



Fitch Affirms Seoul Guarantee Insurance's IFS at 'AA-'; Outlook Stable

Fitch Ratings - Singapore - 18 February 2019: Fitch Ratings has affirmed Seoul Guarantee Insurance Company's (SGI) Insurer Financial Strength Rating at 'AA-' (Very Strong). The Outlook is Stable.

Key Rating Drivers

The rating reflects Fitch's expectation that Korea Deposit Insurance Corporation (KDIC), a government agency that owns 93.85% of SGI, will extend the insurer support, if needed, based on SGI's importance in promoting and developing the domestic credit and guarantee insurance market. SGI benefits from a one-notch uplift from Fitch's standalone assessment due to the potential support from its parent. The rating also takes into account the company's favourable business profile, very strong capitalisation and strong financial performance.

SGI's business profile is favourable compared with that of all other Korean non-life insurance companies, due to a favourable operating scale and a substantive business franchise within its specialised sector while its business risk is somewhat diversified. The company has inherent business risks associated with a niche business that moves in tandem with economic conditions and that has limited geographical diversification. SGI sources more than 95% of its business premiums from South Korea.

SGI has a dominant market position in South Korea's guarantee and credit insurance market, with a market share of 24% at end-June 2018 based on risk exposure. Its market share has been consistently above 20% for the previous five years.

SGI's regulatory risk-based capital ratio was 396.9% at end-September 2018, well in excess of the 100% regulatory minimum. Its capitalisation, as measured by Fitch's Prism Factor-Based Capital Model (FBM), was 'Very Strong' in 2017. Fitch expects SGI's FBM result for the full year of 2018 to remain at a similar level. The financial leverage ratio amounted to less than 5% at end-2017 and end-September 2018, and remains commensurate with SGI's rating category.

Net income amounted to KRW343 billion for 9M18 and its return on average equity (ROAE) was 11% on an annualised basis (2017: 12%). The combined ratio remained below 84% for 2017 and 9M18.

Rating Sensitivities

Upgrade sensitivities include:

- Sustained and strong improvements in its business profile and standalone financial fundamentals, with successful geographical diversification; and
- An upgrade of the sovereign rating, as SGI's Insurer Financial Strength Rating is at the same level as the South Korean sovereign (AA-/Stable).

Downgrade sensitivities include:

- Downgrade of the South Korean sovereign or lower government support - either by a significant cut in the government's stake in KDIC or the sale of the government's shares to a financially weaker acquirer;
- Deterioration in SGI's financial fundamentals, with a combined ratio above 99% (2017: below 84%) for a prolonged period;
- Its capitalisation, as measured by Fitch's FBM, falling well into the 'Strong' level for a prolonged period

RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
Seoul Guarantee Insurance Company	Ins Fin Str AA- ● Affirmed	AA- ●

Additional information is available on www.fitchratings.com

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Applicable Criteria

Insurance Rating Criteria (pub. 11 Jan 2019)

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