

FITCH AFFIRMS PT ASURANSI MAIPARK INDONESIA AT IFS 'BBB(IDN)'; OUTLOOK STABLE

Fitch Ratings-Hong Kong/Jakarta/Singapore-16 May 2011: Fitch Ratings has affirmed PT Asuransi MAIPARK Indonesia's (MAIPARK) National Insurer Financial Strength (IFS) rating at 'BBB(idn)' with Stable Outlook.

The rating reflects MAIPARK's experienced management team, secure premium source, strong liquidity, generally prudent retrocession coverage, and solid risk-based capitalization. The rating also reflects the insurer's ability to achieve profitable growth over the past seven years since its establishment. The company is owned by all general insurance and reinsurance companies in Indonesia.

MAIPARK has consistently recorded underwriting profits notwithstanding the occurrence of several major earthquakes in Indonesia after its inception as earthquake reinsurer in December 2003. While the company has made progress in building its insurance book of business, its combined ratio averaged 68.1% over the past five years, trending downward to 60.6% in 2010 from 82% in 2006. Fitch believes the revision of tariff in 2010 along with initiatives in broadening its product range will further underpin MAIPARK's premium expansion and underwriting profitability in the near term.

With the allocation of more than 95% of its investment in cash and bank deposits, MAIPARK maintains strong liquidity to support the short-tailed nature of its insurance liabilities. Though Indonesia is an earthquake-prone nation, MAIPARK's capital base is reasonably sheltered by the retrocession program which is placed with a panel of high-quality retrocessionaires. Ongoing surplus growth has persistently strengthened the company's shareholders' funds though it is small relative to that of some regional reinsurers.

Offsetting these positive rating attributes include business concentration risk associated with its catastrophic exposure to the Indonesian market and its short operating history. In addition, the existing shareholding structure may weaken MAIPARK's flexibility in sourcing additional funds if a severe earthquake in Indonesia affects the financial strength of all local general insurers and reinsurers.

Fitch notes that MAIPARK's rapid business growth led to a decline in its risk-based capitalization as measured by both statutory risk-based capital and Fitch. In view of the volatile nature of the risk underwritten, Fitch expects MAIPARK to maintain extra capital buffer for unprecedented catastrophic events.

Sharp increases in incurred earthquake claims beyond the upper limit of its existing retrocession arrangement and failure to keep statutory risk-based capital at levels higher than 250% over a sustained period may lead to a downgrade. Conversely, Fitch would consider a single-notch upgrade if the company is able to maintain favorable underwriting performance (i.e. a combined ratio consistently lower than 70%) while strengthening its risk management capability and reserving techniques.

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Note: Fitch's National ratings provide a relative measure of creditworthiness for rated entities in countries with relatively low international sovereign ratings and where there is demand for such ratings. The best risk within a country is rated 'AAA' and other credits are rated only relative to this risk. National ratings are designed for use mainly by local investors in local markets and are signified by the addition of an identifier for the country concerned, such as 'AAA(idn)' for National ratings in Indonesia. Specific letter grades are not therefore internationally comparable.

Additional information is available at www.fitchratings.com.

Applicable criteria, 'Insurance Rating Methodology', and 'Non-Life Insurance Rating Methodology', both dated 31 March 2011, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Insurance Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=614266

Non-Life Insurance Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=604366

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