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## FOR IMMEDIATE RELEASE

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### **AM Best Affirms Credit Ratings of Malaysian Reinsurance Berhad**

**SINGAPORE, 6 January 2023**—AM Best has affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of “a-” (Excellent) 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 AM Best assesses as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.

Malaysian Re’s balance sheet strength is underpinned by its risk-adjusted capitalisation, as measured by Best’s Capital Adequacy Ratio (BCAR), which is expected to remain at the strongest level over the medium term. AM Best views the company’s investment portfolio to be generally conservative, whereby the majority of investments are allocated to term deposits, government bonds and good quality corporate bonds. Additionally, the company benefits from good financial flexibility as demonstrated by its recent subordinated debt issuances in 2022, and historical capital support from MNRB Holdings Berhad. However, Malaysian Re is subject to catastrophe risk exposure in its domestic and overseas portfolios. Retrocession limits were viewed to be inadequate against more severe events such as Malaysia’s December 2021 flood, although the company has put in place higher retrocession coverage subsequent to the event.

The company’s operating performance is viewed as adequate, as evidenced by a five-year average return-on-equity ratio of 5.6% between fiscal years 2018 and 2022. Malaysian Re’s underwriting performance was

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—2—

negatively impacted in fiscal year (ending 31 March) 2022, mainly by its exposure to Malaysian and European floods, as well as other large losses in 2021. However, these losses were mitigated in part by more favourable performance in the company's India and Middle East/North Africa (MENA) books. Adverse claim reserve development for the company's 2021 domestic flood losses is expected to further constrain technical results in fiscal year 2023. While the company's investment income declined in fiscal year 2022 as a result of lower interest income and unrealised losses on equity investments including unit trusts, it remains a positive contributor to overall earnings.

Malaysian Re is the largest non-life reinsurer in Malaysia, with a dominant domestic market share. The company benefits from a regulatory domestic cession arrangement, which provides it with access to a steady stream of profitable domestic business. This arrangement will remain in force until the end of 2024, from when further renewals will be subject to future regulatory approvals. The company recorded robust business growth in fiscal year 2022, supported by higher business volumes through managing general agents and overseas treaties. Future product and distribution channel diversification is expected to be supported by strategic expansion into non-traditional products and specialty lines, as part of the company's ongoing business remodelling programme.

**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 AM 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 AM Best's [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Guide to Best's Credit Ratings](#). For information on the proper use of Best's Credit Ratings, Best's Performance Assessments, Best's Preliminary Credit Assessments and AM Best press**

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—3—

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