

RATING ACTION COMMENTARY**Fitch Affirms Marein's IFS at 'BB+', National IFS at 'AA-(idn)'; Outlook Stable**

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Fitch Ratings - Sydney - 21 Mar 2025: 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 its 'Moderate' business profile and 'Neutral' corporate governance. The 'Moderate' business profile is driven by its substantial 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, with 14% of the reinsurance industry's total gross premiums written (GPW; life and non-life) at end-2024. Marein's non-life business has been expanding and its GPW rose to 53% (2023: 49%) of the total, exceeding the life segment's share for the first time. The rating 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.

Steady Underwriting Performance: Marein continued to book a non-life combined ratio of 97% in 2024 (three-year average: 97%). ROE slipped to 3% in 2024 from 4% in 2023 and averaged 4% in the last three years. Marein maintains moderate exposure to the credit insurance business, which contributed to rapid growth and weak underwriting for some Indonesian reinsurers. Credit insurance formed 3% (2023: 2%) of its total non-life reinsurance business, while credit life insurance comprised around 18% (2023: 10%) of its total life reinsurance business in 2024. The increased premium contribution was driven by Marein's pricing adjustments.

Satisfactory Regulatory Capital: The company is committed to maintaining the RBC ratio above 200%. The ratio decreased to 233% by end-2024 from 248% at end-2023, due to premium growth. Fitch assesses Marein's capitalisation as 'Good'. However, its Fitch Prism Global score remains 'Somewhat Weak' based on its 2024 financials, consistent with the previous year, influenced by Marein's high exposure to catastrophic events in the domestic market.

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.

Conservative Investment Portfolio: Marein's investment mix is liquid, with cash and equivalents and fixed-income instruments accounting for more than 90% of invested assets at end-2024. 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 Supports Capacity: The company mainly uses excess-of-loss treaties to mitigate catastrophe exposure and monitors its risk accumulation regularly. Marein's retrocession partners are carefully selected and monitored. Retrocession programmes are backed by retrocessionaires with international ratings of at least 'A-'. The reinsurance recoverable to capital ratio of 37% in 2024 (2023: 45%) compares well against Fitch's criteria guidelines for insurers with a 'BB' IFS Ratings.

RATING SENSITIVITIES**Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

-- Material deterioration in the company profile in terms of market franchise and operating scale.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-- Maintaining strong profitability, with ROE consistently above 5%.

-- Sustained improvement in capitalisation, with its 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

Marein has an ESG Relevance Score of '4' for Exposure to Environmental Impact because most of the company's premium income is derived from the domestic market, which has a negative impact on the credit profile and is relevant to the international IFS Rating in conjunction with other factors. Indonesia is geographically widespread and faces multiple hazards, including flooding, earthquakes, landslides, tsunamis and volcanic eruptions.

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 <https://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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FITCH RATINGS ANALYSTS

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

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

+852 2263 9920
terrence.wong@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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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 Global (ex-U.S.) Model, v1.8.1 (1)

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