

May 19, 2021

R&I Assigns AA-, Stable: National Mutual Insurance Federation of Agricultural Cooperatives

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: National Mutual Insurance Federation of Agricultural Cooperatives
Issuer Rating: AA-, Assigned
Rating Outlook: Stable

RATIONALE:

The Japan Agricultural Cooperatives Group offers marketing and supply, credit, insurance, welfare and other services. National Mutual Insurance Federation of Agricultural Cooperatives (JA Kyosairen) is responsible for providing insurance coverage for members of agricultural cooperatives (JAs) and others. Serving a vast number of policyholders, it has a very robust franchise. The majority of policies are sold by around 20,000 life advisors who belong to JAs nationwide, a unit through which JA Kyosairen promotes insurance sales. Unlike insurance companies, who are prohibited from engaging in both life and non-life insurance businesses under the Insurance Business Act, JA Kyosairen can offer life and non-life insurance services as a one-stop solution. With this advantage, it has a large market share, particularly for retail products.

Main risks taken by JA Kyosairen are underwriting risk, asset and liability management (ALM) risk and investment risk. Compared to major insurance companies, its risk profile is centered on underwriting risk. The risk profile is characterized by the fact that it underwrites earthquake risk for households, which non-life insurers do not basically take because they hedge most of the risk through a government reinsurance scheme. With a strong focus on ALM, however, its risk appetite for investment is low. JA Kyosairen has risk resilience commensurate with the rating, even if the occurrence of earthquakes that may necessitate considerable claim payments as in past incidents is assumed. The risk resilience is expected to strengthen given its efforts to enhance enterprise risk management practices by, for example, increasing catastrophic reserves and reinsurance to prepare for stress scenarios while reducing or curbing interest rate risk and equity risk.

Its earning capacity is broadly consistent with the rating. Under the philosophy of mutual aid, JA Kyosairen offers generally affordable premiums and gives back to policyholders through surplus distribution and other means. Even so, it earns sizable premiums for claim payments stably from enormous in-force policies for all types of insurance: life, home and automobile coverage. Except for the fiscal year ended March 2011, when the Great East Japan Earthquake struck, relatively stable, high mortality/morbidity margins have been ensured. With highly liquid assets, liquidity risk is considered to be sufficient for the rating. Based on lessons learned from the Great East Japan Earthquake and other massive disasters that resulted in substantial cash outflows, JA Kyosairen prepares for emergency situations by taking liquidity measures for the possible occurrence of a Nankai Trough earthquake, for instance.

In light of the factors mentioned above, R&I has assigned an Issuer Rating of AA- with a Stable Rating Outlook.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings", "Shared Rating Approach for Financial Institutions, etc.", "Non-life Insurance" and "Life Insurance". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

https://www.r-i.co.jp/en/rating/about/rating_method.html

■Contact : Sales and Marketing Division, Customer Service Dept. TEL.+81-(0)3-6273-7471 E-mail. infodept@r-i.co.jp
■Media Contact : Corporate Planning Division (Public Relations) TEL.+81-(0)3-6273-7273

Rating and Investment Information, Inc. TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan <https://www.r-i.co.jp>

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R&I RATINGS:**ISSUER:** National Mutual Insurance Federation of Agricultural Cooperatives**Issuer Rating****RATING:** AA-, Assigned**RATING OUTLOOK:** Stable

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