

22 JAN 2024

# Fitch Affirms Thai Reinsurance at IFS 'A-'; Outlook Stable

Fitch Ratings - Hong Kong - 22 Jan 2024: Fitch Ratings has affirmed Thai Reinsurance Public Company Limited's (THRE) Insurer Financial Strength (IFS) Rating at 'A-' (Strong). The Outlook is Stable.

The affirmation reflects THRE's 'Strong' capitalisation, 'Favourable' company profile and our expectation of steady earnings from 2024.

## Key Rating Drivers

**Stabilised Underwriting Performance:** We expect a more stable underwriting performance in 2024, with the combined ratio maintained below 100%. Business growth is likely to be driven by the accident and health line as well as conventional business in a hard market. The combined ratio stood at 98% in 9M23, improved from 112% in 9M22, contributed by the absence of Covid-19-related health policies in 2023. We expect return on equity (ROE) to improve slightly from 2023, stabilising at around 4%-6%. Annualised ROE was 5% in 9M23, against -9% in 9M22.

We also believe the reinsurer will remain selective and retain tight underwriting terms and conditions, with inflationary pressure on claims to be offset by premium adjustments.

**Solid Capitalisation:** Fitch's Prism Model estimate places THRE in the 'Extremely Strong' category with an extensive buffer, supported by a recovery in earnings from pandemic-related policies in 2023. We expect this to be sustained in 2024. THRE's risk-based capital (RBC) ratio stood at 338% at end-September 2023, against 364% at end-2022 (2021: 275%), and was significantly above the regulatory requirement of 140%.

**'Favourable' Company Profile:** We assess THRE's company profile as 'Favourable', based on a 'Favourable' business profile and 'Moderate/Favourable' corporate governance. The assessment is underpinned by THRE's unique position as Thailand's only local non-life reinsurer, consistently capturing 30%-40% of local ceded premiums, despite its small operating scale. THRE's business strength lies in a well-diversified portfolio and capability to cater for non-conventional business lines.

**Investment Shift for Better Returns:** THRE's asset management strategy has been conservative, but we believe the reinsurer will increase its exposure to risky assets, including equity investments, for higher investment yield in 2024. Cash, deposits and fixed-income instruments comprised more than 80% of its total invested assets, with a Fitch-calculated risky assets ratio of around 35% at end-September 2023, well below our criteria guidelines for the 'A' IFS category.

## RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

- Weakening profitability, indicated by a combined ratio of above 103% for a prolonged period.
- A persistent drop in capitalisation, measured by a decline in the RBC ratio to below 280% and deterioration in the Fitch Prism score to below well into the 'Strong' level for an extended period.

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

- Consistent strengthening in profitability, indicated by a combined ratio of below 96%, with ROE of above 10% for a sustained period.
- A significant improvement in THRE's company profile, including larger operating scale and geographical diversification.
- Maintenance of THRE's robust capital adequacy

## 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)

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## Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Thai Reinsurance Public Company Limited	LT IFS	A- 	Affirmed	A- 

## RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

## Applicable Criteria

[Insurance Rating Criteria \(pub.20 Jul 2023\) \(including rating assumption sensitivity\)](#)

[National Scale Rating Criteria \(pub.22 Dec 2020\)](#)

## 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**

[Solicitation Status](#)

## **Endorsement Status**

Thai Reinsurance Public Company Limited    EU Endorsed, UK Endorsed

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