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Bangkok Insurance Public Co. Ltd.

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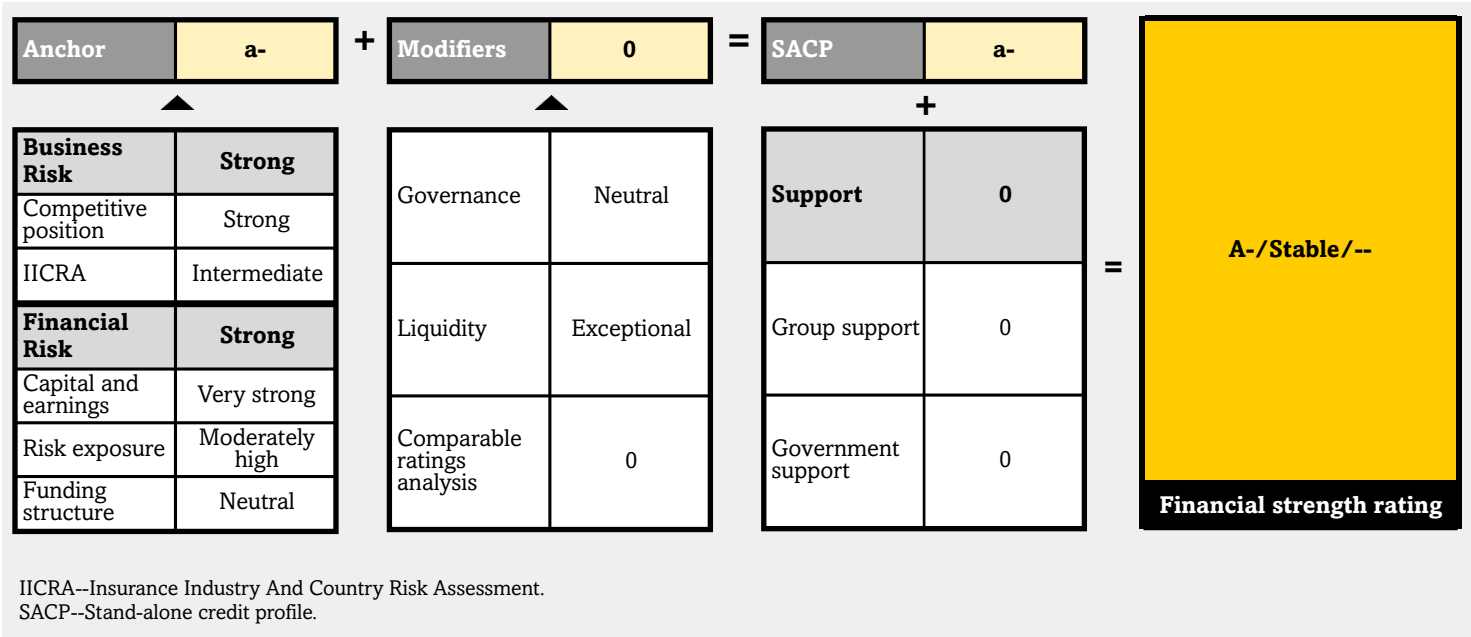
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Credit Highlights

Overview

Key strengths

Strong competitive position in Thailand supported by an established franchise and broad distribution network.

Healthy capitalization with ability to withstand a hypothetical scenario of sovereign stress.

Exceptional liquidity profile with limited refinancing need.

Key risks

High concentration in equity investment holdings.

Bangkok Insurance Public Co. Ltd. will likely maintain its strong competitive position. The insurer's strong brand recognition, sound profitability, and business diversity within the Thai property/ casualty (P/C) insurance market underpin its solid market position.

Stable operating performance likely over the next two years. The first half of 2023 saw Bangkok Insurance return to a healthy underwriting performance. The insurer settled all the one-off COVID-19 related payouts at the end of 2022.

Prudent underwriting to support capital buffer. This follows contraction in the buffer from underwriting losses in 2021 to 2022. We view the payout of pandemic-related claims as a one-off incident. These weighed on Bangkok Insurance's capital and earnings in 2021 and 2022.

We believe the insurer's sound underwriting practice will support its performance in the long run. Revaluation gains of Thai baht (THB) 932 million on Bangkok Insurance's available-for-sale portfolio (which includes bonds and equities) in the first half of 2023 further supported the improved underwriting performance.

Bangkok Insurance has high risk exposure owing to sector and obligor concentrations. The insurer allocates about 70% of its invested assets to high-risk investments, comprising equity, loans, and other investments. The company's substantive concentration in three equity stocks reflects its sensitivity to market swings. While these holdings have been long-term, Bangkok Insurance continues to hold sizable investments (about 52% 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 Bangkok Insurance will maintain its dominance in the Thai P/C insurance market, supported by business prudence and tightened management of risk exposure. We expect the insurer's narrowed capital buffer to remain supportive of its credit profile. The prospect of underwriting profits over the next 24 months will be an added strength, in our view.

Downside scenario

We may lower the rating if Bangkok Insurance's capitalization weakens. This could be 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 of Bangkok Insurance is less likely in the next 24 months. We could upgrade the insurer if its financial risk profile strengthens, which could happen due to: (1) consistently higher prospective levels of capital adequacy, with no deterioration in risk exposure and funding structure; or (2) improved risk exposure owing to reduced investment concentration or increasing investment diversification.

Key Assumptions

- Real GDP for Thailand to increase by 2.8%-3.5% in 2023-2025
- Inflation in the country to decrease to 1.9% in 2023 and 1.4% in 2024, from 6.1% in 2022.
- Interest rates to continue to rise to combat inflation and to defend the domestic currency against the strong U.S. dollar. We expect Thailand's interest rates to be 1.75%-2.5% for 2023-2025.

Bangkok Insurance Public Co. Ltd.--Key metrics

(Mil. THB)	--Year-ended Dec. 31--					
	2025f	2024f	2023f	2022	2021	2020
Gross premiums written	30,500 to 31,500	28,500 to 29,500	27,500 to 28,500	26,676.0	24,511.0	22,858.0

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

	--Year-ended Dec. 31--					
(Mil. THB)	2025f	2024f	2023f	2022	2021	2020
Net income (attributable to all shareholders)	2,500 to 3,500	2,500 to 3,500	2,500 to 3,500	(638.0)	1,056.0	2,706.0
Financial Leverage (%)	<5%	<5%	<5%	4.2	4.6	4.5
Return on shareholders' equity (%)	6 to 10	6 to 10	6 to 10	(2.0)	3.3	8.8
Net investment yield (%)	1.9 to 2.4	1.9 to 2.4	1.9 to 2.4	2.0	2.1	2.3
Net combined ratio (%)	86 to 90	86 to 90	86 to 90	143.3	102.3	87.3
Return on revenue (%)	15 to 20	15 to 20	15 to 20	(33.7)	5.2	19.4

f--Forecast. THB--Thai baht.

Business Risk Profile: Strong

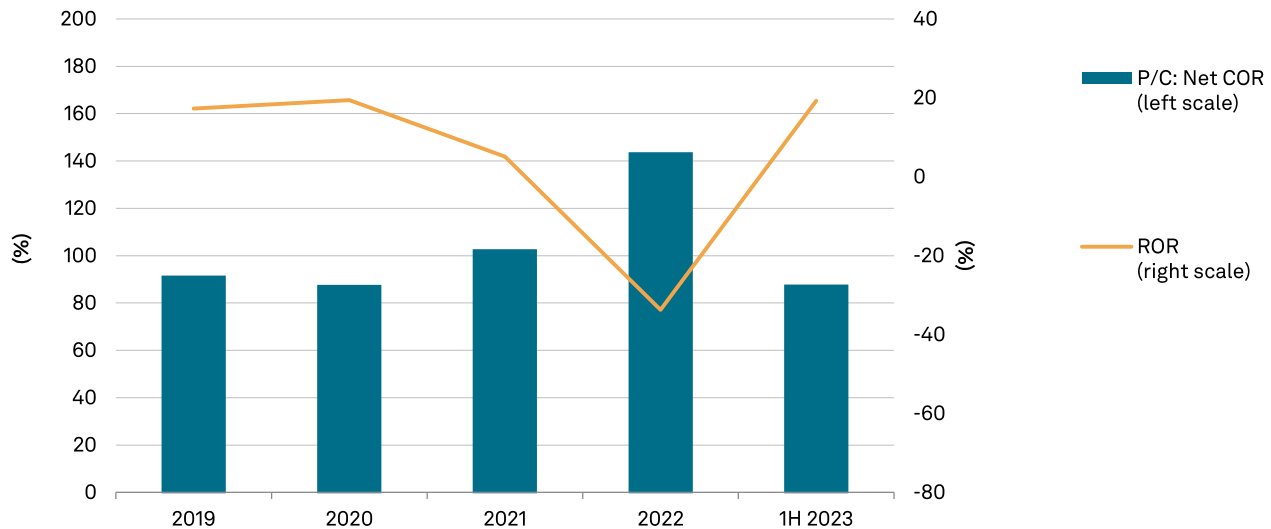
We expect Bangkok Insurance to maintain its strong competitive position, underpinned by its sound underwriting capability, established and well recognized brand, good market presence, and diversified distribution channels. These factors will help the company to maintain its top-three position in Thailand's competitive P/C insurance sector. As of June 20, 2023, Bangkok Insurance had a market share of about 9.1%. The insurer operates mainly in the Thai P/C insurance market, which we assess as having intermediate industry risk.

Bangkok Insurance's restructuring plan announced in October 2023 is unlikely to materially affect its risk profile over the next three years. This is because P/C insurance will continue to be Bangkok Insurance's core business. The insurer plans to set up a listed holding company and expand into businesses that supplement its core insurance sales. This plan is subject to regulatory approval and is likely to take effect in the second quarter of 2024. We anticipate any inorganic growth following the restructuring will be small and gradual, and will not deter our current capital and earnings assessment for Bangkok Insurance.

Bangkok Insurance's prudent underwriting and business diversity will continue to support its sound operating performance, which has historically exceeded the Thailand P/C industry. We view Bangkok Insurance's substantial payout of pandemic-related claims as a one-off incident. These weighed on the insurer's capital and earnings in 2021 and 2022. In first half of 2023, Bangkok Insurance's combined ratio improved to 87.6% from 143% in 2022 and 102% in 2021. A combined ratio of less than 100% indicates the insurer is making underwriting profits. We expect Bangkok Insurance to expand prudently while maintaining the stability of its underwriting performance over the next two years.

Chart 1

Bangkok Insurance's operating performance has normalized after two years of pandemic-related hit



P/C--Property/casualty. H1--First half. COR--Combined ratio. ROR--Return on revenue. Sources: Bangkok Insurance PCL, S&P Global Ratings.
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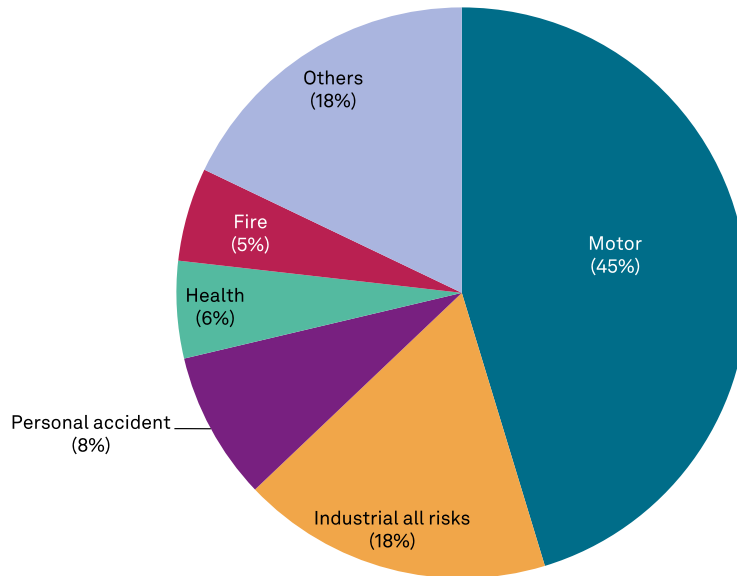
Bangkok Insurance's good business mix, with particular focus on motor, personal accident, and property, underpin its strong brand and reputation. We believe Thailand's economic recovery will gradually gain pace with the formation of a new government and pick up in international tourism. This will support the insurer's growth over the next two years.

Bangkok Insurance continues to demonstrate its ability to effectively leverage business partnerships to grow new business. It has also established a network of repair workshops to maintain service quality and customer loyalty. Motor insurance segment is the largest business line in terms of gross premium for both the Thai insurance industry and Bangkok Insurance. Despite intense competition and sluggish car sales in the first half of 2023 due to rising interest rates and economic uncertainties, Bangkok Insurance's motor premiums grew 12.6%, compared with the industry's 4% growth.

Chart 2

Motor segment dominates Bangkok Insurance's business

Portfolio breakdown in terms of direct premiums written in the first half of 2023



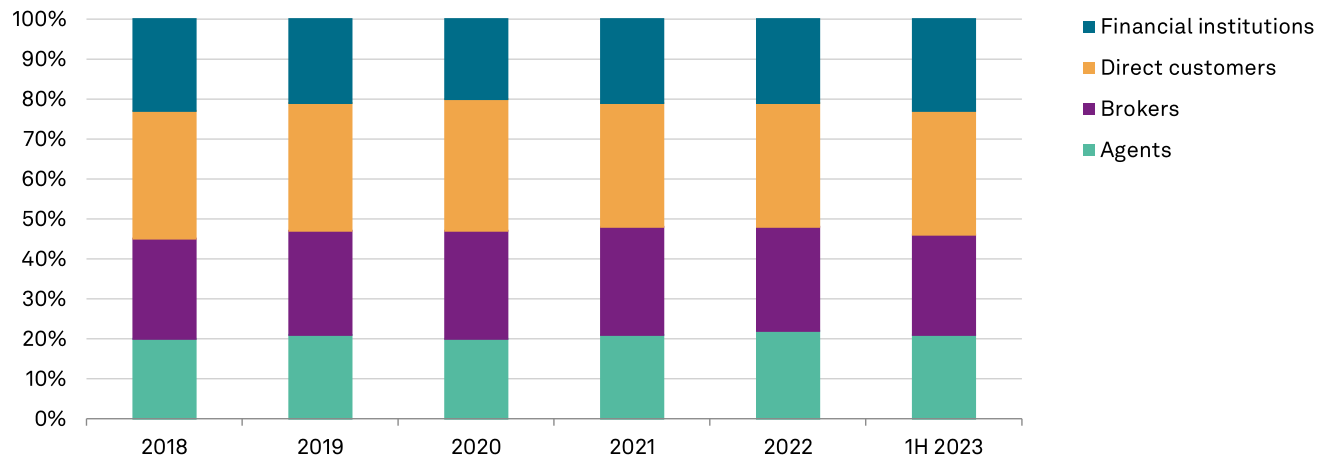
Source: Bangkok Insurance PCL.
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We expect the stability in Bangkok Insurance's premium contributions to continue. This is given the insurer's strong distribution relations, particularly with banks and brokers. Bangkok Insurance's multi-channel approach that includes bancassurance, telemarketing, brokers, and agents supports premium growth.

Chart 3

Bangkok Insurance's distribution mix is well diversified

Breakup of direct premiums written



H1--First half. Source: Bangkok Insurance PCL.

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Financial Risk Profile: Strong

We believe Bangkok Insurance's capital will remain sufficient for the current rating over the next two years. The insurer will benefit from the return of steady earnings post one-off COVID losses. Like its domestic peers, Bangkok Insurance's growth momentum will be subject to the pace of the economic recovery in Thailand over the next two years. In our view, the insurer's substantial exposure to equities (about 65% of total invested assets as of first half 2023) exposes it to market fluctuations.

Bangkok Insurance underwriting performance in the first half of 2023 has normalized to pre-pandemic levels. We expect the underwriting performance to be stable over the next two years.

That said, equity market movements continue to bring volatility to Bangkok Insurance's capital. In the first half of 2023, the insurer reported a revaluation gain of about THB932 million on its available-for-sale portfolio.

Bangkok Insurance's equity investments remain exposed to sectoral and obligor concentration, namely in three family-related entities: Bangkok Bank (10% of invested assets as of Dec. 31, 2022), Bumrungrad Hospital (38%), and Bangkok Life Assurance (4%). These three investments are long-term holdings and constituted about 52% of the insurer's invested assets as of end-2022. That said, Bangkok Insurance's strong balance sheet suggests it can withstand stock market volatility over the next two years.

Bangkok Insurance's funding structure is prudent, in our view. The insurer has access to a moderate range of capital resources (as a listed company) and external liquidity. It 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 has a majority independent board (eight independent directors out of 11) that has effectively served the interests of stakeholders. The board maintains sufficient independence from management to provide effective oversight.

We view Bangkok Insurance risk culture as transparent, reflecting the company's clearly articulated limits within its underwriting and investment guidelines. The insurer has processes to monitor and control risks within its risk limits. Investment risks appear broadly controlled except for investments in related entities.

Bangkok Insurance's catastrophe risk controls appear simple (such as monitoring of flood exposure and reinsurance treaty limits), comparable to 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, the risk exposure management continues to tighten over the years.

Liquidity

We view Bangkok Insurance's liquidity as exceptional. Our assessment reflects the insurer's substantial holdings of liquid assets and a strong liquidity ratio of 3.7x as of Dec. 31, 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 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 ratio remain substantive to meet the risks under our stress scenario.

Environmental, social, and governance

ESG factors have no material influence on our rating analysis on Bangkok Insurance.

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

Related Research

- Bangkok Insurance Public Co. Ltd., Dec. 1, 2022

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 13, 2023)*

Operating Company Covered By This Report

Bangkok Insurance Public Co. Ltd.

Financial Strength Rating

Local Currency

A-/Stable/--

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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