

NEWS RELEASE

AM Best Upgrades Issuer Credit Rating of DPL Insurance Limited

2024-09-11

SINGAPORE--(BUSINESS WIRE)-- **AM Best** has upgraded the Long-Term Issuer Credit Rating (Long-Term ICR) to "bbb+" (Good) from "bbb" (Good) and affirmed the Financial Strength Rating (FSR) of B++ (Good) of DPL Insurance Limited (DPL) (New Zealand). In addition, AM Best has revised the Long-Term ICR outlook to stable from positive, while the outlook of the FSR is stable.

The Credit Ratings (ratings) reflect DPL's balance sheet strength, which AM Best assesses as strong, as well as its strong operating performance, limited business profile and appropriate enterprise risk management. The ratings also factor in a neutral impact from the company's ultimate owner, Turners Automotive Group Limited (Turners), a motor vehicle retailer and financial services group domiciled in New Zealand.

The upgrade of the Long-Term ICR reflects DPL's track record of strong and stable operating performance metrics supported by solid underwriting results and robust investment income. The company recorded a return-on-equity ratio of 14.3% and a combined ratio (net/net) of 84.4% in fiscal-year 2024, as calculated by AM Best, which are on par with prior years. DPL's underwriting results continue to be supported by enhanced pricing and risk selection for its core insurance products, as well as cost saving initiatives implemented by the company. In fiscal-year 2024, DPL reported net investment yield (including gains and losses) of 4.7%.

DPL's balance sheet strength assessment is underpinned by its risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR), which was at the strongest level as of fiscal year-end 2024. AM Best expects the company's risk-adjusted capitalisation to remain at the strongest level prospectively, supported by moderate underwriting growth and appropriate retention of earnings. AM Best views DPL's investment strategy to be balanced, with the majority of investment assets held in term deposits, albeit with a notable exposure to illiquid

assets including investment properties. Partially offsetting these balance sheet factors are a high dividend payout ratio in recent years and the significant volume of intangible assets arising from the company's acquisition of Autosure Insurance in 2017.

AM Best views the company's business profile as limited given its niche and relatively modest scale of operations. DPL's ownership and affiliation with Turners, which is the largest retailer of used motor vehicles in New Zealand, provides good access to business and creates a valuable distribution network. The company is exposed to a moderate level of pricing risk arising from its multi-year policies, largely motor mechanical breakdown insurance. However, this risk has been managed appropriately to date with no material deviation of loss experience from the pricing assumptions.

Ratings are communicated to rated entities prior to publication. Unless stated otherwise, the ratings were not amended subsequent to that communication.

This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see **AM Best's Recent Rating Activity** web page. For additional information regarding the use and limitations of Credit Rating opinions, please view **Guide to Best's Credit Ratings**. For information on the proper use of Best's Credit Ratings, Best's Performance Assessments, Best's Preliminary Credit Assessments and AM Best press releases, please view **Guide to Proper Use of Best's Ratings & Assessments**.

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Chee Yun
Associate Financial Analyst
+65 6303 5019
chee.yun@ambest.com

Victoria Ohorodnyk
Director, Analytics

+65 6303 5020

victoria.ohorodnyk@ambest.com

Christopher Sharkey

Associate Director, Public Relations

+1 908 882 2310

christopher.sharkey@ambest.com

Al Slavin

Senior Public Relations Specialist

+1 908 882 2318

al.slavin@ambest.com

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