



PT ASURANSI HIMALAYA PELINDUNG

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

PT ICRA Indonesia (ICRA Indonesia) has affirmed the claims paying ability rating of [Idr]BBB (pronounced triple B) of PT Asuransi Himalaya Pelindung (Himalaya) and revised the outlook to stable from negative. The rating indicates moderate claims paying ability relative to other domestic insurers.

The rating reflects Himalaya’s sustained performance in premium production during challenging period last year and adequate capitalization with equity and risk based capital (RBC) well above the regulatory thresholds. The rating is however constrained by the company’s suppressed profitability caused by the relatively high loss ratio as well as limited financial flexibility by not being a part of any major financial institution groups.

The outlook revision reflects better than expected results towards the end of 2014, and ICRA Indonesia’s expectation for 2015’s performance, in particular with regard to its profitability and capitalization.

Himalaya’s rating could move upward if the improvements in its bottom lines continue while it expands its business, or if its financial flexibility is enhanced. On the other hand, the rating could come under pressures if Himalaya were to experience a business slowdown due to changes in operating or regulatory environments, and/or if it grows aggressively, among others by compromising its underwriting policies such that its financial profile gets impaired.

The principal methodology used in arriving at Himalaya’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 Himalaya’s ability to turn the table during second semester of 2014. Weak H1 2014 performance, following some changes in regulatory and business environment which adversely impacted its competitive position, was amply compensated by solid H2 2014 -- resulting in sustained performance in premium production. Although gross premium was booked 3.8% lower at Rp 203.2bn in 2014 compared to Rp 211.1bn a year earlier, the shift of intensity into higher retention business (i.e vehicles and cargo) has enabled the company to record higher net premium written of Rp 144.2bn, up by 22.1% from 2013. The first quarter of 2015 also showed stronger key figures where gross premium grew by 33.9% year-on-year (yoy) to Rp 53.9bn and net premium grew by 21.3% to Rp 34.9bn. Further, following the internal consolidation, the company has also been able to improve combined ratio to 98.8% in 2014 from 100.4% a year earlier, mainly resulting from the reduced management expense ratio to 34.0% from 36.7%.



Further, Himalaya's total equity base of Rp 119.0bn at the end of 2014 was well above the regulatory requirement of Rp 100bn. The RBC was also recorded at a comfortable level of 231.6% against requirement of minimum 120%. These facts have addressed the concerns in H1 2014 where both equity and RBC experienced narrowing buffer relative to regulatory limit, down to Rp 110.5bn and 157.2%, respectively. As of now, the company has demonstrated its ability to deal with the business challenges and may have laid ground to further improvement by consolidating its operations which includes restructuring the branches and taking in new recruitment both at the top level and at the front-end marketing level. The latter has made premium contribution from agents shot up to 43% during 2014 compared to the highest prior level of 28%. Himalaya's total equity was down to Rp 116.8bn on 31 March 2014. However, it is seasonal as the figure improved from Rp 111.9bn in March 2014.

Himalaya's rating is however constrained by the suppressed bottom lines. After peaking at Rp 10.7bn in 2012, the company's net income has consistently weakened to Rp 6.6bn and Rp 3.1bn in 2013 and 2014, respectively. This was mainly due to lesser amount of investment and other incomes. Underwriting-wise, the company demonstrated an improvement to a surplus of Rp 1.6bn in 2014 (after deducted by management expense) from a deficit of Rp 502.8mn in 2013. ICRA Indonesia expects the company's profitability to see some moderation in the medium term, partly attributable to the weak contribution of vehicle insurance segment after the departure its major counterpart in 2012, and the recent internal consolidation.

ICRA Indonesia also views Himalaya's financial flexibility as limited by not being a part of any major group of companies. In addition to the absence of financial group support in case it is needed, practically Himalaya has no captive business to readily tap. This was made evident in period packed with headwinds as in 2014 where the company was posed with concerns over its deteriorating premium generating ability. In ICRA Indonesia's view, this may pose a challenge to its potential to grow in the future, in particular to compete with those belonging to larger groups. However, the company has been able to extract its relationship with prominent banks, including Bank Mandiri, Bank Jabar Banten and LPEI, in addition to several rural banks. Himalaya has been able to secure an A-category partnership with Bank Mandiri, the country's largest bank by asset.

Company Profile

PT Asuransi Himalaya Pelindung is a general insurance company formerly known as PT Asuransi Nirbaya Sraya. Starting out in 1983 to serve customers in Jakarta and Bandung's Chinatown, the company has, over the years, expanded its customer base. Currently, it has 23 branches and 8 marketing offices spread across the islands of Sumatra, Java and Kalimantan. The shareholders of Himalaya are insurance professionals Mr. Kornelius Simanjuntak (38%), the late Mr. Budhi Hartono Hadi Purnomo (38%) and Mr. Josef Sunarwinto (24%).

During Q1 2015, Himalaya wrote gross premium of Rp 53.9billion with earned premium of Rp 33.6billion. Meanwhile, the company recorded a loss before tax of Rp 2.2billion. Vehicles insurance segment accounted for 39% of Himalaya's gross premiums collection, followed by property 30%, marine hull 10% and marine cargo 9%.

June 2015



Financial Snapshot of PT Asuransi Himalaya Pelindung

| | | Q1 2015 | FY2014 | FY2013 | FY2012 | FY2011 |
|-------------------------------------|-------------------|---------|--------|--------|--------|--------|
| Total Equity | <i>Rp billion</i> | 116.8 | 119.0 | 115.9 | 109.2 | 81.2 |
| Total Assets | <i>Rp billion</i> | 235.4 | 240.8 | 200.8 | 176.7 | 147.9 |
| Gross Premium | <i>Rp billion</i> | 53.9 | 203.2 | 211.1 | 176.3 | 160.4 |
| Net Premium Written | <i>Rp billion</i> | 34.9 | 144.2 | 118.2 | 104.1 | 107.4 |
| Net Premium Earned | <i>Rp billion</i> | 33.6 | 134.7 | 118.1 | 107.5 | 101.3 |
| Gross Claims | <i>Rp billion</i> | 37.7 | 84.5 | 94.0 | 58.0 | 58.5 |
| Net Claims | <i>Rp billion</i> | 17.5 | 63.6 | 55.1 | 45.7 | 52.2 |
| Net Commission Expenses | <i>Rp billion</i> | 5.3 | 23.7 | 20.1 | 17.4 | 14.3 |
| Management Expenses | <i>Rp billion</i> | 12.7 | 45.8 | 43.3 | 36.8 | 30.4 |
| Net Investment Income | <i>Rp billion</i> | 0.2 | 1.0 | 1.9 | 2.1 | 3.1 |
| Total Other Income (Expense) | <i>Rp billion</i> | (0.5) | 1.0 | 5.7 | 1.1 | 1.2 |
| Loss Ratio (Net Claims/Net Premium) | % | 52.2% | 47.2% | 46.7% | 42.5% | 51.5% |
| Retention Ratio | % | 64.7% | 71.0% | 56.0% | 59.0% | 67.0% |
| Risk Based Capital | % | 225.2% | 231.6% | 256.0% | 269.2% | 162.3% |
| Management Expense to Net Premium | % | 37.8% | 34.0% | 36.7% | 34.3% | 30.0% |
| Combined Ratio | % | 105.6% | 98.8% | 100.4% | 93.0% | 95.6% |
| Reserves/Adjusted Net Worth | % | 62.7% | 64.2% | 42.9% | 35.4% | 52.8% |

**annualized*

Note: certain numbers have been adjusted to ICRA Indonesia's standard of adjustments.



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- (iii) Analysis of public and non-public-information, acquired during discussions between ICRA Indonesia and the party being rated.