

## Media Release

# Nan Shan Life And Nan Shan General 'twAA+' Ratings Remain On CreditWatch Negative

October 30, 2019

## Overview

- Nan Shan Life received regulatory business orders to suspend sales of investment-linked products until the quality of its new information technology (IT) system is reassured.
- We are maintaining our CreditWatch with negative implications on Nan Shan Life and its subsidiary Nan Shan General until we have greater clarity on progress in resolving Nan Shan Life's IT issues and the impact on the insurer's creditworthiness, particularly its business franchise and management culture.
- We expect to affirm the 'twAA+' ratings if we conclude that Nan Shan Life can effectively resolve the IT issues in the next three months and if we don't foresee further damage to the company's franchise, business, or financial strength.

## Rating Action

Taiwan Ratings Corp. said today it had kept its 'twAA+' long-term issuer credit rating and financial strength ratings on Nan Shan Life Insurance Co. Ltd. and its subsidiary Nan Shan General Insurance Co. Ltd. on CreditWatch with negative implications. We originally placed the ratings on CreditWatch on Sept. 26, 2019.

## Rationale

Our continued CreditWatch listing on Nan Shan Life and Nan Shan General reflects our view of continuing risks to Nan Shan Life's creditworthiness following the regulator's order the insurer to cease sales of investment-linked products until it resolves problems with its IT system. We continue to believe these events could weaken Nan Shan Life's franchise relative to that of similarly rated local peers. Our ratings on Nan Shan General reflect its highly strategic status to Nan Shan Life. The ratings on the general insurer therefore move in tandem with those on its parent.

## CreditWatch

We aim to resolve the CreditWatch listing after analyzing the potential impact of the IT system issues on Nan Shan Life's creditworthiness, particularly its relative business franchise and management culture, and the company's progress in resolving said issues.

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Upon resolution of the CreditWatch placement, we expect to affirm the 'A-' 'twAA+' ratings on the insurers if we conclude that Nan Shan Life can effectively resolve the IT issues in the next three months and if we don't foresee further damage to the company's franchise, business, or financial strength.

Alternatively, we could lower the ratings by one notch if we see growing risk that the insurer cannot resolve the IT system issues in the next three months. In addition, we could also lower the ratings if the insurer pursues more aggressive financial and investment strategies than in our base-case assumptions.

## Related Criteria & Research

### Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- Understanding Taiwan Ratings' Rating Definitions, [www.taiwanratings.com](http://www.taiwanratings.com) - June 26, 2018
- 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
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

### Related Research

- Research Update: Nan Shan Life And Nan Shan General Ratings Placed On CreditWatch Negative Following Regulatory Business Orders, Sept. 26, 2019

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## Ratings List

### CreditWatch Updates

#### Nan Shan Life Insurance Co. Ltd.

Issuer Credit Rating	twAA+/Watch Neg
Financial Strength Rating	twAA+/Watch Neg

#### Nan Shan General Insurance Co. Ltd.

Issuer Credit Rating	twAA+/Watch Neg
Financial Strength Rating	twAA+/Watch Neg

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](http://www.taiwanratings.com) for further information. Complete ratings information is available to subscribers of Rating Research Service at [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw). All ratings affected by this rating action can be found on Taiwan Ratings' public website at [www.taiwanratings.com](http://www.taiwanratings.com).

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