



Fitch Assigns Thai Reinsurance IFS Rating of 'A-'; Outlook Stable

Fitch Ratings - Singapore/Bangkok - 21 November 2019:

Fitch Ratings has assigned Thai Reinsurance Public Company Limited (THRE) an Insurer Financial Strength (IFS) Rating of 'A-' (Strong). The Outlook is Stable.

Key Rating Drivers

The IFS Rating on THRE reflects the company's 'Favourable' business profile, 'Strong' capitalisation, 'Good' investment and liquidity risk, which are offset by a challenge for the company to sustain its financial performance and earnings.

Fitch assesses THRE's business profile as 'Favourable' compared with all other Thai non-life insurance companies and scores THRE's business profile at 'a-' under the credit factor scoring guideline. The company's market share has grown to nearly 40% of locally ceded premiums in 2018 and it has a sound reputation for providing other insurance-related services, such as actuarial services. The business risk profile appears to be moderate given THRE's volatile earnings, although this is partly offset by a favourable diversification in the local market in terms of product lines and domestic distribution channels.

Fitch considers THRE's capitalisation as 'Strong', which supports its overall credit profile and it compares well against Fitch's guideline for 'A' IFS rated reinsurers. THRE has maintained its risk-based capital ratio at over 300%, above the 140% local regulatory minimum, despite posting operating losses in the last few years. The reinsurer's capital position was scored 'Very Strong' in terms of Fitch's Prism Factor-Based Capital Model (FBM) using end-2018 financials, which then improved to 'Extremely Strong' by end-1H19, underpinned by an earnings recovery, quality investments, better risk distribution of reinsurance liabilities, and sufficient retrocession programmes.

The main constraint on THRE's rating is its volatile earnings performance. THRE's combined ratio rose to 114% in 2018 (2016: 92%), but it then improved to 107% by end-1H19, mainly driven by fewer claims from its long-term non-conventional business. The average combined ratio over 2016-2018 of 104% remains within Fitch's guideline for 'BBB' IFS rated reinsurers, but contribution to revenue by the company's non-insurance activities is volatile. THRE expects profit to recover over the next three years as unprofitable businesses are phased out.

Fitch expects THRE to maintain investment risks at a manageable level even as it increases investments in risky assets to enhance returns while interest rates remain low. The company allocated about 50% of its invested assets to stock and unit trusts and more than 20% to sound-quality bonds at end-1H19. The reinsurer retains robust liquidity, with the ratio of liquid assets to reserves at more than 200% at end-1H19.

RATING SENSITIVITIES

Downgrade sensitivities include:

- A weakening profitability as indicated by a combined ratio of higher than 103% for a prolonged period ; or
- A persistent drop in capitalisation measured by a decline in THRE's RBC ratio to below 280% and deterioration in the Prism FBM score to below well into the 'Strong' level for an extended period.

Upgrade sensitivities include:

- A consistently strengthening profitability as indicated by THRE's combined ratio sustained at below 96% with ability to maintain return on equity at above 10% for a prolonged period; and

- Improvement of THRE's capitalisation level, with Fitch's Prism FBM score consistently maintained at well into the 'Extremely Strong' level.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of 3 - 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.

For more information on our ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS		
ENTITY/DEBT	RATING	PRIOR
Thai Reinsurance Public Company Limited	Ins Fin Str A- ● New Rating	WD

Additional information is available on www.fitchratings.com

FITCH RATINGS ANALYSTS

Primary Rating Analyst

Siew Wai Wan

Senior Director

+65 6796 7217

Fitch Ratings Singapore Pte Ltd.

One Raffles Quay #22-11, South Tower

Singapore 048583

Secondary Rating Analyst

Thanasit Utamaphethai

Associate Director

+66 2 108 0154

Committee Chairperson

Terrence Wong

Senior Director

+852 2263 9920

MEDIA CONTACTS

Leslie Tan

Singapore

+65 6796 7234

leslie.tan@thefitchgroup.com

Peter Hoflich

Singapore

+65 6796 7229

peter.hoflich@thefitchgroup.com

Applicable Criteria

Insurance Rating Criteria (pub. 18 Nov 2019)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

DISCLAIMER

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

COPYRIGHT

Copyright © 2019 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A

Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

Endorsement Policy

Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Fitch Updates Terms of Use & Privacy Policy

We have updated our Terms of Use and Privacy Policies which cover all of Fitch Group's websites. [Learn more.](#)