Research Update

# Farglory Life Insurance Co. Ltd. Ratings Affirmed At 'twA+'; Outlook Stable

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## Overview

- Farglory Life has a scale disadvantage in Taiwan's competitive life insurance industry, despite having developed a footing among the top ten insurers by total premiums in the long-term health products sector, which has good margins. We also view the insurer's capitalization to be better than the domestic average.
- We are affirming our 'twA+' insurer financial strength and issuer credit ratings on Farglory Life.
- The outlook is stable to reflect our expectation that Farglory Life will maintain its above-average capitalization and product margins over the next one to two years.

## Rating Action

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

## Outlook

The stable outlook reflects our view that Farglory Life will maintain its small domestic market position with particular strength in health and medical products. The outlook also reflects the likelihood that the company will remain well capitalized over the coming 12-24 months considering Farglory Life's adequate premium growth and stable recurring yield. We also expect the insurer to control its foreign exchange risk exposure at a manageable level similar to that of its domestic peers, by selling more foreign currency policies and maintaining a high hedge ratio.

**Downward scenario**
We may lower the ratings if the insurer's capitalization weakens as a result of overly aggressive asset growth beyond our current expectation, material slowdown of value of in-force growth than we currently expect, or unexpected losses over the coming one to two years. We may also lower the ratings on Farglory Life if the insurer demonstrates looser risk control or increases its foreign exchange risk materially above the domestic average.

**Upward scenario**
We may raise the ratings on Farglory Life if the insurer improves its capitalization. We may also raise the ratings if the insurer demonstrates a record of above-average operating performance through business cycles and high growth, and improves its operating efficiency and market position at the same time.

## Rationale

The ratings on Farglory Life reflect the insurer's above-average capital strength among domestic life insurers. The insurer's small domestic market position as well as higher investment weighting in properties and financial institutions than that of its peers' somewhat offset these strengths.

## Rating Score Snapshot

| | |
|---|---|
| Business Risk Profile | Fair |
| Competitive position | Satisfactory |
| IICRA | Moderately high |
| Financial Risk Profile | Satisfactory |
| Capital and earnings | Strong |
| Risk exposure | Moderately high |
| Funding structure | Neutral |
| Modifiers | |
| Governance | Neutral |
| Liquidity | Adequate |
| Financial Strength Rating | twA+ |

## Related Criteria

- 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
- 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

(Unless otherwise stated, these articles are published on www.standardandpoors.com, access to which requires a registered account.)

## Ratings List

**Ratings Affirmed**

| **Farglory Life Insurance Co. Ltd.** | |
|---|---|
| Issuer Credit Rating | twA+/Stable |
| Financial Strength Rating | twA+/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.