06	11.1%	11.2%	Higher bear case than bull case weighting reflects near-term downside asset risks
Munich Re	€	156.7	111.9	193.1	70%	30%	0%	143	1.23	11.8%	10.2%	Higher bear case than bull case weighting reflects near-term downside asset and claims inflation risk
Old Mutual	p	140.9	69.5	163.9	40%	50%	10%	108	1.18	15.6%	14.8%	Higher bear case than bull case weighting reflects near-term downside asset and currency risks
Prudential	p	748.8	287.3	791.8	60%	20%	20%	665	1.45	15.3%	12.5%	We believe bear case and bull case growth scenarios are now more evenly balanced after likelihood of reduced competition from AIG
Sampo	€	19.8	14.2	27.0	100%	0%	0%	19	1.69	13.4%	9.1%	Base Case is best estimate
Standard Life	p	262.1	158.1	340.6	60%	30%	10%	239	0.95	9.8%	10.7%	Higher bear case than bull case weighting reflects near-term downside asset risks
Swiss Life	SFr	235.0	143.2	265.6	100%	0%	0%	235	0.72	11.8%	16.4%	Base Case is best estimate
Swiss Re	SFr	9.3	3.8	12.7	75%	25%	0%	95.1	1.28	13.5%	10.2%	Higher bear case than bull case weighting reflects near-term downside asset and claims inflation risk
VIG	€	56.9	32.4	80.7	50%	20%	30%	60	1.69	15.8%	12.2%	Higher bull case weight reflecting our view of increased bull case growth potential in the near-term after Erste JV
Zurich	SFr	526.3	281.7	657.1	55%	45%	0%	417	2.21	19.1%	9.4%	Higher bear case than bull case weighting reflects near-term downside asset and claims inflation and P&C pricing cycle risks

Source: Morgan Stanley Research estimates

October 17, 2008

Insurance

Disclosure Section

Morgan Stanley & Co. International plc, authorized and regulated by Financial Services Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. As used in this disclosure section, Morgan Stanley includes RMB Morgan Stanley (Proprietary) Limited, Morgan Stanley & Co International plc and its affiliates.

For important disclosures, stock price charts and rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/researchdisclosures, or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Equity Research Management), New York, NY, 10036 USA.

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Jon Hocking.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at www.morganstanley.com/institutional/research/conflictpolicies.

Important US Regulatory Disclosures on Subject Companies

As of September 30, 2008, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: AEGON, Allianz, Fortis (NL), Generali, ING, Munich Re, Prudential plc, Sampo, Storebrand, Swiss Re, Vienna Insurance Group, Zurich Financial Services.

As of September 30, 2008, Morgan Stanley held a net long or short position of US\$1 million or more of the debt securities of the following issuers covered in Morgan Stanley Research (including where guarantor of the securities): AEGON, Allianz, Aviva, Fortis, Fortis (NL), Friends Provident, Generali, Hannover Re, ING, Legal and General, Munich Re, Old Mutual, Prudential plc, RSA, Sampo, Standard Life, Storebrand, Swiss Re, TrygVesta, Zurich Financial Services.

Within the last 12 months, Morgan Stanley managed or co-managed a public offering of securities of Allianz, Aviva, Fortis, Fortis (NL), ING, Sampo. Within the last 12 months, Morgan Stanley has received compensation for investment banking services from AEGON, Allianz, Aviva, AXA, Fortis, Fortis (NL), Generali, ING, Legal and General, Munich Re, Prudential plc, Standard Life, Swiss Re, TrygVesta, Uniqa, Zurich Financial Services.

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from AEGON, Aksamorta, Allianz, Aviva, AXA, Fortis, Fortis (NL), Friends Provident, Generali, Hannover Re, ING, Legal and General, Munich Re, Old Mutual, Prudential plc, RSA, Sampo, Standard Life, Swiss Life, Swiss Re, TrygVesta, Uniqa, Vienna Insurance Group, Zurich Financial Services.

Within the last 12 months, Morgan Stanley & Co. Incorporated has received compensation for products and services other than investment banking services from AEGON, Allianz, Aviva, AXA, Fortis, Fortis (NL), Friends Provident, Generali, Hannover Re, ING, Legal and General, Munich Re, Old Mutual, Prudential plc, RSA, Sampo, Standard Life, Storebrand, Swiss Life, Swiss Re, Topdanmark, Uniqa, Vienna Insurance Group, Zurich Financial Services.

Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: AEGON, Aksamorta, Allianz, Aviva, AXA, Fortis, Fortis (NL), Friends Provident, Generali, Hannover Re, ING, Legal and General, Munich Re, Old Mutual, Prudential plc, RSA, Sampo, Standard Life, Swiss Life, Swiss Re, TrygVesta, Uniqa, Vienna Insurance Group, Zurich Financial Services.

Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: AEGON, Allianz, Aviva, AXA, Fortis, Fortis (NL), Friends Provident, Generali, Hannover Re, ING, Legal and General, Munich Re, Old Mutual, Prudential plc, RSA, Sampo, Standard Life, Storebrand, Swiss Life, Swiss Re, Topdanmark, Uniqa, Vienna Insurance Group, Zurich Financial Services.

Within the last 12 months, Morgan Stanley has either provided or is providing non-securities related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: Allianz, AXA, ING, Old Mutual.

Within the last 12 months, an affiliate of Morgan Stanley & Co. Incorporated has received compensation for products and services other than investment banking services from Uniqa, Vienna Insurance Group.

The research analysts, strategists, or research associates principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.

An employee or director of Morgan Stanley & Co. Incorporated is a director of Legal and General, Zurich Financial Services.

Morgan Stanley & Co. International plc is a corporate broker to Aviva.

Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight and Underweight are not the equivalent of Buy, Hold and Sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

Global Stock Ratings Distribution

(as of September 30, 2008)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight to hold and Underweight to sell recommendations, respectively.

October 17, 2008

Insurance

Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	892	40%	292	44%	33%
Equal-weight/Hold	937	42%	278	42%	30%
Underweight/Sell	387	17%	90	14%	23%
Total	2,216		660		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

More volatile (V). We estimate that this stock has more than a 25% chance of a price move (up or down) of more than 25% in a month, based on a quantitative assessment of historical data, or in the analyst's view, it is likely to become materially more volatile over the next 1-12 months compared with the past three years. Stocks with less than one year of trading history are automatically rated as more volatile (unless otherwise noted). We note that securities that we do not currently consider "more volatile" can still perform in that manner.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

Other Important Disclosures

Morgan Stanley produces a research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed in this or other research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Client Link at www.morganstanley.com.

For a discussion, if applicable, of the valuation methods used to determine the price targets included in this summary and the risks related to achieving these targets, please refer to the latest relevant published research on these stocks.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities/instruments discussed in Morgan Stanley Research may not be suitable for all investors. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The "Important US Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities or derivatives of securities of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities or derivatives of securities of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons.

Morgan Stanley and its affiliate companies do business that relates to companies/instruments covered in Morgan Stanley Research, including market making and specialized trading, risk arbitrage and other proprietary trading, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis.

With the exception of information regarding Morgan Stanley, research prepared by Morgan Stanley Research personnel are based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits.

The value of and income from your investments may vary because of changes in interest rates or foreign exchange rates, securities prices or market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in your securities transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. Unless otherwise stated, the cover page provides the closing price on the primary exchange for the subject company's securities/instruments.

To our readers in Taiwan: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. Information on any securities/instruments issued by a company owned by the government of or incorporated in the PRC and listed in on the Stock Exchange of Hong Kong ("SEHK"), namely the H-shares, including the component company stocks of the Stock Exchange of Hong Kong ("SEHK")'s Hang Seng China Enterprise Index; or any securities/instruments issued by a company that is 30% or more directly- or indirectly-owned by the government of or a company incorporated in the PRC and traded on an exchange in Hong Kong or Macau, namely SEHK's Red Chip shares, including the component company of the SEHK's China-affiliated Corp Index is distributed only to Taiwan Securities Investment Trust Enterprises ("SITE"). The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

To our readers in Hong Kong: Information is distributed in Hong Kong by and on behalf of, and is attributable to, Morgan Stanley Asia Limited as part of its regulated activities in Hong Kong. If you have any queries concerning Morgan Stanley Research, please contact our Hong Kong sales representatives.

October 17, 2008

Insurance

Morgan Stanley Research is disseminated in Japan by Morgan Stanley Japan Securities Co., Ltd.; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents); in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore, which accepts responsibility for its contents; in Australia by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services licence No. 233742, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited; in Canada by Morgan Stanley Canada Limited, which has approved of, and has agreed to take responsibility for, the contents of Morgan Stanley Research in Canada; in Germany by Morgan Stanley Bank AG, Frankfurt am Main, regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin); in Spain by Morgan Stanley, S.V., S.A., a Morgan Stanley group company, which is supervised by the Spanish Securities Markets Commission (CNMV) and states that Morgan Stanley Research has been written and distributed in accordance with the rules of conduct applicable to financial research as established under Spanish regulations; in the United States by Morgan Stanley & Co. Incorporated, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized and regulated by Financial Services Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. Private U.K. investors should obtain the advice of their Morgan Stanley & Co. International plc representative about the investments concerned. In Australia, Morgan Stanley Research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. RMB Morgan Stanley (Proprietary) Limited is a member of the JSE Limited and regulated by the Financial Services Board in South Africa. RMB Morgan Stanley (Proprietary) Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA), and is directed at wholesale customers only, as defined by the DFSA. This research will only be made available to a wholesale customer who we are satisfied meets the regulatory criteria to be a client.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided in accordance with a contract of engagement on investment advisory concluded between brokerage houses, portfolio management companies, non-deposit banks and clients. Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley Research, or any portion hereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Morgan Stanley Research is disseminated and available primarily electronically, and, in some cases, in printed form.

Additional information on recommended securities/instruments is available on request.

The Americas

1585 Broadway
New York, NY 10036-8293

United States

Tel: +1 (1) 212 761 4000

Europe

20 Bank Street, Canary Wharf
London E14 4AD

United Kingdom

Tel: +44 (0) 20 7 425 8000

Japan

4-20-3 Ebisu, Shibuya-ku
Tokyo 150-6008

Japan

Tel: +81 (0) 3 5424 5000

Asia/Pacific

Three Exchange Square
Central

Hong Kong

Tel: +852 2848 5200

Industry Coverage: Insurance

Company (Ticker)	Rating (as of)	Price (10/16/2008)
Andrew Broadfield		
Allianz (ALVG.DE)	E (03/26/2008)	€71.36
Hannover Re (HNRGn.DE)	U (11/02/2007)	€21.43
Munich Re (MUVGn.DE)	E (11/02/2007)	€90
Swiss Re (RUKN.VX)	O (11/02/2007)	SFr41.84
Zurich Financial Services (ZURN.VX)	O (03/26/2008)	SFr211
Kathy Fear		
Aksigorta (AKGRT.IS)	O (11/20/2007)	YTL3.3
Anadolu Sigorta (ANSGR.IS)	O (07/22/2008)	YTL.88
Islamic Arab Insurance Co. (IAIC.DU)	O (04/29/2008)	AED1.31
Sampo (SAMAS.HE)	E (10/08/2008)	€14.72
Storebrand (STB.OL)	O (04/25/2008)	NKr18.6
Topdanmark (TOP.CO)	E (11/22/2006)	DKr613
TrygVesta (TRYG.CO)	U (11/30/2005)	DKr330
Uniqqa (UNIQ.VI)	E (11/20/2007)	€14.5
Vienna Insurance Group (VIGR.VI)	O (11/20/2007)	€22.49
Farooq Hanif		
AEGON (AEGN.AS)	U (03/13/2008)	€3.79
AXA (AXAF.PA)	O (08/23/2007)	€16.33
Generali (GASI.MI)	U (06/16/2008)	€20.97
ING (ING.AS)	E (10/23/2007)	€10.12
Swiss Life (SLHN.VX)	E (09/02/2008)	SFr123.2
Jon Hocking		
Aviva (AV.L)	O (12/19/2006)	353p
Fortis (FOR.BR)	NA (08/18/2008)	€.88
Fortis (NL) (FOR.AS)	++	€.87
Friends Provident (FP.L)	U (05/28/2008)	75p
Legal and General (LGEN.L)	E (01/11/2005)	64p
Old Mutual (OML.L)	O (07/06/2006)	50p
Prudential plc (PRU.L)	E (03/28/2006)	298p
RSA (RSA.L)	NA-V (05/24/2007)	120p
Standard Life (SL.L)	E (12/19/2007)	210p

Stock Ratings are subject to change. Please see latest research for each company.