

Research Update:

Bangkok Insurance Rating Affirmed At 'A-'; Outlook Stable

August 22, 2019

Overview

- Bangkok Insurance Public Co. Ltd. has a strong competitive position stemming from its consistent presence among the top three players in Thailand's property and casualty insurance market, and its good brand recognition.
- At the same time, the company has modest risk exposure because of high concentration in its equity and investment portfolio.
- We are affirming our 'A-' local currency long-term financial strength and issuer credit ratings on Bangkok Insurance under our revised criteria.
- The stable outlook reflects our view that Bangkok Insurance will maintain its strong competitive position, capitalization, and earnings over the next 24 months.

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Rating Action

On Aug. 22, 2019, S&P Global Ratings affirmed its 'A-' local currency long-term financial strength and issuer credit ratings on Bangkok Insurance Public Co. Ltd. The outlook is stable.

Outlook

The stable outlook reflects our view that Bangkok Insurance will maintain its strong competitive position, capitalization, and earnings over the next 24 months.

We expect the insurer's profitability to stay at current levels over the next 24 months due to tepid economic growth in Thailand and strong price competition. In our view, Bangkok Insurance will maintain consistent operating performance due to its prudent underwriting and tightened risk exposure management over the years.

Downside scenario

We may lower the rating if Bangkok Insurance's capitalization weakens (e.g., from a significant

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deterioration in equity markets) or its catastrophe risks increase substantially. Such a scenario is unlikely over the next 24 months, in our view. We may also lower the rating if we believe the insurer's susceptibility to a sovereign default has increased or if our industry and country risk assessment on Thailand's property and casualty sector deteriorates.

Upside scenario

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

Rationale

Our rating actions follow the application of our revised "Insurers Rating Methodology" published on July 1, 2019, to Bangkok Insurance.

The rating on Bangkok Insurance, a Thailand-based property and casualty insurer, reflects our view of the company's strong competitive position supplemented by its solid operating performance and brand recognition. The insurer continues to be among the top three players in the Thailand non-life insurance sector with a market share of about 7.2% as of Dec. 31, 2018. Bangkok Insurance reported a strong combined ratio of 86.98% in 2018, reflecting its continued focus on underwriting prudence. We expect the insurer's combined ratio to be 85%-90% over 2019-2021 (a ratio of less than 100% indicates underwriting profit).

Counterbalancing these factors are Bangkok Insurance's high equity investments and some sectoral and obligor concentrations. The insurer's outsized equity investments also expose it to material revaluation swings on its available-for-sale (AFS) portfolio. The company's equity portfolio is concentrated 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 57.6% of the invested assets.

The rating on Bangkok Insurance is higher than the foreign currency sovereign credit rating on Thailand (foreign currency BBB+/Stable/A-2; local currency A-/Stable/A-2). Bangkok Insurance's pure domestic focus and substantial concentration in its investment portfolio highlight its material exposure to Thailand-based assets. That said, we believe the insurer can withstand a hypothetical Thailand sovereign default on foreign currency debt. We estimate that the haircuts associated with the capital test would not lead to a full depletion of Bangkok Insurance's regulatory solvency capital, and the insurer's stressed liquidity ratio will exceed 100%.

Bangkok Insurance also has exceptional liquidity with no constraints in meeting its obligations, given its steady premium income and investment portfolio.

Ratings Score Snapshot

Business Risk Profile	Strong
Competitive position	Strong
IICRA	Intermediate Risk
Financial Risk Profile	Strong
Capital and earnings	Very Strong
Risk exposure	Moderately High
Funding structure	Neutral
Anchor*	a-
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Comparable ratings analysis	0
Financial Strength Rating	A-

*This is influenced by our view of Bangkok Insurance's concentrated counterparty risk arising from substantial equity holding in three family-related entities.

Related Criteria

- 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
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Ratings Affirmed

Bangkok Insurance Public Co. Ltd.

Issuer Credit Rating	
Local Currency	A-/Stable/--
Financial Strength Rating	
Local Currency	A-/Stable/--

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating

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