

## **FITCH ASSIGNS FIRST-TIME IFS 'A' TO ETIQA INSURANCE, SINGAPORE**

Fitch Ratings-Singapore/Hong Kong/London-16 June 2015: Fitch Ratings has assigned Singapore-based Etiqa Insurance Pte Ltd (EIPL) an Insurer Financial Strength (IFS) Rating of 'A'. The Outlook is Stable.

### **KEY RATING DRIVERS**

The rating incorporates Fitch's view that EIPL is one of the core operating subsidiaries owned by Maybank Aegae Holdings Berhad (MAHB). The other core operating subsidiaries are Etiqa Insurance Berhad (EIB; A/Stable) and Etiqa Takaful Berhad (A/Stable). This is evident in the shared Etiqa branding, adoption of the group's procedures and processes, as well as sharing of management and resources with the group. There is also evidence of past capital injection by the group to support the Singapore operations. Fitch believes that MAHB will continue to provide support to EIPL, if needed.

Prior to setting up EIPL, the group underwrote its Singapore general insurance business as a branch of its core subsidiary, EIB, which is based in Malaysia. As the group strives to strengthen and expand its presence in Singapore, EIPL was set up in Singapore to take over all existing businesses of EIB, Singapore branch and also underwrite life insurance business in Singapore. EIPL commenced its life business in August 2014, while the Singapore general business portfolio of EIB was successfully transferred to EIPL in April 2015 through a scheme of transfer. EIPL is 100% owned by MAHB.

EIPL's operations are closely integrated with that of other Etiqa operating entities. Two of five board directors at EIPL also sit on the board of EIB and MAHB. The group adopts matrix reporting by key functions, such as risk management, investment, human resources, IT and finance, for all of its core operating entities and this applies to EIPL as well. MAHB has also on several occasions in the past injected capital to back the Singapore operations. The latest two capital injections occurred in May 2014 and March 2015, when MAHB injected S\$25m and S\$53m into EIPL respectively.

Further, EIPL is able to tap on the existing branch network of the Etiqa Group's major shareholder, Malayan Banking Berhad (A-/Negative), to sell life and non-life products, on top of other conventional distribution channels such as agents and brokers. A comprehensive and varied distribution network gives EIPL an edge over its competitors in the local market.

### **RATING SENSITIVITIES**

An upgrade is unlikely in the near term, as the group's consolidated IFS rating is at the same level as Malaysia's Local-Currency Issuer Default Rating (IDR) of 'A', which is on Negative Outlook.

Key rating triggers that could result in a downgrade include

- a change in EIPL's status as core operating entity of the Etiqa Group;
- a downgrade in the existing IFS ratings of the core operating entities of the Etiqa Group, which could affect the group's ability to support EIPL;
- a downgrade of Malaysia's Local-Currency IDR by more than one notch. Evidence of adverse change in the Etiqa Group's financial metrics due to a tougher operating environment associated with a weakening sovereign rating could also lead Fitch to reassess the one-notch differential between the existing IFS ratings of the group's core operating entities and the sovereign's Local-Currency IDR.

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#### Applicable Criteria

Exposure Draft: Insurance Notching Criteria (Proposed Methodology Changes) (pub. 12 May 2015)  
[https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=865576](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=865576)  
Insurance Rating Methodology (pub. 04 Sep 2014)  
[https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=756650](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=756650)

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