



Rating Action: [ING USA Annuity and Life Insurance Company](#)

Moody's downgrades ING Insurance's ratings. ING Group and ING Bank' s ratings remain on review for possible downgrade.

London, 27 October 2009 -- Moody's Investors Service today downgraded the insurance financial strength ratings (IFSRs) of ING's U.S. life insurance operating companies (collectively "ING US") to A2 from A1 and the senior debt of ING Verzekeringen N.V. ("ING Insurance") to Baa1 from A2. The short term P-1 debt rating for ING Insurance was also downgraded to P-2. These actions conclude the review for possible downgrade initiated on September 21, 2009 and the ratings now carry a developing outlook.

The C+ bank financial strength rating (BFSR), the Aa3 senior debt ratings of ING Bank N.V. ("ING Bank") and the A1 senior debt rating of ING Groep N.V. ("ING Group") remain on review for possible downgrade, as do ratings of certain ING Bank's subsidiaries. These ratings were placed on review last September 21, 2009.

Moody's changed the review direction to uncertain from possible downgrade on the Ba1 ratings for the preference stocks of ING Group, the subordinated debt securities of ING Verzekeringen N.V. and the preferred stocks of Equitable of Iowa Companies Capital Trust II. The review direction on the B1 trust preferred securities of ING Capital Funding Trust III was also changed to uncertain from possible downgrade.

A complete list of affected ratings is given below.

Moody's rating actions follows the recent announcement by ING Group of its intention to divest its insurance operations within the next four years -- to be executed through IPOs, sales or a combination thereof -- as a part of its final restructuring plan filed with the European Commission ("EC"). The management views the disposal of the insurance operations as instrumental for the simplification of the group, the repayment of the Dutch State and the elimination of group double leverage while minimizing the dilution for shareholders.

The group also announced its intention to repay EUR 5 billion of core Tier I securities to the Dutch State in December 2009 and the revision of the terms in respect of the Alt-A Back-up facility provided by the Dutch State at the beginning of this year. As concerns the core Tier I securities, ING has reached an agreement with the Dutch State to alter the repayment terms for these securities to facilitate early repayment of half of the EUR 10 billion received from the State. Under the agreement, ING can repurchase the first EUR 5 billion of the securities at the issue price plus the accrued coupon and a repayment premium for a total maximum repayment amount of EUR 6 billion. As concerns the Alt-A Back-up facility, ING has agreed to make additional payments to the Dutch State corresponding to an adjustment of fees; in total, these extra payments will result in a net present value of EUR 1.3 billion pre-tax, which will be booked in the fourth quarter of 2009.

In order to finance the repayment of the core Tier 1 securities as well as to mitigate the capital impact of the additional payments for the Alt-A Back-up facility, ING announced its plan to launch a fully underwritten rights issue of up to EUR 7.5 billion to be carried out after the Extraordinary General Meeting of Shareholders to be held on 25 November 2009.

Finally, the group also announced that it does not expect to be subjected by the European Commission to a mandatory deferral of coupon payments on hybrid securities. Nevertheless ING will consult the EC before taking any further repayment or calling decisions for Tier 1 and Tier 2 capital.

ING INSURANCE RATINGS

On the downgrade of the US Insurance ratings (IFSR to A2 from A1), Moody's cited that the revised ratings reflect the removal of Group support previously attributed to the US operations, in light of its planned divestiture. The revised strategy represents a variation from the one announced by the management last April 2009 when the main insurance operations were considered to be a core part of the group strategy.

"Although ING Group remains committed to supporting its US insurance operations while it continues to own them, the ratings now reflect their stand-alone credit profile and the fact that the US operations are no longer strategically core to the group," said Laura Bazer, Senior Credit Officer and lead analyst for ING Insurance US.

Moody's added that the EC restructuring constraints could potentially hinder ING's ability to make additional significant capital contributions to maintain ING US' capital at prior levels, should this be required in the future. Growing asset losses, tighter liquidity and variable annuity-related earnings pressures had caused Moody's to lower ING US' ratings in January 2009.

Commenting on the developing outlook for ING US, the rating agency said that it reflects the possibility that a business sale over time to a higher rated buyer could lead to an upgrade while a sale to a lower rated buyer could lead to a downgrade. In addition, ING US's ratings are at risk due to the potential for business erosion and/or capital pressure prior to an ultimate sale, in the event that the waiting times until divestiture are prolonged and/or delayed.

Commenting on the downgrade of ING Insurance (senior to Baa1 from A2), the intermediate holding company for the insurance subsidiaries, Moody's said that the current lower rating reflects the standalone credit profile of the insurance holding company - excluding Group support - and the more limited geographical diversification of the insurance group that is likely to result from the disposal of some operations. The developing outlook reflects the potential for positive rating pressure, in the event of the acquisition of the insurance group by a stronger entity, or negative rating pressure if the credit profile of the group weakens through subsidiary sales and/or deterioration of the remaining insurance subsidiaries' credit profiles.

ING BANK RATINGS

ING Bank's ratings remain on review for possible downgrade where they were placed last September 21, 2009. The review on the BFSR reflects Moody's expectations of continued earnings and capital pressure at the bank through continuous elevated levels of loan losses against the background of the depressed economic environment. As a consequence, ING Bank has rather weak prospects of regaining its earlier financial strength and flexibility, which has been materially weakened by the global crisis. The review will also consider the potential impact of the Group's restructuring on ING Bank's franchise and profitability going forward.

The long-term debt and deposit ratings remain on review for possible downgrade as a direct consequence of the review on the BFSR. Moody's view that the bank benefits from "very high" systemic support has been confirmed and, as a consequence, the long-term debt and deposit ratings continue to benefit from a very high probability of systemic support. Nonetheless, the review reflects the uncertainty about the extent of the restructuring of the bank in the coming months.

ING GROUP RATINGS

ING Group's senior ratings remain on review for possible downgrade where they were placed last September 21, 2009. Going forward, ING Group will be the holding company of ING Bank and its subsidiaries, and Moody's senior ratings of ING Group currently reflect Moody's standard notching for bank holding companies relative to ING Bank's senior rating. The review of ING Group's ratings is therefore a direct consequence of the rating review on ING Bank.

Moody's notes however that, although double leverage at ING Group remained elevated and was close to 140% at year-end 2008, this is expected to decrease considerably in the next few years with the repayment of group debt via the proceeds from disposals of the insurance operations.

"The announced rights issue to replace EUR 5 billion of core Tier 1 securities received from the Dutch State at the group level is also viewed as beneficial from a quality of capital perspective" added Antonello Aquino, Senior Credit Officer and lead analyst for ING Group, "and is considered as a positive step to accelerate the complete repayment of the Dutch State".

HYBRIDS

The review direction on various hybrid ratings was changed to uncertain from possible downgrade where they were placed last August 20, 2009. The action reflects the EC's decision not to force coupon deferral on these securities as a part of its approval of ING's State-aid package; nevertheless, Moody's expects that,

given the current restructuring situation of the group, there is still a moderate risk of coupon deferral on these securities.

RATINGS AFFECTED

The following ratings were downgraded and their outlook revised to developing from on review for possible downgrade:

- ING Verzekeringen N.V.: senior debt rating to Baa1 from A2, short-term rating for commercial paper to Prime-2 from Prime-1;
- ING Life Insurance & Annuity Company: insurance financial strength rating to A2 from A1;
- ING USA Annuity and Life Insurance Company: insurance financial strength rating to A2 from A1;
- Reliastar Life Insurance Company: insurance financial strength rating to A2 from A1;
- Reliastar Life Insurance Company of New York: insurance financial strength rating to A2 from A1;
- Lion Connecticut Holdings, Inc.: unguaranteed senior unsecured debt rating to Baa2 from A3; long-term issuer rating to Baa2 from A3;
- ING America Insurance Holdings, Inc.: senior debt rating (guaranteed by ING Verzekeringen N.V.) to Baa1 from A2, short-term rating for commercial paper rating (guaranteed by ING Verzekeringen N.V.) to Prime-2 from Prime-1;
- ING USA Global Funding Trusts 1-3: senior secured debt rating to A2 from A1;
- ING Security Life Institutional Funding: senior secured debt rating to A2 from A1;
- Security Life of Denver Insurance Company: insurance financial strength rating to A2 from A1;

The review direction on the following ratings was changed to uncertain from review for possible downgrade:

- ING Groep N.V.: the Ba1 Cumulative perpetual preference stocks with optional coupon deferral provision;
- ING Verzekeringen N.V.: the Ba1 Cumulative dated subordinated debt securities with optional coupon deferral provision;
- Equitable of Iowa Companies Capital Trust II: the Ba1 Cumulative preferred stock with optional coupon deferral provision;
- ING Capital Funding Trust III (guaranteed by ING Groep N.V.): the B1 Non-Cumulative trust preferred securities

All other ratings and outlooks remain unaffected by this rating action.

RATING HISTORY AND MOODY'S METHODOLOGIES

On September 21, 2009 Moody's Investors Service placed on review for possible downgrade the C+ BFSR of ING Bank N.V. and its Aa3 long-term senior debt ratings. Moody's also placed on review for possible downgrade the A2 senior debt of ING Verzekeringen N.V. ("ING Insurance") and the A1 senior debt rating of ING Groep N.V.. The A1 insurance financial strength ratings of ING's U.S. life insurance operating companies (collectively "ING US") were also placed on review. The short term P-1 rating for ING Bank was affirmed; the short term P-1 debt rating for ING Insurance was placed on review.

On August 20, 2009 Moody's Investors Service downgraded the preference stocks of ING Groep N.V. to Ba1 from A3. Moody's also downgraded the subordinated debt securities of ING Verzekeringen N.V. to Ba1 from A3, the trust preferred securities of ING Capital Funding Trust III to B1 from A3 and the preferred stocks of

Equitable of Iowa Companies Capital Trust II to Ba1 from Baa1. The ratings for these securities remained under review for possible further downgrade

The principal methodologies used in rating ING and its subsidiaries are "Moody's Global Rating Methodology for Property and Casualty Insurers" published in July 2008, "Moody's Global Rating Methodology for Life Insurers", published in September 2006, "Bank Financial Strength Ratings: Global Methodology", published in February 2007 and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", published in March 2007 and available on www.moody's.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The ratings of bank subordinated capital securities are assigned in line with Moody's existing methodology entitled "Guidelines for Rating Bank Junior Securities", dated April 2007. Moody's notes that it released a Request for Comment on 16 June 2009 in which it has requested market feedback on potential changes to its rating methodology for bank subordinated capital. If the revised methodology is implemented as proposed, the rating on bank subordinated capital securities may be affected. Please refer to Moody's Request for Comment, entitled "Moody's Proposed Changes to Bank Subordinated Capital Ratings", for further details regarding the implications of the proposed methodology changes on Moody's ratings.

Based in Amsterdam, ING Groep N.V. had total assets amounting to EUR1,188 billion at end-June 2009 and reported a net loss of EUR722 million for the six months ending June 2009.

Based in Amsterdam, ING Banking activities had total assets amounting to EUR912 billion at end-June 2009 and its Tier 1 ratio stood at 9.4%, on a Basel II basis. In H1 2009, its net profit stood at EUR206 million.

The insurance activities of ING Groep had total assets amounting to EUR287 billion at end-June 2009 and the insurance capital coverage ratios for insurance activities was 257%. In H1 2009, the insurance activities of ING Groep reported a net loss of EUR955 million.

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