

## Media Release

# BNP Paribas Cardif TCB Life Insurance Co. Ltd. Assigned 'twAA-' Ratings; Outlook Stable

December 30, 2019

## Overview

- We view TCB Life Insurance as a highly strategic member of the Taiwan Cooperative FHC group.
- TCB Life is the second largest profit contributor to the group and operates in line with the group's strategy to provide diversified financial services and complement the operations of the group's banking arm, Taiwan Cooperative Bank.
- We are therefore assigning our 'twAA-' long-term insurer financial strength and issuer credit ratings to TCB Life.
- The stable outlook on the ratings reflects the outlook on the parent group and our expectation that TCB Life will remain a highly strategic group member over the next two years.

## Rating Action

Taiwan Ratings Corp. today assigned its 'twAA-' long-term insurer financial strength and issuer credit ratings on BNP Paribas Cardif TCB Life Insurance Co. Ltd. The outlook on the long-term ratings is stable.

## Rationale

The ratings on TCB Life reflect the implicit support from the company's parent, **Taiwan Cooperative Financial Holding Co. Ltd.** (Taiwan Cooperative FHC) group, given the life subsidiary's highly strategic status within the group.

We expect the life insurer to remain the second largest contributor to the group's consolidated capital and profits after the dominating contribution from **Taiwan Cooperative Bank Ltd.**, which is the group's core entity. Since 2015, the bank has contributed 90% of both consolidated assets and profits, while TCB Life has consistently contributed about 4% of consolidated capital and 5% of the group's profits.

We also expect the parent group to support TCB Life's capital needs for future growth, as demonstrated by its capital injections to the life subsidiary along with French partner BNP Paribas Cardif in 2010 and 2012.

TCB Life is a joint venture between Taiwan Coop FHC (51%) and BNP Paribas Cardif (49%) and the joint venture was set up in 2010 as part of Taiwan Coop FHC's vision to become a financial services conglomerate group by expanding its business in to areas such as life insurance and securities to complement its core strength in banking. This came together through joint venture cooperation with BNP Paribas Cardif to bring in the French partner's expertise in areas of business formula, operations, as well as the risk management of insurance operations.

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TCB Life is a small life insurer, with niche business in mortgage life insurance and investment-linked insurance with traditional life insurance products as its complimentary business. By leveraging Taiwan Cooperative Bank's large branch network, the largest in Taiwan, TCB Life has established a niche in mortgage insurance bancassurance business (25%; the second largest domestically), while its overall market presence is small by total premiums written (1.4% in 2018, which ranked it 13th).

TCB Life generated about 88% of total premiums (including investment linked products) from Taiwan Cooperative Bank, 2% from its own tied agents, and the rest from third-party bank channels in 2018-2019. The insurer's operating performance has been consistently profitable with an average return on averaged adjusted assets ranged from 0.5%-0.6% since 2015. The company has maintained regulatory capital ratios at a significantly higher level than the industry average since 2014, reflecting TCB Life's more prudent asset and liability management and focus on investment linked insurance products that consume less capital.

## Outlook: Stable

The stable outlook on TCB Life reflects our outlook on the parent group, which we expect to maintain a stable consolidated credit profile in 2020-2021. The ratings on TCB Life will therefore move in tandem with the Taiwan Cooperative FHC group credit profile, given the insurer's highly strategic status within the group. On a stand-alone basis, we expect TCB Life to maintain its profitable track record and niche position in its targeted business segments to strongly complement the group's strategy to diversify income sources and leverage on its core banking competence.

### Downward scenario

We may lower the ratings on TCB Life if the group credit profile deteriorates substantially or if TCB Life's contribution to the group significantly and consistently declines over the next two years

### Upward scenario

We may raise the ratings if we reclassify TCB Life as a core entity to the wider group. This would require the company to become a much stronger contributor to the group, which we consider to be unlikely in the next two years.

## Related Criteria

- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- Understanding Taiwan Ratings' Rating Definitions, www.taiwanratings.com - June 26, 2018
- General Criteria: Group Rating Methodology - July 01, 2019

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## Ratings List

### Ratings Assigned

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**BNP Paribas Cardif TCB Life Insurance Co. Ltd.**

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