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Bangkok Insurance Public Co. Ltd.

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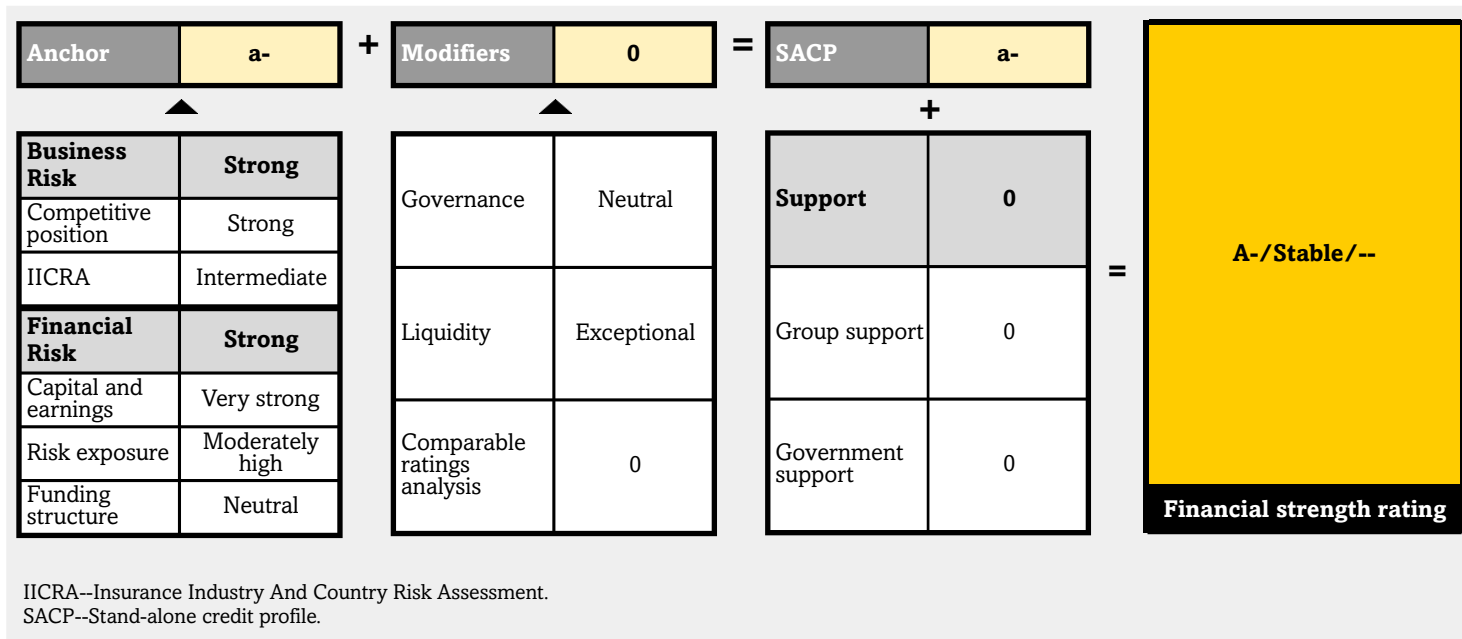
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Bangkok Insurance Public Co. Ltd.



Credit Highlights

Overview	
Key strengths	Key risks
Strong competitive position in Thailand supported by established franchise and broad distribution network	High concentration in its equity investment holdings
Healthy capitalization can withstand a hypothetical sovereign stress scenario	One-off COVID-related underwriting losses pressuring otherwise sound underwriting performance
Exceptional liquidity profile with limited refinancing needs	

Bangkok Insurance Public Co. Ltd. (Bangkok Insurance) will maintain its strong competitive position despite recent operational challenges. The solid market position is underpinned by its strong brand recognition, sound profitability, and business diversity within the Thai property and casualty (P&C) insurance market. We expect COVID-related lump sum payouts to be a one-off and to be settled by the end of 2022. We anticipate Bangkok Insurance will maintain a stable operating performance over the next two years, through underwriting prudence.

Investment market gains will partially offset Bangkok Insurance's substantial underwriting losses arising from COVID. A high volume of COVID-related lump sum claim payouts in the first half of 2022 significantly weakened Bangkok Insurance's underwriting performance. That said, material realized gains of Thai baht (THB) 3.4 billion from its equity investments will help to alleviate part of the substantial underwriting loss. We believe the company's capital buffer will be dented in 2022 by the pandemic-related losses, but will improve from 2023 onward.

Bangkok Insurance has high portfolio risk exposure on account of concentrated investments in certain sectors and a limited number of companies. The insurer allocates about 67% of its invested assets to high-risk investments, comprising equity, loans, and other investments. The company's substantive concentration in three equity stocks,

while strong performers, reflects its sensitivity to market swings. Bangkok Insurance continues to hold sizable long-term investments (about 45% of invested assets) in three family-related entities: Bangkok Bank Public Co. Ltd., Bumrungrad Hospital Public Co. Ltd., and Bangkok Life Assurance Public Co. Ltd.

Outlook: Stable

The stable outlook reflects our view that the insurer will maintain its dominance in the Thai P&C insurance market, supported by business prudence and tightened risk exposure management. We expect Bangkok Insurance's narrowed capital buffer to remain supportive of its credit profile, underpinned by its prospective underwriting profits over the next 24 months.

Downside scenario

We may lower the rating if the company's capitalization weakens due to a decline in underwriting and persistent deterioration in equity markets, resulting in substantial capital impairment. We could also lower the rating if Bangkok Insurance's catastrophe risks increase substantially.

We may also downgrade the company if we believe the insurer's susceptibility to a sovereign default has increased or if our industry and country risk assessment on Thailand's P&C sector deteriorates.

Upside scenario

An upgrade is less likely in the next 24 months. We could upgrade Bangkok Insurance if its financial risk profile strengthens, which could happen due to: (1) consistently higher prospective levels of capital adequacy, with no deterioration in the company's risk exposure and funding structure; or (2) improved risk exposure by reducing investment concentration or increasing investment diversification.

Key Assumptions

- Real GDP for Thailand to increase by 2.9%-3.5% per annum between 2022 and 2024
- Inflation to increase to 6.8% in 2022 before reducing to 1.1% by 2024
- Interest rates are rising in part to combat inflation, and also to defend domestic currencies against the strong U.S. dollar. We expect Thailand's interest rates to be around 2.25% to 3.25% between 2022 and 2024.

Bangkok Insurance Public Co. Ltd.--Key Metrics

(Mil. THB)	--Year-ended Dec. 31--					
	2024f	2023f	2022f	2021	2020	2019
Gross premiums written	27,500 to 28,500	25,500 to 26,500	24,500 to 25,500	24,511.0	22,858.0	21,009.0
Net income (attributable to all shareholders)	2,500 to 3,500	2,500 to 3,500	-2,500 to 500	1,056.0	2,706.0	2,451.0
Financial Leverage (%)	<5%	<5%	<5%	4.6	4.5	2.0
Return on shareholders' equity (%)	6 to 11	6 to 11	-7 to 1	3.3	8.8	7.4

Bangkok Insurance Public Co. Ltd.--Key Metrics (cont.)

(Mil. THB)	--Year-ended Dec. 31--					
	2024f	2023f	2022f	2021	2020	2019
Net investment yield (%)	2 to 2.5	2 to 2.5	2 to 2.5	2.1	2.3	2.4
Net combined ratio (%)	85 to 90	85 to 90	100 to 140	102.3	87.3	91.2
Return on revenue (%)	15 to 20	15 to 20	-30 to 5	5.2	19.4	17.3

THB--Thai baht.

Business Risk Profile: Strong

Bangkok Insurance will maintain its strong competitive position, underpinned by its strong market presence, established brand recognition, sound underwriting capability, and diversified distribution and product offering. These factors support the company's ability to retain its top-three position in Thailand's competitive P&C insurance sector, with a steady market share of about 8.6% as of June 30, 2022. We assess the Thai P&C insurance market as having intermediate industry risk.

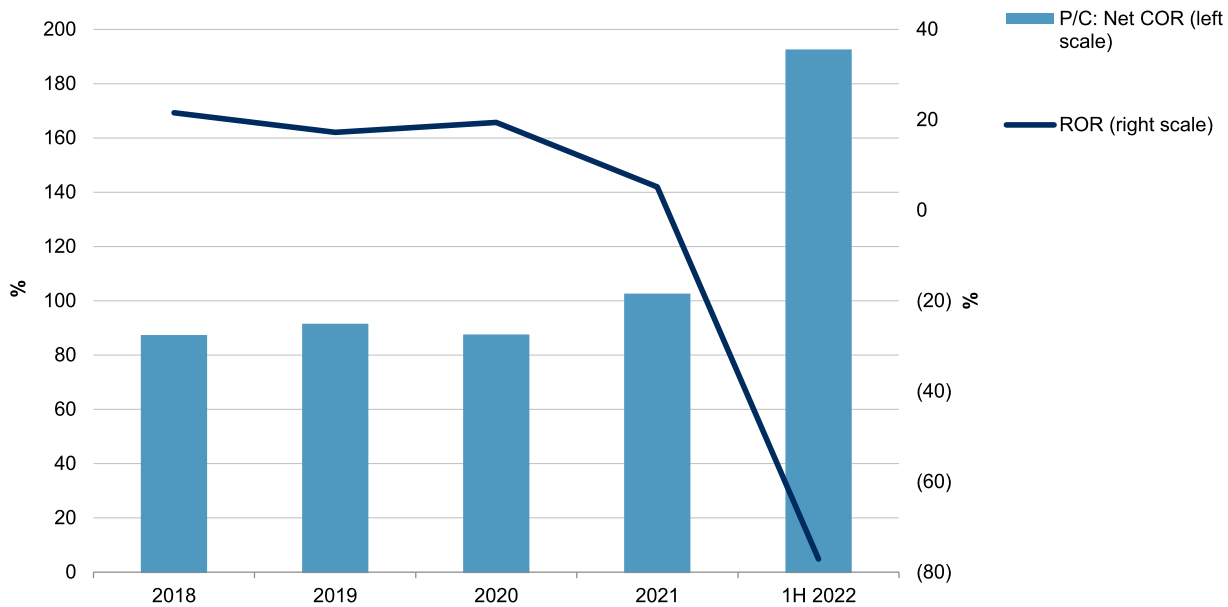
Bangkok Insurance's prudent underwriting and business diversity support its sound operating performance, which has outperformed the overall Thai P&C industry historically. However, owing to COVID-19 lump sum insurance policies launched in 2020, Bangkok Insurance suffered an underwriting loss like most of the industry. We expect Bangkok Insurance's combined ratio to remain well above 100% for the year 2022, owing to a substantial increase in claims from COVID-19 insurance policies in the first half of 2022.

The COVID-19 insurance policies, which provided a lump sum payment of between THB100,000 and THB300,000 on diagnosis of COVID-19, cost between THB500 to THB1500 in premium. The policies were sold by most insurers in the Thai market from 2020 until the middle of 2021, when COVID infection rates remained at low levels. In the third quarter of 2021, Thailand experienced a third COVID wave, during which the number of newly infected cases increased daily by five-digit figures. This led to a surge in COVID-related lump sum claims. Bangkok Insurance stopped selling such policies at the end of June 2021. The regulator mandated that the industry must service claims until the policy period ending in 2022.

The fourth COVID wave hit Thailand in the first half of 2022, further pressuring the underwriting performance of insurers who offered such products, including Bangkok Insurance. By the end of the first half of 2022, four out of the seven P&C insurers with substantial offerings of such policies had had their licenses revoked by the regulator, due to inability to service the COVID-19 lump sum claims. Bangkok Insurance performed better than the other six insurers, owing to its disciplined underwriting. We anticipate the higher claims payouts will impact 2022 year-end performance. The insurer's combined ratio will remain elevated at around 140%, before normalizing at around 90% in 2023, as COVID-related insurance liabilities wind down. Bangkok Insurance's underwriting performance has historically been good, with a five-year average combined ratio of 88% (2017-2020). The insurer's five-year average return on revenue was a solid 17% over the same period.

Chart 1

Bangkok Insurance Operating Performance Impacted By COVID-Related Lump Sum Claims

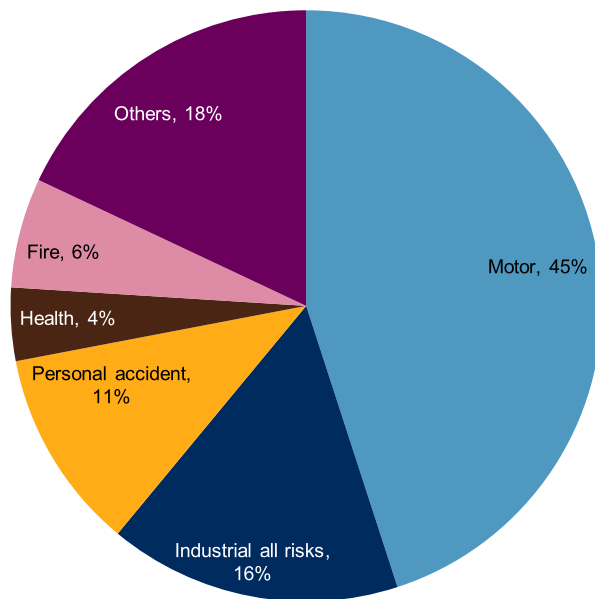


1H--First half. Source: Bangkok Insurance, S&P Global Ratings.
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Bangkok Insurance's strong brand and reputation are supported by the insurer's good business mix, with particular focus on motor, property, and personal accident. We believe Thailand's economic recovery is sustainable. Tourism has been picking up since the opening of borders. This will in turn support the insurer's growth momentum over the next two years. Intensified competition remains within Thailand's motor segment--motor insurance is the largest line on a gross premiums basis for both the Thai insurance industry and Bangkok Insurance--as auto demand resumes in tandem with the economic pick-up. That said, Bangkok Insurance's premium growth in the first half of 2022 indicates its ability to effectively leverage business partnerships while maintaining underwriting discipline and managing its business diversity. The four P&C insurers whose licenses were revoked have a combined share of about 5% of the Thai P&C market. Their suspension has lowered competitive pressure and provides an opportunity for Bangkok Insurance to further grow its Thai P&C business.

Chart 2

Bangkok Insurance Business Portfolio Breakdown By Direct Premiums Written*



*First half of 2022. Source: Bangkok Insurance.

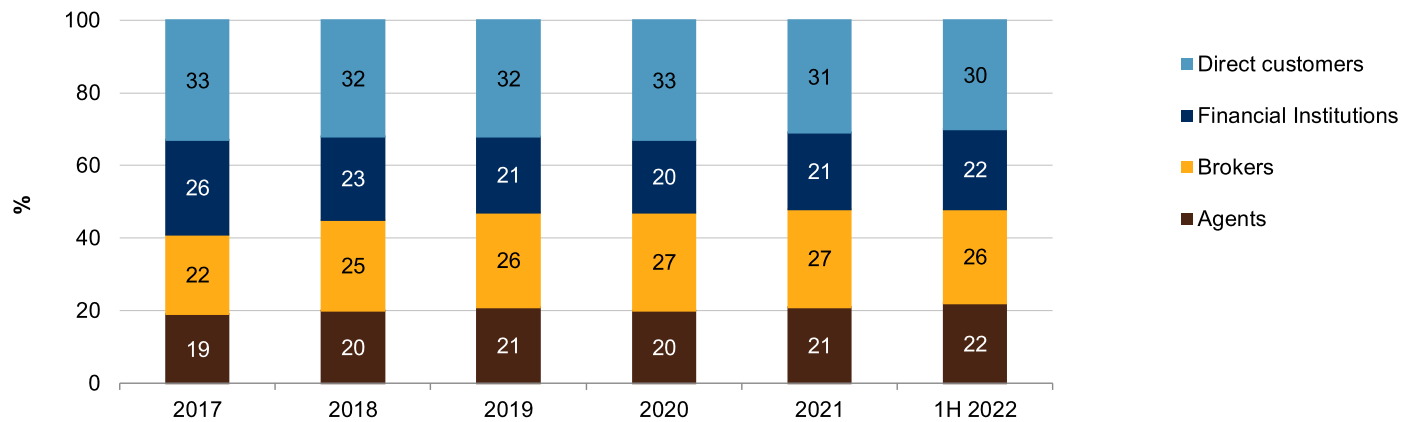
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We expect the stability in premium contributions to continue due to the insurer's strong distribution relationships, particularly with the bancassurance and brokers' channels. The company's premium growth is well supported through a multi-channel approach that includes bancassurance, telemarketing, brokers, and agents.

Chart 3

Bangkok Insurance Distribution Mix Remains Well Diversified

Direct premiums written



1H--First half. Source: Bangkok Insurance.

Financial Risk Profile: Strong

Albeit dented by the substantial underwriting loss from COVID-19 lump sum policies, we believe Bangkok Insurance's capital will remain very strong over the next two years due to earnings stability. Like its domestic peers, a subdued macroeconomic outlook will affect the company's growth momentum. In our view, Bangkok Insurance's substantial exposure to equities (about 70% of total invested assets as of 1H 2022) exposes the company to market fluctuations.

For 2022, our base case scenario projects Bangkok Insurance's capital position to remain under some pressure due to lump sum payments of COVID-19 policies. However, underwriting stress on its capital is offset somewhat by the substantial investment gains of THB3.4 billion through the sale of some of its equity investments. We expect improvement in 2023-2024, although with narrower capital cushions. In the first half of 2022, Bangkok Insurance reported a revaluation gain of THB1.2 billion on its available-for-sale portfolio, which includes bonds and equities. While the equity market has been beneficial to the insurer in 2022, it remains unpredictable. Hence, it continues to add volatility to its capital.

The company's equity investments remain concentrated in certain sectors and on a limited number of companies, namely in three family-related entities: Bangkok Bank Public Co. Ltd., Bumrungrad Hospital Public Co. Ltd., and Bangkok Life Assurance Public Co. Ltd. These three investments are long-term holdings and constitute about 45% of invested assets as of end-2021. That said, these investments have been profitable, and Bangkok Insurance's strong balance sheet suggests it can withstand stock market volatility over the next two years.

Table 1

Investment Holdings (based on market value as of Dec. 31,2021)	Exposure (%)
Bumrungrad Hospital Public Co	30%
Bangkok Bank Public Co. Ltd	8%
Bangkok Life Assurance Public Co. Ltd	6%

Bangkok Insurance's funding structure is prudent, in our view. This reflects the insurer's access to capital resources (as a listed company) and external liquidity. The insurer has no outstanding debt, and we do not expect its leverage to increase over the next two years.

Other Key Credit Considerations

Governance

Bangkok Insurance's governance is satisfactory, in our opinion. The Sophonpanich family has a high level of controlling interest in the company's shareholding structure. However, this does not necessarily translate to board and executive management control. Bangkok Insurance continues to be run by a professional management team and a majority of the independent board (eight independent directors out of 11) have effectively served the interests of all stakeholders. The board maintains sufficient independence from management to provide effective oversight.

We view Bangkok Insurance's risk culture as supportive, reflecting that the company has good risk management culture relative to that of local industry peers, with underwriting and investment guidelines clearly articulated and limits set. The company's risk exposure is straightforward, and it has processes to monitor and control risks. Investment risks appear broadly controlled except for investments in related entities. The company's catastrophe risk controls appear simple (such as monitoring of flood exposure and treaty limits), consistent with those of other Thai companies. While the company undertakes business through selecting risks, it has also developed online codes to enforce its risk management framework. As such, some tightening within risk exposure management has been observed over the years.

Liquidity

Bangkok Insurance's liquidity is exceptional. This reflects its substantial holdings of liquid assets and a strong liquidity ratio of 4.0x as of Dec. 31, 2021. The insurer's liquid investment profile managed to support the surge in the COVID-related lump sum claim payouts during first half of 2022. We don't expect the company to have liquidity constraints.

Ratings above the sovereign

We rate Bangkok Insurance above our foreign currency sovereign credit rating on Thailand (foreign currency BBB+/Stable/A-2; local currency A-/Stable/A-2). We apply a hypothetical sovereign default on insurers' asset exposures to assess the insurer's capital. The stresses include devaluation of the insurer's investments in bonds, deposits, and equities. Bangkok Insurance's capital and liquidity ratios remain sufficient to meet the risks under our stress scenario.

Environmental, social, and governance

ESG Credit Indicators

E-1	E-2	E-3	E-4	E-5	S-1	S-2	S-3	S-4	S-5	G-1	G-2	G-3	G-4	G-5
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ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumeric 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

In our view, ESG credit factors have no material influence on our rating analysis on Bangkok Insurance and are in line with peers.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

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 November 30, 2022)*

Operating Company Covered By This Report

Bangkok Insurance Public Co. Ltd.

Financial Strength Rating

Local Currency

A-/Stable/--

Ratings Detail (As Of November 30, 2022)*(cont.)

Issuer Credit Rating

Local Currency

A-/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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