



## RATING ACTION COMMENTARY

# Fitch Affirms Maskapai Reasuransi Indonesia IFS at 'BB+', National IFS at 'AA-(idn)'; Outlook Stable

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Fitch Ratings - Sydney/Jakarta - 28 Mar 2024: Fitch Ratings has affirmed PT Maskapai Reasuransi Indonesia Tbk's (Marein) Insurer Financial Strength (IFS) Rating at 'BB+' (Moderately Weak). Fitch Ratings Indonesia has also affirmed Marein's National IFS Rating of 'AA-(idn)'. The Outlooks are Stable.

'AA' National IFS Ratings denote a very strong capacity to meet policyholder obligations relative to all other obligations or issuers in the same country or monetary union, across all industries and obligation types.

## KEY RATING DRIVERS

**Moderate Company Profile:** Fitch assesses Marein's company profile as 'Moderate' due to a 'Moderate' business profile and 'Neutral' corporate governance. The 'Moderate' business profile is driven by its substantive domestic franchise, which is balanced by its 'Least Favourable' operating scale compared with international peers.

Marein is one of the biggest life reinsurers in Indonesia, but its share of the reinsurance industry's total gross written premiums (GWP) for life and non-life business was small at 11% at end-2023. Our ranking also takes into account a risk appetite that is on a par with the sector and Marein's somewhat diversified business lines. Therefore, Fitch scores Marein's company profile at 'b+' under our credit-factor scoring guidelines, in line with the ranking.

**Satisfactory Capital Position:** Fitch Ratings assesses Marein's capitalisation as 'Good'. The risk-based capitalisation (RBC) ratio was 248% at end-2023 (end-2022: 279%). The company is committed to keeping the ratio above 200%. Its Fitch Drivers Model score

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Non-risk-adjusted capital metrics, such as net premiums to capital and net leverage, compared well against our criteria guidelines for its rating category. However, the absolute amount of its capitalisation is small compared with those of some major reinsurers in APAC and exposes Marein to external shocks.

**Improving Underwriting Profit:** The company's combined ratio in 2023 was 95% (2022: 97%) with an average of 97% during 2021-2023, supported by lower net claim and commission ratio. As a result, it booked a higher return on equity (ROE) of 4% in 2023, from 3% in 2022. Marein also booked higher premium growth of 14% in 2023 (2022: 4%), due mainly to its non-life business.

The company maintains a low-exposure credit insurance business, a segment that has contributed to rapid growth and weak underwriting for some Indonesian reinsurers. Its credit insurance was 2% of its total non-life reinsurance business, while its credit life insurance comprised around 10% of its total life reinsurance business in 2023.

**Prudent Investment Portfolio:** Marein's investment mix is conservative, with cash and equivalents and fixed-income instruments accounting for more than 90% of invested assets at end-2023. Its exposure to risky assets is manageable relative to equity. We expect the company to maintain its ratio of equity investments to capital in light of its prudent investment approach.

**Retrocession Mitigates Catastrophe Risk:** The company mainly uses excess-of-loss treaties to reduce catastrophe exposure and monitors its risk accumulation regularly. The reinsurance recoverable to capital ratio of 45% in 2023 (2022: 32%) compares well against Fitch's criteria guidelines for insurers with a 'BB' IFS Rating. The reinsurer collaborates periodically with external brokers to conservatively assess its catastrophe exposure through various modelling tools.

## RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Significant deterioration in operating performance with a non-life combined ratio consistently higher than 100% and ROE lower than 2%; weakening capitalisation with the regulatory RBC ratio below 200% on a sustained basis;
- Material deterioration in the company profile in terms of marketing franchise and



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- Maintaining strong profitability, with a non-life combined ratio consistently below 93% and ROE above 5%;
- Sustained improvement in capitalisation, with its regulatory RBC ratio consistently above 280%;
- Significant and sustained improvement in the company profile in terms of operating scale.

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/topics/esg/products#esg-relevance-scores](http://www.fitchratings.com/topics/esg/products#esg-relevance-scores).

## RATING ACTIONS

ENTITY / DEBT ⇅	RATING ⇅	PRIOR ⇅
PT Maskapai Reasuransi Indonesia Tbk	LT IFS    BB+ Rating Outlook Stable  Affirmed	BB+ Rating Outlook Stable
	Natl LT IFS  AA-(idn) Rating Outlook Stable    Affirmed	AA- (idn) Rating Outlook Stable

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**Jessica Pratiwi**

Associate Director

Primary Rating Analyst

National

+62 21 4000 0819

jessica.pratiwi@fitchratings.com

PT Fitch Ratings Indonesia

DBS Bank Tower 24th Floor, Suite 2403 Jl. Prof.Dr. Satrio Kav 3-5 Jakarta 12940

**Kanishka de Silva, CFA**

Director

Primary Rating Analyst

International

+61 2 8256 0367

kanishka.desilva@fitchratings.com

Fitch Australia Pty Ltd

Suite 15.01, Level 15 135 King Street Sydney 2000

**Jeffrey Liew**

Senior Director

Committee Chairperson

+852 2263 9939

jeffrey.liew@fitchratings.com

**MEDIA CONTACTS**

**Leslie Tan**

Singapore

+65 6796 7234

leslie.tan@thefitchgroup.com

**Vivian Kam**

Hong Kong

+852 2263 9612

vivian.kam@thefitchgroup.com

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issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

## APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 23 Dec 2020\)](#)

[Insurance Rating Criteria \(pub. 05 Mar 2024\) \(including rating assumption sensitivity\)](#)

## APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Factor-Based Capital Model, v1.8.0 (1)

## ADDITIONAL DISCLOSURES

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