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Fitch Assigns ASWATA at IFS 'AA(idn)'; Outlook Stable

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Fitch Ratings-Jakarta-06 February 2017: Fitch Ratings Indonesia has assigned Indonesia-based PT Asuransi Wahana Tata's (ASWATA) National Insurer Financial Strength (IFS) Rating at 'AA(idn)'. The Outlook is Stable.

'AA' National IFS Ratings denote a very strong capacity to meet policyholder obligations relative to all other obligations or issuers in the same country, across all industries and obligation types. The risk of ceased or interrupted payments differs only slightly from the country's highest-rated obligations or issuers.

KEY RATING DRIVERS

The rating reflects ASWATA's position as one of the leading non-life insurers in catastrophe-prone Indonesia, as well as the company's capitalisation which is strong relative to its business operations and domestic peers. The rating also takes into consideration ASWATA's steady profitability, prudent investment portfolio and mitigation of its business-concentration risks through reinsurance.

ASWATA remained the seventh-largest non-life insurance company in Indonesia by gross written premium (GWP) in 2015. The company has kept its market share at around 4% of total GWP in the past five years. Capitalisation, as measured by the regulatory risk-based capital (RBC) ratio, has remained consistently above 200%. Its risk-based capital (RBC) ratio had risen to 233% by end-October 2016 from 225% at end-2015, well in excess of the regulatory requirement of 120%, and is commensurate with its rating profile. The company has no plans to issue debt in the medium term. Hence, Fitch expects capitalisation to be supported by surplus growth.

ASWATA's underwriting performance (as measured by its 'combined ratio') remained below 100% as of end-2015 and October 2016. Prudent underwriting performance has contributed favourably to bottom-line profitability. Fitch expects the improvement of its operating performance can continue to support its capitalisation through surplus growth.

The company maintained a prudent level of liquid assets, with cash equivalents and fixed-income securities averaging around 70% of its investment portfolio during 2011-2015. Its exposure to risky assets is kept to a manageable level relative to its equity. The remaining investment portfolio is in the form of a variety of instruments including stocks and mutual funds. Fitch expects ASWATA to maintain prudent investment practices and to manage its exposure to risky assets, given its varied investment mix.

ASWATA mitigates catastrophe risk through participation in several reinsurance treaties. Its protection limit for 2015 is adequate to cover the insurer's aggregate probable maximum loss for its business lines for a return period of more than 250 years.

The Stable Outlook reflects Fitch's expectation that ASWATA will continue to maintain an ample capital buffer, as well as its prudent underwriting approach and reinsurance

management, to support its business operations.

RATING SENSITIVITIES

Key rating triggers for an upgrade would include the ability to strengthen its market franchise, with sustainable improvement in ASWATA's capitalisation relative to its rated peers, with a regulatory capital ratio consistently above 300% while maintaining healthy operating profitability with the combined ratio staying consistently below 90%.

Key rating triggers for a downgrade would include deterioration in the underwriting margin (with a combined ratio consistently higher than 100%) and a sharp, consistent decline in the local statutory risk-based capitalisation ratio to below 200%.

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Note to editors: Fitch's National ratings provide a relative measure of creditworthiness for rated entities in countries with relatively low international sovereign ratings and where there is demand for such ratings. The best risk within a country is rated 'AAA' and other credits are rated only relative to this risk. National ratings are designed for use mainly by local investors in local markets and are signified by the addition of an identifier for the country concerned, such as 'AAA(idn)' for National ratings in Indonesia. Specific letter grades are not therefore internationally comparable.