

## RATING ACTION COMMENTARY

# Fitch Affirms Etiqa Entities' IFS at 'A'; Outlook Stable

Fri 14 Mar, 2025 - 3:57 AM ET

Fitch Ratings - Sydney/Singapore - 14 Mar 2025: Fitch Ratings has affirmed the Insurer Financial Strength (IFS) Ratings of Malaysia-based Maybank Ageas Holdings Berhad's (MAHB) core operating entities at 'A' (Strong). The Outlook is Stable.

The entities are:

- Etiqa General Insurance Berhad (EGIB)
- Etiqa Life Insurance Berhad (ELIB)
- Etiqa General Takaful Berhad (EGTB)
- Etiqa Family Takaful Berhad (EFTB)
- Etiqa Insurance Pte. Ltd. (EIPL)

The affirmation reflects the group's 'Favourable' company profile, 'Very Strong' capitalisation and 'Strong' financial performance and earnings on a consolidated basis.

## KEY RATING DRIVERS

**Group Assessment:** Fitch regards the five group entities as core subsidiaries of MAHB and therefore assigns a group rating based on MAHB's consolidated credit profile. The entities are wholly owned by MAHB and operate in the group's key market segments in Malaysia and Singapore. They share the Etiqa brand and have significant synergies and cross-reporting in processes, management and resources. We believe MAHB has the ability and willingness to support its core operating entities, if needed.

**Leading Malaysian Insurer:** We rank the group's company profile as 'Favourable' compared with that of other Malaysian insurance companies, reflecting the group's 'Favourable' business profile and 'Neutral' corporate governance. The group's dominant market position in Malaysia's conventional and takaful insurance sector is supported by the franchise of the ultimate parent - Malayan Banking Berhad - which helps to drive business expansion.

**Profitability Maintained:** The group posted net profit after tax of MYR385 million in 1H24 and MYR868 million in 2023, recovering from a loss of MYR86 million in 2022 on investment losses and weaker performance at Singapore-based Etiqa Insurance Pte. Ltd.'s (EIPL) life operations. EIPL's recent performance has been supported by reserve releases and strong growth in profitable new business.

The group's consolidated ROE and non-life combined ratio averaged 7% and 93% over 2022-1H24, respectively, and remains commensurate with our criteria guidelines for an IFS 'A' rated insurer.

**Solid Capitalisation:** The group's Fitch Prism Global score has been 'Extremely Strong' in recent years, supported by its large capital base and low asset risks. Meanwhile, the regulatory RBC ratios of each core entity has been well above the regulatory minimums. MAHB's financial leverage ratio (1H24: 10%, 2023: 9%) is low compared with our criteria guidelines for an IFS 'A' rated insurer and is driven by the MYR1 billion Tier 2 subordinated notes issued in 2021 to support EIPL's capitalisation.

**Exposure to Malaysian Sovereign Investments:** The group is exposed to Malaysia's (BBB+/Stable) sovereign risk, as its investments are largely located in the country. However, its Fitch-calculated risky-asset exposure, which is driven by equity investments and non-investment-grade bonds as well as a share of sovereign investments per our criteria, remains below our criteria guidelines for an IFS 'A' rated insurer.

## **RATING SENSITIVITIES**

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

- Changes in the status of any subsidiary from a core operating entity of the group;
- Significant decline in the entities' financial performance, including MAHB's consolidated ROE falling below 6% for a sustained period;

- Significant deterioration in the company profile, such as in the business-risk profile, franchise value or diversification;
- Deterioration in the entities' capitalisation, with MAHB's Prism score falling to below 'Very Strong';
- The statutory RBC ratio of EGIB or ELIB falling below 200% persistently; the statutory ratio of EGTB or EFTB under the RBC framework for takaful operators falling below 180% for a sustained period; and EIPL's statutory RBC ratio falling below 150% consistently.

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

- Sustained and significant improvement in the company profile in terms of the group's operating scale and regional presence;
- Maintaining sound profitability and capitalisation metrics for a prolonged period.

### **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** ⚡

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Etiqa Family Takaful Berhad	LT IFS	A Rating Outlook Stable	A Rating Outlook Stable
	Affirmed		
Etiqa Life Insurance Berhad	LT IFS	A Rating Outlook Stable	A Rating Outlook Stable
	Affirmed		
Etiqa General Takaful Berhad	LT IFS	A Rating Outlook Stable	A Rating Outlook Stable
	Affirmed		
Etiqa Insurance Pte. Ltd.	LT IFS	A Rating Outlook Stable	A Rating Outlook Stable
	Affirmed		
Etiqa General Insurance Berhad	LT IFS	A Rating Outlook Stable	A Rating Outlook Stable
	Affirmed		

[VIEW ADDITIONAL RATING DETAILS](#)

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**APPLICABLE CRITERIA**

[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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Etiqa Family Takaful Berhad	EU Endorsed, UK Endorsed
Etiqa General Insurance Berhad	EU Endorsed, UK Endorsed
Etiqa General Takaful Berhad	EU Endorsed, UK Endorsed
Etiqa Insurance Pte. Ltd.	EU Endorsed, UK Endorsed
Etiqa Life Insurance Berhad	EU Endorsed, UK Endorsed

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