



RATING ACTION COMMENTARY

Fitch Affirms Tugu Reasuransi Indonesia at IFS 'A+(idn)'; Outlook Stable

Thu 28 Jan, 2021 - 1:39 AM ET

Fitch Ratings - Jakarta - 28 Jan 2021: Fitch Ratings Indonesia has affirmed PT Tugu Reasuransi Indonesia's (Tugure) National Insurer Financial Strength (IFS) Rating at 'A+(idn)' with a Stable Outlook.

'A' National IFS Ratings denote a 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 rating affirmation reflects Tugure's satisfactory capitalisation, 'Moderate' business profile and manageable but volatile underwriting performance. It also considers the company's conservative investment risk profile and satisfactory management of catastrophe risks in the catastrophe-prone Indonesian market.

Tugure had capitalisation, measured by its risk-based capital (RBC) ratio, of 226% at end-2020 (end-2019: 242%), above the 120% minimum regulatory requirement. Fitch expects the reinsurer to maintain a good capital position against underwriting and investment risks, particularly during the coronavirus pandemic, by managing volatility in its profitability.

Feedback

Fitch deems Tugure's business profile 'Moderate' because of its limited business diversification, adequate business franchise and a business risk profile on a par with the Indonesian reinsurance sector. The company has been maintaining its current business mix while tapping new business through its ultimate parent, PT Asuransi Tugu Pratama Tbk. Almost 100% of Tugure's underwriting business is sourced from Indonesia and around 90% is from the non-life segment.

The company's non-life combined ratio increased to 105.7% by end-2020 (2019: 103.2%) due to lower premiums, higher claim payments following floods that hit Jakarta in early 2020 and claim increases in the health business due to the pandemic. The company is adopting a more prudent underwriting practice to manage its financial performance. Fitch expects the company to maintain its selective underwriting practice.

Its investment portfolio remained liquid with cash, cash equivalents and fixed-income securities accounting for around 75% of its invested assets at end-2020. Fitch expects financial-market volatility to have a limited impact on the company's portfolio, as its exposure to risky assets, including unaffiliated stocks and below-investment-grade bonds, is manageable compared with its equity.

The company uses mainly excess-of-loss treaties to mitigate its catastrophe exposure and monitors its risk accumulation regularly. The reinsurer also collaborates periodically with external brokers to assess its catastrophe exposure conservatively through various modelling tools.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Ability to strengthen its business profile and sustain improvement in its capitalisation relative to its rated peers with a regulatory capital ratio consistently above 200%.
- Maintaining strong underwriting performance with a non-life combined ratio consistently below 100%.

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

- A drop in capitalisation, with the RBC ratio consistently below 160%.
- Deterioration in operating performance, with a non-life combined ratio above 105% on a prolonged basis.

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.

RATING ACTIONS

ENTITY/DEBT	RATING		PRIOR
PT Tugu Reasuransi Indonesia	Natl Ins Fin Str	A+(idn) Rating Outlook Stable	Affirmed
			A+ (idn) Rating Outlook Stable

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Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

[Insurance Rating Criteria \(pub. 26 Aug 2020\) \(including rating assumption sensitivity\)](#)

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

ADDITIONAL DISCLOSURES

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ENDORSEMENT STATUS

PT Tugu Reasuransi Indonesia

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