

Media Release:

The First Insurance Co. Ltd. Ratings Affirmed On Revised Capital Model Criteria; Outlook Remains Stable

February 23, 2024

Overview

- On Nov. 15, 2023, we published our revised criteria for analyzing insurers' risk-based capital (see "Insurer Risk-Based Capital Adequacy – Methodology And Assumptions").
- The implementation of the revised criteria has minimum impact on our assessment of **The First Insurance Co. Ltd.'s** credit profile.
- We affirmed our 'twAA' long-term issuer credit rating and financial strength rating on First Insurance.
- The stable rating outlook reflects our view that the insurer will maintain very strong capital and earnings over the next one to two years and that its underwriting performance will remain in line with the domestic average over the same period.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA' long-term issuer credit rating and financial strength rating on First Insurance. The outlook on the long-term ratings remains stable.

Impact of Revised Capital Model Criteria

- Our revised criteria has no material impact on our assessment of First Insurance's overall credit worthiness. Our analysis indicates the insurer will maintain very strong capital and earnings over the next one to two years.
- We've captured the benefits of risk diversification more explicitly in our analysis, which supports the issuer'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.

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Credit Highlights

Overview

Key strengths

Very strong capital and earnings relative to its risk profile.

Exceptional liquidity, given its satisfactory cash level on hand and no immediate large cash outflow needs.

Key risks

Small operating scale in Taiwan's competitive property & casualty (P/C) market.

Small capital size, which makes the company more vulnerable to market volatility and catastrophe risk.

Outlook

The stable rating outlook reflects our assessment that First Insurance's underwriting performance will remain in line with the domestic average over the next one to two years. The company is likely to maintain its current competitive position. That's despite the possibility of registering premium growth at slightly below the local peer average over the same period, given the insurer will maintain its risk-adjusted pricing strategy. We also expect First Insurance to maintain very strong capital and earnings, which continue to serve as a good buffer against investment volatility.

Downside scenario

We may lower the ratings if:

- First Insurance's capital and earnings deteriorate significantly, or
- The insurer demonstrates a more aggressive investment risk appetite and heightened investment leverage over the coming one to two years.

Upside scenario

Conversely, we may raise the ratings if:

- First Insurance enhances its competitive and market position while maintaining a similar or better underwriting performance than the local peer average. However, we see a low possibility of this low over the next one to two years amid stiff industry competition.

Rationale

The ratings reflect the insurer's very strong capital and earnings, adequate investment risk profile, and exceptional liquidity. First Insurance's moderate business scale in Taiwan's competitive P/C market and less geographic business diversification than regional peers somewhat temper these strengths.

We expect First Insurance to remain a midsize P/C insurer in its key market of Taiwan, given stiff market competition and the insurer's conservative case selection. First Insurance has a market share of 3.4% by total premiums as of the end of 2023.

Rating Score Snapshot

First Insurance Co. Ltd. (The)

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
Comparative rating analysis	0
Support	0
Group support	0
Government support	0

IICRA—Insurance Industry And Country Risk Assessment. *The anchor reflects the relative strength of First Insurance's business franchise and distribution channels compared to similar sized peers.

Related Criteria & Research

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- General Criteria: Group Rating Methodology - July 01, 2019
- 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
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy – Methodology And Assumptions – November 15, 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

The First Insurance Co. Ltd.

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

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