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## AM Best Affirms Credit Ratings of NongHyup Property and Casualty Insurance Company Limited

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### Related Companies

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AMB#	Company Name
033780	Natl Agricultural Cooperative Federation
094084	NongHyup Property & Casualty Ins Co Ltd
093309	NongHyup Property & Casualty Ins Co Ltd

### FOR IMMEDIATE RELEASE

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**AM Best** has affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of "a-" of NongHyup Property and Casualty Insurance Company Limited (NH P&C) (South Korea). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect NH P&C's balance sheet strength, which AM Best categorises as strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management. The ratings also reflect the implicit and explicit support the company receives from its ultimate parent company, the National Agricultural Cooperative Federation (NACF).

The risk-adjusted capitalisation of NH P&C, as measured by Best's Capital Adequacy Ratio (BCAR), is assessed at the strongest level, supported by a capital increase of KRW 160 billion (USD 140 million) in 2019 from its immediate parent, NongHyup Financial Group Inc. (NHFG). NH P&C has maintained a zero-dividend policy since 2017 to strengthen its capitalisation in preparation for IFRS 17 and K-ICS, a new solvency regime that will be implemented in South Korea along with IFRS 17. The company's conservative investment portfolio, consisting largely of highly rated domestic and overseas fixed-income securities, also adds stability to the current balance sheet strength assessment.

NH P&C's operating performance is assessed as being adequate with a five-year average operating ratio of 98.7% (2015-2019) and a return-on-equity ratio of 3.2%. The company reported a slight improvement in 2019 net profit compared with 2018, during which the company incurred large losses related to government policy products amid abnormal weather conditions.

Its underwriting performance remained unfavourable in 2019 due to a rise in its expense ratio, along with increased claims on medical coverage and a few large loss events in the long-term property line. Nonetheless, in the first half of 2020, its bottom line markedly increased to KRW 42 billion (compared with KRW 6 billion in the first half of 2019), driven by improved claims experience in the long-term and government policy insurance lines, as well as a normalised expense ratio.

As a wholly owned subsidiary of NHFG, the financial arm of NACF, NH P&C generated approximately 4% of South Korea's non-life market based on 2019 direct premium written (DPW). While the long-term insurance line contributes the largest share of its business, NH P&C also exclusively provides South Korea's farmers with government policy insurance such as crop and livestock insurance, which comprised approximately 28% of its DPW in 2019. Distribution is highly concentrated in the cooperative channel, which is a network of NACF's members.

NH P&C is strategically important to its ultimate parent, NACF, due to its role as an exclusive provider of government policy insurance to NACF cooperative members. The rating enhancement reflects the operational and financial benefits that NH P&C derives from being a key member within NACF, including subsidies and reinsurance support from the government for government policy insurance, exclusive access to NACF's cooperative channel, and capital support from its immediate parent, NHFG.

Negative rating actions could occur if there is a significant deterioration in the company's risk-adjusted capitalisation or operating performance. Negative rating actions may also arise if the level of support or the company's strategic importance to its ultimate parent diminishes to a degree that no longer supports the current level of enhancement.

**Ratings are communicated to rated entities prior to publication. Unless stated otherwise, the ratings were not amended subsequent to that communication.**

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