

Research Update:

Tokio Marine U.S. Subsidiaries Outlook Revised To Stable From Positive Following Same Action On Parent; Ratings Affirmed

April 24, 2020

Overview

- Our capital and earnings forecast for parent Tokio Marine over the next two years has weakened because of uncertainty around financial markets triggered by the COVID-19 pandemic.
- We have revised our outlook on Tokio Marine & Nichido Fire Insurance Co. Ltd. to stable from positive.
- As a result, we are revising our outlook on 19 U.S.-domiciled, wholly owned subsidiaries of Tokio Marine & Nichido Fire Insurance Co. Ltd. to stable from positive, and we are affirming all of our ratings on these companies.
- The stable outlook reflects the outlook revision on the parent and our expectation for the ratings and outlooks on these entities to mirror those of the parent.

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Rating Action

On April 24, 2020, S&P Global Ratings revised its outlook on 19 U.S.-domiciled subsidiaries of Japanese insurer Tokio Marine & Nichido Fire Insurance Co. Ltd. to stable from positive. At the same time, we affirmed our ratings on the U.S.-domiciled subsidiaries:

- Delphi Financial Group Inc., Reliance Standard Life Insurance Co., First Reliance Standard Life Insurance Co., Safety National Casualty Corp., Reliance Standard Life Global Funding II, and Safety First Insurance Co. (collectively, Delphi)
- HCC Insurance Holdings Inc., Avemco Insurance Co., HCC Reinsurance Co. Ltd., Houston Casualty Co., American Contractors Indemnity Co., HCC International Insurance Co. PLC, HCC Life Insurance Co., United States Surety Co., U.S. Specialty Insurance Co., and Tokio Marine Europe S.A. (collectively, HCC)
- Philadelphia Indemnity Insurance Co. and Tokio Marine Specialty Insurance Co. (collectively, PHLI)

- First Insurance Co. of Hawaii Ltd. (FICOH)

Rationale

The outlook revision reflects our view that the capital and earnings for the group will be weaker than originally anticipated due to the COVID-19 pandemic and financial market uncertainty. We expect the top lines for all of the U.S. subsidiaries will be hurt by the negative effects of COVID-19--in particular, expected GDP contraction, payroll reduction, exposure/limit adjustments, premium rebates, and pressures for small businesses to survive the challenging conditions.

On the underwriting performance side, we anticipate results will be worse than in 2019 due to a higher expense ratio on a lower base. Although, it's still uncertain what the level of losses will be because of unknown frequency/severity of the claim activity that could make its way through the income statement. The main lines of business exposed across the group include general liability, event cancellation, medical stop loss, excess/workers' compensation, surety, and professional liability (mainly public directors and officers).

Additionally, market volatility, including market sell-offs and credit spread widening, has negatively affected the risk assets portfolio and shareholders' equity (mainly equity, speculative-grade bonds, and structured investment exposure).

All of the U.S.-domiciled subsidiaries are beneficiaries of group support from Tokio Marine, but to various levels. We view FICOH as strategically important and the other North American entities (PHLY, HCC, and Delphi) as core operating subsidiaries.

Outlook

The stable outlook reflects that on Tokio Marine & Nichido Fire Insurance Co. Ltd.'s (TMNF) core and strategically important subsidiaries. Any changes in ratings will move in tandem with those on TMNF's core and strategically important insurance subsidiaries as long as our view of the importance is not revised and the stand-alone credit fundamentals do not weaken.

Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Tokio Marine Outlook Revised Down To Stable, Japan Non-Life Insurance Group Ratings Affirmed Amid COVID-19 Volatility, April 24, 2020

Ratings List

Ratings Affirmed

Delphi Financial Group Inc.

Junior Subordinated	BBB
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Reliance Standard Life Global Funding II

Senior Secured	A+
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Ratings Affirmed; Outlook Action

	To	From
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HCC Insurance Holdings Inc.

Delphi Financial Group Inc.

Issuer Credit Rating		
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Local Currency	A-/Stable/--	A-/Positive/--
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American Contractors Indemnity Co.

United States Surety Co.

U.S. Specialty Insurance Co.

Tokio Marine Specialty Insurance Co.

Tokio Marine Europe S.A.

Tokio Marine Compania de Seguros S.A. de C.V.

Safety National Casualty Corp.

Reliance Standard Life Insurance Co.

Philadelphia Indemnity Insurance Co.

Houston Casualty Co.

HCC Reinsurance Co. Ltd.

HCC Life Insurance Co.

HCC International Insurance Co. PLC

First Reliance Standard Life Insurance Co.

Avemco Insurance Co.

Financial Strength Rating		
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Local Currency	A+/Stable/--	A+/Positive/--
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Avemco Insurance Co.

U.S. Specialty Insurance Co.

Tokio Marine Specialty Insurance Co.

Tokio Marine Europe S.A.

Safety National Casualty Corp.

Reliance Standard Life Insurance Co.

Philadelphia Indemnity Insurance Co.

Houston Casualty Co.

HCC Life Insurance Co.

First Reliance Standard Life Insurance Co.

Issuer Credit Rating

Local Currency A+/Stable/-- A+/Positive/--

First Insurance Co. of Hawaii Ltd.

Safety First Insurance Company

Issuer Credit Rating

Local Currency A/Stable/-- A/Positive/--

Financial Strength Rating

Local Currency A/Stable/-- A/Positive/--

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