

Media Release:

Taishin Life Insurance Co. Ltd. 'twAA-' Ratings Affirmed On Revised Capital Model Criteria; Outlook Remains Stable

March 20, 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 the credit profile of **Taishin Life Insurance Co. Ltd.** and we believe Taishin Life will maintain fair financial strength over the next two years.
- We have affirmed our 'twAA-' long-term issuer credit rating and financial strength rating on Taishin Life.
- The stable rating outlook reflects our view that Taishin Life will remain a core entity under the **Taishin Financial Holding Co. Ltd.** (Taishin FHC) group. Therefore, our ratings on Taishin Life will move in tandem with the direction of the group credit profile.

Rating Action

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

Impact Of Revised Capital Model Criteria

- Our revised criteria has no material impact on our assessment of Taishin Life's overall creditworthiness. Our analysis indicates the insurer will maintain fair 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 insurer's capital adequacy. We have revised our calculation of total adjusted capital (TAC) to reduce complexity and align with changes to our measure of an insurer's risk-based capital requirements, including removing haircuts to value of in-force.

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Credit Highlights

Overview

Key strengths	Key risks
Support from the parent, Taishin FHC group, if needed, given the insurer's core group role.	Capital strength is slightly below the domestic peer average.
High level of control over distribution channels mainly through cross-selling by group affiliates and tied agents.	Limited scale and high expense under the current rapid expansion phase constrain earnings.
Satisfactory investment risk profile featured by controllable foreign exchange (forex) risks and satisfactory asset quality of fixed-income securities.	

Outlook

The stable rating outlook reflects our view that Taishin Life will remain a core entity under the Taishin FHC group. Therefore, our ratings on Taishin Life will move in tandem with the direction of the group credit profile, which is anchored by **Taishin International Bank Co. Ltd.** We forecast Taishin Life will report high growth in first year premiums over the next two years by leveraging the group's bancassurance model. We also believe the parent group will provide necessary support as Taishin Life expands under the group's bancassurance strategy.

In addition, we believe Taishin Life will increase its allocation to overseas fixed-income securities by lowering its investment in Taiwan government bonds. The insurer is also likely to adopt a prudent forex hedging mechanism for new investments in overseas fixed-income securities. Therefore, we forecast the insurer's net forex exposure will remain at or below the domestic average.

Downward scenario

We may lower the ratings on Taishin Life if:

- Taishin International Bank fails to sustain strong capitalization due to aggressive business expansion, or if the bank incurs sizeable credit losses. A risk-adjusted capital (RAC) ratio below 10% over the next one to two years would indicate such a decline in capitalization; or
- The bank's asset quality deteriorates significantly due to loosening credit risk controls or a heightened risk appetite. However, we believe both scenarios are unlikely over the next one to two years, given the group's prudent risk and capital management.

Upward scenario

We may raise our ratings on Taishin Life if Taishin International Bank can strengthen its capitalization with a RAC ratio sustainably above 15% while maintaining adequate risk management and asset quality over the next one to two years. However, we view such improvement to be highly unlikely considering the group's business growth strategy over the same period.

Rationale

The ratings on Taishin Life continue to reflect the high likelihood of support from its parent group, if needed, given the insurer's core group status. The ratings also reflect our expectation that Taishin Life will maintain a high level of control over distribution channel and a satisfactory investment risk profile over the next one to two years. Counterbalancing these strengths are the insurer's capitalization, which is slightly below the domestic peer average, as well as its limited business scale and higher expense ratio under the insurer's current expansionary phase.

Our revised criteria has no material impact on our assessment of Taishin Life's capital and earnings. In our view, Taishin Life will maintain fair capitalization up to 2025. That's despite improvement to our assessment of satisfactory capitalization in 2022. We anticipate Taishin Life's capital adequacy will remain fair up to 2025 which takes into consideration the insurer's plan for above-average business growth and an increasing appetite for high-risk assets such as equities over the period. This will result in higher growth in the insurer's capital requirement than in TAC.

In our opinion, Taishin Life forms a close fit with Taishin FHC group's strength in wealth management. We see the company's role to help preserve customers' assets under the group's management is more relevant from the perspective of the group's overall bancassurance strategy. We also believe Taishin FHC is strongly committed to maintaining the insurer's financial strength.

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
- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions - November 15, 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 Score Snapshot

Taishin Life Insurance Co. Ltd.

Financial strength rating	twAA-
Business risk	Fair
Competitive position	Satisfactory
IICRA	Moderately high
Financial risk	Fair
Capital and earnings	Fair
Risk exposure	Moderately low
Funding structure	Neutral

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Modifiers

Governance	Neutral
Liquidity	Exceptional

IICRA--Insurance Industry And Country Risk Assessment.

Ratings List

Ratings Affirmed; Outlook

Taishin Life Insurance Co. Ltd.

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.

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