

PT Reasuransi Nusantara Makmur

Corporate rating

*ir*AA-/Stable

Rated Issues

N/A

Rating Period

October 8, 2019 – October 1, 2020

“Reinsurance Company with *ir*AA rating has a very high level of certainty to honor the financial obligations to policyholder. There is, however, a slight difference in the rating scale with the highest qualification level of Reinsurance Company.”

The minus sign (-) indicates that the rating is still higher than the rating category below, although it is closer to the lower rating than it is to the higher rating category.

Kredit Rating Indonesia assigns ‘*ir*AA-’ financial strength rating of PT Reasuransi Nusantara Makmur

Kredit Rating Indonesia (KRI) assigns a Financial Strength Rating of ‘*ir*AA-’ for PT Reasuransi Nusantara Makmur (Nusantara Re) with a ‘Stable’ outlook. The rating reflects Nusantara Re’s strong shareholder commitment to support the Company’s business, its ability to secure moderate market share in such short period of operational time, and sufficient capital to encounter turnaround shocks. However, the rating is constrained by the Company’s insufficient liquid assets to top technical reserves requirement and high combined ratio.

Nusantara Re is a national reinsurance company that commenced its operational activities in July 2017. The Company is owned by PT Asuransi Sinar Mas (99%), the biggest non-life insurance in Indonesia, and PT Sinarmas Multi Artha (1%). As of June’s end 2019, more than 30% of the Company’s business reflected from total gross written premium (GWP) contributed by PT Asuransi Sinar Mas. The Company offers reinsurance services for fire, cargo, liability, vehicles, marine hull, aviation, engineering, life, health, personal accident, surety ship, energy offshore, energy onshore, credit, and others.

Nusantara Re has only been in the reinsurance business for about two years, relatively short compared to other competitors. However, KRI sees that the Company was able to secure moderate 13.9% market share of gross written premium at the end of June 2019. Such market share was the fourth largest in the industry.

Risk Based Capital (RBC) ratio of the Company was the highest among other reinsurance companies in Indonesia. It stood at 715% as of end 2018, well above OJK’s minimum requested ratio of 120%. The said ratio is expected to be maintained at above 500% in the future.

Constraining factors for the Company’s rating are insufficient liquid assets to cover technical reserves and high combined ratio. The amount of liquid assets to technical reserve ratio which amounted to 96% or below 100% as of end 2018. We view that if such condition persists it may indicate inability to allocate investment appropriately. The Company also recorded a combined ratio of 97.1% as of June’s end 2019, jumping from 72.6% as of end 2018. If this ratio persistently close to 100%, it may indicate low efficiency performance from the Company.

Nusantara Re Financial Results Highlights

As of/For the year ended	Jun-2019 (Unaudited)	Dec-2018 (Audited)	Dec-2017 (Audited)
Total Assets (Rp bn)	1,224.8	967.2	392.7
Total Equity (Rp bn)	385.1	364.1	310.2
Total Investments (Rp bn)	549.9	393.9	344.5
Net Premium Written (Rp bn)	129.9	152.5	3.6
Net Claims (Rp bn)	74.9	35.4	0.1
Underwriting Result (Rp bn)	20.1	59.4	1.0
Net Income After Tax (Rp bn)	21.1	53.8	10.2
Total Comprehensive Income (Rp bn)	21.1	53.8	10.2
ROAA (%)	3.8	7.9	2.6
Loss Ratio (%)	57.7	23.2	1.6
Net Premium Written/Equity (x)	0.7	0.4	0.0
Net Retention Ratio (%)	8.7	6.9	1.4
Equity/Total Assets (%)	31.4	37.6	79.0
Risk Based Capital (RBC) (%)	479	715	2,934
Return on Equity (%)	10.9*	14.8	3.3
Combined Ratio (%)	97.1	72.6	97.0
Total Investment (excluding cash)			

*)Annualized figures

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