

Bulletin:

# Parent Support To Underpin Chung Kuo Insurance's Continued Capital Strength

December 28, 2022

This report does not constitute a rating action.

Taiwan Ratings Corp. today said that a proposed capital injection from **Chung Kuo Insurance Co. Ltd.'s** parent company would help the Taiwan-based insurer to absorb substantial claim losses on its pandemic insurance policies.

The parent, **Mega Financial Holding Co. Ltd.**, also based in Taiwan, has announced its intention to participate in the insurance subsidiary's plan to raise new Taiwan dollar (NT\$) 6 billion in new capital. The fundraising plan will likely take place in early 2023 and should be sufficient to maintain Chung Kuo Insurance's (twAA/Stable/--) excellent capitalization over the next two years. Mega Financial earlier made a NT\$2 billion capital injection in October 2022. The capital injections have no impact on our ratings or outlook on the insurer.

Mega Financial's participation in the fundraising underpins our view that the parent group is strongly committed to providing financial support to Chung Kuo Insurance and maintaining a good buffer in the insurer's regulatory capital ratios. The property and casualty insurer incurred a net loss of NT\$5.6 billion on its pandemic-related policies in the first nine months of 2022, and losses continue to accumulate. However, most of the pandemic insurance policies will mature in the first half of 2023, which minimizes further risk to the insurer's capitalization.

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