Media Release:

Mercuries Life Insurance Upgraded To 'twAA-' On E.SUN FHC Group Support; Off WatchPos; Outlook Negative

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Overview

- **Mercuries Life Insurance Co. Ltd.** and E.SUN Financial Holding Co. Ltd. (E.SUN FHC) have received regulatory approval for their proposed merger, to be completed on Sept. 1, 2026.
- We believe Mercuries Life will serve as a highly strategic member of E.SUN FHC group post-merger and the life insurer's creditworthiness will strengthen after the merger, given the strong likelihood of group support.
- Therefore, we raised our long-term issuer credit rating and financial strength rating on Mercuries Life to 'twAA-' from 'twA-'. At the same time, we removed our ratings from CreditWatch with positive implications.
- We also revised upward our assessment of Mercuries Life's SACP to reflect our view that E.SUN FHC's execution of future capital injections and ongoing support for Mercuries Life will improve the insurer's financial strength.
- The rating outlook for Mercuries Life is negative, in line with our outlook for E.SUN FHC, which reflects the potential likelihood of a weakened post-merger group credit profile.

Rating Action

Taiwan Ratings Corp. today raised its long-term issuer credit rating and financial strength rating on Mercuries Life to 'twAA-' from 'twA-'. The outlook on the ratings is negative. At the same time, we removed the ratings from CreditWatch with positive implications, where we placed them on Nov. 6, 2025.

Rationale

The upgrade reflects our expectation of support from the E.SUN Group. We believe Mercuries Life will become a highly strategic component of the wider E.SUN FHC group. As a bank-centric group led by its flagship unit, E.SUN Commercial Bank Ltd., the group credit profile is superior to Mercuries Life's stand-alone credit profile (SACP). We believe the holding company will support Mercuries Life under almost all circumstances, given our view of this life insurance unit provides a strategic fit to the group as it seeks to expand in the domestic financial services sector by providing insurance protection products.

As the sole insurance entity within E.SUN FHC group, Mercuries Life should benefit significantly from the group's shared resources, particularly the satisfactory distribution channel of the bank affiliate and financial resources including capital injections and liquidity as needed. Consequently, we assess Mercuries Life's credit worthiness at one notch below E.SUN FHC's group credit profile on S&P Global Ratings' global rating scale, and the ratings on the insurance unit will move in tandem with the long-term rating on E.SUN FHC. On a pro forma basis, Mercuries Life will represent approximately 30% of the combined group's assets and 10% of its total capital.

Mercuries Life's improved financial risk profile raises its SACP. We now assess Mercuries Life's capital and earning as fair relative to its risk profile. Under our risk adjusted capital analysis framework, we forecast Mercuries Life's capital adequacy will range from negative 20% and negative 30% at a 99.50% confidence level over next one to two years. When assessing the insurer's capital and earnings profile, we factor in a planned capital injection by E.SUN FHC, above average growth in contractual service margins, and stable profit contribution to the group over the next two years. Mercuries Life's adequate asset-liability management and control of its duration gap also contribute to this assessment.

In our base case scenario, we forecast Mercuries Life's capitalization will continue to improve following steady earnings retention and we incorporate the financial commitment of the E.SUN group via meaningful capital injections to the insurer, as needed. Central to our forecast is steady growth in the life insurer's contractual service margins, driven by the likely materialization of merger synergies. Specifically, we forecast the insurer will achieve strong sales momentum and improved profitability by leveraging the group's enhanced post-merger bancassurance capability. These factors should help to somewhat offset the impact of likely increased capital volatilities following implementation of IFRS 17.

The insurer's SACP continues to reflect its satisfactory business risk profile. Mercuries Life maintains a competitive position in the local life insurance market, supported by a stable market share and effective management of its well-established agency force. Following the merger, we expect the integration of E.SUN FHC's bancassurance channels to enable Mercuries Life to gradually expand its market share and focus on products with a high contractual service margin. However, we do not believe the company will materially close the gap in its market share with top-tier peers over the next one to two years.

We view Mercuries Life's investment leverage and foreign exchange risk exposure are comparable to the local life insurance average. While the insurer has reduced its short-term hedging positions, we believe its overall risk exposure remains adequate, supported by solid foreign exchange volatility reserves of new Taiwan dollar (NT$) 36 billion as of March 31, 2026. We also believe the company can maintain its adequate risk management framework without a material increase in risk appetite following the merger.

Outlook

The negative rating outlook on Mercuries Life reflects the negative outlook on its parent, E.SUN FHC, given our view of Mercuries Life as a highly strategic subsidiary of the group. The negative outlook on E.SUN FHC reflects our assessment of a one-in-three likelihood that the holding company will fail to maintain its credit profile over the next two years. Potential deterioration in the group credit profile could result from the increasing influence of financially weaker Mercuries Life under the insurer's aggressive growth strategy, the insurer's failure to achieve profitable growth, or difficulties for the group to attain synergies from the merger.

Downward scenario

We could lower the long-term ratings on Mercuries Life if we revise downward our assessment of the E.SUN FHC group credit profile due to any of the following:

- The merger fails to deliver beneficial operational synergies;
- The weaker life insurance unit exerts a substantial increase in influence over the group credit profile than we had forecast due to aggressive and unprofitable growth; or
- The group credit profile deteriorates due to weakening of the SACP of either E.SUN Bank or Mercuries Life.

Upward scenario

We may revise the outlook of Mercuries Life to stable if we consider the group credit profile of E.SUN FHC group has stabilized. This may happen if the group can effectively integrate with and materialize synergies from the merger over the next two years. At the same time, E.SUN Bank would need to maintain its strong capital and earnings, with Mercuries Life maintain profitable growth over the same period.

Ratings Score Snapshot

Mercuries Life Insurance Co. Ltd.		
	To	**From**
Business risk profile	**Satisfactory**	**Satisfactory**
Competitive position	Strong	Strong
IICRA	Moderately high	Moderately high
Financial risk profile	**Fair**	**Marginal**
Capital and earnings	Fair	Marginal
Risk exposure	Moderately low	Moderately low
Funding structure	Neutral	Neutral
Modifiers		
Governance	0	0
Liquidity	0	0
Comparable rating analysis	0	0
Current Credit Rating		
Financial strength rating	twAA-/Negative	twA-/Watch Positive
Issuer credit rating	twAA-/Negative	twA-/Watch Positive
IICRA--Insurance industry credit risk analysis.		

Related Criteria & Research

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions - November 15, 2023
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023

Related Research

- Media Release: Mercuries Life Insurance Co. Ltd. 'twA-' Ratings Remain On CreditWatch Positive On Potential E.SUN Merger, January 28, 2026

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Upgraded; CreditWatch Action; Outlook

	To	From
Mercuries Life Insurance Co. Ltd.		
Issuer Credit Rating	twAA-/Negative	twA-/Watch Positive
Financial Strength Rating	twAA-/Negative	twA-/Watch Positive

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.