RAM
RATINGS

Media Release

RAM Ratings reaffirms MNRB's and Malaysian Re's ratings

RAM Ratings has reaffirmed the ratings of MNRB Holdings Berhad (MNRB or the Group) and Malaysian Reinsurance Berhad (Malaysian Re or the Reinsurer), as listed in Table 1. The one notch difference between the rating of MNRB's senior sukuk and the AA_2 long-term insurer financial strength rating of its core subsidiary – Malaysian Re – reflects the Group's structural subordination as a non-operating holding company and its moderate debt load at the holding company level.

Table 1: Ratings of MNRB and Malaysian Re

	Ratings
MNRB Holdings Berhad	
i. RM320 million Sukuk Murabahah Programme (2019/-)	
– Senior sukuk	AA_3/Stable
– Subordinated sukuk	A_1/Stable
Malaysian Reinsurance Berhad	
i. Insurer Financial Strength Ratings	AA_2/Stable/P1
ii. RM250 million Subordinated Medium-Term Note Programme (2015/2030)	AA_3/Stable

The reaffirmation is premised on MNRB's dominant position in the domestic general reinsurance industry where Malaysian Re boasts a large share of gross reinsurance premiums (2020: 69%; 2019: 66%). Malaysian Re's franchise in the domestic market is supported by regulatory voluntary cession (VC) arrangements and its long-standing relationships with local cedants. We have also considered the healthy capitalisation and reserves coverage of the Group's subsidiaries. Moderating these strengths are Malaysian Re's borderline underwriting profitability, its combined ratio averaging 100.3% in the last three years.

MNRB's credit profile hinges on Malaysian Re's as the Reinsurer is the largest contributor to the Group's earnings. The Group also participates in the domestic general takaful and family takaful segments through subsidiaries Takaful Ikhlas General Berhad (Ikhlas General) and Takaful Ikhlas Family Berhad (Ikhlas Family). These businesses have modest franchises in their respective segments and are relatively small contributors to MNRB's earnings. Ikhlas General has a 12% share of general takaful gross contributions while Ikhlas Family accounted for just 4% of the family takaful segment's annual contribution equivalent in 2020.

The Group has seen stronger earnings in recent years in tandem with its subsidiaries' good premium growth traction. We caution that MNRB is still subject to some degree of earnings variability given its reinsurance unit's susceptibility to large claims and, to a lesser extent, the ability of its takaful units to sustain their growth momentum. Premium growth in all business segments drove MNRB's pre-tax profit up to RM223 mil in FY Mar 2021 (+48% y-o-y; FY Mar 2020: RM151 mil). Despite continued premium expansion, the Group's bottom line subsequently slid 7% y-o-y to RM97.8 mil in 1H FY Mar 2022 (1H FY Mar 2021: RM105.2 mil), largely due to the lower net investment income and higher management expenses of its general takaful unit.

Capital adequacy ratios of the Group's main subsidiaries remained comfortably above their individual target capital levels and the regulatory minimum of 130% as at end-June 2021. At the company level, MNRB's gearing and double leverage ratios were still well within the rating thresholds at a respective of 0.3 times and 1.1 times as at end-September 2021.

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