

RatingsDirect®

Research Update:

Tokio Marine & Fire Insurance Co. (Hong Kong) Ltd. 'A' Rating Affirmed; Outlook Stable

Primary Credit Analyst:

Ka Chun Jeff Yeung, Hong Kong (852) 2533-3585; jeff.yeung@spglobal.com

Secondary Contact:

WenWen Chen, Hong Kong (852) 2533-3559; wenwen.chen@spglobal.com

Table Of Contents

Overview

Rating Action

Rationale

Outlook

Related Criteria

Related Research

Ratings List

Research Update:

Tokio Marine & Fire Insurance Co. (Hong Kong) Ltd. 'A' Rating Affirmed; Outlook Stable

Overview

- We continue to consider TMHK to be a highly strategically important subsidiary of Tokio Marine Group.
- We are therefore affirming our 'A' local currency long-term financial strength rating and counterparty credit rating, and our 'cnAA+' long-term Greater China regional scale rating on TMHK.
- The stable outlook on TMHK reflects the outlook on the core operating entities of Tokio Marine Group.

Rating Action

On Dec. 22, 2016, S&P Global Ratings affirmed its 'A' local currency long-term financial strength rating and counterparty credit ratings on Tokio Marine & Fire Insurance Co. (Hong Kong) Ltd. (TMHK). The outlook is stable. We also affirmed our 'cnAA+' long-term Greater China regional scale rating on the Hong Kong-based property and casualty insurer.

Rationale

We affirmed the ratings on TMHK because we continue to assess the insurer as a highly strategically important subsidiary of the Japan-based Tokio Marine Group. The group's core operating entities include Tokio Marine & Nichido Fire Insurance Co. Ltd. (local currency: A+/Stable/A-1). Our rating on TMHK therefore factors in a high likelihood of group support, if needed, and is one notch lower than the Tokio Marine Group's credit profile. TMHK does not meet all the characteristics of a core subsidiary.

Our assessment of TMHK's importance to the group reflects our view that the company's role as an insurance provider in Hong Kong is integral to the group's overseas strategy, and the parent is highly unlikely to sell the subsidiary. We believe TMHK's role of providing insurance services to Japanese clients' overseas operations in Hong Kong will remain integral to the Tokio Marine Group's strategies. We also expect the parent group to leverage on TMHK's market knowledge and favorable profitability to support its business development in the Greater China region. We therefore believe the group will maintain its strong commitment of support to TMHK.

We expect TMHK to continue to benefit from financial and operational support from the group, and share the group's brand and resources. Through the parent, TMHK will continue to benefit from the wider group in terms of client

referrals, technical support, management expertise, and reinsurance arrangements.

TMHK is likely to gain from its high integration with the group, particularly in areas such as customer relationships, appointment of senior management, underwriting and risk management framework.

We expect TMHK to maintain underwriting profitability in line with the group's expectation and better than the industry average over the next two years. That is because we expect the company will likely maintain its underwriting standard and grow its business gradually.

Outlook

The stable outlook on TMHK for the next 24 months reflects the outlook on the core operating entity of Tokio Marine Group and our belief that the insurer will remain a highly strategically important subsidiary of the group.

Downside scenario

We may lower the rating on TMHK if we lower the group credit profile of Tokio Marine Group.

We may also downgrade TMHK if the company's strategic importance to the group diminishes substantially, which we believe is unlikely over the next two years.

Upside scenario

We may upgrade TMHK if we raise the group credit profile of Tokio Marine Group.

Alternatively, we may raise the ratings on TMHK if the insurer's contribution to the group's capital or earnings increases significantly, such that we consider it to be a core subsidiary. We consider such a scenario as remote over the next two years.

Related Criteria

- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, June 01, 2016
- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology, May 07, 2013
- Criteria - Insurance - General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital

Model, June 07, 2010

- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Tokio Marine Group's Core Subsidiaries Affirmed; Tokio Marine & Nichido Life's Proposed Subordinated Loan Rated 'A-', Nov. 18, 2016

Ratings List

Ratings Affirmed

Tokio Marine & Fire Insurance Co. (Hong Kong) Ltd.

Counterparty Credit Rating

Local Currency

A/Stable/--

Greater China Regional Scale

cnAA+/--/--

Financial Strength Rating

Local Currency

A/Stable/--

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2017 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.