

Media Release:

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

April 2, 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 **Taiwan Life Insurance Co. Ltd.** and we believe Taiwan Life can maintain fair financial strength over the next two years.
- We affirmed the 'twAA' long-term issuer credit and financial strength ratings on Taiwan Life as well as the 'twAA-' issue credit rating on the insurer's unsecured subordinated corporate bond.
- The stable rating outlook reflects our view that Taiwan Life can maintain a fair financial profile as well as core group status within the **CTBC Financial Holding Co. Ltd.** (CTBC FHC) group over the next two years.

## Rating Action

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

## Impact Of Revised Capital Model Criteria

- Our revised criteria have no material impact on our assessment of Taiwan 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 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 (VIF).

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## Credit Highlights

### Overview

Key strengths	Key risks
High likelihood of support from the financially stronger parent, CTBC FHC group.	Slightly weaker capital adequacy than the average for similarly sized peers based on our risk-adjusted model.
Stable performance supported by leading position in the local bancassurance market.	Higher financial leverage exposure than regional peers' and high investment concentration risk on the financial sector by global standards.

## Outlook

The stable rating outlook reflects our view that Taiwan Life will remain a core member of CTBC FHC group. The ratings on the insurer will therefore move in tandem with the direction of the consolidated group stand-alone credit profile (SACP). The outlook also reflects our view that Taiwan Life will maintain its current market position with stable earnings performance over the next two years.

### Downward scenario

We may lower the ratings on Taiwan Life if we lower our assessment of the group SACP, which could happen if the group and its subsidiaries pursue high growth, without adequate capital planning or a risk management mechanism to manage such growth. Substantial weakening in our assessment of the SACP for the group's banking unit, **CTBC Bank Co. Ltd.** (twAA+/Stable/twA-1+) or Taiwan Life, could also result in deterioration of the group credit profile over the next one to two years. However, we see this as unlikely.

### Upward scenario

We may raise the ratings on Taiwan Life if we raise our assessment of the group SACP. This could occur if the group improves its capitalization, particularly at Taiwan Life, which could result from a prudent business strategy and good earnings retention over the coming two years. Nonetheless, we believe the likelihood of an upgrade is remote over the same period.

## Rationale

**The ratings continue to reflect Taiwan Life's strong competitive position in Taiwan's life insurance sector, underpinned by the insurer's solid operating performance.** In our view, Taiwan Life holds the leading position in Taiwan's bancassurance segment by market share, supported by Taiwan Life's satisfactory product offering capability, flexible channel strategy, and resilient distribution network within its group affiliates. Counterbalancing these strengths are the insurer's capitalization, which is slightly weaker than that of domestic peers of a similar scale, as well as Taiwan Life's higher financial leverage exposure and high investment concentration risk on the financial sector by global standards.

**Our revised criteria have no material impact on our assessment of Taiwan Life's capital and earnings.** The insurer's capital adequacy has stabilized following the negative impact of COVID-19 related losses from its subsidiary, CTBC Insurance Co. Ltd. We anticipate Taiwan Life's capital adequacy will remain fair up to 2025, which takes into consideration the insurer's plan for low double-digit premium growth and low single-digit VIF growth. VIF growth remains constrained by

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potentially unfavorable economic assumption changes that may occur if the investment market performs outside the insurer's expected range.

**Taiwan Life remains a core subsidiary of the CTBC FHC group.** The insurer's operations are highly consistent with the parent group's franchise, with Taiwan Life supporting the implementation of group strategies. This underpins our view that the insurer would receive a high level of support from the parent group under all circumstances. Taiwan Life represents a significant part of bank-centric CTBC FHC group in terms of net worth, total assets, and profit contribution.

## Ratings Score Snapshot

### Taiwan Life Insurance Co. Ltd.

<b>Business Risk Profile</b>	<b>Satisfactory</b>
Competitive position	Strong
IICRA	Moderately high
<b>Financial Risk Profile</b>	<b>Fair</b>
Capital and earnings	Fair
Risk exposure	Moderately low
Funding structure	Neutral
<b>Modifiers</b>	
Governance	Neutral
Liquidity	Exceptional
<b>Financial strength rating</b>	twAA

IICRA--Insurance Industry And Country Risk Assessment.

## 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 - November 11, 2021

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## Ratings List

### Ratings Affirmed

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#### Taiwan Life Insurance Co. Ltd.

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Issuer Credit Rating	twAA/Stable
Financial Strength Rating	twAA/Stable
Series 112-1A Ten-year Unsecured Subordinated Corporate Bond	twAA-

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