

BEST'S RATING REPORT



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Dealers Assurance Company

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

Ultimate Parent: [044206 - iA Financial Corporation Inc.](#)

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

Best's Credit Ratings:

Rating Effective Date: February 21, 2019

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

Five Year Credit Rating History:

Date	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
	Rating	Outlook	Action	Rating	Outlook	Action
02/21/2019	A-	Positive	Affirmed	a-	Positive	Affirmed
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

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.
- Shift towards a more conservative investment allocation following the acquisition by Industrial Alliance (iA) Financial Group.
- Significant exposure to non-rated producer-owned reinsurance companies (PORCs).

Operating Performance: Adequate

- Consistently favorable combined and operating ratios in-line with peers.
- Relatively consistent net underwriting income and net investment income yielding favorable pre-tax operating income.
- Total ROE compares favorably to the industry and peers.

Business Profile: Neutral

- The company is a nationwide insurer with extensive geographic diversification, offset by significant concentration in vehicle service contracts (VSCs) and other warranty products.

- Seasoned leadership has demonstrated a successful business model.
- Dealers Assurance Company (DAC) was successfully acquired by iA Insurance in January, 2018 and is undergoing operational changes to meet performance milestones established by the parent company.

Enterprise Risk Management: Appropriate

- Appropriate risk management practices given the relative size and risk profile of the company.
- A more documented risk management framework is strongly enhanced by the parent company.
- High reinsurance risk from non-rated PORCs, offset by required and regularly monitored collateral.
- Access to iA Financial Group's data warehousing and risk management expertise in the Canadian warranty line support stronger risk management.

Outlook

The outlooks reflect the expectation of the accrued benefits to DAC from its position within the iA Financial Group advancing over the intermediate term (12 to 24 months). This captures the opportunity for greater financial flexibility, an expanded market presence, and operational synergies expected to reduce expenditures.

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 Financial Group family.

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

The ratings could face downward pressure from a trend of deteriorating levels of capital, degrading operating performance, or unsustainable and unprofitable expansion following implementation of growth initiatives.

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

Admitted Assets	Year End - December 31			
	2017 (\$000)	2016 (\$000)	2017 (%)	2016 (%)
Bonds	78,564	72,998	67.1	68.5
Preferred Stock	3,335	3,770	2.8	3.5
Common Stock	13,373	11,533	11.4	10.8
Cash and Short-term Invest	13,429	11,002	11.5	10.3
Real Estate, Investment	...	...	...	...
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	265	792	0.2	0.7
Investments in Affiliates	...	...	...	...
Real Estate, Offices	2,952	1,779	2.5	1.7
Total Invested Assets	111,919	101,874	95.6	95.6
Premium Balances	3,501	2,656	3.0	2.5
Accrued Interest	577	538	0.5	0.5
All Other Assets	1,064	1,444	0.9	1.4
Total Assets	117,061	106,512	100.0	100.0
Liabilities & Surplus	Year End - December 31			
	2017 (\$000)	2016 (\$000)	2017 (%)	2016 (%)
Loss and LAE Reserves	358	156	0.3	0.1
Unearned Premiums	23,949	19,411	20.5	18.2
Derivatives	...	...	...	...
Conditional Reserve Funds	...	...	...	...
All Other Liabilities	25,495	25,728	21.8	24.2
Total Liabilities	49,802	45,295	42.5	42.5
Surplus notes	3,000	3,000	2.6	2.8
Capital and Assigned Surplus	13,934	13,934	11.9	13.1
Unassigned Surplus	50,325	44,283	43.0	41.6
Total Policyholders' Surplus	67,259	61,217	57.5	57.5
Total Liabilities and Surplus	117,061	106,512	100.0	100.0

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

Company History:

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, iA Insurance announced its intention to acquire 100% of Helios for \$135 million in cash. The acquisition was completed in January 2018 and the group subsequently became a subsidiary of the iA organization.

On January 23, 2018, Dealers Assurance Company was acquired by iA Insurance.

Company Management:

Last significant update on 02/25/2019

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

Officers

President: Kristen A. Gruber

EVP and General Counsel: Kirk Borchardt

Vice President, Secretary and General Counsel: Joshua R. Pedely (U.S)

Vice President, Treasurer and CFO: Linda M. Toy

Managing Director: Michael L. Stickney

Directors

Douglas Carrothers

Marilyn Froelich

Douglas Oksendahl

Shelby L. Peavy

Norman Pepin

Denis Ricard

Michael L. Stickney

Warren Van Genderen

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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