

Bulletin:

Regulatory Actions Against Shin Kong Life May Weigh On Credit Profile

September 17, 2020

Taiwan Ratings Corp. said today that recent regulatory business orders on **Shin Kong Life Insurance Co. Ltd.** (twAA-/Negative/--) could weigh on the insurer's overall credit profile. The Taiwan-based insurer may face increasing challenges over the next 12-24 months because of the investment restrictions and requests to enhance its risk management framework.

In our view, the business orders could pressure Shin Kong Life's operating performance, and the regulatory action highlights potential weaknesses in the insurer's governance. We do not expect an immediate impact on our business and financial profile assessment, however. On Sept. 15, 2020, the regulator cut Shin Kong Life's investment limit in overseas assets which offer potentially better investment yields, and requested the suspension of the company's chairman and chief investment officer due to ineffective risk control.

The outlook on the long-term issuer credit rating on Shin Kong Life is negative, reflecting the uncertainty over the company's ability to maintain its financial strength over the next one to two years. We expect Shin Kong Life, like many of its local peers, to face challenges in maintaining its capital buffer while capital market volatility will likely remain high amid COVID-19.

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