

RATING ACTION COMMENTARY

Fitch Affirms Muang Thai Life's IFS Rating at 'A-'; Outlook Stable

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Fitch Ratings - Hong Kong/Bangkok - 20 Feb 2025: Fitch Ratings has affirmed Muang Thai Life Assurance Public Company Limited's (MTL) Insurer Financial Strength (IFS) Rating at 'A-' and the Long-Term Issuer Default Rating (IDR) at 'BBB+'. The Outlook on the ratings is Stable. Fitch has also affirmed the National IFS Rating at 'AAA(tha)' with a Stable Outlook and affirmed the rating on MTL's USD400 million regulatory compliant Tier 2 subordinated note at 'BBB'.

The affirmation reflects MTL's 'Favourable' company profile, and 'Strong' capitalisation. Fitch expects MTL's profitability to continue to recover over the medium term, while its investment portfolio will still have high exposure to risky assets.

KEY RATING DRIVERS

'Favourable' Company Profile: Fitch assesses MTL's company profile as 'Favourable', supported by a 'Favourable' business profile and 'Neutral' corporate governance. MTL has a substantial market share of about 11% of total premium income and benefits from consistent operational support from major shareholders, including KASIKORNBANK Public Company Limited (KBank, IDR: BBB/Stable) and Ageas Insurance International N.V. (IDR: A+/Stable). MTL has solid business diversification with comprehensive product lines, a diverse client base and balanced distribution channels.

'Strong' Capitalisation: The Fitch Prism Global Model score remained 'Strong' at end-3Q24, similar to the end-2023 result, supported by regulatory Tier 2 compliant debt of USD300 million outstanding. The RBC ratio improved to 381% by end-3Q24 (2023: 353%, 2022: 332%), significantly exceeding Thailand's regulatory requirement of 140%. We estimate financial leverage was 9.5% at end-3Q24, down from 14% in 2022, following partial repayment of USD100 million on subordinated debt in 2023. Fitch expects capitalisation to remain stable in 2025.

Gradual Performance Recovery: MTL has experienced a gradual recovery in performance, with an annualised ROE rising slightly to 6.9% for 9M24, against 6.6% in 2023. The company's average ROE from 2022 to 9M24 was 6.7%, which remained commensurate with its rating category.

Fitch expects continual improvement in new business value over the medium term, as the pressure from strong medical inflation is likely to be alleviated by industry-wide adoption of co-payment, product repricing and further enhanced by opportunities from its partnership with KBank and efficiency gains from digital transformation.

High Risky Asset Ratio: MTL maintains a high exposure to risky assets. The risky asset ratio was 237% as of end-3Q24 (2023: 237%, 2022: 235%), exceeding the guidelines for insurers with an 'A' IFS Rating. The ratio is driven by MTL's investments in equities and bonds rated below investment grade on the international scale, as well as exposure to sovereign bonds, which are scaled at 15% under Fitch's criteria. MTL's sovereign investments-to-capital ratio was 320% at end-3Q24.

RATING SENSITIVITIES

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

IFS Rating and National IFS Rating

- A persistent drop in capitalisation, measured by a lower RBC ratio of below 280% and deterioration in the Prism score to below 'Strong' for an extended period;
- A prolonged weakening in profitability, indicated by ROE falling below 6.5%, and a sustained material decline in the value of new business;
- A material increase in investment and asset risk, including a further rise in the risky asset ratio.

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

IFS Rating

- A significant improvement in MTL's operating scale and business diversification; for instance, the insurer participates in many business lines, geographies and distribution sources.

- An improvement in MTL's capitalisation, with the Prism score maintained at well into the 'Strong' level;

National IFS Rating

- An upgrade is not possible, as MTL's 'AAA(tha)' National IFS Rating is already the highest score on the National Rating scale.

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

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⇅	RATING ⇅	PRIOR ⇅
Muang Thai Life Assurance Public Company Limited	LT IDR BBB+ Rating Outlook Stable Affirmed	BBB+ Rating Outlook Stable
	LT IFS A- Rating Outlook Stable Affirmed	A- Rating Outlook Stable

Natl LT IFS

AAA(thai) Rating
Outlook
Stable

AAA(thai) Rating Outlook Stable Affirmed

subordinated

LT BBB Affirmed

BBB

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

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

[Insurance Rating Criteria \(pub. 04 Mar 2024\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Global (ex-U.S.) Model, v1.8.1 (1)

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Muang Thai Life Assurance Public Company Limited

EU Endorsed, UK Endorsed

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