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Muang Thai Life Assurance Public Co. Ltd.

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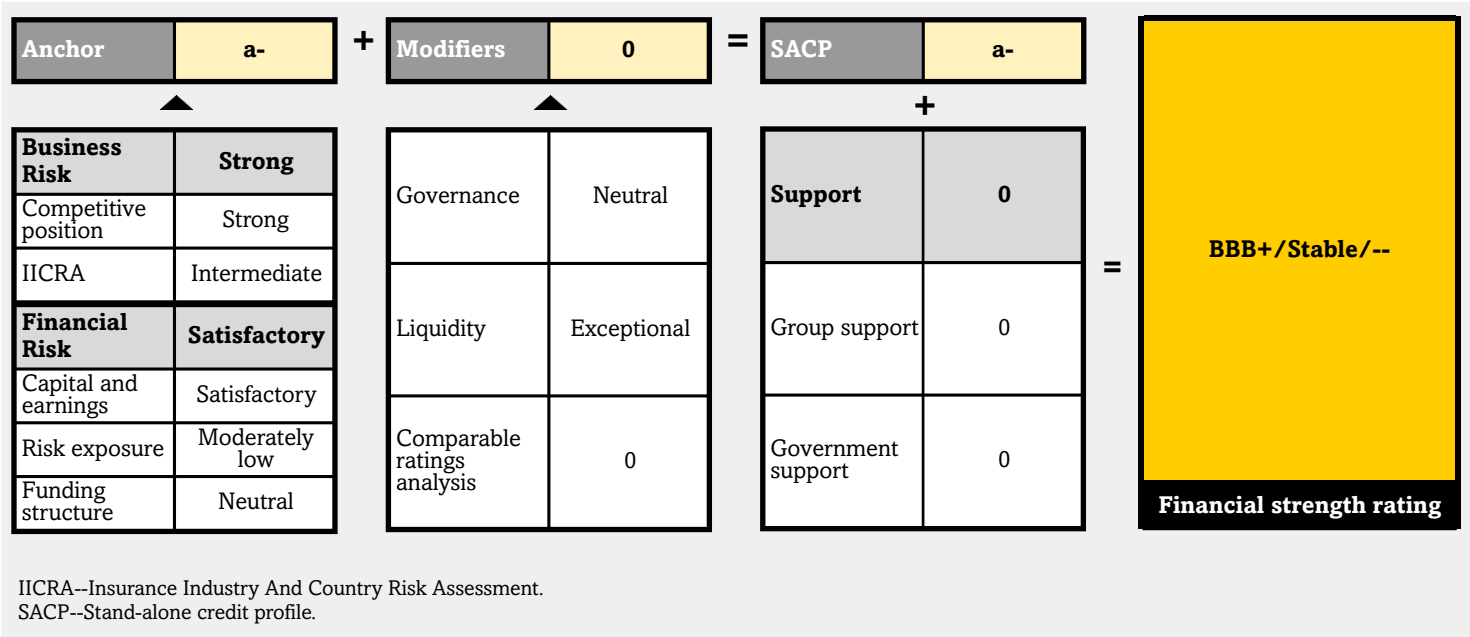
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Credit Highlights

Overview	
Key strengths	Key risks
Established franchise in Thailand's life insurance industry, underpinned by substantial level of controlled distribution channels and highly reputable brand.	Modest capitalization sensitive to revaluation losses from interest rate movements and investment market fluctuations.
Stronger operating performance than domestic peers amid competitive business conditions and ongoing product transition.	Concentrated exposure to Thailand-based assets, resulting in high correlation with sovereign-related stresses.
Proactive and experienced management team.	

Muang Thai Life Assurance Public Co. Ltd.'s (MTL) well-respected brand and multi-distribution strategy will continue to support its solid market position. Despite slow growth in premiums, the insurer's high level of controlled distribution and its reputable brand should continue to underpin its franchise strength. A gradual transition in the insurer's product mix has weighed on premiums a trend also observed for several other life insurers in Thailand, over the past few years. MTL's ongoing efforts to digitalize should boost its customer reach and provide some cost efficiencies. This should help generate modest new business benefiting from an anticipated acceleration in economic growth, which will influence the pace of growth for the Thai life insurance sector.

Our higher anchor selection reflects MTL's dominant market position as one of the largest life insurers in Thailand and its ability to consistently outperform peers in terms of profitability.

MTL's capitalization should remain modest. We expect a gradual improvement in earnings despite higher maturities over the next two years. The insurer's prospective capital buffers will likely remain stable given its prudent business growth and investment strategy. We continue to observe MTL's progress on its product transition, with continued

focus on better margin health and protection policies, as well as less capital-intensive investment-linked policies.

MTL will remain exposed to sovereign related stresses. We consider the insurer's credit profile to be linked to that of the Thai sovereign. This reflects MTL's substantial exposure to Thailand-domiciled assets and businesses. Given our expectation that the insurer's revenue and asset base will remain in Thailand for the foreseeable future, we equalize the rating on the insurer with our foreign-currency long-term sovereign credit rating on Thailand.

Outlook: Stable

The stable outlook on MTL reflects that on our sovereign credit rating on Thailand. We expect the life insurer to maintain its competitive position in Thailand, with support from its established brand and market position. We believe MTL will be able to sustain its strong operating performance and modest capitalization over the next two years. This is amid slower growth due to ongoing product changes.

Downside scenario

We may downgrade MTL if:

- The insurer's financial position deteriorates substantially, as indicated by weakening capitalization and earnings. Such a deterioration could occur if the insurer undertakes a more aggressive investment strategy or geographical business expansion; or
- The insurer's competitive position wanes, due to factors such as a sustained decline in market share and our expectation of a substantial contraction in prospective earnings.

Upside scenario

We could upgrade MTL if the insurer maintains its credit profile and we raise the sovereign credit rating on Thailand.

Key Assumptions

- Real GDP for Thailand to increase between 2.8%-3.1% a year between 2024 and 2026.
- Inflation to decrease to 0.6% in 2024 and then increase to 1.6% in 2025 and 1.1% in 2026.
- Countries with a large trade surplus with the U.S. (Vietnam, Thailand, Malaysia, and India) could be vulnerable to universal tariffs. The global trade slowdown could curb growth and the revenue of Asia-Pacific exporters.

Muang Thai Life Assurance Public Co. Ltd.--Key metrics

	--Year ended Dec. 31--					
(Mil. THB)	2026f	2025f	2024f	2023	2022	2021
Gross premiums written	70,000 - 74,000	68,000 - 72,000	68,000 - 72,000	70,937.0	69,288.0	72,986.0
EBIT	About 7,500	About 7,000	About 6,500	7,524.0	7,646.0	10,045.0
Net income	5,500 - 6,000	5,000 - 5,500	4,700 - 5,200	5,734.0	5,765.0	8,115.0

Muang Thai Life Assurance Public Co. Ltd.--Key metrics (cont.)

(Mil. THB)	--Year ended Dec. 31--					
	2026f	2025f	2024f	2023	2022	2021
S&P Global Ratings capital adequacy*	99.5%	99.5%	99.5%	99.5%	<BBB	<BBB
Return on shareholders' equity (reported) (%)	About 6	About 6	About 5.5	6.6	6.6	10.2
EBITDA fixed-charge coverage (x)	>10	>10	>10	12.5	12.4	97.6
Financial leverage (%)	<15	<15	<15	11.7	14.7	14.4
Return on assets (excluding investment gains/losses) (%)	1.0 - 1.5	1.0 - 1.5	1.0 - 1.5	0.9	1.2	1.4
Net investment yield (%)	About 3.5	About 3.5	About 3.5	3.5	3.4	3.5

f--Forecast. THB--Thai baht.*Refers to the relevant confidence level at a point in time.

Business Risk Profile: Strong

MTL's solid business profile is attributable to its well-recognized brand and 70-year presence in Thailand's life insurance market. Over the years, the insurer has cautiously expanded its regional footprint. It has set up joint venture insurance companies in Cambodia, Laos, and Vietnam, while maintaining its strength within the competitive Thai life sector. However, we expect revenue and profit contributions from these joint ventures to remain small. MTL largely operates in the Thai life insurance market, which we assess as having intermediate industry and country risks. This broadly indicates a conducive environment for moderate growth and profitability within the sector.

MTL's established franchise in Thailand should help the insurer maintain its firm foothold as one of the top-five life insurers in the competitive domestic market. This is despite a declining market share due to its ongoing product transition. We view the insurer's earlier-than-peer' efforts on product shifts as positive for its credit profile, over the longer-term.

The product transition has challenged MTL's business growth and sales distribution since 2020. Thus, the insurer's market share marginally dropped to about 10.9% for the first nine months of 2024, from 11.2% in 2023. However, its presence in the Thai life insurance market remains strong, in our opinion.

MTL's shift to high-quality growth with the focused rollout of more health and protection-based insurance products will also better prepare the insurer ahead of upcoming accounting changes. We expect MTL to follow a cautious approach toward investment-linked policies considering market conditions. We expect the insurer's expenses to increase slightly, given the ongoing product transition and its focus on improving channel diversity, which generally leads to higher acquisition costs. That said, we believe MTL's expense ratio will remain stable over net premium earned and better than that of most of its peers.

In our view, the insurer's proactiveness in incorporating digitalization into its distribution channels will further enhance its distribution capabilities. Also, the insurer continues to develop a health-focused business through its digital strategy, including better customer reach, engagement, and claims-cost management. This initiative is likely to support its ambition to be a leading health insurer in Thailand.

MTL benefits from operating efficiency and prudent underwriting practice. This underpins the insurer's ability to

achieve above-average operating performance amid competitive conditions. The insurer's operating efficiency is backed by its high level of controlled distribution channels.

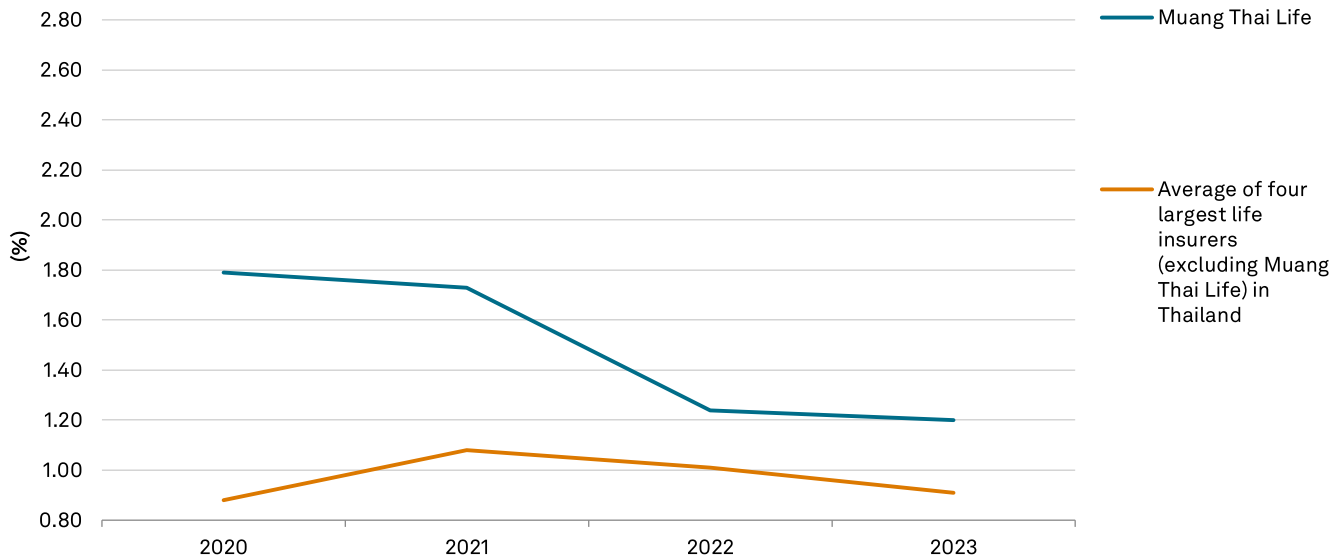
MTL distributes around 82% of its total premiums through its controlled multi-distribution channels. These include the insurer's largest shareholder, Kasikornbank PCL (KBank). MTL has a 10-year exclusive bancassurance agreement (effective January 2022) with KBank to offer health and critical illness products, in addition to life insurance. Bancassurance and its agency channel generated around 52% and 28% of the insurer's gross premiums, respectively, in the first half of 2024.

MTL has typically outperformed some of its peers, for example FWD Life Insurance Public Co. Ltd. and Krungthai-AXA Life Insurance Public Co. Ltd., in certain profitability metrics such as return on assets over the past three years. We expect MTL to maintain good profitability over the long term, albeit it will be slightly lower than historical levels over the next two to three years. This reflects an increase in claims owing to higher maturities from previously sold short-term endowment policies and slow premium growth from the product transition.

Chart 1

Muang Thai Life has a stronger operating performance than peers'

Return on assets (including investment gains/losses)



Source: S&P Global Ratings.

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Financial Risk Profile: Satisfactory

We expect MTL to maintain satisfactory capital and earnings relative to its risk profile over the next two years. The

insurer's prospective capital buffers at our 99.5% confidence level should gradually improve given its prudent business growth and investment strategy. That said, profit generation and product margins may be restrained due to its ongoing product shifts, anticipated moderation in interest rates and higher policy maturities, amid improving but still-slow growth.

MTL's premium growth is likely to stay flat but rebound in 2026 from the product mix change. While we view these product initiatives to have higher margins, supportive of prospective profitability and steady embedded-value generation, revenue contributions from these regular premium policies are dwarfed by a gradually maturing portfolio of short-term endowment policies sold before 2017. The decline in the insurer's premiums from 2018 reflects a deliberate slowdown in sales of short-term endowment plans as MTL continues to revamp its product offerings. Gross premiums declined to Thai baht (THB) 50.5 billion for the first nine months of 2024, from THB52.4 billion in the same period a year earlier.

Through 2026, we expect the insurer to slightly increase its allocations to equities from corporate bonds to further improve its investment returns. The insurer's higher appetite for credit and market risk, albeit cautious, could further weigh on its capitalization. However, its ongoing product transition, with a focus on protection-based and capital-light investment-linked policies, could alleviate its capital position.

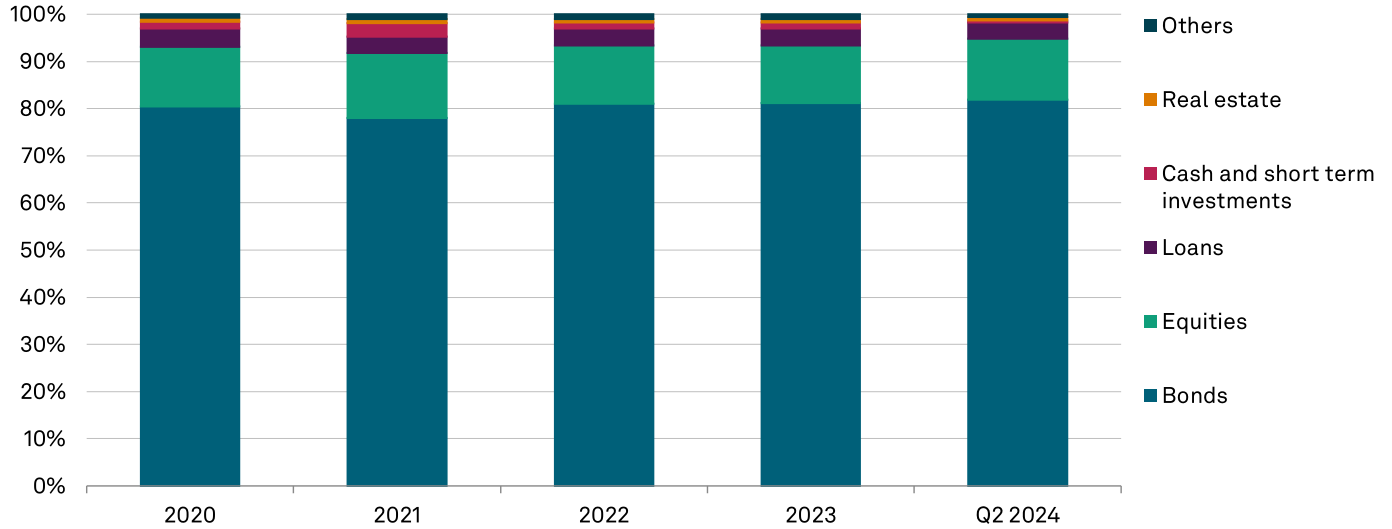
In our view, MTL's increasing risk appetite toward equities exposes its balance sheet to higher investment volatility. However, MTL's robust control over its investments and asset-liability management should help to moderate this sensitivity. We anticipate the insurer will maintain modest capitalization through 2026, amid a likely improvement in Thailand's economic growth.

As of the second quarter of 2024, MTL held about 82% of its invested assets in debt securities and 13% in equity holdings. While its foreign-exchange risk has increased steadily over the years, it is still below regulatory limits. MTL's regulatory capital adequacy ratio was 381% as of Sept. 30, 2024 (353% as of Dec. 31, 2023).

Chart 2

Muang Thai Life has a stable and diversified portfolio composition

(% of general account invested assets)



Source: S&P Global Ratings

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We believe MTL will be able to manage its risk exposure better than its domestic peers, given its risk awareness and established risk controls, which follow a more holistic approach. The insurer closely monitors its asset-liability mismatch position and proactively explores ways to mitigate risks. It applies various risk-analysis methods to monitor its credit, market, and operational risk exposure and conducts experience analyses and stress tests regularly.

In our opinion, MTL's prudent risk management underpins its product shifts earlier than peers ahead of regulatory and accounting changes. We believe the insurer's proactiveness will continue to support growth in value-in-force, albeit at a slower pace than in prior years, due to slow growth of higher-margin, long-term protection policies.

MTL's funding structure is likely to remain sound through 2026. Existing debt obligations remain manageable given gradual improvement in the insurer's prospective earnings. We view the share buyback in July 2023 as an opportunistic transaction to facilitate its capital management strategy and further reduce refinancing risks. In our base case, we expect financial leverage and coverage metrics to remain supportive of its credit profile. In our opinion, its financial obligations to earnings ratio should stay comfortably within our 4x funding structure threshold over the next two years.

Other Key Credit Considerations

Governance

MTL has a highly capable management team with significant industry experience in Thailand. The team is proactive in strategic planning and historically demonstrated consistency in implementing strategies.

MTL's credit profile is underpinned by the insurer's early adoption and establishment of a risk-management framework. We consider this framework to be better than those of its domestic peers. The insurer also benefits from technical support and guidance from its significant third-party owner, Ageas Group. We expect MTL to continue to refine its evolving internal capital model and incorporate it in its decision-making process, where viable.

Liquidity

MTL's exceptional liquidity assessment reflects its well-diversified portfolio. It has substantial holdings in good-quality government bonds and corporate debentures. We expect the insurer's liquid investment profile to support the continual increase in maturity payouts until 2025. The increases are due to short-term endowment policies sold in earlier years. The insurer has no debt outstanding that will mature over the next two years.

Sovereign risk

We consider the insurer's credit profile to be linked to that of the Thai sovereign. This reflects MTL's substantial exposure to Thailand-domiciled assets and businesses. More than 85% of its total assets are domiciled in Thailand. Given our expectation that the insurer's revenue and asset base will remain in Thailand for the foreseeable future, we equalize the rating on the insurer with our foreign-currency long-term sovereign credit rating on Thailand.

Group support

We view MTL as a strategically important subsidiary of KBank. Its insurance business plays an important role in supporting KBank's strategy of offering diversified financial services to its clients. MTL also contributes materially to KBank's total earnings.

In our view, MTL's recent exclusive 10-year bancassurance deal with KBank (effective from January 2022) further commercializes the distribution rights. The agreement does not limit the life insurer's flexibility to tap other banks for additional bancassurance partnerships. We continue to view MTL's credit profile as insulated from that of KBank because of the insurer's financial and operational independence from KBank, its flexibility to seek additional distribution relationships, as well as separate banking and insurance regulators in Thailand. The presence of a significant third-party international owner, Ageas Group, also ensures MTL's independence from KBank in decision-making. Ageas Group holds a 30.87% stake in the insurer.

Environmental, social, and governance

Environmental, social, and governance factors have no material influence on our credit rating analysis of MTL.

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Muang Thai Life Ratings Affirmed Following Revised Capital Model Criteria; Outlook Remains Stable, July 8, 2024

Business And Financial Risk Matrix								
Business risk profile	Financial risk profile							
	Excellent	Very Strong	Strong	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

Note: Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

Ratings Detail (As Of December 25, 2024)*

Operating Company Covered By This Report

Muang Thai Life Assurance Public Co. Ltd.

Financial Strength Rating

Local Currency

BBB+/Stable/--

Issuer Credit Rating

Local Currency

BBB+/Stable/--

Domicile

Thailand

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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