

Media Release:

# Outlook On Prudential Life Insurance Co. of Taiwan Inc. Revised To Positive From Developing; 'twA' Ratings Affirmed

August 14, 2020

## Overview

- Taiwan-based financial group Taishin FHC has announced its plan to acquire Prudential Taiwan to become its sole life insurance unit.
- We assess Taishin FHC group has satisfactory market exposure in consumer banking and wealth management and we believe that a life insurance subsidiary strongly fits the group's business strategies to strive in Taiwan's competitive financial services sector.
- We believe Prudential Taiwan will be a strategically important member of the Taishin FHC group if the deal materializes and that the life insurer's creditworthiness would strengthen after the acquisition, given the likelihood of implicit group support.
- We are therefore revising the outlook on Prudential Taiwan to positive from developing to reflect the potential group support if the deal is completed.
- At the same time, we are affirming the 'twA' ratings on Prudential Taiwan.

## Rating Action

Taiwan Ratings Corp. today revised its outlook on the **Prudential Life Insurance Co. of Taiwan Inc.** (Prudential Taiwan) to positive from developing. At the same time, we affirmed the 'twA' long-term issuer credit rating and financial strength ratings on Prudential Taiwan. We previously assigned a developing outlook to our ratings on the insurer on May 13, 2020 (see Related Research).

## Rationale

We expect Prudential Taiwan to be a strategically important member of the **Taishin Financial Holding Co. Ltd.** (Taishin FHC) group once the acquisition is completed, given that the insurer offers to be a good fit to the Taishin FHC growth strategy by providing life insurance products to its clients. Taishin FHC is a bank centric group with Taishin International Bank Co. Ltd. (Taishin Bank) as its flagship unit. The bank has a satisfactory franchise in consumer banking products and wealth management business, in our view. As a result, we view Prudential Taiwan provides a strategic fit to the group as it seeks to expand in the domestic financial services sector by providing insurance protection products. We also believe the insurer would benefit from implicit support from the parent if the deal materializes.

### PRIMARY CREDIT ANALYST

**Kaifu Hu**  
Taipei  
+886-2-8722-5814  
kaifu.hu  
@spglobal.com  
kaifu.hu  
@taiwanratings.com.tw

### SECONDARY CONTACT

**Yuhan Lan**  
Taipei  
+886-2-8722-5810  
yuhan.lan  
@spglobal.com  
yuhan.lan  
@taiwanratings.com.tw

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On August 11, 2020, Taishin FHC announced that it will acquire 100% of the equity in Prudential Taiwan from U.S.-based financial group Prudential Financial for a cash consideration of New Taiwan dollar (NT\$) 5.5 billion. The deal has been agreed upon by Taishin Bank and the shareholders of Prudential Taiwan, but remains subject to local regulatory approval

### Outlook

The positive outlook reflects our view that Prudential Taiwan would receive implicit support from Taishin FHC group if the deal materializes, given the insurer's strategic importance to the group. We also expect Prudential Taiwan to maintain its stand-alone credit profile with fair capitalization. Prudential Taiwan's operating performance is likely to remain marginal and sensitive to the overall investment environment over the next two years, due to the insurer's relatively small market position.

#### Upward scenario

We could raise the ratings on Prudential Taiwan if Taishin FHC acquires the life insurer and smoothly integrates it into the group.

#### Downward scenario

We could revised the outlook back to developing if the deal does not receive regulatory approval and therefore does not materialize. We could also lower the ratings if the deal fails and Prudential Taiwan's capitalization weakens due to aggressive growth, unexpected losses, or an increased investment appetite.

### Related Criteria & Research

#### Related Criteria

- 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: Group Rating Methodology - July 01, 2019

#### Related Research

- Taiwan Ratings' Ratings Definitions – August 10, 2020
- Media Release: Ratings On Prudential Life Insurance Company of Taiwan Inc. Lowered To 'twA' From 'twAAA'; Off CreditWatch; Outlook Developing – May 13, 2020
- Media Release: Ratings On Prudential Life Insurance Co. of Taiwan Placed On CreditWatch Negative On Parent's Potential Strategic Change – February 24, 2020

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### Ratings List

#### Outlook Action; Ratings Affirmed

	To	From
<b>Prudential Life Insurance Co. of Taiwan Inc.</b>		
Issuer Credit Rating	twA/Positive/-	twA/Developing/-
Financial Strength Rating	twA/Positive/-	twA/Developing/-

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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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