

Sompo Insurance (Hong Kong) Downgraded To 'A' On Termination Of Guarantee; Outlook Stable

Primary Credit Analyst:

Kentaro Mukoyama, Tokyo (81) 3-4550-8775; kentaro.mukoyama@spglobal.com

Secondary Contact:

Eiji Kubo, Tokyo (81) 3-4550-8750; eiji.kubo@spglobal.com

- The guarantee Sompo Japan Nipponkoa Insurance provided Sompo Insurance (Hong Kong) has been terminated.
- We believe Sompo Insurance (Hong Kong) remains a highly strategic company for the Sompo Holdings group.
- We have downgraded Sompo Insurance (Hong Kong)'s financial strength rating to 'A' and removed it from CreditWatch, where we had placed it with negative implications.
- The outlook on the rating is stable.

TOKYO (S&P Global Ratings) April 2, 2019--S&P Global Ratings today said that it has lowered by one notch to 'A' its financial strength rating on Sompo Insurance (Hong Kong) Co. Ltd. At the same time, we removed the rating from CreditWatch, where we had placed it with negative implications. The outlook on the rating is stable.

We placed the rating on CreditWatch with negative implications on March 20, 2019, based on our view that the guarantee Sompo Japan Nipponkoa Insurance Inc. (A+/Stable/--) provides could be revised. We downgraded the insurer after Sompo Japan Nipponkoa Insurance terminated the guarantee it provides Sompo Insurance (Hong Kong). However, we believe Sompo Insurance (Hong Kong) remains a highly strategic subsidiary for Sompo Holdings group. The Hong Kong-based insurer continues to play an important role in supporting the group's overseas expansion strategy. Our downgrade to 'A' of the rating on Sompo Insurance (Hong Kong) leaves it one notch lower than the group credit profile of 'a+'.

The stable outlook reflects that on Sompo Japan Nipponkoa Insurance, the core operating company within the group. In addition, it reflects our view that the group credit profile and group status of Sompo Insurance (Hong Kong) will be stable over the next two years. We may downgrade the rating on Sompo Insurance (Hong Kong) if we revise down the group credit profile to 'a'. On the other hand, we may upgrade the rating if we revise up the group credit profile to 'aa-'.

RELATED CRITERIA

- Guarantee Criteria, Oct. 21, 2016
- Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- Group Rating Methodology, Nov. 19, 2013
- Assumptions: Application Of Hybrid Capital Criteria Methodologies To Japanese Insurers, Aug. 6, 2013
- Insurers: Rating Methodology, May 7, 2013
- Enterprise Risk Management, May 7, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria Clarification On Hybrid Capital Step-Ups, Call Options, And Replacement Provisions, Oct. 22, 2012
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Assumptions: Clarification Of The Equity Content Categories Used For Bank And Insurance Hybrid Instruments With Restricted Ability To Defer Payments , Feb. 9, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- Methodology: Hybrid Capital Issue Features: Update On Dividend Stoppers, Look-Backs, And Pushers, Feb. 10, 2010

RELATED RESEARCH

- Sompo Insurance (Hong Kong) Financial Strength Rating Placed On CreditWatch Negative on Potential Guarantee Revision, March 20, 2019

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