Media Release:

Central Reinsurance Corp. 'twAA+' Ratings Affirmed; Outlook Stable

January 24, 2022

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- We anticipate **Central Reinsurance Corp.** (Central Re) will maintain its stable underwriting profit and excellent capitalization over the coming one to two years.
- We affirmed our 'twAA+' long-term insurer financial strength and issuer credit ratings on Central Re and the outlook is unchanged.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA+' long-term insurer financial strength and issuer credit ratings on Central Re. The outlook on the ratings remains stable.

Rationale

The affirmation reflects our view that Central Re will maintain its healthy premium growth, stable underwriting profits, and strong financial risk profile over the coming one to two years. We believe that Central Re's profitable domestic business will continue to support its overall underwriting performance and provide a buffer for the company as it continues to tap into overseas markets.

We forecast Central Re's capital adequacy will remain excellent under the reinsurer's profitable growth plan and prudent capital policy. We also believe that the reinsurer's retained earnings will remain reasonable to support anticipated business growth, while at the same time we expect Central Re to control its exposure in high-risk assets.

The ratings on Central Re continue to reflect the company's strong direct relationships with local clients as well as its solid domestic market position, very strong capital and earnings, and diversified and prudent investment profile. In addition, the ratings reflect our assessment of the company's good risk controls with satisfactory operating performance. Several factors partly offset these strengths, including Central Re's small scale and less geographic diversification than that of other Asia-based reinsurers, as well as the volatile nature of the reinsurance business which is exposed to catastrophe risks.

Outlook

The stable outlook reflects our view that Central Re will maintain its very strong capital and earnings through prudent growth and a moderate risk appetite for catastrophe and investment risks over the coming one to two years. That's despite the company's smaller absolute capital size compared with other international reinsurers. We also forecast that Central Re will maintain its solid domestic market position and remain prudent in exploring expansion in the international reinsurance market.

Downward scenario

We may lower the ratings on Central Re if the company's capitalization weakens due to aggressive balance sheet expansion, significant investment losses, or severe underwriting losses. We may also lower the ratings if the reinsurer no longer has a competitive advantage in the local market as indicated by a significant loss of market share.

Upward scenario

We may raise the ratings if Central Re can maintain profitable growth and increase its business scale more to be comparable with that of similarly rated regional reinsurers.

Related Criteria & Research

Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model - June 07, 2010

Related Research

- Taiwan Ratings' Ratings Definitions – August 10, 2020

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

Central Reinsurance Corp.	
Issuer Credit Rating	twAA+/Stable
Financial Strength Rating	twAA+/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.