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Research Update:

Rating On Geneva Finance Lowered To 'SD' After Distressed Exchange; Quest Insurance Affirmed At 'CC/Positive'

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Overview

- Geneva Finance Ltd. (Geneva), a New Zealand finance company, has effected a debt-for-equity exchange following a meeting of shareholders and investors on March 31, 2011.
- This was, in our view, a distressed exchange, and supports our rating action of lowering Geneva's rating to 'SD' (Selective Default).
- The rating on Geneva's captive insurer, Quest Insurance Group Ltd. (Quest), is affirmed at 'CC' and removed from CreditWatch with developing implications. A positive rating outlook has been assigned.

Rating Action

On April 6, 2011, Standard & Poor's Ratings Services lowered its long-term counterparty credit rating on New Zealand finance company Geneva Finance Ltd. (Geneva) to 'SD' from 'CC'. The rating was also removed from CreditWatch with negative implications, where it was placed on March 17, 2011. At the same time, the insurer financial strength rating on Geneva's captive insurer, Quest Insurance Group Ltd. (Quest), was affirmed at 'CC' and removed from CreditWatch with developing implications. A positive rating outlook has been assigned on the Quest rating.

Rationale

The rating action follows shareholder and subordinated noteholder approval on March 31, 2011, to convert existing debt interests to equity, which, in our view, constitutes a distressed exchange, considering the conversion price is higher than the current market value of shares, and noting the limited liquidity of Geneva's shares.

We anticipate that the rating on Geneva will revert to a level no higher than 'CCC', following our further discussions with Geneva's management and our subsequent analysis of the insurer's business and financial profiles—including an evaluation of its prospects of operating as a viable entity in the future. The rating on Quest is expected to be positioned in line with that of Geneva, given its role within the group as a captive financial insurer.

Related Criteria And Research

- "General Criteria: Rating Implications Of Exchange Offers And Similar Restructurings, Update" published on May 12, 2009
- General Criteria: Use Of CreditWatch And Outlooks, published on Sept. 14, 2009
- Rating Finance Companies, published on March 18, 2004.

Ratings List

Downgraded; CreditWatch/Outlook Action

	To	From
Geneva Finance Ltd.		
Counterparty Credit Rating	SD/--	CC/Watch Neg/--

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Quest Insurance Group Ltd.		
Counterparty Credit Rating		
Local Currency	CC/Positive/--	CC/Watch Dev/--
Financial Strength Rating		
Local Currency	CC/Positive/--	CC/Watch Dev/--

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