

Research Update

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

August 29, 2019

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.

PRIMARY CREDIT ANALYST

Patty Wang
Taipei
+886-2-8722-5823
patty.wang
@taiwanratings.com.tw
patty.wang
@spglobal.com

SECONDARY CONTACT

Serene Hsieh, CPA, FRM
Taipei
+886-2-8722-5820
serene.hsieh
@taiwanratings.com.tw
serene.hsieh
@spglobal.com

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.

Copyright © 2019 by Taiwan Ratings Corporation (TRC). All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of TRC. The Content shall not be used for any unlawful or unauthorized purposes. TRC and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively TRC Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. TRC Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. TRC DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall TRC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. TRC's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. TRC assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. TRC does not act as a fiduciary or an investment advisor except where registered as such. While TRC has obtained information from sources it believes to be reliable, TRC does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, TRC reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. TRC disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

TRC keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of TRC may have information that is not available to other TRC business units. TRC has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

TRC receives compensation for its solicited ratings and certain analyses, normally from issuers, originators, arrangers, or underwriters of securities or from obligors. TRC reserves the right to disseminate its opinions and analyses. TRC's public ratings and analyses are made available on its Web sites, www.taiwanratings.com (free of charge), and rrs.taiwanratings.com.tw (subscription), and may be distributed through other means, including via TRC publications and third-party redistributors. Please click [here](#) for any other conflict of interests that may affect the credit rating as requested by the regulator.