

Media Release:

Taiwan Fire & Marine Insurance 'twAA' Ratings Affirmed Following Revised Capital Model Criteria; Outlook Remains Stable

November 29, 2023

Overview

- On Nov. 15, 2023, S&P Global Ratings published its revised criteria for analyzing insurers' risk-based capital (see "Insurer Risk-Based Capital Adequacy--Methodology And Assumptions").
- We reviewed our ratings on **Taiwan Fire & Marine Insurance Co. Ltd.** under the revised criteria, with no impact on the ratings.
- We affirmed our 'twAA' long-term financial strength and issuer credit ratings on Taiwan Fire & Marine Insurance.
- The stable rating outlook reflects our view that the Taiwan-based property and casualty insurer will maintain its key credit metrics with the help of very strong capital and earnings over the next two years.

Rating Action

On Nov. 29, 2023, Taiwan Ratings Corp. affirmed its 'twAA' long-term financial strength and issuer credit ratings on Taiwan Fire & Marine Insurance. The outlook on the ratings remains stable.

Impact Of Revised Capital Model Criteria

- Our revised criteria has no impact on our assessment of Taiwan Fire & Marine Insurance's capital adequacy. Our analysis indicates the insurer will maintain very strong capital and earnings over the next one to two years.
- We have captured the benefits of risk diversification more explicitly in our analysis. This supports the insurer's capital adequacy. A recalibration of our capital charges to higher confidence levels and capital requirements that vary from one-in-200 to one-in-500 years in different stress scenarios of catastrophe risks somewhat offsets these benefits.

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Credit Highlights

Overview

Key strengths	Key risks
Excellent capital adequacy relative to risk profile.	Smaller scale and less geographically diversified than regional peers.
Satisfactory underwriting performance with prudent underwriting control.	Small capital size, implying greater vulnerability to underwriting and financial losses.

Outlook

The stable outlook on the ratings on Taiwan Fire & Marine Insurance reflects our view that the insurer will maintain its key credit metrics with the help of very strong capital and earnings over the next two years. The outlook also reflects our view that the insurer will be prudent in business growth and maintain satisfactory underwriting performances over the next two years, given its strategic focus on profitability.

Downside scenario

We may lower the ratings on Taiwan Fire & Marine Insurance if we lower our assessment of its capital and earnings from very strong to strong, mainly due to weakening capitalization over the next two years. Such weakening could result from higher financial-market volatility that the insurer anticipates with sizable losses from its investment portfolio, overly aggressive growth, or heightened risk exposure to market volatility.

Upside scenario

We may raise the ratings on Taiwan Fire & Marine Insurance if we raise our assessment of the insurer's competitive position to strong from satisfactory currently. This could result from material improvements in the insurer's domestic market share.

At the same time, Taiwan Fire & Marine Insurance would have to deliver above-average underwriting performances and stable contributions from total premiums from its own distribution channel. We also view this scenario to be unlikely over the next two years.

Rationale

The ratings on Taiwan Fire & Marine Insurance reflect our view of the insurer's very strong capital and earnings and prudent capital management. These provide a good buffer against potential business downturns and capital market volatility.

We also view Taiwan Fire & Marine Insurance as having a satisfactory competitive position, with support from its good underwriting performance. The insurer's smaller scale and lesser geographical diversification than regional peers somewhat offset these strengths.

Taiwan Fire & Marine Insurance will maintain its satisfactory position in Taiwan's property and casualty market, given its prudent growth strategies and niche in key business lines such as domestic residential fire protection. However, we assess the insurer will maintain a small overall market share by direct premiums.

Ratings Score Snapshot

Taiwan Fire & Marine Insurance Co. Ltd.

Financial strength rating	twAA
Anchor	a-
Business risk	Satisfactory
IICRA	Intermediate risk
Competitive position	Satisfactory
Financial risk	Very strong
Capital and earnings	Very strong
Risk exposure	Moderately low
Funding structure	Neutral
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Comparable ratings analysis	0
Support	0
Group support	0
Government support	0
IICRA--Insurance And Country Risk Assessment	

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions - November 15, 2023
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Principles Of Credit Ratings - February 16, 2011

Related Research

- Taiwan Ratings' Ratings Definitions, Nov. 11, 2021

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

Ratings List

Ratings Affirmed

Taiwan Fire & Marine Insurance Co. Ltd.

Financial Strength Rating	twAA/Stable/--
Issuer Credit Rating	twAA/Stable/--

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