

Media Release:

Nan Shan Life 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 Nan Shan Life 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 Nan Shan Life, and the 'twAA-' long-term issue rating on the insurer's unsecured subordinated corporate bond.
- We removed the ratings on Nan Shan Life from under criteria observation (UCO) where we placed them on Nov. 16, 2023.
- The outlook remains stable, reflecting our expectation that Nan Shan Life's capital and earnings will remain satisfactory 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 **Nan Shan Life Insurance Co. Ltd.** The outlook on the rating remains stable. We also affirmed the 'twAA-' long-term issue rating on the insurer's unsecured subordinated corporate bond. At the same time, we removed all the ratings from under criteria observation (UCO) where we placed them on Nov. 16, 2023.

Impact Of Revised Capital Model Criteria

- Nan Shan Life's capital adequacy at the end of 2022 benefited from the revised criteria because of the full inclusion of value-in-force, instead of 50% in the previous criteria.
- In our forecast, Nan Shan Life's capital and earnings assessment will remain at a satisfactory level until at least 2025, considering the insurer's resumed business growth and investment strategy for the next two years.

PRIMARY CREDIT ANALYST

Eunice Fan
Taipei
+886-2-2175-6818
eunice.fan
@spglobal.com
eunice.fan
@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
Strong business position as one of the top three players in Taiwan's life insurance sector.	Average capital adequacy by local comparison, albeit slightly worse than similar rated global peers.
High level of controllable distribution channels.	Higher foreign exchange risk exposure and investment leverage than its regional peers

Well-established scale advantage.

Outlook

The stable rating outlook reflects our expectation that Nan Shan Life's capital and earnings will remain satisfactory over the next two years, supported by moderate premium growth that focuses on long-tenor, protection type products.

In addition, we believe Nan Shan Life will maintain its investment risk exposure through close monitoring and proactive risk control amid volatile market conditions. We anticipate no structural change on the investment mix, but a slight increase in equity exposure for the next two years.

In our view, the insurer's operations will remain independent of its two main shareholders--Taiwan-based Ruentex and Pou Chen Corp. groups--under Taiwan's regulatory framework for financial service sectors.

Downward scenario

We may lower the ratings on Nan Shan Life if:

- The insurer pursues aggressive business growth or investment risk appetite, causing its capitalization to fall below satisfactory levels over the next two years; or
- The insurer's competitive strength weakens.

Upward scenario

We may raise the ratings on Nan Shan Life if:

- The insurer's capital and earnings strengthens to a strong level. This could be via prudent business growth and investment appetite, or higher value in force than we expect through sale of more value creation products; or
- Its investment risk profile improves, possibly through improved foreign exchange risk exposure or investment leverage that becomes comparable to those of regional peers via a prudent risk appetite and risk controls.
- In both scenarios, the insurer will need to demonstrate that its competitive strength, such as business momentum and product comprehensiveness, is comparable with similar-rated peers in the domestic market.

Rationale

The ratings on Nan Shan Life reflect our view on the insurer's very strong competitive position with resilient distribution network and scale advantage. Counterbalancing these strengths are the company's satisfactory but slightly weaker capitalization than regional peers and higher foreign exchange risk exposure compared with the local average.

We expect Nan Shan Life's capital and earnings to remain at satisfactory level for the next two years, given its resumed business growth and investment strategy. The insurer's capital adequacy benefits from the revised criteria on full inclusion of value-in-force for calculation in 2022. However, we factor in moderate premium growth and slightly increased asset allocation to equity from a low base in 2022. As a result, we estimate the company's capital adequacy will decline slightly over the next two years.

We continue to observe Nan Shan Life's progress in resuming a full scope of product offerings, including investment-linked products, that will help restore comparable momentum with similar-rated peers'. The capital and earnings assessment could improve if the insurer has more controlled business growth and a prudent investment appetite for the next two years.

Ratings Score Snapshot

Nan Shan Life Insurance Co. Ltd.

Financial strength rating	twAA
Anchor	bbb+
Business risk	Strong
IICRA	Moderately high
Competitive position	Very strong
Financial risk	Fair
Capital and earnings	Satisfactory
Risk exposure	Moderately high
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

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions - November 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions - March 02, 2022
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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

Ratings List

Ratings Affirmed

	To	From
Nan Shan Life Insurance Co. Ltd.		
Financial Strength Rating	twAA/Stable/--	twAA(uco)/Stable/--
Issuer Credit Rating	twAA/Stable/--	twAA(uco)/Stable/--
Unsecured Subordinated Corporate Bond	twAA-	twAA-(uco)

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: Nan Shan Life 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.