

PT HEKSA Solution Insurance

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CREDIT PROFILE

Financial Strength

Rating *idBBB/Negative*

Rated Issues

-

Rating Period

October 31, 2019 – November 1, 2019

Rating History

NOV 2018

idBBB+/Stable

SEP 2017

idBBB+/Stable

SEP 2015

idBBB/Stable

FINANCIAL HIGHLIGHTS

As of / for the years ended

| | Sep-2019 (Unaudited) | Dec-2018 (Audited) | Dec-2017 (Audited) | Dec-2016 (Audited) |
|-------------------------------------|-------------------------|-----------------------|-----------------------|-----------------------|
| Total assets [IDR bn] | 1,185.7 | 1,390.3 | 978.4 | 802.7 |
| Total equity [IDR bn] | 254.6 | 272.2 | 182.3 | 144.1 |
| Total investment [IDR bn] | 741.0 | 949.7 | 696.5 | 498.9 |
| Net written premiums [IDR bn] | (73.2) | 545.7 | 388.6 | 264.2 |
| Net claims [IDR bn] | (67.2) | 464.9 | 301.2 | 202.2 |
| Underwriting results [IDR bn] | 10.6 | 99.0 | 97.3 | 68.5 |
| Net income after tax [IDR bn] | 3.9 | 42.3 | 26.0 | 22.1 |
| Total comprehensive income [IDR bn] | 3.9 | 42.6 | 25.4 | 22.0 |
| ROAA [%] | *0.4 | 3.6 | 2.9 | 3.1 |
| Loss ratio [%] | 91.8 | 85.2 | 77.5 | 76.5 |
| Net written premiums/equity [x] | (0.4) | 2.0 | 2.1 | 1.8 |
| Retention ratio [%] | (209.0) | 72.0 | 69.4 | 72.6 |
| Equity/total assets [%] | 21.5 | 19.6 | 18.6 | 18.0 |
| Risk based capital; RBC [%] | 289.2 | 173.5 | 172.4 | 125.9 |
| USD exchange rate [IDR/USD] | 14,174 | 14,481 | 13,548 | 13,436 |

**Annualized*

Loss ratio = (net claims +/- changes in claim reserves) / net written premiums

The above ratios have been computed based on information from the company and published accounts. Where applicable, some items have been reclassified according to PEFINDO's definitions.

Heksa Solution Insurance's rating lowered to "idBBB", outlook revised to negative

PEFINDO has lowered the financial strength rating of PT Heksa Solution Insurance (Heksa) to "idBBB" from "idBBB+" and revised the outlook to "negative" from "stable". The rating action reflects Heksa's weakening business position due to the absence of premium production from its main business partner, affecting its overall operating performance. Its gross written premiums dropped to only IDR35.0 billion up to 9M2019 in comparison to IDR757.9 billion in FY2018. It resulted in negative net written premiums of IDR73.2 billion compared to IDR545.7 billion during the same period. Heksa could still book net income of IDR3.9 billion up to 9M2019 supported by return from investment, but the figure also dropped significantly from IDR42.3 billion in FY2018. The negative outlook reflects our view that Heksa's efforts in recovering its business position through new ventures with other business partners may take longer time to yield result, challenged by tight competition nature in the life insurance industry.

An insurer rated idBBB has adequate financial security characteristics relative to other companies in Indonesia, but is more likely to be affected by adverse business conditions than higher rated insurers.

The rating may be lowered if Heksa fails to produce a meaningful improvement in its premium generation or to recover its market presence in the industry, as this could lead to a weaker business risk profile. PEFINDO may revise the outlook to "stable" if the Company manages to execute its strategic initiatives successfully to grow its premium generation sustainably, while also improving its financial profile.

The rating reflects Heksa's adequate capitalization and liquidity profiles. However, the rating is constrained by its below average market position and weak operating performance.

Heksa is a life insurance company focused on credit life insurance for individual bank debtors. It also offers other products, such as endowment, one-year life insurance coverage, personal accident insurance, and a unit-linked plan. As of September 30, 2019, it was 65.31% owned by PT Bumi Narendro Mukti, 18.40% by PT Nastiti Tunggal Karya, 9.54% by Heksa (treasury stock, may be held up to three years), 5.04% by Inkoppabri (*Induk Koperasi Purnawirawan dan Warakawuri TNI-Polri*), and 1.71% by Organisasi Nahdlatul Ulama.

DISCLAIMER

The rating contained in this report or publication is the opinion of PT Pemeringkat Efek Indonesia (PEFINDO) given based on the rating result on the date the rating was made. The rating is a forward-looking opinion regarding the rated party's capability to meet its financial obligations fully and on time, based on assumptions made at the time of rating. The rating is not a recommendation for investors to make investment decisions (whether the decision is to buy, sell, or hold any debt securities based on or related to the rating or other investment decisions) and/or an opinion on the fairness value of debt securities and/or the value of the entity assigned a rating by PEFINDO. All the data and information needed in the rating process are obtained from the party requesting the rating, which are considered reliable in conveying the accuracy and correctness of the data and information, as well as from other sources deemed reliable. PEFINDO does not conduct audits, due diligence, or independent verifications of every information and data received and used as basis in the rating process. PEFINDO does not take any responsibility for the truth, completeness, timeliness, and accuracy of the information and data referred to. The accuracy and correctness of the information and data are fully the responsibility of the parties providing them. PEFINDO and every of its member of the Board of Directors, Commissioners, Shareholders and Employees are not responsible to any party for losses, costs and expenses suffered or that arise as a result of the use of the contents and/or information in this rating report or publication, either directly or indirectly. PEFINDO generally receives fees for its rating services from parties who request the ratings, and PEFINDO discloses its rating fees prior to the rating assignment. PEFINDO has a commitment in the form of policies and procedures to maintain objectivity, integrity, and independence in the rating process. PEFINDO also has a "Code of Conduct" to avoid conflicts of interest in the rating process. Ratings may change in the future due to events that were not anticipated at the time they were first assigned. PEFINDO has the right to withdraw ratings if the data and information received are determined to be inadequate and/or the rated company does not fulfill its obligations to PEFINDO. For ratings that received approval for publication from the rated party, PEFINDO has the right to publish the ratings and analysis in its reports or publication, and publish the results of the review of the published ratings, both periodically and specifically in case there are material facts or important events that could affect the previous ratings. Reproduction of the contents of this publication, in full or in part, requires written approval from PEFINDO. PEFINDO is not responsible for publications by other parties of contents related to the ratings given by PEFINDO.