

Media Release:

Union Insurance Co. Ltd. Ratings Affirmed At 'twAA'; Outlook Stable

September 19, 2023

Overview

- Taiwan-domiciled Union Insurance will likely maintain excellent capitalization over the next two years supported by its prudent capital policy.
- We lowered our assessment of Union Insurance's liquidity to adequate from exceptional to reflect the insurer's lower liquid assets and an increase in claim reserves along with premium growth. The impact on the credit profile is neutral.
- We affirmed our long-term financial strength rating and issuer credit rating on Union Insurance at 'twAA'.
- The stable rating outlook reflects our expectation that the property and casualty insurer will maintain a very strong financial risk profile over the next two years.

Rating Action

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

Rationale

The rating affirmation reflects our view that Union Insurance will maintain excellent capitalization over 2023-2024. We expect the insurer's underwriting profits to normalize in 2023 after it reported significant losses in 2022. These related to Union Insurance's pandemic insurance policies. However, the insurer has retrieved its premium deficiency reserves in 2023 after updating its claim assumptions toward the end of the pandemic. This, together with improved capital management should support excellent capitalization over the next one to two years.

Lower liquid assets and higher claim reserves have weakened liquidity. We have revised our assessment of Union Insurance's liquidity to adequate from exceptional, which has no impact on the overall credit profile. We believe the insurer will maintain adequate liquidity over the next one to two years. This reflects our view of its lower stressed investment position and higher claim reserve recognition following premium growth from automotive and fire insurance lines.

PRIMARY CREDIT ANALYST

Kaifu Hu
Taipei
+886-2-2175-6814
kaifu.hu
@spglobal.com
kaifu.hu
@taiwanratings.com.tw

SECONDARY CONTACT

Yuhan Lan
Taipei
+886-2-2175-6810
yuhan.lan
@spglobal.com
yuhan.lan
@taiwanratings.com.tw

Outlook

The stable rating outlook reflects our view that the insurer will maintain very strong capital and earnings over the next one to two years. Union Insurance is likely to maintain an underwriting performance in line with its domestic peers over the same period. This is supported by the satisfactory underwriting performance of the insurer's personal line business and the development of its commercial line business along with adequate underwriting skills and reinsurance arrangements. We forecast Union Insurance will keep a moderately low investment risk appetite with controlled exposure to equities over the next one to two years.

Downside scenario

- We could lower the ratings on Union Insurance if the insurer's financial risk profile deteriorates significantly, possibly due to an aggressive increase in its investment risk appetite, or large, unexpected losses that erode its capital adequacy.

Upside scenario

- We may raise the ratings if the insurer significantly enhances its competitive position with a solid franchise and strong position in the domestic market, while maintaining a satisfactory operating performance. However, we view this scenario as remote over the next one to two years.

Ratings Score Snapshot

Union Insurance Co. Ltd.	To	From
Business risk profile	Satisfactory	Satisfactory
Competitive position	Satisfactory	Satisfactory
IICRA	Intermediate	Intermediate
Financial risk profile	Very strong	Very strong
Capital and earnings	Very strong	Very strong
Risk exposure	Moderately low	Moderately low
Funding structure	Neutral	Neutral
Modifiers		
Governance	Neutral	Neutral
Liquidity	Adequate	Exceptional
Financial strength rating	twAA	twAA

IICRA--Insurance Industry And Country Risk Assessment.

Related Criteria & Research

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- 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, Nov. 11, 2021

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

Ratings List

Ratings Affirmed

Union Insurance Co. Ltd.

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.

Copyright © 2023 by Taiwan Ratings Corporation (TRC). All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of TRC. The Content shall not be used for any unlawful or unauthorized purposes. TRC and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively TRC Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. TRC Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. TRC DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall TRC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. TRC's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. TRC assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. TRC does not act as a fiduciary or an investment advisor except where registered as such. While TRC has obtained information from sources it believes to be reliable, TRC does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, TRC reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. TRC disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

TRC keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of TRC may have information that is not available to other TRC business units. TRC has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

TRC receives compensation for its solicited ratings and certain analyses, normally from issuers, originators, arrangers, or underwriters of securities or from obligors. TRC reserves the right to disseminate its opinions and analyses. TRC's public ratings and analyses are made available on its Web sites, www.taiwanratings.com (free of charge), and rrs.taiwanratings.com.tw (subscription), and may be distributed through other means, including via TRC publications and third-party redistributors. Please click [here](#) for any other conflict of interests that may affect the credit rating as requested by the regulator.