

Fitch Assigns 'BBB+' IFS Rating to Malaysia's MNRB Retakaful [Ratings](#)

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Fitch Ratings-Singapore/Hong Kong-29 July 2008: Fitch Ratings has today assigned an Insurer Financial Strength (IFS) rating of 'BBB+' to Malaysia-based MNRB Retakaful Berhad (MNRBR). The Outlook is Stable.

Fitch views MNRBR as an important member of MNRB Holdings Berhad and its rating takes into consideration the holding company's ability and willingness to provide support in times of need. MNRBR's rating also reflects the company's healthy capitalisation, concentration in the relatively catastrophe-free Malaysian market, and prudent management. However, the rating is constrained by the company's limited track record, modest size, possible execution risks of operating plan as well as the competitive and evolving nature of the overall takaful operating environment.

Currently, MNRBR writes mainly general retakaful business from the Malaysian market. It plans to focus on general retakaful business in the short to medium term while it beefs up its expertise on family retakaful. To reduce start-up costs and optimise operational efficiency, the company also draws upon shared resources within the group to support its non-core functions including information technology, finance, human resources and administration.

MNRBR follows a modified Wakalah (agency) model, whereby the retakaful operator receives a Wakalah fee for the management services it provides to the participants, as well as a share in the investment profit of the risk funds. The Wakalah fee charged and the share of the investment profit vary by the type of retakaful business underwritten and MNRBR's profitability is determined, to a large extent, by its Wakalah fee income and expense level. In Fitch's opinion, the execution risks inherent in MNRBR's business plan are mitigated by the group's high level of commitment to support MNRBR's operations. The agency also expects the company to show steady improvement in its financial results over the next few years, and break-even for the shareholders' account by 2011/ 2012.

MNRBR was incorporated in August 2007 as a wholly-owned subsidiary of MNRB Holdings Berhad. For the period August to December 2007, its gross contributions amounted to about RM4.4m.

Contacts: Wan Siew Wai, Singapore, +65 6796 7217/ siewwai.wan@fitchratings.com; Jeffrey Liew, Hong Kong, +852 2263 9939/ jeffrey.liew@fitchratings.com.

Media Relations: Shivani Sundralingam, Singapore, Tel: + 65 6796 7215.

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