

Media Release:

Central Reinsurance Corp. 'twAA+' Ratings Affirmed Following Revised Capital Model Criteria; Outlook Remains Stable

January 18, 2024

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 **Central Reinsurance Corp.** (Central Re) under the revised criteria, with no impact on the ratings.
- We affirmed the 'twAA+' long-term financial strength and issuer credit ratings on Central Re.
- The outlook on the ratings remains stable to reflect our view that the reinsurer will maintain its very strong capital and earnings over the next one to two years. This would be through prudent growth and a moderate risk appetite for catastrophe and investment risks.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA+' long-term insurer financial strength and issuer credit ratings on Central Re. 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 Central Re's capital adequacy. The analysis indicates that the company's capital and earnings will remain very strong over the next one to two years.
- We've captured the benefits of risk diversification more explicitly in our analysis, which 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 years to one-in-500 years in different stress scenarios on catastrophe risks somewhat offset these benefits.

PRIMARY CREDIT ANALYST

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

SECONDARY CONTACT

Patty Wang
Taipei
+886-2-2175-6823
patty.wang
@spglobal.com
patty.wang
@taiwanratings.com.tw

Credit Highlights

Overview

Key strengths	Key risks
Strong direct relationships with local clients and solid domestic market position.	Small scale and less geographic diversification than other reinsurers in Asia.
Excellent capital adequacy, albeit partly offset by the insurer's small capital base.	Volatile nature of the reinsurance business, given its exposure to catastrophe risks.
Satisfactory operating performance compared with regional peers.	Higher foreign exchange risk exposure than regional peers.

Outlook

The stable rating outlook reflects our view that Central Re will maintain very strong capital and earnings through prudent growth and a moderate risk appetite for catastrophe and investment risks over the next one to two years. That's despite the company's smaller absolute capital size compared with other international reinsurers. We also anticipate that Central Re will maintain its solid domestic market position and remain prudent in exploring the international reinsurance market over the same period.

Downside scenario

We may lower the ratings on Central Re if:

- The company's capitalization weakens due to aggressive balance sheet expansion, significant investment losses, or severe underwriting losses without proactive capital planning; or
- The reinsurer no longer has a competitive advantage in the local market, as demonstrated by a significant loss of market share.

Upside scenario

We may raise the ratings on Central Re if the company can maintain profitable growth with a sustainable track record and increase its business scale to be more comparable with that of similarly rated regional reinsurers.

Rationale

The ratings on Central Re reflect the company's strong direct relationships with local clients, as well as its solid domestic market position, very strong capital and earnings, and diversified and prudent investment profile. In addition, the ratings reflect the company's good risk controls with satisfactory operating performance after excluding the one-off claim effect from COVID-related policies in 2022. The company's combined ratio was around 98% for the first nine months of 2023, which remains satisfactory by comparison with its international peers.

Central Re is the only domestic reinsurer in Taiwan, where it holds a strong competitive position; however, several factors somewhat offset these rating strengths. These include Central Re's small scale and less geographic diversification than other reinsurers in Asia, as well as the volatile nature of the reinsurance business, given its exposure to catastrophe risks.

Ratings Score Snapshot

Central Reinsurance Corp.

Financial strength rating	twAA+
Business risk	Strong
IICRA	Intermediate risk
Competitive position	Strong
Financial risk	Strong
Capital and earnings	Very strong
Risk exposure	Moderately High
Funding structure	Neutral
Modifiers	
Governance	Neutral
Liquidity	Adequate
Comparable ratings analysis	0
Support	0
Group support	0
Government support	0

IICRA--Insurance Industry And Country Risk Assessment

Related Criteria & Research

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology - Jun 08, 2023
- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions - Nov 15, 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

Central Reinsurance Corp.

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.

Media Release: Central Reinsurance Corp. 'twAA+' Ratings Affirmed Following Revised Capital Model Criteria; Outlook Remains Stable

Copyright © 2024 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.