PT ASURANSI EKA LLOYD JAYA

	Amount Outstanding as in February 2015	Maturity Date	Rating Outstanding/ Outlook	Previous Ratings/Outlook
Claims Paying Ability	-	-	[Idr]BBB-/Stable	-

PT ICRA Indonesia (ICRA Indonesia) has assigned a claims paying ability rating (CPR) of [Idr]BBB- (pronounced triple B minus) with a stable outlook to PT Asuransi Eka Lloyd Jaya (Eka Lloyd). The rating indicates moderate claims paying ability. The protective factors are below average and adverse changes in business/economic circumstances are likely to affect the prospect of meeting policyholder obligations.

The rating factors in Eka Lloyd's improved business and financial profiles in relation to its planned expansion and strong support from its key shareholders in terms of capital and/or business generation. The above factors are however challenged by its weak financial performance in the last two years and small operating scale in the competitive general insurance industry.

Eka Lloyd's rating could move upwards if the company can successfully execute its business plan so that its operating results and scale of its business improve. However, an aggressive growth, particularly through compromising its underwriting practices --or such other strategies--, and/or adverse changes in business or operating environment can affect its rating negatively.

The principal methodology used in arriving at Eka Lloyd's rating is ICRA Indonesia's Rating Methodology for Claims Paying Ability for Insurance Companies. Please refer www.icraindonesia.com for more detailed information on the methodology (and on other methodologies).

The rating factors in Eka Lloyd's improved business and financial profiles in particular with regard to (1) capital, (2) IT system/support and (3) underwriting process and branch utilisation. The company has managed RBC consistently at above 500% since 2010. At end 2014, it was recorded at 1,181% with total equity of Rp 110.2bn following a massive capital infusion from the shareholders to pass the regulatory threshold of Rp 100bn by the end of 2014. In addition, its liquidity looked ample with cash and liquid assets to technical reserves ratio consistently over 200% with the latest position of 599%. Eka Lloyd has invested in IT system costing it USD150k in order to improve its end-to-end operations and performance monitoring. In underwriting, the company has strengthened the policy, most recently in 2014. Although this temporarily affected the gross premium collection during the year, the claims also reduced significantly. Loss/claim ratio dipped to 40.4% in 2014 comparing to 42.1%, 51.2% and 72.1% in 2011-2013. The company also performed better in terms of geographic diversification. In 2014, gross premium contributions from non-Jakarta branches increased to 40.7% from 34.2% a year earlier. Looking forward, ICRA Indonesia expects the company to be able to expand its premiums generation while maintaining claim ratio at the current levels.

Eka Lloyd's rating also incorporates the strong support from the shareholders Mensa Group (Mensa), Gramindo Group (Gramindo) and PT Citystate Capital Asia (CCA) Indonesia. The supports can be either in form of capital and/or business generation. The latest round of capital injection in amount of Rp 40bn by its shareholders in 2014 has made the company pass the regulatory minimum equity of Rp 100bn. Eka Lloyd also enjoys the business networks of its promoters whereby around 40% of the premiums generated in 2014 were from Mensa- and Gramindo-related companies. Further, Singapore-based CCA provides support in terms of insurance expertise and international networks taking into account their long track record in insurance/brokerage business in the region such as under EQ Insurance and Newstate Stenhouse.

Eka Lloyd's rating is however constrained by weak financial performance in the last two years as measured by high combined ratios resulting most notably from increased management expenses and spiked claims ratio, especially in 2013. The company's combined ratios were over 100% with management expenses ratios of over 75% during 2013-2014. This has resulted in weak profitability as the company booked negative underwriting results and profit before tax. ICRA Indonesia understands the company's effort to ramp up the business and the massive flood happening in its major business area (Jakarta) have contributed to a less than expected performance. However, as the trend suggests, these ratios should moderate over the medium term.

Further, Eka Lloyd's total assets of Rp 158.2bn and gross premiums of Rp 56.3 bn as of December 2014 were a meagre 0.02% and 0.16% of the competitive general insurance industry as a whole. ICRA Indonesia views small insurance companies such as Eka Lloyd as more susceptible to adverse changes in business and operating environments than their larger counterparts. As the company is in a good shape for expansion, market shares may improve going forward. However, the improvements would not be significant looking at the current trajectory.

Company Profile

PT Asuransi Eka Lloyd Jaya (Eka Lloyd) is a general insurance firm established in Surabaya in January 1981. Currently, it has a head office in Jakarta and branch offices in Medan, Padang, Semarang, Surabaya, Pekanbaru, Jogjakarta, Denpasar and Makassar. As of December 2014, its property/fire insurance business accounted for 37.1% of total premiums generated, marine cargo 36.2%, motor vehicles 19.8%, personal accident 6.2% and business insurance 0.7%. The shareholders of Eka Lloyd are PT Adicahya Bintang Semesta (a subsidiary of PT CCA Indonesia, 78%), PT Mensa Aktiva (12%) and PT Gramindo Luhur Abadi (10%).

During 2014, Eka Lloyd wrote gross premium of Rp 56.3bn with earned premium of Rp 26.3billion. It recorded a profit after tax of Rp 1.5bn.

March 2015

Financial Snapshot of PT Asuransi Eka Lloyd Jaya

		FY2014	FY2013	FY2012	FY2011
Total Equity	*Rp billion*	110.2	68.5	73.9	48.8
Total Assets	*Rp billion*	158.1	128.6	103.7	69.3
Gross Premium	*Rp billion*	56.3	56.9	58.0	45.9
Net Premium Written	*Rp billion*	28.2	23.6	22.1	27.2
Net Premium Earned	Rp billion	26.3	20.9	20.4	28.3
Gross Claims	Rp billion	16.4	22.3	22.1	16.1
Net Claims	Rp billion	10.6	15.1	10.5	11.9
Net Commission Expenses	*Rp billion*	3.2	3.1	(2.1)	4.7
Management Expenses	*Rp billion*	20.0	18.3	10.7	9.7
Profit after Tax (reported)	*Rp billion*	1.5	(6.6)	5.1	4.7
Return on Assets	*%*	1.1%	-5.9%	5.9%	7.1%
Return on Adjusted Net Worth	*%*	1.4%	-9.7%	6.8%	9.7%
Loss Ratio (Net Claims/Net Premium)	*%*	40.4%	72.1%	51.2%	42.1%
Management Expense to Net Premium	*%*	75.8%	87.4%	52.6%	34.3%
Net Commission to Net Premium	*%*	12.1%	15.0%	-10.3%	16.6%
Combined Ratio	*%*	128.4%	174.5%	93.4%	92.9%
Retention Ratio	*%*	50.1%	41.5%	38.2%	59.2%
Risk Based Capital	*%*	1,181%	559%	616%	762%
Reserves/Adjusted Net Worth	*%*	29.3%	55.4%	17.8%	23.0%

*using profit before tax

Note: Amounts in Rp billion; certain numbers have been adjusted to ICRA Indonesia's standard of adjustments.

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(ii) Statistical analysis of public information, confirmed through discussions between ICRA Indonesia and the party being rated, and/or,
(iii) Analysis of public and non-public-information, acquired during discussions between ICRA Indonesia and the party being rated.