Research Update

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

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Overview

- Mercuries Life has a high level of controlled sales channels and satisfactory mortality and expense surpluses, which are slightly better than the domestic average. We continue to view the insurer's capital and earnings to be slightly weaker than the industry average.
- We are affirming our 'twA+' insurer financial strength and issuer credit ratings on Mercuries Life.
- The outlook is stable to reflect our expectation that Mercuries Life will maintain its stable business and mid-size scale in the local market 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 **Mercuries Life Insurance Co. Ltd.** The outlook is stable.

Outlook

The stable outlook reflects our view that Mercuries Life's capital adequacy will remain fair over the coming one to two years, considering the insurer's prudent growth appetite, stable operating performance, and actuarial performance. We also expect the company's investment profile to maintain its current asset mix with adequate control on the related foreign exchange risk exposure of its overseas investments. The insurer's market share and business momentum are also likely to remain stable.

Downward scenario

We may lower the ratings on Mercuries Life if the insurer's capitalization deteriorates due to unexpected investment market volatilities or the insurer enlarges its high-risk investments significantly.

Upward scenario

We may raise the ratings on Mercuries Life if the company enhances its capitalization significantly through material capital injections, profitable growth, and lower risky asset growth, which could drive up our assessment on its capital and earnings.

Rationale

The ratings on Mercuries Life reflect the company's high level of controlled distribution channels, mid-size position in Taiwan's life insurance market, and sound liquidity supported by good cash inflow from new business. The ratings also reflect Mercuries Life's fair capitalization level and a higher investment concentration in the financial sector than the domestic average.

Rating Score Snapshot

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

Related Criteria

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

Mercuries 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.