

Media Release:

Yuanta Life Insurance Co. Ltd. Ratings Raised To 'twAA' From 'twA+' On Stronger Group Support; Outlook Stable

January 16, 2020

Overview

- We believe Yuanta Life's strategic importance to the Yuanta FHC group has strengthened because of the insurer's improved operating performance in recent quarters, as well as its likely increasing scale and contribution to the group after a planned capital injection scheduled in 2020.
- We also view Yuanta Life's stand-alone credit profile has improved factoring in the planned capital injection, which boosts our assessment of its overall capital and earnings to fair from marginal.
- We are therefore raising our long-term insurer financial strength and issuer credit ratings on Yuanta Life to 'twAA' from 'twA+', which is equal to the Yuanta FHC group credit profile.
- The outlook is stable to reflect the outlook on Yuanta FHC, given the ratings on Yuanta Life move in tandem with the direction of the parent group profile.

Rating Action

Taiwan Ratings Corp. today raised its long-term insurer financial strength and issuer credit ratings on **Yuanta Life Insurance Co. Ltd.** to 'twAA' from 'twA+'. The outlook is stable.

Rationale

The upgrade action reflects our view that Yuanta Life's strategic importance to the **Yuanta Financial Holding Co. Ltd.** (Yuanta FHC) group has strengthened, and that we now assess the insurer to be a core group member compared with highly strategic previously. This assessment is based on Yuanta Life's improving operating performance and the insurer's likely increased scale and contribution to the group following a planned capital injection by the group in 2020.

Moreover, Yuanta Life's integration and cross-selling achievements with other group members has strengthened since it joined the group in 2014. Yuanta Life's critical function within the group is also demonstrated by the group's strong commitment to support the insurer's business growth and capital adequacy through several capital injections in recent

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years, as well as a NT\$14 billion scheduled injection in 2020. The Yuanta FHC group intends to develop the insurer as the third profit generating engine for the group over the mid to long term, in addition to its securities-related and banking businesses.

Yuanta Life's operating performance has improved in recent years and the insurer began to make a profit in 2018-2019. In addition, we view Yuanta Life's stand-alone credit profile has improved factoring in the proposed capital injection this year, which boosts our overall assessment of Yuanta Life's capital and earnings to fair from marginal at present. This is despite the likelihood that the insurer could pursue above-average business growth with more flexibility in its investment strategy, such as pursuing equity or overseas investment. We expect the insurer's overall investment risk profile to remain neutral and able to support our assessment of fair capital and earnings.

The ratings on Yuanta Life reflect strong support from Yuanta Life's parent, Yuanta FHC group, given the insurer's core group status. On a stand-alone credit basis, the ratings reflect Yuanta Life's scale disadvantage, below-average operating performance under its strategy for strong growth, and fair capital and earnings relative to its risk profile. Counterbalancing factors include the insurer's high linkage to the group's wider business resources and the insurer's prudent risk controls, which will likely support stable business flow and manageable investment risk.

Outlook

The stable outlook on Yuanta Life reflects our expectation that the insurer will remain a core member of the Yuanta FHC group. We also expect Yuanta Life to maintain strong control over its distribution network and gradually expand its protection-type products. We assess the insurer's capitalization as fair over the next one to two years in light of the group's planned capital injection. We also expect Yuanta Life to maintain prudent risk controls over its investment portfolio, with diversified fixed-income investments and satisfactory credit quality.

Downward scenario

We may lower the ratings on Yuanta Life if the parent group credit profile weakens, given the insurer's core group status to the group.

Upward scenario

We may raise the ratings if the group is able to improve its risk adjusted capital ratio sustainably above 15%. Nonetheless, we view an upgrade as unlikely in 2020-2021.

Rating Score Snapshot

Business Risk Profile	Fair
Competitive position	Satisfactory
IICRA	Moderately high
Financial Risk Profile	Fair
Capital and earnings	Fair
Risk exposure	Moderately Low
Funding structure	Neutral
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Financial Strength Rating	twAA

Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 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
- General Criteria: Group Rating Methodology - July 01, 2019

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Ratings List

Upgraded

	To	From
Yuanta Life Insurance Co. Ltd.		
Issuer Credit Rating	twAA/Stable	twA+/Stable
Financial Strength Rating	twAA/Stable	twA+/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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