

Research Update

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

August 15, 2019

Overview

- Taian Insurance has a good franchise in personal line insurance and satisfactory underwriting control to sustain its favorable operating performance. We also view Taian Insurance's capital and earnings to be very strong and we expect the insurer to maintain adequate investment risk management.
- We are affirming our 'twAA' long-term insurer financial strength and issuer credit ratings on Taian Insurance.
- The outlook is stable to reflect our projection that the insurer will sustain its risk-adjusted capitalization at the current level and maintain its satisfactory underwriting results over the next 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 **Taian Insurance Co. Ltd.** The outlook is stable.

Outlook

The stable outlook on Taian Insurance reflects our view that the insurer will maintain its very strong capital and earnings in the coming one to two years to provide a good buffer for potential losses. We expect the insurer's underwriting results to remain satisfactory, underpinned by prudent underwriting controls and proactive business management. At the same time, we believe Taian Insurance can sustain its competitive position in key products, particularly in personal-line businesses.

Downward scenario

We may lower the ratings if the insurer's risk exposures significantly increase due to a heightened exposure to foreign exchange risks, or the insurer demonstrates an increased asset allocation to high-risk assets. We could also lower the ratings if the insurer's capital adequacy deteriorates materially as a result of unexpected losses, insufficient risk coverage--including catastrophe risks--or a large scale capital deduction.

Upward scenario

We may raise the ratings if Taian Insurance can improve its competitive position by building a clear niche position and demonstrating pricing advantages with consistently above-average operating performance, while maintaining its very strong capital and earnings for the next two years. However, we view this as somewhat remote over the short term.

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Rationale

The ratings on Taian Insurance reflect our view that the insurer has good underwriting control to sustain its favorable operating performance, as well as good franchise in personal lines business in the local property and casualty market. We also view Taian Insurance's capital and earnings to be very strong relative to its risk profile. In addition, the ratings reflect our assessment that the insurer has reasonable overall risk exposures and we expect it will maintain its adequate investment risk controls. We also believe Taiwan property and casualty insurers in general have less retail franchise and are of a smaller scale in comparison to those of similarly rated peers regionally.

Rating 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	Neutral
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Financial Strength Rating	twAA

Related Criteria

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

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Ratings List

Ratings Affirmed

Taian Insurance Co. Ltd.

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

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.

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