

Research Update

The First Insurance Co. Ltd. Ratings Affirmed At 'twAA'; Outlook Stable

August 14, 2019

Overview

- We believe The First Insurance has very strong capital and earnings, which combined with the company's established market risk controls could serve as a solid buffer to absorb potential underwriting and investment volatility.
- The First Insurance's underwriting performance is on par with the domestic industry average. However, the insurer's prudent pricing and business-taking strategy along with stiff competition have kept its premium growth slightly below the local average where we expect it to remain over the next one to two years.
- We are affirming our 'twAA' ratings on The First Insurance.
- The stable outlook reflects our view that The First Insurance will likely maintain its very strong capital and earnings as well as adequate competitive position over the coming one to two years.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA' long-term insurer financial strength and issuer credit ratings on Taiwan-domiciled **The First Insurance Co. Ltd.** The outlook is stable.

Rationale

The ratings on The First Insurance reflect the insurer's very strong capital and earnings and exceptional liquidity. The company's slightly below average premium growth and moderate business scale in Taiwan's competitive non-life insurance market somewhat temper these strengths.

Outlook

The stable outlook reflects our expectation that The First Insurance's underwriting performance will be on par with the domestic average level over the next one to two years. The company is likely to maintain its current competitive position despite the possibility of premium growth being slightly below the local peer average over the coming one to two years if The First Insurance tightens its risk-adjusted pricing. We also expect the insurer to sustain its very strong capital and earnings, which continue to serve as a good buffer against potential investment volatility.

Downward scenario

We may lower the ratings if The First Insurance's capital and earnings deteriorate significantly, coupled with a more aggressive investment risk appetite and heightened investment leverage over the coming one to two years.

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Upward scenario

We may raise the ratings on The First Insurance if the insurer enhances its competitive and market position by establishing a niche position in certain product areas while maintaining a similar or better underwriting performance than the local peer average. However, we view the possibility of this to be low in the coming one to two years.

Ratings Score Snapshot

Business Risk Profile	Satisfactory
Competitive position	Satisfactory
IICRA	Intermediate
Financial Risk Profile	Very Strong
Capital and earnings	Very Strong
Risk exposure	Moderately Low
Funding structure I	Neutral
Modifiers	
Governance	Neutral
Liquidity I	Exceptional
Financial Strength Rating	twAA

Related Criteria

- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model - June 07, 2010
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- General Criteria: Group Rating Methodology - July 01, 2019
- Understanding Taiwan Ratings' Rating Definitions, www.taiwanratings.com - June 26, 2018
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

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Ratings List

Ratings Affirmed

The First Insurance Co. Ltd.

Issuer Credit Rating	twAA/Stable
Financial Strength Rating	twAA/Stable

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