



RATING ACTION COMMENTARY

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

Wed 22 Mar, 2023 - 5:52 AM ET

Fitch Ratings - Bangkok/Singapore - 22 Mar 2023: Fitch Ratings has affirmed the Insurer Financial Strength (IFS) Rating on Muang Thai Life Assurance Public Company Limited (MTL) at 'A-' and the Long-Term Issuer Default Rating (IDR) at 'BBB+'. The Outlook on the ratings is Stable.

At the same time, Fitch has 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, 'Strong' capitalisation and sound liquidity. Fitch expects earnings to recover from an improving economy and good margins from new business sales. MTL's investment portfolio has material exposure to risky assets.

KEY RATING DRIVERS

'Favourable' Company Profile: Fitch ranks MTL's company profile 'Favourable' as a result of its 'Favourable' business profile and 'Moderate/Favourable' corporate governance compared with other life insurers in Thailand.

The ranking reflects a substantive franchise, with sound market share of around 11% by total premium income, and consistent operational support from major shareholders KASIKORNBANK Public Company Limited (KBank, IDR: BBB/Stable) and Ageas

Insurance International N.V. (IDR: A+/Stable). MTL also has sound business diversification in light of its comprehensive product lines, client base and balanced distribution channels.

'Strong' Capitalisation: MTL maintains a strong capital buffer to support its business. We estimate that its capitalisation, measured by the Fitch Prism Model score, was 'Strong' at end-3Q22, including the benefit of capital treatment in regulatory Tier 2 compliant debt. Its risk-based capital (RBC) ratio stood at 320% at end-3Q22, well above the 140% regulatory minimum in Thailand. Its financial leverage is at 16%, well within the median guidelines for its rating category.

Risky-Asset Ratio Remains High: MTL's risky-asset ratio was 250% at end-3Q22 (2021: 245%), as a reduction in shareholder's capital due to a loss on investment valuation was mitigated by a shift from stocks and unit trusts to sovereign bonds in its investment mix. The ratio is driven by MTL's investment 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.

Moderate Earnings: MTL's three-year average return on equity of 8.9% from 2020 to 9M22 (annualised) remained within the range of its rating category, although the annualised return on equity in 9M22 dropped below 6.5%, dampened by weaker operating results. This was due to the challenges it faced in maintaining some businesses under the subdued economy. However, a robust new business margin and strong growth in the savings-type business, including largely stable total underwriting and operating expenses, helped to offset some of the effects.

Fitch expect its underwriting results to normalise due to continued strong demand for health-related products, a good record of sound profitability in new business, new market opportunities from increased collaboration with Kbank, and cost-saving initiatives such as digitalisation of its distribution channels.

Narrow Duration Gap: MTL has narrowed its duration gap to nearly match asset duration with that of liabilities. This will help minimise its exposure to interest-rate volatility. We expect this to continue over the medium term.

RATING SENSITIVITIES

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

IFS and National IFS Ratings

- A persistent drop in capitalisation, measured by a lower RBC ratio of below 280% and deterioration in the Fitch Prism model score to below 'Strong' for an extended period;
- A prolonged weakening in profitability, indicated by return on equity 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

- Improvement in MTL's capitalisation, with the Fitch Prism model score maintained at well into the 'Strong' level;
- A significant improvement in MTL's operating scale and business diversification; for instance, the insurer participates in many business lines, geographies and distribution sources.

National IFS Rating

- An upgrade is not possible as its 'AAA(thai)' National IFS Rating is already the highest score on the National Rating scale.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

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

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

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 Affirmed	AAA(thai) Rating Outlook Stable
subordinated	LT BBB Affirmed	BBB

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

Chalee Chartsatienpong

Associate Director

Primary Rating Analyst

National

+66 2 108 0162

chalee.chartsatienpong@fitchratings.com

Fitch Ratings (Thailand) Limited

Park Ventures, Level 17 57 Wireless Road, Lumpini Bangkok 10330

Siew Wai Wan

Senior Director

Primary Rating Analyst

International

+65 6796 7217

siewwai.wan@fitchratings.com

Fitch Ratings Singapore Pte Ltd.

1 Wallich Street #19-01 Guoco Tower Singapore 078881

Siew Wai Wan

Senior Director

Secondary Rating Analyst

National

+65 6796 7217

siewwai.wan@fitchratings.com

Chalee Chartsatienpong

Associate Director

Secondary Rating Analyst

International

+66 2 108 0162

chalee.chartsatienpong@fitchratings.com

Jeffrey Liew

Senior Director

Committee Chairperson

+852 2263 9939

jeffrey.liew@fitchratings.com

MEDIA CONTACTS

Leslie Tan

Singapore

+65 6796 7234

leslie.tan@thefitchgroup.com

Wai Lun Wan

Hong Kong

+852 2263 9935

wailun.wan@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

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

[Insurance Rating Criteria \(pub. 15 Jul 2022\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

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

Prism Factor-Based Capital Model, v1.8.0 (1)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ENDORSEMENT STATUS

Muang Thai Life Assurance Public Company Limited

EU Endorsed, UK Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link:

<https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the

European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided “as is” without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the “NRSRO”). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are

not listed on Form NRSRO (the “non-NRSROs”) and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2023 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

[READ LESS](#)

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch’s international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be.

Fitch’s approach to endorsement in the EU and the UK can be found on Fitch’s [Regulatory Affairs](#) page on Fitch’s website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Insurance Asia-Pacific Thailand
