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A.M. Best Affirms Credit Ratings of Malaysian Reinsurance Berhad

SINGAPORE, November 16, 2018—A.M. Best has affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of "a-" of Malaysian Reinsurance Berhad (Malaysian Re) (Malaysia). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect Malaysian Re's balance sheet strength, which A.M. Best categorizes as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.

The company's risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), is supported by low underwriting leverage and a conservative investment portfolio. Malaysian Re's operating performance is supported by a steady stream of investment income, which has mitigated fluctuations in its underwriting results. Underwriting margins for full-year 2018 and the first quarter ending June 2018 have increased, as initiatives introduced to improve underwriting margins have been implemented.

Malaysian Re benefits from a regulated cession arrangement in Malaysia's non-life market. While these cessions contribute significantly to its premium revenue and overall profits, volumes have declined following regulatory rate reductions. The continuation of these cessions are subject to periodic regulatory review, with the next review due before the expiry of the current arrangement on Dec. 31, 2019. Additionally, increasing consolidation among local insurers has lowered the demand for reinsurance capacity. In response, Malaysian Re has grown its overseas reinsurance business, which carries more volatility and lower profitability compared with its domestic portfolio.

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Positive rating actions are unlikely in the near term. Negative rating pressure could occur from a deterioration in operating performance or business profile.

Ratings are communicated to rated entities prior to publication. Unless stated otherwise, the ratings were not amended subsequent to that communication.

This press release relates to Credit Ratings that have been published on A.M. Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see A.M. Best's Recent Rating Activity web page. For additional information regarding the use and limitations of Credit Rating opinions, please view Understanding Best's Credit Ratings. For information on the proper media use of Best's Credit Ratings and A.M. Best press releases, please view Guide for Media - Proper Use of Best's Credit Ratings and A.M. Best Rating Action Press Releases.

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