

Research Update

Union Insurance Co. Ltd. 'twAA' Rating Affirmed; Outlook Stable

September 25, 2019

Overview

- We expect Union Insurance to maintain its satisfactory competitive position in Taiwan's non-life insurance market with average operating performance relative to its peers'.
- We assess Union Insurance's capital and earnings to be very strong, with an adequate investment risk profile.
- We are affirming our 'twAA' long-term insurer financial strength and issuer credit ratings on Union Insurance.
- The stable outlook reflects our expectation that Union Insurance will maintain its capital adequacy and underwriting performance 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 Union Insurance Co. Ltd. The outlook is stable.

Outlook

The stable outlook on Union Insurance reflects our expectation that the insurer will maintain its very strong capital and earnings over the next one to two years. Union Insurance is likely to maintain underwriting performance in line with the industry average over the period, given its satisfactory underwriting performance on personal line insurance as well as its development in commercial line insurance with adequate underwriting skills and reinsurance arrangements. We expect Union Insurance to maintain a moderate investment risk appetite with controlled exposure to equities over the next one to two years.

Downward scenario

We may lower the ratings on Union Insurance if the insurer's financial risk profile deteriorates significantly, possibly due to an aggressive increase in investment risk appetite, or large unexpected losses that erode its capital adequacy.

Upward scenario

We may raise the ratings if the insurer significantly enhances its competitive position with a solid franchise and strong position in the domestic market, while maintaining a satisfactory operating performance. However, we view an upgrade as unlikely over the next one to two years.

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Rationale

The ratings on Union Insurance reflect our view of the insurer's satisfactory competitive position supported by its average operating performance. The ratings also reflect Union Insurance's very strong capital and earnings and average investment risk profile. These provide a good buffer against potential business downturns and volatility in capital markets. The insurer's smaller scale and lesser geographic diversity in business than regional peers' somewhat temper these strengths.

Ratings Score Snapshot

Business Risk Profile	Satisfactory
Competitive position	Satisfactory
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	twAA

Related Criteria

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

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Ratings List

Ratings Affirmed

Union Insurance Co. Ltd.

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

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