



RATING ACTION COMMENTARY

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

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Fitch Ratings - Jakarta - 16 Dec 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 affirmation reflects satisfactory capitalisation, a 'Moderate' company profile and volatile underwriting performance compared with domestic peers. It also reflects limited investment risk and adequate management of catastrophe risk in Indonesia's catastrophe-prone market.

Tugure's capitalisation, measured by its risk-based capital ratio, of 213% at end-September 2021 was above the 120% minimum regulatory requirement (end-2020: 226%). The company has maintained its RBC above 200% for the past three years. However, its absolute amount of capital is small compared with that of some domestic and international reinsurers in south-east Asia.

Fitch ranks Tugure's company profile as 'Moderate' based on a 'Moderate' business profile and 'Moderate/Favourable' corporate governance compared with that of other domestic reinsurers. Tugure has an adequate business franchise, a business-risk profile that is on a par with the Indonesian reinsurance sector and limited business diversification. Around 90% of its business is from the non-life segment and most of its business is sourced from Indonesia.

Tugure's non-life combined ratio averaged at 105.2% during 2018-2020. The ratio increased to 107.5% by end-September 2021 (2020: 105.7%) amid higher claims from onshore and health businesses due to impact of the Covid-19 pandemic, but the company aims to improve its underwriting practices through a selective business portfolio, additional terms and repricing to minimise the claim ratio. Tugure's return on equity has averaged at 2% during 2018-2020, supported by investment income.

Fitch considers Tugure's investment risk as limited in light of manageable exposure to risky assets. Moreover, its investment portfolio remains liquid with cash, cash equivalents and fixed-income securities accounting for around 75% of invested assets at end-September 2021. The remaining investment portfolio consists of various instruments, including stocks and mutual funds.

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

RATING SENSITIVITIES

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

- A stronger company profile in terms of market franchise and keeping capitalisation strong relative to rated peers, with a regulatory capital ratio consistently above 200%.
- Improved underwriting performance, with a non-life combined ratio consistently below 100%.

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

- Lower capitalisation, with the risk-based capital ratio consistently below 160%.
- Deterioration in underwriting 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	A+(idn) Rating Outlook Stable
	Affirmed	

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APPLICABLE CRITERIA[National Scale Rating Criteria \(pub. 23 Dec 2020\)](#)[Insurance Rating Criteria \(pub. 26 Nov 2021\) \(including rating assumption sensitivity\)](#)**ADDITIONAL DISCLOSURES**[Solicitation Status](#)[Endorsement Policy](#)**ENDORSEMENT STATUS**

PT Tugu Reasuransi Indonesia

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