

Media Release:

MSIG Mingtai Insurance Co. Ltd. Ratings Affirmed At 'twAAA' On Proactive Capital Management; Outlook Stable

December 19, 2022

Overview

- MSIG Mingtai Insurance Co. Ltd.'s capitalization is likely to remain excellent for the next one to two years, given the insurer's capital strengthening plans, including the return of a cash dividend from its parent group, and real estate sales.
- We therefore affirmed our long-term financial strength and issuer credit ratings on MSIG Mingtai at 'twAAA'.
- The stable outlook reflects our view MSIG Mingtai will maintain its very strong financial risk profile over the coming one to two years, as well as its status as a highly strategic subsidiary of MS&AD Insurance group.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAAA' long-term financial strength rating and issuer credit rating on **MSIG Mingtai Insurance Co. Ltd.** The outlook on the ratings is stable.

Rationale

The rating affirmation reflects our expectation that MSIG Mingtai can maintain its excellent capitalization over the next one to two years, despite significant pandemic policy losses and valuation losses on stock investments under fair value through other comprehensive income (FVOCI). We believe MSIG Mingtai Insurance can maintain its reported profit and shareholders' equity at the end of 2022, thanks to proactive capital management by its parent, Japan-based MS&AD Insurance group, which agreed to return new Taiwan dollar (NT\$) 1.5 billion cash dividends declared in May 2022, as well as MSIG Insurance's disposal of real estate properties realizing gains of NT\$4.5 billion.

COVID-19-related claims and investment valuation losses under volatile capital markets significantly hit MSIG Mingtai's performance, similar to its peers'. We estimate the insurer will report NT\$4.0 billion-NT\$4.5 billion in losses on COVID-19-related insurance policies during 2022. At the same time, the insurer has reported around NT\$1.5 billion of valuation losses on its stock investments booked under FVOCI as of Sept. 30, 2022. We believe the cash dividend returned by the parent group and real estate sales can help the insurer maintain its capitalization, which we assess as excellent under S&P Global Ratings' insurance capital model. This assessment was in line with the insurer's capitalization at the end of 2021 and improved

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from its strong capitalization at the end of June 2022. In our base case we assume the insurer is unlikely to make significant cash dividend payouts over the next one to two years.

In our view, MSIG Mingtai will adequately manage potential cash outflows in the coming months, given its highly liquid assets, short-term funding initiatives, and the group's capital management. The insurer's manageable liquidity and funding profile, together with maintained capitalization, will help keep its financial risk profile solid.

Outlook

The stable ratings outlook on MSIG Mingtai reflects our outlooks on the core subsidiaries of the parent MS&AD group, given MSIG Mingtai's highly strategic importance to the group. We believe the parent group's capital adequacy supports our ratings assessment on MSIG Mingtai, thanks to the parent's accumulated retained earnings and risk reduction.

The outlook also reflects our view that the parent group will retain its solid position in Japan's property and casualty (P/C) insurance market. In addition, we believe the group will further diversify its earnings by strengthening its Japan-based life insurance and overseas businesses over the next two years.

We expect MSIG Mingtai to maintain its excellent capitalization over the next two years, while maintaining its stable cash dividend policy during the period.

Downside scenario

We may lower the ratings on MSIG Mingtai if:

- We see a high likelihood that, contrary to our current expectations, the group's capital position will deteriorate significantly over the next two years, or if the group aggressively pursues foreign acquisitions; and at the same time
- MSIG Mingtai's stand-alone credit profile deteriorates beyond our forecast. This could happen if the group and MSIG Mingtai incur significant underwriting or investment losses.

Upside scenario

We believe an upgrade of MSIG Mingtai is unlikely over the next 24 months. However, we may raise the ratings on MSIG Mingtai if S&P Global Ratings upgrades the core subsidiaries of the parent group. Nonetheless, S&P Global Ratings' sovereign ratings on Japan continue to constrain the ratings on the group's subsidiaries. This is because MS&AD group's operational base and investment assets are mostly located in Japan.

Ratings Score Snapshot

MSIG Mingtai Insurance Co. Ltd.

Business risk profile	Strong
Competitive position	Strong
IICRA	Intermediate
Financial risk profile	Very strong
Capital and earnings	Very strong
Risk exposure	Moderately low
Funding structure	Neutral
Modifiers	
Governance	Neutral

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Liquidity	Exceptional
Financial strength rating	twAAA
IICRA--Insurance Industry And Country Risk Assessment.	

ESG credit indicators: E-2, S-2, G-2

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 – November 11, 2021

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

Ratings List

Ratings Affirmed

MSIG Mingtai Insurance Co. Ltd.

Issuer Credit Rating	twAAA/Stable
Financial Strength Rating	twAAA/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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