

Media Release:

# Yuanta Life Insurance Co. Ltd. 'twAA' Ratings Affirmed Following Revised Capital Model Criteria; Outlook Remains Stable

January 29, 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 **Yuanta 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 Yuanta Life.
- The outlook on the ratings remains stable to reflect our view that Yuanta Life will remain a core operating under of the **Yuanta Financial Holding Co. Ltd.** (Yuanta FHC) group and our forecast that the insurer's capital and earnings will remain satisfactory over the next two years.

## Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA' long-term financial strength and issuer credit ratings on Yuanta Life. 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 Yuanta Life's satisfactory capital adequacy as of the end of 2022. The full inclusion of value of in-force (VIF) in the revised criteria enhances the insurer's total adjusted capital compared with 50% inclusion in the previous criteria. However, the impact of the insurer's duration mismatch and the capital requirement of VIF results in a higher risk-based capital amount, which somewhat offsets the benefit from this inclusion.
- We forecast Yuanta Life will maintain satisfactory capital and earnings until at least 2025, given the insurer's prudent product adjustment and investment strategy over the period.

### PRIMARY CREDIT ANALYST

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

### SECONDARY CONTACT

**Eunice Fan**  
Taipei  
+886-2-2175-6818  
eunice.fan  
@spglobal.com  
eunice.fan  
@taiwanratings.com.tw

## Credit Highlights

### Overview

Key strengths	Key risks
Support from its parent, Yuanta FHC group if needed, given the insurer's core group role.	Limited scale and high expenses during the current business expansionary phase.
High level of control over its distribution channels including direct agents and the wider parent group.	High investment concentration in the financial sector, which is a common feature among Taiwan-based life insurers.
Prudent investment appetite with fewer high-risk assets than the domestic peer average.	

## Outlook

The stable rating outlook on Yuanta Life reflects our view that the insurer will remain a core member of the parent Yuanta FHC group over the next one to two years. We also believe the insurer will maintain strong control over its distribution network and continue to develop its investment-linked product range. We assess Yuanta Life's capitalization will be satisfactory over the next one to two years, given the insurer's slowing investment asset growth over the same period. At the same time, we forecast Yuanta Life will maintain prudent risk controls over its investment portfolio, with diversified fixed-income investments and satisfactory credit quality.

### Downside scenario

We could lower the ratings on Yuanta Life if:

- We assess the parent Yuanta FHC group credit profile has weakened, given that we view the insurer as core to the parent group's operating objectives.

### Upside scenario

We could revise the outlook to stable if:

- The parent Yuanta FHC group improves its risk adjusted capital ratio sustainably above 15%. Nonetheless, we view an upgrade to be unlikely over the next one or two years.

## Rationale

The ratings on Yuanta Life reflect our view on the insurer's satisfactory competitive position with a resilient distribution network within its group affiliates. We estimate the company's 2022 return on average assets to be around 0.47% and we expect Yuanta Life to retain all earnings to support its business growth plan based on the insurer's prudent capital policy. Our base case factors in moderate premium growth and stable asset allocation. As a result, we estimate the company's capital adequacy will decline slightly over the next two years but remain within our assessment of satisfactory.

Yuanta Life seeks to resume the sale of a full range of product offerings, including investment-linked products. This should help to restore its business momentum to a level comparable with similar-rated peers. We believe the insurer will continue to closely align its investment strategy with its asset and liability management.

## Ratings Score Snapshot

### Yuanta Life Insurance Co. Ltd.

Financial strength rating	twAA/Stable/--
Business risk profile	Fair
IICRA	Moderately high risk
Competitive position	Satisfactory
Financial risk profile	Satisfactory
Capital and earnings	Satisfactory
Risk exposure	Moderately low
Funding structure	Neutral
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Comparable ratings analysis	0
IICRA--Insurance And Country Risk Assessment	

## Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions - November 15, 2023
- 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

## Related Research

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

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## Ratings List

### Ratings Affirmed

#### Yuanta Life Insurance Co. Ltd.

Financial Strength Rating	twAA/Stable/--
Issuer Credit 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](http://www.taiwanratings.com) for further information. Complete ratings information is available to subscribers of Rating Research Service at [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw). All ratings affected by this rating action can be found on Taiwan Ratings' public website at [www.taiwanratings.com](http://www.taiwanratings.com).

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