

Media Release:

Shinkong Insurance Co. Ltd. '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 have reviewed our ratings on Shinkong Insurance Co. Ltd. under the revised criteria, with no impact on the ratings.
- We affirmed the 'twAA+' long-term financial strength and issuer credit ratings on Shinkong Insurance.
- The outlook on the ratings remains stable to reflect our view that the property and casualty insurer will maintain very strong capital and earnings as well as a prudent hedging policy and investment strategy over the next two years.

Rating Action

On Nov. 29, 2023, Taiwan Ratings Corp. affirmed its 'twAA+' long-term insurer financial strength and issuer credit ratings on **Shinkong Insurance Co. Ltd.** The outlook on the ratings remains stable.

Impact Of Revised Capital Model Criteria

- We see no impact of the revised criteria on our assessment of Shinkong Insurance's capital adequacy. The analysis indicates that the company's capital and earnings would remain very strong over the next one to two years.
- We've 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 requirement that vary from one-in-200 to one-in-500 years in different stress scenarios on catastrophe risks somewhat offsets these benefits.

PRIMARY CREDIT ANALYST

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

SECONDARY CONTACT

Serene Hsieh, CPA, FRM
Taipei
+886-2-2175-6820
serene.hsieh
@spglobal.com
serene.hsieh
@taiwanratings.com.tw

Credit Highlights

Overview

Key strengths	Key risks
Excellent capital adequacy relative to its risk profile.	Relatively small scale and less geographic diversity than its international peers, despite ranking third largest in Taiwan's property & casualty (P/C or non-life) insurance market.
Strong business position with good underwriting records.	High investment concentration risks in the financial sector, which is a common feature among P/C insurers in Taiwan.

Outlook

The stable rating outlook reflects our view that Shinkong Insurance will maintain very strong capital and earnings as well as a prudent hedging policy and investment strategy over the next two years. We see the insurer continuing to focus on good quality investments that uphold its very strong financial risk profile over the same period. Shinkong Insurance is also likely to maintain its satisfactory operating performance, supported by steady business flows from its controlled distribution channels.

Downside scenario

We may lower the ratings on Shinkong Insurance if:

- The company's risk exposure increases materially, which includes loosening control over its foreign exchange risk exposure and investment concentration risk; or
- The insurer's high-risk assets increase significantly and negatively affect our assessment of its capitalization.

Upside scenario

We consider an upgrade as remote over the next two years because it would require Shinkong Insurance to increase its total adjusted capital base by at least threefold to more than US\$1 billion. This would demonstrate materially stronger capital resilience and bring its capital base nearer to our threshold for a higher rating, assuming all other factors remain unchanged.

Rationale

The ratings on Shinkong Insurance continue to reflect our view of the insurer's strong competitive position as indicated by its favorable underwriting performance and well-controlled distribution channels. The ratings also reflect the insurer's very strong capital and earnings and adequate investment allocation profile. These provide a good buffer against business downturns and capital market volatility.

Shinkong Insurance is the third largest P/C insurer in Taiwan; however, the insurer's smaller scale and less geographic business diversification than its international peers somewhat counterbalance its rating strengths.

Ratings Score Snapshot

Shinkong Insurance Co. Ltd.

Financial strength rating	twAA+
Business risk	Strong
IICRA	Intermediate risk
Competitive position	Strong
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 Industry And Country Risk Assessment

Related Criteria & Research

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov 15 2023
- General Criteria: National And Regional Scale Credit Ratings Methodology, Jun 08 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct 10 2021
- General Criteria: Group Rating Methodology, Jul 01 2019
- Criteria | Insurance | General: Insurers Rating Methodology, Jul 01 2019
- General Criteria: Principles Of Credit Ratings, Feb 16 2011

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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

Ratings List

Ratings Affirmed

Shinkong Insurance Co. Ltd.

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

Media Release: Shinkong Insurance Co. Ltd. 'twAA+' Ratings Affirmed Following Revised Capital Model Criteria; Outlook Remains 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.

Media Release: Shinkong Insurance Co. Ltd. 'twAA+' Ratings Affirmed Following Revised Capital Model Criteria; Outlook Remains Stable

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.