

# BEST'S RATING REPORT



Dealers Assurance Company

Columbus, Ohio, United States 43215

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# Dealers Assurance Company

Disclosure Information: View A.M. Best's [Rating Disclosure Form](#)

Ultimate Parent: [006554 - Industrial Alliance Insurance and Financial Services Inc.](#)

A.M. Best Rating Unit: 001791 - Dealers Assurance Company

## Best's Credit Ratings:

Rating Effective Date: February 16, 2018

<b>Best's Financial Strength Rating:</b>	A-	<b>Outlook:</b>	Positive	<b>Action:</b>	Affirmed
<b>Best's Issuer Credit Rating:</b>	a-	<b>Outlook:</b>	Positive	<b>Action:</b>	Affirmed

## Last Five Rating Events:

Date	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
	Rating	Outlook	Action	Rating	Outlook	Action
02/16/2018	A-	Positive	Affirmed	a-	Positive	Affirmed
10/06/2017	A- u	Positive	Under Review	a- u	Positive	Under Review
11/30/2016	A-	Stable	Affirmed	a-	Stable	Affirmed
12/21/2015	A-	Stable	Affirmed	a-	Stable	Affirmed
08/05/2014	A-	Stable	Affirmed	a-	Stable	Affirmed
08/02/2013	A-	Stable	Affirmed	a-	Stable	Affirmed

## Rating Rationale:

### Balance Sheet Strength: Very Strong

- Very strong level of risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR) scores at the 99.6% confidence interval.
- Consistent surplus growth through sustainable sources in each of the prior five years.
- Favorable underwriting leverage and cash flow metrics.
- Reserves have, in general, developed favorably on a calendar-year and accident-year basis.
- Neutral impact on balance sheet strength from the holding company.

### Operating Performance: Adequate

- Consistently favorable combined and operating ratios in-line with peers.
- Extended time frame to earn-in premiums relative to most other lines-of-business.
- Significant exposure to non-rated Producer Owned Reinsurance Companies (PORCs).
- Total ROE compares favorably to the industry and peers, focused within the underwriting performance.

## Business Profile: Neutral

- The company is a nationwide insurer with appropriate geographic diversification, offset by significant concentration in VSC and other warranty products.
- Seasoned leadership has demonstrated a successful business model.
- Acquired by Industrial Alliance Financial Group (iA) in January, 2018.
- Position in iA group augments DAC's operational best practices.

## Enterprise Risk Management: Appropriate

- Appropriate risk management practices given the relative size and risk profile of the company.
- While no formal risk management framework is in place, a culture of risk management is evident.
- High reinsurance risk from non-rated PORCs, offset by required and regularly monitored collateral.
- Access to iA's sophisticated data warehousing and experience in the Canadian warranty line.

## Outlook

The outlooks reflect the expectation of the accrued benefits to DAC from its position within the iA organization advancing over the mid-term (12 to 24 months). This captures the opportunity for greater financial flexibility, an expanded market presence, and cost synergies.

## Rating Drivers

Positive rating action could result from explicit financial support from the parent company or through demonstrated operational efficiencies and cost savings due to integration into the iA family.

The ratings could be considered for positive enhancement with diversification in the risk profile.

The ratings could face downward pressure from declines in capital levels, degrading operating performance, or a shift to reliance on investment results (which are historically lower than peers).

**Financial Statements:****Balance Sheet:****Balance Sheet:**

Admitted Assets	Year End - December 31			
	2016 (\$000)	2015 (\$000)	2016 (%)	2015 (%)
Bonds	72,998	67,909	68.5	69.2
Preferred Stock	3,770	3,139	3.5	3.2
Common Stock	11,533	9,979	10.8	10.2
Cash and Short-term Invest	11,002	11,407	10.3	11.6
Real estate, investment	...	...	...	...
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	792	819	0.7	0.8
Investments in Affiliates	...	...	...	...
Real Estate, Offices	1,779	...	1.7	...
<b>Total Invested Assets</b>	<b>101,874</b>	<b>93,253</b>	<b>95.6</b>	<b>95.0</b>
Premium Balances	2,656	3,064	2.5	3.1
Accrued Interest	538	448	0.5	0.5
All Other Assets	1,444	1,419	1.4	1.4
<b>Total Assets</b>	<b>106,512</b>	<b>98,184</b>	<b>100.0</b>	<b>100.0</b>
<b>Liabilities &amp; Surplus</b>	<b>Year End - December 31</b>			
	<b>2016 (\$000)</b>	<b>2015 (\$000)</b>	<b>2016 (%)</b>	<b>2015 (%)</b>
Loss and LAE Reserves	156	38	0.1	...
Unearned Premiums	19,411	19,410	18.2	19.8
Derivatives	...	...	...	...
Conditional Reserve Funds	...	...	...	...
All Other Liabilities	25,728	22,562	24.2	23.0
<b>Total Liabilities</b>	<b>45,295</b>	<b>42,011</b>	<b>42.5</b>	<b>42.8</b>
Surplus notes	3,000	3,000	2.8	3.1
Capital and Assigned Surplus	13,934	13,934	13.1	14.2
Unassigned Surplus	44,283	39,239	41.6	40.0
<b>Total Policyholders' Surplus</b>	<b>61,217</b>	<b>56,173</b>	<b>57.5</b>	<b>57.2</b>
<b>Total Liabilities and Surplus</b>	<b>106,512</b>	<b>98,184</b>	<b>100.0</b>	<b>100.0</b>

Source: Bestlink - Best's Statement File - P/C, US

## Company History:

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**Date Incorporated:** 08/02/1935

**Date Commenced:** 08/02/1935

**Domicile:** United States: Ohio

This company was incorporated on August 2, 1935, as Mahoning Insurance Company and began business the same day. In March 1980, Dealers Alliance Corporation, an Ohio corporation (Alliance), acquired 100% control of Mahoning Insurance Company and on April 11, 1980, changed the name to Dealers Assurance Company (DAC). In January 2004, Alliance was purchased by DAC Financial Holdings, Inc., a Delaware holding company (DAC Holdings). Paid in capital of \$13,933,800 million consists of \$9,732,810 million of contributed surplus and 2,330 shares of common stock at a par value of \$1,803 per share. The company has 3,000 authorized shares.

As of May 15, 2014, Helios Financial Holdings Corp. (Helios) reached 84.7% ownership in DAC Holdings. This was the result of the 100% owner of Helios, James B. Smith, having contributed his 59.6% ownership to Helios and Helios having acquired 25.1% ownership from certain minority shareholders.

On August 8, 2014, in a transaction effective as of July 1, 2014, Helios acquired an additional 13.69% ownership interest in DAC Holdings, bringing its total ownership interest in DAC Holdings to 98.43%. As part of the transaction, DAC Holdings entered into Subscription Agreements with each of the minority shareholders whose common stock was acquired. Under the terms of those Subscription Agreements, a total of 3,450 shares of newly authorized non-voting Series B Non-Voting Preferred Stock were issued to the selling minority shareholders.

On October 24, 2016, DAC Holdings acquired the additional 1.57% interest in DAC Holdings, represented by 1859.625 common shares that had been owned by a minority shareholder. As a result, Helios became the 100% owner of DAC Holdings.

In September 2017, Industrial Alliance Insurance and Finance Inc. (iA) announced its intention to acquire 100% of Helios for \$135 million in cash. The acquisition was completed in January 2018 and the group was subsequently added to the iA US branch of the organization.

## Company Management:

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Last significant update on 03/06/2018

Administration of company affairs is under the direction of Michael L. Stickney, Managing Director; Kristen A. Gruber, President; Edmond E. Eckert, Senior Vice President; Kirk Borchardt, Executive Vice President, and General Counsel; Joshua R. Pedelty, Secretary and Linda M. Toy, Vice President, Treasurer and Chief Financial Officer.

### Officers

**President:** Kristen A. Gruber

**EVP and General Counsel:** Kirk Borchardt

**SVP:** Edmond M. Eckert

**Vice President, Treasurer and CFO:** Linda M. Toy

**Secretary:** Joshua R. Pedelty

**Managing Director:** Michael L. Stickney

### Directors

Douglas Carrothers

Yvon Charest

Marilyn Froelich

Joseph Manning

Douglas Oksendahl

Shelby L. Peavy

Norman Pepin

Michael L. Stickney

Warren Van Genderen

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