

Media Release:

Tokio Marine Nawa Insurance 'twAA' Ratings Affirmed; Off CreditWatch; Outlook Stable

May 17, 2023

Overview

- Taiwan-based **Tokio Marine Nawa Insurance Co. Ltd.** (TM Nawa) will complete a capital injection to comply with regulatory capital adequacy requirements by the end of June 2023.
- In our view, pressure on the nonlife insurer's financial position will be alleviated following completion of the capital injection.
- We therefore affirm our 'twAA' long-term issuer credit rating and financial strength rating on TM Nawa. We removed the ratings from CreditWatch, where they were first placed with negative implications on Sept. 5, 2022.
- The stable rating outlook reflects our view that Tokio Marine Nawa will remain a strategically important member of the Tokio Marine group and maintain its financial strength through enhanced risk management, prudent investment strategy, and steady earnings retention over the next two years.

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Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA' long-term issuer credit rating and financial strength rating on Tokio Marine Nawa Insurance Co. Ltd. and removed them from CreditWatch with negative implications, where we placed them on Sept. 5, 2022.

Rationale

The financial pressure will be alleviated following completion of the company's capital injection in June 2023. The financial pressure stemmed from deep COVID-related insurance losses. Outstanding COVID insurance exposure expired in mid-February 2023 we do not expect further COVID-related losses to be registered in 2023. We expect the company's risk-adjusted capitalization to remain at a fair level by 2025, based on our base case expectation of the insurer's steady earnings retention and stable investment allocation.

TM Nawa has announced that it will complete the capital injection of new Taiwan dollar (NT\$) 12 billion by the end of June 2023. This followed its capital injection of NT\$8 billion in March 2023 and NT\$19.99 billion in the fourth quarter of 2022. We believe the company's regulatory risk-based capital ratio will meet the regulatory capital adequacy requirement of 200% with sufficient buffer.

We continue to assess TM Nawa as a strategically important subsidiary of the Tokio Marine Group. This reflects the insurer's important role in the group's Greater China strategy and TM Nawa's significant profit contribution in the region. We therefore rate the insurer three notches higher than our assessment of its stand-alone credit profile on S&P Global Ratings' global rating scale.

Our view of TM Nawa's business risk profile also reflects the insurer's good brand image, given its franchise association with the stronger Tokio Marine Group. Meanwhile, the well-established car dealer network of another major owner, Taiwan-based Yulon Motor Co. Ltd., also supports TM Nawa's high control over its distribution channels.

Outlook

The stable rating outlook reflects our view that TM Nawa will maintain its financial strength through enhanced risk management, a prudent investment strategy, and steady earnings retention. We believe the insurer has good control over its distribution channels, satisfactory operating efficiency, and prudent underwriting performance, which support a stable earnings performance over the next one to two years. In addition, we believe that TM Nawa Insurance will remain a strategically important entity to the parent Tokio Marine group over the same period.

Downside scenario

We may lower the ratings on TM Nawa if the company's stand-alone credit profile deteriorates due to overly aggressive investment allocation or weaker operating performance which could weaken its risk-adjusted capitalization in the next two years.

Upside scenario

We may raise the ratings on TM Nawa Insurance if the company's capitalization improves to a stronger level in a sustainable manner.

Rating Score Snapshot

Business Risk Profile	Strong
Competitive position	Strong
IICRA	Intermediate
Financial Risk Profile	Marginal
Capital and earnings	Marginal
Risk exposure	Moderately low
Funding structure	Neutral
Anchor	bbb-
Modifiers	0
Governance	Neutral
Liquidity	Adequate
Comparable rating analysis	0
Stand-alone credit profile	bbb-
Support	3
Group support	3
Government support	0
ICR/Financial Strength Rating twAA/Stable/--	

ESG credit indicators: E-2, S-2, G-3

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

- Tokio Marine Nawa Insurance 'A-' Ratings Kept On CreditWatch Negative, Jan. 18, 2023
- Taiwan Ratings' Ratings Definitions – November. 11, 2021

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

Ratings List

CreditWatch Action

Tokio Marine Nawa Insurance Co. Ltd.	To	From
Issuer Credit Rating	twAA/Stable/--	twAA/WatchNeg/--
Financial Strength Rating	twAA/Stable/--	twAA/WatchNeg/--

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