

DB Insurance Co., Ltd.

Daechi-dong, DB Financial Center, 432, Teheran-ro, Gangnam-gu, Seoul 06194, South Korea

AMB #: 94051

NAIC #: N/A

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[Best's Credit Rating Methodology](#) | [Disclaimer](#) | [Best's Credit Rating Guide](#)

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Credit Analysis
94051 - DB Insurance Co., Ltd.

DB Insurance Co., Ltd.

Credit Report

Report Release Date:

N/A

Group Members Rating Effective Date:

July 13, 2018

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Associated Ultimate Parent: 087968 - DB Insurance Co., Ltd.

A.M. Best Rating Unit: 094051 - DB Insurance Co., Ltd.

Best's Credit Ratings for Group Members:

Rating Effective Date:

July 13, 2018

AMB#	Company	Rating Unit	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
			Rating	Outlook	Action	Rating	Outlook	Action
094051	DB Insurance Co., Ltd.							
087968	DB Insurance Co., Ltd.		A	Stable	Affirmed	a+	Stable	Affirmed
014135	DB Insurance Co., Ltd.		A	Stable	Affirmed	a+	Stable	Affirmed

013784	Ltd. GUB DB Insurance Co., Ltd. USB	A	Stable	Affirmed	a+	Stable	Affirmed
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Rating Rationale:

Balance Sheet Strength: Strong

- As measured by Best's Capital Adequacy Ratio (BCAR), DB Insurance Company, Limited's (DBI) risk-adjusted capitalization has been assessed as being in the very strong category. The BCAR score is supported by sizable capital and surplus (non-consolidated) of KRW 4,415 billion in 2017, which is the second-largest amount among South Korean non-life insurers. Capital and surplus has grown an average of 10% per year over the past five years, driven by net profit retention.
- In 2017, DBI's net premium leverage was in the lower range when compared to its domestic peers. Nevertheless, the asset leverage remains high, leaving the company's capitalization more susceptible to asset valuation change.
- The investment strategy is considered to be conservative with a strong focus on asset/liability management (ALM).

Operating Performance: Strong

- DBI's operating performance has been improving over the past five years, driven by increasing net investment income and improving underwriting performance.
- Underwriting performance has consistently outperformed the industry over the past five years, with moderate volatility. DBI's combined ratio has been improving over the same period due to rate adjustments, better risk segmentation and stricter underwriting. In 2017, DBI's combined ratio was the lowest among its major domestic peers.
- DBI's ROE is 14.8%, despite its relatively large capital base.

Business Profile: Favorable

- DBI is the third-largest non-life insurer in South Korea with a market share of 16% in terms of direct premiums written in 2017. DBI has been able to increase its market share over the past five years, despite the high level of competition in its domestic market.
- Business mix is well diversified in terms of product offerings. DBI has been improving its pricing and product risk management capabilities. DBI also benefits from diversification as a result of its life insurance subsidiary, DB Life Insurance Company, Limited.
- Overseas expansion has been limited so far, leaving the company highly concentrated in its competitive domestic market.

Enterprise Risk Management: Appropriate

- Risk management capabilities are appropriate for DBI's risk profile. DBI has been enhancing its ERM throughout the organization due to the upcoming implementation of IFRS 17 and K-ICS in 2021.
- The company has been focused on improving its profitability. Investments are managed with a strong focus on ALM and targets are set by the risk management department.
- Over the past year, DBI has strengthened its underwriting and pricing to include an actuarial review, and the company has started to work on its Own Risk and Solvency Assessment (ORSA).

Outlook

The stable outlooks reflect that no positive or negative rating actions are expected in the near term.

Rating Drivers

Negative rating actions could occur if the company's risk-adjusted capitalization deteriorates substantially. Negative rating actions could also occur if an unfavorable trend develops in its operating performance.

Financial Data Notes:

Time Period: Annual - 2017 **Status:** A.M. Best Quality CrossData as of: 04/11/2018
Checked

Key Financial Indicators:

Key Financial Indicators (000)

	Year End				
	2017	2016	2015	2014	2013
Premiums					
Direct Premiums Written - combined	13,493,036,000	13,148,728,000	12,524,150,000	11,751,235,536	8,473,878,520
Gross premiums written - combined	13,571,669,000	13,242,172,000	12,635,916,000	11,837,105,536	8,547,607,520
Net premiums written - combined	12,787,912,000	12,462,090,000	11,834,145,000	11,149,028,803	8,050,605,936
Capital & Surplus	4,628,036,000	4,169,664,000	3,805,810,000	3,453,675,388	2,713,992,044
Total Assets	48,375,611,000	44,863,440,000	40,018,391,000	34,932,066,498	30,313,490,065

Source: Bestlink - Best's Statement File - Global

Local Currency: Korean Won

US \$ per Local Currency Unit .00094 = 1 Korean Won (KRW)

Key Financial Indicators - A.M. Best Ratios (%)

	Year End				
	2017	2016	2015	2014	2013
Net Premiums Written to Equity	276.3	298.9	310.9	322.8	296.6
Liquidity					
Liquid Assets to Total Liabilities	30.0	31.7	40.6	40.8	41.6
Total Investments to Total Liabilities	91.5	91.2	91.6	92.2	89.9

Source: Bestlink - Best's Statement File - Global

Best's Capital Adequacy Ratio Summary - AMB Rating Unit (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	51.0	29.0	20.0	17.0

Source: Best's Capital Adequacy Ratio Model - Universal

Credit Analysis:

Balance Sheet Strength: Strong

Capitalization:

Capital and surplus has grown at an average of 10% per year over the past five years, mainly driven by net profit retention. In 2017, DB Insurance Company, Limited's (DBI) non-consolidated capital and surplus was KRW 4,415 billion, which is 11% higher than the reported KRW 3,964 billion in 2016.

In terms of leverage, DBI's net premium leverage ratio declined from 2.9 times in 2016 to 2.6 times in 2017, which is below the five-year average net premium leverage ratio of 2.8 times. Nevertheless, DBI's asset leverage remains high at 8.5 times in 2017, compared to 8.6 times in 2016. The high asset leverage makes the company's capitalization more susceptible to asset valuation changes.

At the end of the first quarter of 2018, DBI's non-consolidated capital and surplus declined to KRW 4,160 billion due to a decrease in unrealized gains on its bond portfolio.

Capital Generation Analysis (000)

	Year End				
	2017	2016	2015	2014	2013

Capital & surplus brought forward	4,344,731,000	3,966,945,000	3,591,176,000	2,857,770,884	3,066,579,082
Change in non-distributable reserves	280,480,000	252,078,000	271,329,000	200,480,000	...
Change in claims equalisation reserve	69,297,000	59,991,000	54,275,000	39,594,349	...
Change in other reserves	-349,777,000	-308,077,000	-325,604,000	-240,074,349	...
Currency exchange gains	-74,483,000	15,119,000	50,371,000	27,644,690	-35,564,180
Profit or loss for the year	669,196,000	533,779,000	430,443,000	429,349,282	263,210,565
Capital gains or (losses)	-22,553,000	-75,624,000	-18,066,000	353,231,745	-305,738,999
Dividend to shareholders	-108,960,000	-102,408,000	-96,078,000	-67,594,500	-83,419,085
Other changes	25,079,000	2,928,000	9,099,000	-9,226,485	-47,296,499
Total change in capital & surplus	488,279,000	377,786,000	375,769,000	733,404,732	-208,808,198
Capital & surplus carried forward	4,833,010,000	4,344,731,000	3,966,945,000	3,591,175,616	2,857,770,884

Source: Bestlink - Best's Statement File - Global

Local Currency: Korean Won

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Asset Liability Management – Investments:

DBI's investment strategy is relatively conservative compared to its domestic peers. In 2017, about 74% of invested assets were allocated to fixed income, mainly bonds and loans. The investment strategy has a strong focus on ALM. In 2017, the company's ALM gap is well below one year. As a way to lengthen the duration of its assets, DBI has been increasing its overseas investments, especially in bonds in developed countries. All of the company's overseas investments are hedged against foreign exchange risk. DBI has also increased the proportion of alternative investments, such as infrastructure loans, in order to maintain its investment yield in a low interest rate environment.

Reserve Adequacy:

DBI has prudent reserving policies. The company maintains a reserve surplus against the best estimate in all business lines. Long-term savings reserves represented over 86% of total reserves in 2017, reflecting the company's sizeable long-term insurance business. Of these long-term savings reserves, 44% had fixed interest rates and 56% had floating interest rates in 2017. Despite the high proportion of fixed interest rate reserves, the overall interest rate is declining and DBI maintains a positive interest spread.

Holding Company Assessment:

Associated Ultimate Parent: 087968 - DB Insurance Co., Ltd.

N/A

Operating Performance: Strong

DBI's operating performance has been improving over the past five years, driven by increasing net investment income and improving underwriting performance. In 2017, net profit increased to KRW 622 billion, from KRW 470 billion in 2016. ROE increased to 14.8% in 2017, from 12.3% in 2016.

Net investment income has almost doubled over the past five years, driven by a growing invested asset base and reflecting the company's large long-term insurance business. Net investment income was KRW 1,035 billion in 2017, higher than KRW 985 billion in 2016. Net investment yield, however, has declined over the period, reflecting the decline in interest rates in South Korea.

In terms of underwriting performance, DBI's combined ratio has consistently outperformed the industry over the past five years. The combined ratio has also improved from a peak 103.9% in 2014 to 101.5% in 2017, mainly driven by premium rate adjustments in its major business lines, but also by better risk segmentation and stricter underwriting.

Long-term insurance is an unusual feature of the non-life insurance industry in South Korea. Long-term policies turn insurance into an investment, increasing their appeal. These policies usually carry savings features. DBI's long-term risk loss ratio, which

excluded some of these savings features, declined to 83.5% in 2017, from 87.6% in 2016, mainly driven by premium rate increases in medical indemnity products.

Auto insurance has historically been a money-losing proposition for the non-life industry in South Korea. However, over the past three years, pricing deregulation and better segmentation improved the line's underwriting performance. Auto insurance has been DBI's major contributor to net premium growth since 2015, partly driven by premium rate increases. DBI has also improved its segmentation and pricing capabilities. DBI's auto line combined ratio has declined from a peak of 108.1% in 2014 to a profitable level of 98.9% in 2017. The company aims to maintain its auto combined ratio at a profitable level going forward. In general insurance, DBI's underwriting performance has been mostly profitable over the past five years but with relatively high volatility. DBI has a relatively high net retention ratio when compared to its domestic peers. The company's combined ratio in this line declined from 103.4% in 2016 to 93.0% in 2017, driven by the decline in the loss ratio. The loss ratio declined from 76.5% in 2016 to 64.3% in 2017.

Financial Performance Summary (000)

	Year End				
	2017	2016	2015	2014	2013
Pre-Tax Income	889,299,000	703,689,000	545,525,000	530,850,588	346,032,214
Net income (after noncontrolling interests)	661,146,000	523,652,000	418,793,000	422,051,173	270,063,692

Source: Bestlink - Best's Statement File - Global

Local Currency: Korean Won

US \$ per Local Currency Unit .00094 = 1 Korean Won (KRW)

A.M. Best Ratios (%)

	Year End				
	2017	2016	2015	2014	2013
Overall Performance:					
Return on Assets	1.4	1.3	1.1	1.3	...
Return on Equity	15.0	13.1	11.5	13.7	...

Source: Bestlink - Best's Statement File - Global

Business Profile: Favorable

DBI was South Korea's third-largest non-life insurer in terms of direct premium income in 2017, with a market share of about 16%. DBI's market share has increased from about 15% in fiscal year 2013 (nine months of March to December 2013) despite the intense competition in the domestic market. The company benefits from a well-recognized brand in its domestic market. This brand recognition was unaffected by the change of its name and logo from Dongbu to DB in 2017.

Distribution channels are diversified. In its major product line of long-term insurance, DBI relies on tied solicitors and agents, which generated more than half of new premium in 2017. General agents accounted for about a third of new premium generation, and the remainder was sourced from bancassurance, telemarketing and other channels in 2017.

The company has a diversified product mix. About 69% of net premiums written were in long-term insurance in 2017, followed by auto insurance (26%) and general insurance (5%). Within long-term insurance, about 35% of new business was in health insurance, followed by accident insurance (25%), driver's insurance (21%), property insurance (15%), and the remainder in savings and annuity-type long-term insurance.

In terms of business diversification, DBI also benefits from its 99.8% stake in DB Life Insurance Co., Ltd., a relatively small but growing life insurer in South Korea. In 2017, DB Life's premium income produced about 10% of DBI's consolidated premium income.

DBI has four branches in the U.S., in Hawaii, Guam, New York and Ohio; a 15% stake in Ancheong P&C Insurance in China; and a 37% stake in Post & Telecommunications Insurance Corporation (PTI) in Vietnam. DBI also has business offices in Indonesia and Myanmar. Like its domestic peers, DBI's overseas operations are very small compared to its domestic business.

By-Line Business (000)

	Year End				
	2017	2016	2015	2014	2013
Other life	1,317,973	1,237,479	1,189,702	1,169,902	922,177
Total life	1,317,973	1,237,479	1,189,702	1,169,902	922,177
Automobile	3,085,843	2,840,905	2,461,107	2,194,141	1,546,829
Other classes	9,167,853	9,163,788	8,985,107	8,473,063	6,078,602

Total non-life	12,253,696	12,004,693	11,446,214	10,667,204	7,625,431
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Source: Bestlink - Best's Statement File - Global
Local Currency: Korean Won
US \$ per Local Currency Unit .00094 = 1 Korean Won (KRW)

Enterprise Risk Management: Appropriate

DBI's risk management framework is overseen by the board of directors. The framework is composed of a Risk Management Committee that meets quarterly and is in charge of the risk strategy; and of a Risk Management Administrative Committee (RMAC), responsible for the overall risk management duties, including measuring, controlling and reporting risks. The RMAC has two divisions: one in charge of insurance risks and another in charge of investment/ALM risks.

DBI monitors six types of risks (i.e., insurance, interest rate, market, credit, operational, and subsidiaries). Risk limits are set for each type of risk and capital levels are managed accordingly. The company's largest risks are credit risk and insurance risk. Risk limits are also set for overseas operations.

Risk appetite is defined as a specific minimum consolidated RBC level. Stress tests are performed based on standard scenarios provided by the Financial Services Supervisory in South Korea and on internally developed scenarios. DBI's RBC remained above the minimum regulatory requirement in all scenarios. Contingency plans are in place if the RBC drops to warning levels.

DBI is preparing for the implementation of IFRS 17 and of K-ICS, South Korea's new solvency regime, in 2021. One of the efforts includes the development of an economic-based internal model. The company is also working on its ORSA process.

Reinsurance Summary:

Reinsurance dependence is low. DBI's net premium retention was 94% in 2017. In the general line, where the company retains less premium, net retention has been increasing since 2015 as a way to improve profitability. Analysis is performed in-house and with third-party Dynamic Financial Analysis models. The general line's net retention was about 52% in 2017. DBI's reinsurance panel is well diversified and composed mostly of highly rated reinsurers.

Financial Statements:

Balance Sheet:

Balance Sheet

Assets	01/01/2018 KRW(000,000)	01/01/2018 % of total	01/01/2018 USD(000,000)
Cash & deposits with credit institutions	861,780	2.5	810
Bonds & other fixed interest securities	10,621,029	23.0	9,984
Shares & other variable interest instruments	1,628,804	3.3	1,531
Liquid assets	13,111,613	28.8	12,325
Policy loans	2,751,277	5.4	2,586
Mortgages & loans	11,876,088	20.8	11,164
Real Estate	1,715,114	4.0	1,612
Inter-company investments	252,657	0.6	237
Other investments	10,309,621	23.2	9,691
Total investments	40,016,370	82.8	37,615
Reinsurers' share of technical reserves - unearned premiums	223,068	0.5	210
Reinsurers' share of technical reserves - claims	420,632	1.1	395
Total reinsurers share of technical reserves	643,700	1.6	605
Insurance/reinsurance debtors	391,448	0.9	368
Other debtors	315,437	0.6	297
Total debtors	706,885	1.5	664
Fixed assets	28,832	0.1	27
Prepayments & accrued income	2,281,795	5.1	2,145
Other assets	293,718	0.8	276

Segregated funds	4,404,311	8.2	4,140
Total assets	48,375,611	100.0	45,473
Liabilities	01/01/2018	01/01/2018	01/01/2018
	KRW(000,000)	% of total	USD(000,000)
Capital	35,400	0.1	33
Paid-up capital	35,400	0.1	33
Non-distributable reserves	2,931,550	6.1	2,756
Claims equalisation reserve	771,361	1.6	725
Other reserves	28,779	0.1	27
Retained earnings	860,946	1.8	809
Capital & surplus	4,628,036	9.6	4,350
Minority interests	204,974	0.4	193
Gross provision for unearned premiums	2,121,992	4.4	1,995
Gross provision for outstanding claims	34,596,809	71.5	32,521
Total gross technical reserves	36,718,801	75.9	34,516
Short term borrowings	221,213	0.5	208
Long term borrowings	648,041	1.3	609
External borrowings	869,254	1.8	817
Deposits received from reinsurers	10,111	...	10
Insurance/reinsurance creditors	287,337	0.6	270
Other creditors	116,958	0.2	110
Total creditors	404,295	0.8	380
Accruals & deferred income	632,209	1.3	594
Other liabilities	283,860	0.6	267
Segregated funds	4,624,071	9.6	4,347
Total liabilities & surplus	48,375,611	100.0	45,473

Source: Bestlink - Best's Statement File - Global

Local Currency: Korean Won

US \$ per Local Currency Unit .00094 = 1 Korean Won (KRW)

Summary of Operations:

Statement of Income (000)

Combined technical account:

	01/01/2018	01/01/2018
	KRW(000,000)	USD(000,000)
Direct premiums	13,493,036	12,683
Reinsurance premiums assumed	78,633	74
Gross premiums written	13,571,669	12,757
Reinsurance ceded	783,757	737
Net premiums written	12,787,912	12,021
Increase/(decrease) in gross unearned premiums	94,263	89
Increase/(decrease) in reinsurers share unearned premiums	-21,269	-20
Net premiums earned	12,672,380	11,912
Other technical income	486,623	457
Total revenue	13,159,003	12,369

Net claims paid	4,537,321	4,265
Surrenders and premium refunds	3,498,005	3,288
Net increase/(decrease) in claims provision	2,453,509	2,306
Net claims incurred	10,488,835	9,860
Dividends to policyholders	6,448	6
Management expenses	904,925	851
Acquisition expenses	1,663,908	1,564
Net operating expenses	2,568,833	2,415
Other technical expenses	571,567	537
Total underwriting expenses	13,635,683	12,818
Balance on combined technical account	-476,680	-448

Source: Bestlink - Best's Statement File - Global

Local Currency: Korean Won

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Non-technical account:

	01/01/2018	01/01/2018
	KRW(000,000)	USD(000,000)
Net investment income	1,236,486	1,162
Realised capital gains/(losses)	879,054	826
Unrealised capital gains/(losses)	393,545	370
Exchange gains/(losses)	-1,139,706	-1,071
Other income/(expense)	-3,400	-3
Profit/(loss) before tax	889,299	836
Taxation	220,103	207
Profit/(loss) after tax	669,196	629
Dividend to shareholders	104,664	98
Transfer to reserves	284,417	267
Increase/(decrease) in the equalisation provision	69,297	65
Minority interests	8,050	8
Retained Profit/(loss) for the financial year	202,768	191
Retained Profit/(loss) brought forward	658,178	619
Retained Profit/(loss) carried forward	860,946	809

Source: Bestlink - Best's Statement File - Global

Local Currency: Korean Won

US \$ per Local Currency Unit .00094 = 1 Korean Won (KRW)

Company Information
094051 - DB Insurance Co., Ltd.

DB Insurance Co., Ltd.

Report Revision Date:
July 17, 2018

Company Attributes:

Industry:	Insurance
Business Type:	Composite
Entity Type:	Operating Company
Organization Type:	Stock
Business Status:	In Business - Actively Underwriting

Company History:

Date Incorporated: N/A

Date Commenced: N/A

Domicile: SOUTH KOREA

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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