



## Fitch Affirms Maskapai Reasuransi Indonesia's IFS of 'BB+'/'AA-(idn)'

Fitch Ratings-Singapore/Jakarta-14 July 2019: Fitch Ratings has affirmed PT Maskapai Reasuransi Indonesia Tbk's (Marein) international Insurer Financial Strength (IFS) Rating at 'BB+' (Moderately Weak). Fitch Ratings Indonesia has also affirmed the insurer's National Insurer Financial Strength 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

The company's rating reflects its 'Moderate' business profile, 'Strong' capitalisation and 'Strong' financial performance.

Fitch has assessed Marein's business profile as 'Moderate' due to its substantive domestic franchise, which is balanced by its 'Least Favourable' operating scale compared with its international peers. It also takes into account a risk appetite that is on a par with the sector and somewhat diversified business lines. Therefore, Fitch has scored Marein's business profile at 'bb-' under the agency's credit-factor scoring guidelines in line with the ranking.

Marein is one of the biggest life reinsurers in Indonesia. Its average market share of 31% by life reinsurance gross written premiums (GWP) over 2016-2018 was the second highest among domestic life reinsurance companies. However, Marein's share of the total reinsurance industry's (life and non-life business) GWP was small at 12% as of end-2018.

Fitch believes Marein's capitalisation is strong. The company's risk-based capital ratio of 364% at end-December 2018 comfortably exceeded the 120% regulatory requirement. The company is committed to keeping the RBC ratio above 200% and it does not plan to issue debt in the medium term. Fitch expects the company's capitalisation to be continuously supported by surplus growth.

We expect Marein to maintain the stability of its underwriting businesses. The company's financial performance is strong, with a three-year average (2016-2018) gross premium growth and return on average equity of around 27% and 16%, respectively. The company's non-life combined ratio was maintained at 96% at end-2018, underpinned by its selective underwriting practices, premium growth and manageable claims.

Management is committed to producing a sound bottom-line performance through prudent underwriting instead of only top-line growth. Fitch believes Marein could benefit from further growth in its non-life business, which would reduce its reliance on the life segment and strengthen its overall market position in the Indonesian reinsurance market.

The company's investment mix is conservative with cash equivalents and fixed-income instruments accounting for more than 80% of invested assets at end-2018. Exposure to risky assets is manageable relative to equity capital. We expect the company to maintain the equity capital proportion in light of its prudent investment approach.

#### RATING SENSITIVITIES

Upgrade rating sensitivities include:

- Significant and sustained improvement in the company's business profile, and
- Maintenance of strong profitability, with a non-life combined ratio consistently below 93%

Downgrade rating sensitivities include:

- Weakening capitalisation with the local statutory ratio below 200% on a sustained basis, or
- Material deterioration in business profile, or
- Significant deterioration in operating performance with a non-life combined ratio consistently higher than 100%

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Applicable Criteria

Insurance Rating Criteria (pub. 11 Jan 2019)

National Scale Ratings Criteria (pub. 18 Jul 2018)

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