

A.M. Best Affirms Credit Ratings of NongHyup Property and Casualty Insurance Company Limited

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FOR IMMEDIATE RELEASE

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A.M. 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 rating affirmations reflect NH P&C's strong risk-adjusted capitalization and business profile. The ratings also reflect the explicit and implicit support the company has received from its ultimate parent, the **National Agriculture Cooperative Federation** (NACF).

NH P&C's risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), remains strong; however, it has declined in 2016 due to an increase in premium and investment risks, driven by double-digit top line growth experienced during the year.

In terms of business profile, NH P&C provides non-life insurance mainly through the NACF. The company provides diverse types of insurance coverage to NACF's members, such as long-term insurance and crop insurance, and executes government policies directed at the agricultural industry.

Partially offsetting these positive rating factors are the company's weak profitability and a historical high dividend payout. Although the company shifted its strategy to focus on the sales of more profitable long-term protection type

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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

products, less profitable savings type products still represent more than half of the company's long-term insurance book of business.

While positive rating actions are unlikely in the near term, negative rating actions could occur if there is a material decline in NH P&C's risk-adjusted capitalization. In addition, negative rating actions could occur if the company's business profile is impacted significantly by the loss of its exclusive access to its major distribution channel of NACF's cooperatives.

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

This press release relates to Credit Ratings that have been published on A.M. Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see A.M. Best's Recent Rating Activity web page. For additional information regarding the use and limitations of Credit Rating opinions, please view Understanding Best's Credit Ratings.

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