

Media Release:

# Yuanta Life Insurance Co. Ltd. Ratings Affirmed At 'twAA'; Outlook Stable

January 27, 2022

(Editor's note: In the original version published on January 27, 2022, we misstated the date for 2021 net profit. A corrected version is below.)

## Overview

- We have raised our assessment of Yuanta Life's capital adequacy to satisfactory from fair, following the insurer's satisfactory earnings retention and lower investment growth amid its focus on investment-linked products. We forecast the insurer's capital will remain unchanged over the next two years.
- We affirmed our 'twAA' insurer financial strength and issuer credit ratings on Yuanta Life.
- The rating outlook is stable to reflect our view that Yuanta Life will remain a core member of the Yuanta Financial Holding Co. Ltd. (Yuanta FHC) group.

## Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA' long term insurer financial strength and issuer credit ratings on **Yuanta Life Insurance Co. Ltd.** The outlook on the ratings is stable.

## Rationale

We now assess Yuanta Life's capital and earnings as satisfactory compared with fair previously, which we believe will remain unchanged over the coming one to two years. This higher capital assessment reflects the insurer's satisfactory earnings retention, good growth of value of in-force, and controlled investment assets growth.

Yuanta Life had net profit of new Taiwan dollar (NT\$) 1.8 billion as of September 2021. We believe Yuanta Life will retain all earnings to support its business growth plan based on the insurer's prudent capital policy. At the same time, the company reported lower investment asset growth than we previously expected, due to its business focus on investment linked products from the start of 2021. Yuanta Life had NT\$35.5 billion of first year premiums in 2021, up from NT\$8.3 billion in 2020. However, investment linked products represented NT\$31.0 billion of this, therefore the investment asset growth was below our previous estimate. We believe this trend will continue and help the company to maintain its satisfactory capital and earnings over the coming one to two years.

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The ratings on Yuanta Life continue to reflect our view that the insurer will remain a core member of the parent Yuanta FHC group, with strong support from the parent if needed. In addition, the ratings reflect our assessment that Yuanta Life will maintain its satisfactory capital and earnings. The insurer's relatively small scale compared with other life insurance peers in the domestic market partly offsets these strengths.

## Outlook

The stable rating outlook on Yuanta Life reflects our view that the insurer will remain a core member of the Yuanta FHC group. We also believe Yuanta Life will maintain strong control over its distribution network and continue to develop its investment linked product range. We assess Yuanta Life's capitalization as satisfactory over the next one to two years in light of the insurer's slowing investment asset growth over the next one to two year. We also forecast Yuanta Life will maintain prudent risk controls over its investment portfolio, with diversified fixed-income investments and satisfactory credit quality over the same period.

### Downside scenario

We may lower the ratings on Yuanta Life if we believe the parent Yuanta FHC group credit profile has weakened, given the insurer's core status to the group.

### Upside scenario

We may raise the ratings on Yuanta Life if the Yuanta FHC group is able to improve its risk adjusted capital ratio sustainably above 15%. Nonetheless, we view an upgrade as unlikely over the next one or two years.

## Related Criteria & Research

### Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- 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
- 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](http://www.taiwanratings.com))

## Ratings List

### Ratings Affirmed

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#### Yuanta 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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