

Media Release:

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

April 3, 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 **Taian Insurance Co. Ltd.**
- We affirmed our 'twAA' long-term issuer credit and financial strength ratings on Taian Insurance.
- The stable rating outlook reflects our expectation that the Taiwan-based property and casualty (P/C) insurer can maintain its very strong financial strength over the next two years.

Rating Action

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

Impact Of Revised Capital Model Criteria

- Our revised criteria have no material impact on our assessment of Taian Insurance's overall creditworthiness. 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 insurer's capital adequacy. However, the recalibration of our capital charges to higher confidence levels, especially for net catastrophe risk exposure, somewhat offsets these improvements.

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Credit Highlights

Overview

Key strengths	Key risks
Very strong capital and earnings relative to risk profile.	Smaller scale and less geographically diverse than other regional peers.
Satisfactory investment risk profile with limited foreign exchange (forex) risks.	Small capital base, which is generally more susceptible to a single event.

Outlook

The stable rating outlook reflects our view that Taian Insurance will maintain very strong capital and earnings over the next two years. This can provide a good buffer against potential losses. The outlook also reflects our assessment that the insurer will maintain satisfactory underwriting results with support from prudent underwriting and proactive business management.

At the same time, we believe Taian Insurance can preserve its competitive position in key products, particularly personal-line businesses.

Downside scenario

We may lower the ratings on Taian Insurance if:

- We lower our assessment of the insurer's capital and earnings to strong or below from very strong currently, possibly due to insufficient risk coverage (including catastrophe risks); or
- Taian Insurance's risk exposure deteriorates due to heightened exposure to forex risks or increased allocations to high-risk assets such as equities and property.

Upside scenario

We may raise the ratings if Taian Insurance improves its competitive position over the next two years. The insurer could achieve this by building a clear niche position with pricing advantages that deliver consistently above-average operating performance, while maintaining very strong capital and earnings.

Rationale

The ratings on Taian Insurance reflect the insurer's very strong capital and earnings that provides a good buffer to absorb losses, along with the insurer's good liquidity and cash flow, and satisfactory investment risk profile. Taian Insurance's smaller scale and less geographic business diversification compared with those of regional peers somewhat offsets these strengths.

We believe Taian Insurance is likely to pursue conservative case selection and maintain its market presence as one of the key P/C insurers in Taiwan despite stiff market competition. Taian Insurance had a market share of 4.6% by direct premiums written as of the end of 2023. The company's underwriting performance remains satisfactory, with a likely combined ratio below 95% in 2023, which is better than the domestic average.

Ratings Score Snapshot

Taian Insurance Co. Ltd.

Financial strength rating	twAA
Business risk	Satisfactory
Competitive position	Satisfactory
IICRA	Intermediate
Financial risk	Very strong
Capital and earnings	Very strong
Risk exposure	Moderately low
Funding structure	Neutral
Modifiers	
Governance	Neutral
Liquidity	Adequate
Comparable Ratings Analysis	0

IICRA--Insurance Industry And Country Risk Assessment.

Related Criteria & Research

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

Taian 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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