



## Fitch Affirms Eka Lloyd Jaya's National IFS at 'A-(idn)'; Outlook Stable

Fitch Ratings-Jakarta-10 May 2019: Fitch Ratings Indonesia has affirmed Indonesia-based PT Asuransi Eka Lloyd Jaya's National Insurer Financial Strength (IFS) Rating at 'A-(idn)'. The Outlook is Stable.

'A' National IFS Ratings denote a strong capacity to meet policyholder obligations relative to all other obligations or issuers in the same country, across all industries and obligation types. However, changes in circumstances or economic conditions may affect the capacity for payment of policyholder obligations to a greater degree than for financial commitments denoted by a higher rated category.

### KEY RATING DRIVERS

The rating reflects Eka Lloyd Jaya's good capitalisation, moderately weak underwriting performance, 'Less Favourable' business profile and conservative investment approach. The Stable Outlook reflects Fitch's expectation that Eka Lloyd Jaya will continue to maintain an ample capital buffer as well as its prudent underwriting approach and reinsurance management to support its business operations.

Fitch views the company's business profile as 'Less Favourable' compared with that of all other Indonesian non-life insurers given its limited business franchise within its sector. Eka Lloyd Jaya's market share of the industry's gross written premiums (GWP) was around 0.1% at end-2018. The company's business profile is also influenced by less favourable operating scale, a risk appetite that is higher than sector as a whole, and limited business diversification.

The company's capitalisation of 508% in 2018, as measured by its risk-based capitalisation (RBC) ratio, is above the 120% minimum regulatory requirement. Fitch expects the insurer to maintain a strong capital buffer to support its potential underwriting volatility and investment risks.

The company's combined ratio during 2014-2018 was above 100%. Nonetheless, it has improved to 108% at end-2018 from 123% at end-2014. The company tried to tighten its underwriting practices with more selective risk acceptance and reduced operational expenses. Failure to maintain stable operating performance could undermine Eka Lloyd Jaya's ratings stability, in view of its volatile underwriting results.

The company maintained a good level of liquid assets, with cash equivalents and fixed-income securities that averaged around 90% of its investment portfolio in 2014-2018. Moreover, the company has no exposure to risky assets. Fitch expects Eka Lloyd Jaya to maintain a prudent investment practice.

In order to mitigate its catastrophe risks, the company ceded portions of its premiums through several proportional and excess-of-loss (XOL) reinsurance treaties. Eka Lloyd Jaya's reinsurance treaties are led by Indonesia-based reinsurers which are rated at least 'A(idn)' or higher.

### RATING SENSITIVITIES

Upgrade rating sensitivities include:

- The company's ability to strengthen its business profile, and
- Improvement in operating profitability with combined ratio staying consistently below 95%.

Downgrade rating sensitivities include:

- Significant deterioration in business profile, or
- Sharp decline in the local statutory risk-based capitalisation ratio to consistently below 200%
- Deterioration in the underwriting margin with a combined ratio consistently higher than 108%.

Contact:

Primary Analyst

Jessica Pratiwi

Analyst

+62 21 29886816

PT Fitch Ratings Indonesia

DBS Bank Tower 24th Floor Suite 2403

Jl. Prof. Dr. Satrio Kav. 3-5

Jakarta, Indonesia 12940

Committee Chairperson

Jeffrey Liew

Senior Director

+852 2263 9939

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Media Relations: Peter Hoflich, Singapore, Tel: +65 6796 7229, Email: [peter.hoflich@thefitchgroup.com](mailto:peter.hoflich@thefitchgroup.com)

Leslie Tan, Singapore, Tel: +65 6796 7234, Email: [leslie.tan@thefitchgroup.com](mailto:leslie.tan@thefitchgroup.com)

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

Applicable Criteria

Insurance Rating Criteria (pub. 11 Jan 2019)

National Scale Ratings Criteria (pub. 18 Jul 2018)

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