

## Research Update

# Chung Kuo Insurance Co. Ltd. Ratings Affirmed At 'twAA'; Outlook Stable

September 24, 2019

## Overview

- Chung Kuo Insurance's operating size is smaller but has a stronger presence in commercial line business compared with similarly rated peers in the domestic property and casualty insurance market.
- We also view Chung Kuo Insurance's capital and earnings to be very strong and we expect the insurer to maintain adequate investment management over the next one to two years.
- We are affirming our 'twAA' long-term insurer financial strength and issuer credit ratings on Chung Kuo Insurance.
- The outlook is stable to reflect our view that Chung Kuo Insurance will maintain its very strong capital and earnings as well as a prudent investment strategy 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 **Chung Kuo Insurance Co. Ltd.** The outlook is stable.

## Outlook

The stable outlook reflects our expectation that Chung Kuo Insurance will likely maintain its very strong capital and earnings over the coming one to two years as well as a prudent investment strategy. The outlook also reflects the likelihood Chung Kuo Insurance will uphold its market position in commercial lines while digging deeper into personal line business. However, these efforts could take some time to affect the insurer's business given fierce competition.

### Downward scenario

We could lower the ratings on Chung Kuo Insurance if the insurer's capital and earnings deteriorate to strong from very strong, mainly due to weakening capital according to our risk-based insurance capital model. This could result from large unexpected losses by the insurer, particularly from its commercial line businesses. We could also lower the ratings if the parent group's credit profile weakens, capping the insurer's issuer credit ratings. We view the likelihood of these scenarios as somewhat remote over the next one to two years.

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## Upward scenario

We could raise the ratings on Chung Kuo Insurance if the insurer's stand-alone credit profile (SACP) improves, accompanied by a strengthened group credit profile. We could raise our assessment of Chung Kuo Insurance's SACP if the insurer enhances its competitive position significantly to be one of the leading players in Taiwan with a solid market franchise and strong positions in its business lines. However, we view such possibilities as remote over the next two to three years.

## Rationale

The ratings reflect Chung Kuo Insurance's very strong capital and earnings that provide a good buffer for potential operating volatility, and the insurer's good competitiveness in Taiwan's commercial insurance market, even though its personal-line franchise is still under development. Counterbalancing these strengths is the insurer's small scale in the domestic market and lower geographic business diversification compared with that of regional peers. The rating also reflects the fact that Chung Kuo Insurance is a strategically important subsidiary of the **Mega Financial Holding Co. Ltd.**, and could call on the group's client base and resources to sustain its credit profile.

## Ratings Score Snapshot

<b>Business Risk Profile</b>	<b>Satisfactory</b>
Competitive position	Satisfactory
IICRA	Intermediate
<b>Financial Risk Profile</b>	<b>Very Strong</b>
Capital and earnings	Very Strong
Risk exposure	Moderate Low
Funding structure	Neutral
<b>Modifiers</b>	
Governance	Neutral
Liquidity	Exceptional
<b>Financial Strength Rating</b>	<b>twAA</b>

## 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](http://www.taiwanratings.com) - June 26, 2018
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

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## Ratings List

### Ratings Affirmed

#### Chung Kuo Insurance Co. Ltd.

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

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