



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

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HONG KONG--([BUSINESS WIRE](#))--**AM Best** has affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of “a-” (Excellent) 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 assesses 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, the National Agricultural Cooperative Federation (NACF).

The risk-adjusted capitalisation of NH P&C is assessed as very strong, as measured by Best’s Capital Adequacy Ratio (BCAR). Although its capital is susceptible to moderate volatility caused by the recent rise in long-term investment yields, NH P&C’s capital and surplus grew in 2020 and in the first nine months of 2021 due to a solid expansion of retained earnings. 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. The company’s highly conservative investment portfolio, consisting largely of high-quality fixed-income assets, also supports the current balance sheet strength assessment.

NH P&C’s operating performance is assessed as adequate with a five-year average operating ratio (2016-2020) of 98.2% and a return-on-equity ratio of 3.3%. The company reported favourable underwriting performance in 2020 mainly due to improved claims experience and robust premium growth in the long-term insurance line, coupled with an enhanced expense ratio. AM Best notes that the underwriting fundamentals of fast growing government policy insurance products, which reported large losses due to abnormal weather conditions in 2018 and 2019, have shown signs of improvement since 2020, following the company’s remedial efforts such as strengthened underwriting, product restructuring and rate hikes.

NH P&C is a wholly owned subsidiary of NongHyup Financial Group Inc. (NHFG), which is the financial arm of NACF and one of the largest financial groups in South Korea. NH P&C represented approximately 4% of South Korea's non-life market based on 2020 direct premium written. While the long-term insurance line comprises its largest share of its business, NH P&C is also the exclusive provider of South Korea's government policy insurance such as crop and livestock insurance. Distribution remains highly concentrated in the cooperative channel, which is a network of NACF's members, although the company has been trying to gradually diversify into the general agent and tied agent channels.

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. Negative rating actions may also arise if the level of support or the company's strategic importance to its ultimate parent is reduced 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.

This press release relates to Credit Ratings that have been published on AM 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 [AM Best's Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Guide to Best's Credit Ratings](#). For information on the proper use of Best's Credit Ratings, Best's Preliminary Credit Assessments and AM Best press releases, please view [Guide to Proper Use of Best's Ratings & Assessments](#).

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Contacts

Chang Sim

Financial Analyst

+852 2827 3400

chang.sim@ambest.com

Chanyoung Lee

Associate Director, Analytics

+852 2827 3404

chanyoung.lee@ambest.com

Christopher Sharkey
Manager, Public Relations
+1 908 439 2200, ext. 5159
christopher.sharkey@ambest.com

Jim Peavy
Director, Communications
+1 908 439 2200, ext. 5644
james.peavy@ambest.com

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