



Media Release

RAM Ratings affirms MCIS Life's ratings at A1/P1; revises outlook negative

RAM Ratings has revised the outlook on long-term ratings of MCIS Insurance Berhad (MCIS Life or the Insurer) to negative from stable, while reaffirming its A₁/P1 insurer financial strength ratings and the A₂ rating of its RM200 mil Tier 2 Subordinated Debt (2021/2031). The outlook revision reflects our concerns over persistent earnings pressures faced by MCIS Life, along with its heightened reliance on single premiums or yearly renewable policies which increases the uncertainty of its longer-term growth trajectory.

In addition to scale limitations and fierce competition, recent performance in FY Dec 2023 and 1H FY Dec 2024 was further dampened by higher medical claims and increased expenses resulting from a change in the treatment of overrun costs. The revision in treatment led to higher expenses since 2H 2023 and contributed to a 54% y-o-y decline in pre-tax profit in 1H FY Dec 2024. The Insurer's profitability metrics, as measured by its pre-tax return on assets, remained notably lower compared to peers. In the last three financial periods, this averaged at 0.6%.

A key driver of NB growth from MCIS Life's agency channel in 1H FY Dec 2024 (+RM63 mil y-o-y) was the introduction of a single premium, savings-based insurance plan offering guaranteed benefits. While this move aims to strengthen its market positioning and tap into the higher income segment, its long-term viability without impacting profitability or increasing risk exposure remains to be seen. Overall, single premiums or yearly renewable policies accounted for a significant 86% of new business (NB) premiums in 1H FY Dec 2024 (2022: 74%; 2023: 78%).

To navigate current pressures, management's strategic focus is to expand its clientele to the mid-income segment, moving beyond its traditional focus on the B40 group, and prioritising higher-margin investment-linked and critical-illness health insurance products. Ongoing efforts to reprice certain products and discontinue loss-making offerings may also improve profitability. The management's ability to execute these strategies, while safeguarding competitiveness and customer retention, will be closely monitored.

MCIS Life's ratings could face downward pressure if there is sustained profit underperformance relative to peers or continued challenges in improving its business

mix in the coming year. A deterioration in capitalisation or signs of increased risk appetite would also negatively impact the ratings.

As at end-June 2024, MCIS Life's capital adequacy ratio remained comfortable at 218% (end-December 2023: 215%). Management aims to continue to maintain a reasonable buffer above its individual target capital level of 190%. The Insurer's investment risk is overall still sound, while liquidity remains healthy with a liquid assets to net insurance contract liabilities ratio of 0.6 times.

Analytical contacts

Amy Lo
(603) 3385 2509
amy@ram.com.my

Sean Lim, CFA
(603) 3385 2550
sean@ram.com.my

Media contact

Sakinah Arifin
(603) 3385 2500
sakinah@ram.com.my

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RAM Rating Services Berhad
(763588-T)

Level 8, Mercu 2
KL Eco City
No. 3, Jalan Bangsar
59200 Kuala Lumpur
Malaysia

T + 603 3385 2488
F + 603 3385 2582
E ramratings@ram.com.my
www.ram.com.my



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(763588-T)

Level 8, Mercu 2
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