

Research Update

MSIG Mingtai Insurance Co. Ltd. Ratings Affirmed At 'twAAA'; Outlook Stable

September 5, 2019

Overview

- MSIG Mingtai ranks among the top five non-life insurers in Taiwan by direct premiums written, benefiting from strong group support including underwriting skills, reinsurance capacities, and new product development.
- We also view MSIG Mingtai's capital and earnings to be very strong and we expect the insurer to maintain prudent investment management over the next one to two years.
- We are affirming our 'twAAA' long-term financial strength and issuer credit ratings on MSIG Mingtai.
- The stable outlook reflects our expectation that the parent group will diversify its business and gradually recover its capital adequacy while maintaining its position in the domestic non-life insurance market.

Rating Action

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

Outlook

The stable outlook on MSIG Mingtai reflects the stable outlook on its parent, Japan-based MS&AD Insurance Group, given MSIG Mingtai's highly strategic importance to the group. We believe the parent group will further diversify earnings through strengthening its Japan-based life insurance business as well as overseas businesses. The outlook also reflects our view that the group will retain a solid position in Japan's non-life insurance market over the next two years. In addition, we believe the group's capital adequacy will gradually recover thanks to an accumulation of retained earnings and risk reduction.

Downward scenario

We may lower the ratings on MSIG Mingtai if we see a high likelihood that, contrary to our expectations, the group's prospective capital based on our capital model deteriorates significantly and for a prolonged period, and MSIG Mingtai's stand-alone credit profile deteriorates beyond our forecast over the next two years. This could happen if the group and MSIG Mingtai incur significant losses from catastrophes or stock volatility, or if the group aggressively pursues acquisitions. However, we view this outcome as unlikely in the next one to two years.

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Rationale

The ratings reflect the insurer's very strong capital and earnings and satisfactory brand and reputation benefiting from a good local market position and franchise, as well as brand association with its parent group. The ratings also benefit from strong group support over MSIG Mingtai's daily operations as a highly strategic entity to the group. In addition, the ratings reflect MSIG Mingtai's low risk investment portfolio with satisfactory asset quality.

Counterbalancing these strengths are the insurer's highly concentrated business in Taiwan's non-life market with limited geographic diversification as well as the insurer's relatively small base compared with that of international peers.

Ratings Score Snapshot

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

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Insurance | General: Insurers 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

Related Research

- MS&AD Insurance Group's Core Subsidiaries Affirmed At 'A+'; Outlook Stable, www.capitaliq.com - July 29, 2019

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

Ratings List

Ratings Affirmed

MSIG Mingtai Insurance Co. Ltd.

Issuer Credit Rating	twAAA/Stable
Financial Strength Rating	twAAA/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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