

Bangkok Insurance Public Co. Ltd.

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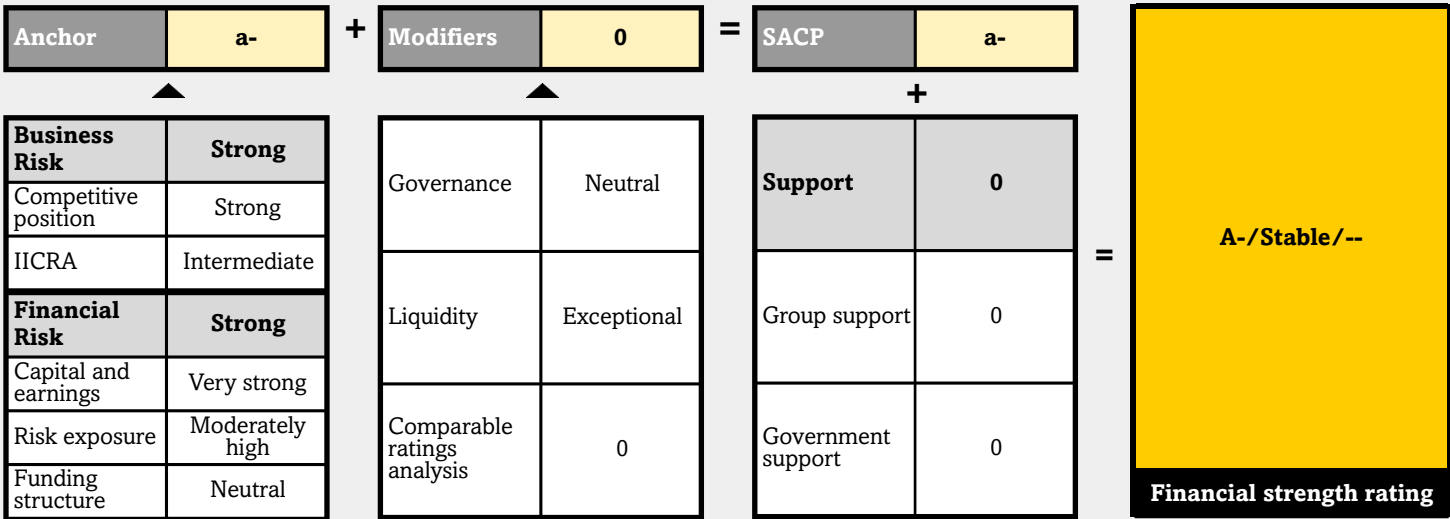
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Related Research

Bangkok Insurance Public Co. Ltd.



IICRA--Insurance Industry And Country Risk Assessment.
 SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Strong competitive position in Thailand supported by an established franchise and broad distribution network.	High concentration in equity investment portfolio.
Healthy capitalization with ability to withstand a hypothetical sovereign stress scenario.	
Exceptional liquidity profile with limited refinancing needs.	

Bangkok Insurance will likely maintain its strong competitive position and solid business growth over the next two years. The insurer's strong brand recognition, broad distribution network, and business diversity within the Thai property/casualty (P/C) insurance market underpin its solid market position. We expect Bangkok Insurance's premium base to continue to grow during the period.

Bangkok Insurance should maintain very strong capitalization over the next two years through prudent underwriting. We anticipate the insurer's capital adequacy, based on our risk-based capital model criteria, will remain at the 99.95% confidence level over the next two years, albeit with a thinner buffer owing to likely strong business growth.

Bangkok Insurance's sound underwriting practices will support stable operating performance as the insurer expands its market share in Thailand's P/C insurance sector. We expect Bangkok Insurance's combined ratio to be 88%-92% over the next two years, based on its year-to-date performance, indicating the insurer will make healthy underwriting profits. The insurer's combined ratio was 88% in 2023.

Bangkok Insurance to remain exposed to high-risk investments with sector and obligor concentration. The insurer's substantial allocation to equities exposes it to market fluctuations and tempers the capital adequacy strength. Bangkok Insurance had allocated about 68% of its invested assets to high-risk investments, comprising equities, loans, and other investments, as of Dec. 31, 2023.

While Bangkok Insurance's equity holdings are long-term, about 50% of the invested assets at end-2023 were in three family-related entities: Bangkok Bank Public Co. Ltd., Bumrungrad Hospital Public Co. Ltd., and Bangkok Life Assurance Public Co. Ltd.

As of Dec. 31, 2023, the insurer reported a revaluation loss of about Thai baht (THB) 178.6 million on its available-for-sale portfolio. This was modest relative to its net profit after tax of more than THB3 billion. Bangkok Insurance had a revaluation profit in the first half of 2024.

Outlook: Stable

The stable outlook reflects our view that Bangkok Insurance will maintain its dominance in the Thai P/C insurance market, supported by business prudence and tightened management of risk exposure. We expect the insurer's narrowed capital buffer to remain supportive of its credit profile over the next 24 months.

Downside scenario

We may lower the ratings if Bangkok Insurance's capitalization weakens. This could be due to a decline in underwriting performance and persistent deterioration in equity markets, resulting in substantial capital impairment.

We could also lower the rating if Bangkok Insurance's exposure to catastrophe risks increases substantially.

We may also downgrade the insurer if we believe its susceptibility to a sovereign default has increased or if our industry and country risk assessment on Thailand's P/C sector deteriorates.

Upside scenario

An upgrade is less likely in the next 24 months.

We could upgrade the insurer if its financial risk profile strengthens, which could happen due to: (1) consistently higher prospective levels of capital adequacy, with no deterioration in risk exposure and funding structure; or (2) improved risk exposure owing to reduced investment concentration or increasing investment diversification.

Key Assumptions

- Real GDP for Thailand to increase by 2.8%-3.1% in 2024-2026.

- Inflation to dip to 0.8% in 2024 and increase back to 1.2% in 2025 same as 2023.
- Interest rates to decrease in line with U.S. Fed rate cut. We expect Thailand's interest rates to be 1.75%-2.25% for 2024-2026.

Bangkok Insurance Public Co. Ltd.--Key metrics

(Mil. THB)	--Year-ended Dec. 31--					
	2026f	2025f	2024f	2023	2022	2021
Gross premiums written	36,500 to 38,500	33,500 to 35,500	30,500 to 32,500	29916	26676	24511
Net income (attributable to all shareholders)	3,100 to 3,300	3,000 to 3,200	2,900 to 3,100	3044	(638)	1056
Financial Leverage (%)	<5%	<5%	<5%	4.36	4.21	4.58
Return on shareholders' equity (%)	6 to 10	6 to 10	6 to 10	9.3	-1.96	3.3
Net investment yield (%)	2.0 to 2.4	2.0 to 2.4	2.0 to 2.4	2.08	1.96	2.1
Net combined ratio (%)	88 to 92	88 to 90	88 to 90	88	143.34	102.3
Return on revenue (%)	14 to 19	14 to 19	14 to 19	17.85	-33.73	5.15

THB--Thai baht. f--Forecast.

Business Risk Profile: Strong

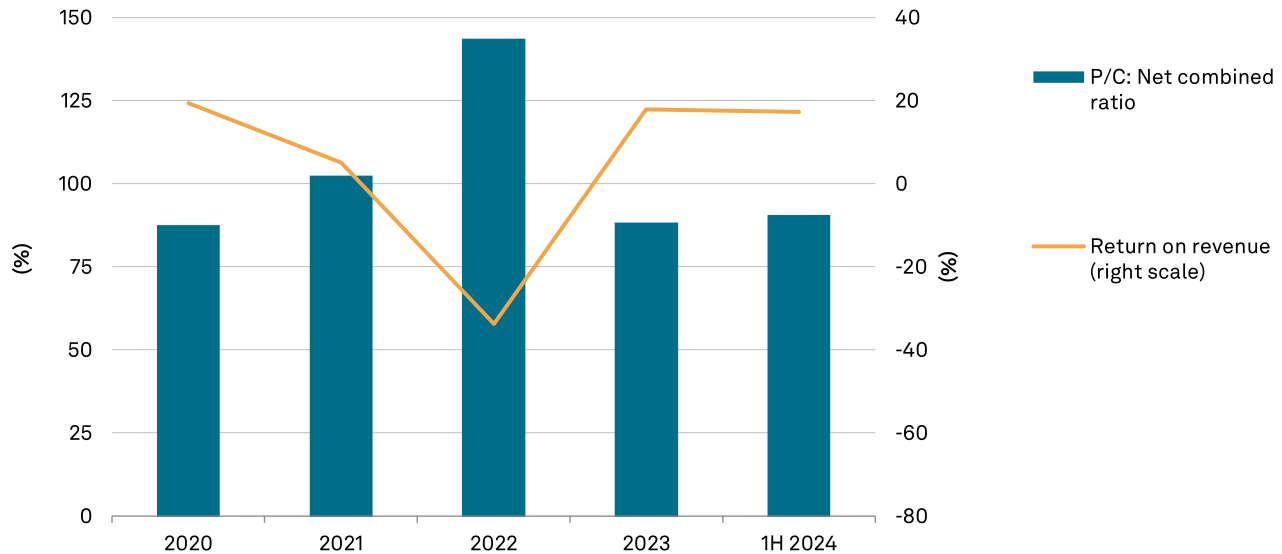
We expect Bangkok Insurance to maintain its strong competitive position, underpinned by its sound underwriting capability, established and well recognized brand, good market presence, and diversified distribution channels. These factors will help the insurer to maintain its top-three position in Thailand's competitive P/C insurance sector. Bangkok Insurance had a market share of about 10.0% as of June 30, 2024. The insurer operates in the Thai P/C insurance market, which we assess as having intermediate industry risk.

We anticipate Bangkok Insurance's inorganic growth following the completion of its restructuring plan to be small and gradual. P/C insurance will continue to be the core business for at least over the next two years. In July 2024, Bangkok Insurance completed the setting up of the listed holding company, BKI Holdings Public Co. Ltd. (BKI Holdings) and delisted Bangkok Insurance. Ownership is consistent with 97.72% of Bangkok Insurance shareholders accepting the 1-to-1 shares swap to BKI Holdings. The new structure facilitates the insurer's plans to expand into businesses that supplement its core insurance sales.

Bangkok Insurance's prudent underwriting and business diversity will continue to support its sound operating performance, which has historically exceeded the Thailand P/C industry. The insurer has moved past the one-off pandemic-related claims incident. Its combined ratio normalized to 90.3% in the first half of 2024, compared to 143% in 2022. We expect Bangkok Insurance to expand prudently while maintaining the stability of its underwriting performance over the next two years.

Chart 1

Bangkok Insurance's operating performance has normalized after two years of pandemic-related hit



P/C--Property/casualty. H1--First half. Sources: Bangkok Insurance PCL, S&P Global Ratings. Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Bangkok Insurance's ability to attract good business, with particular focus on motor, personal accident, and property, benefits from its established branding and reputation.

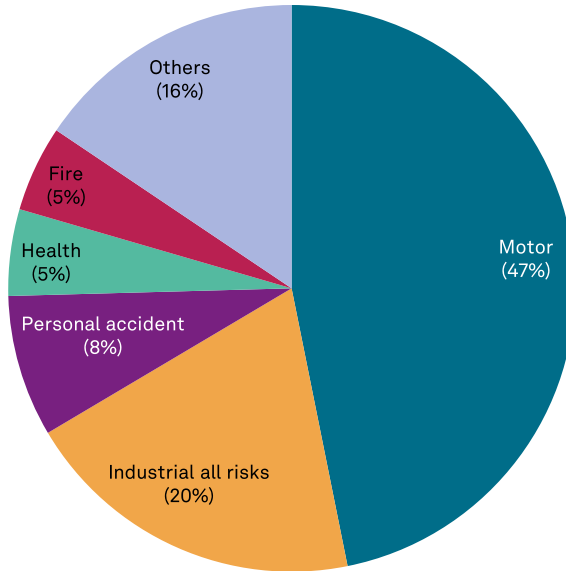
We expect Thailand's economy to recover at a faster pace through 2025 with supportive fiscal conditions and a stronger pick up in international tourism. This will support the insurer's growth over the next two years.

Bangkok Insurance maintains its ability to effectively leverage business partnerships to grow new business while maintaining service quality and customer loyalty through its established network of repair workshops. Its largest business line, motor insurance, continued to see strong premium growth of 13.7% in the first half of 2024, compared with the industry's stagnant growth.

Chart 2

Motor segment dominates Bangkok Insurance's business

Portfolio breakdown in terms of direct premiums written in the first half of 2024



Source: Bangkok Insurance PCL.

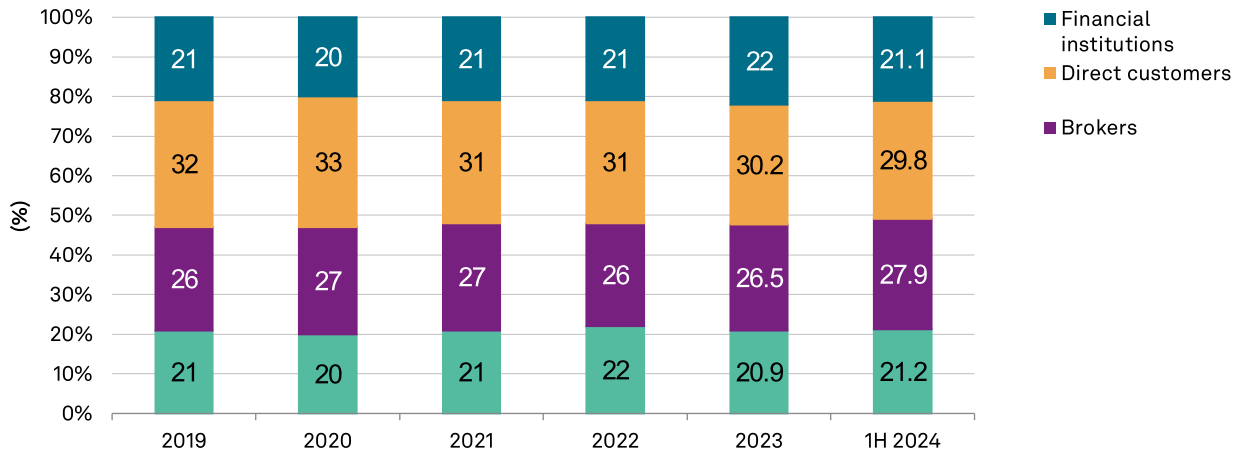
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We expect the stability in Bangkok Insurance's premium contributions to stay, given the insurer's strong distribution relations, particularly with the bank and broker channel. Bangkok Insurance's premium growth is well supported through a multi-channel approach that includes bancassurance, telemarketing, brokers, and agents.

Chart 3

Bangkok Insurance's distribution channel is well diversified

Breakup of direct premiums written



H1--First half. Source: Bangkok Insurance PCL.

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Financial Risk Profile: Strong

We believe Bangkok Insurance's capital position will remain very strong over the next two years, albeit with a thinner buffer owing to strong topline growth. A stronger macroeconomic outlook in Thailand will likely offset the effect of higher claims cost arising from inflation and normalized business activities. Bangkok Insurance's substantial exposure to equities (about 60% of total invested assets as of first half of 2024) exposes it to market fluctuations.

Bangkok Insurance's underwriting performance normalized to pre-COVID-19 levels in 2023 and remained stable in the first half of 2024. We expect the underwriting performance to be stable over the next two years. However, equity market movements continue to bring volatility to the insurer's capital position. In the first half of 2024, Bangkok Insurance reported a revaluation gain of about THB942 million on its available-for-sale portfolio, which includes bonds and equities.

Bangkok Insurance's equity investments remain exposed to sectoral and obligor concentration, namely in three family-related entities: Bangkok Bank (10% of invested assets as of Dec. 31, 2023), Bumrungrad Hospital (37%), and Bangkok Life Assurance (3%). These three investments are long-term holdings and constituted about 50% of the insurer's invested assets as of end-2023. That said, Bangkok Insurance's strong balance sheet suggests it can withstand stock market volatility over the next two years.

Bangkok Insurance's funding structure is conservative, in our view, reflecting its access to a moderate range of capital resources and external liquidity. The insurer has no outstanding debt, and we do not expect its leverage to increase over the next two years.

Other Key Credit Considerations

Governance

Bangkok Insurance's governance is satisfactory, in our opinion. The Sophonpanich family has a high level of controlling interest in the company. However, this does not necessarily translate to board and executive management control.

Bangkok Insurance continues to be run by a professional management team. It has a majority independent board (eight independent directors out of 11) that have effectively served the interests of all stakeholders. The board maintains sufficient independence from management to provide effective oversight.

We view Bangkok Insurance risk culture as transparent, reflecting the company's clearly articulated limits within its underwriting and investment guidelines. The insurer has processes to monitor and control risks within its risk limits. Investment risks appear broadly controlled except for investments in related entities.

Bangkok Insurance's catastrophe risk controls appear straightforward through monitoring of flood exposure and treaty limits. This is comparable to those of other Thai insurers. While Bangkok Insurance undertakes business through selecting risks, it has also developed online codes to enforce its risk management framework. As such, we have seen some tightening within risk exposure management and increased protection over the years.

Liquidity

We view Bangkok Insurance's liquidity as exceptional. This reflects its substantial holdings of liquid assets and a strong liquidity ratio of 3.9x as of Dec. 31, 2023. We don't expect the company to have liquidity constraints.

Ratings above the sovereign

We rate Bangkok Insurance above our foreign currency sovereign credit rating on Thailand (foreign currency BBB+/Stable/A-2; local currency A-/Stable/A-2) because the insurer's capital and liquidity ratios remain substantive to meet the risks under our hypothetical scenario of sovereign default. The stresses include devaluation of the insurer's investments in bonds, deposits, and equities.

Environmental, social, and governance

Environmental, social, and governance factors have no material influence on our rating analysis on Bangkok Insurance.

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Bangkok Insurance 'A-' Ratings Affirmed Following Revised Capital Model Criteria; Outlook Stable, July 15, 2024
- Bangkok Insurance Public Co. Ltd., Nov. 13, 2023

Business And Financial Risk Matrix								
Business risk profile	Financial risk profile							
	Excellent	Very Strong	Strong	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

Note: Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

Ratings Detail (As Of October 31, 2024)*	
Operating Company Covered By This Report	
Bangkok Insurance Public Co. Ltd.	
Financial Strength Rating	
Local Currency	A-/Stable/--
Issuer Credit Rating	
Local Currency	A-/Stable/--
Domicile	
	Thailand

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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