

Media Release:

Union Insurance Co. Ltd. Ratings Affirmed At 'twAA'; Outlook Stable

September 25, 2024

Overview

- We believe **Union Insurance Co. Ltd.'s** prudent capital policy will help it maintain very strong capital and earnings over the next two years.
- The insurer's increased claim reserves following growth in premiums earned and increased equity exposure over the past few quarters have reduced its holdings of liquid assets. Therefore, we revised our assessment of the insurer's liquidity to adequate from exceptional. The revision is neutral to the ratings.
- We affirmed our 'twAA' long-term financial strength and issuer credit ratings on Union Insurance.
- The stable rating outlook reflects our expectation that the Taiwan-based property and casualty insurer will maintain a very strong financial risk profile over the next two years.

Rating Action

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

Rationale

The rating affirmation reflects our view that Union Insurance will maintain very strong capital and earnings over the next two years. The insurer's underwriting profits began to normalize in 2023 after it recorded significant losses on pandemic-related claims in 2022. The company's prudent business selection and focus on profit margin, along with the release of premium deficiency reserves, underpinned the improvements in its underwriting profits. As a result, the company's combined ratio improved to 96.2% in 2023 and 95.3% for the first half of 2024, from 110.2% in 2022. The combined ratio is an indicator of profitability, with a number below 100% representing underwriting profit.

Liquidity has weakened amid rising claim reserve recognition. We revised our assessment of Union Insurance's liquidity to adequate from exceptional. This reflects the insurer's higher claim reserve recognition following premium growth and increased equity investment exposure. The revision is neutral to the insurer's overall credit profile. We believe Union Insurance will maintain adequate liquidity over the next one to two years by trimming its equity exposure.

PRIMARY CREDIT ANALYST

Josephine Ho
Taipei
+886-2-2175-6822
josephine.ho
@spglobal.com
josephine.ho
@taiwanratings.com.tw

SECONDARY CONTACT

Yuhan Lan
Taipei
+886-2-2175-6810
yuhan.lan
@spglobal.com
yuhan.lan
@taiwanratings.com.tw

Outlook

The stable rating outlook on Union Insurance reflects our view that the insurer will maintain very strong capital and earnings over the next one to two years.

We anticipate Union Insurance will keep its underwriting performance in line with its domestic peers over the same period. The satisfactory underwriting performance of Union Insurance's personal line insurance business and development of its commercial line insurance business support this view, given our assessment of the insurer's adequate underwriting skills and reinsurance arrangements.

We forecast Union Insurance will maintain a moderately low investment risk appetite with controlled exposure to equities over the next one to two years.

Downside scenario

We could lower the ratings on Union Insurance if the insurer's financial risk profile deteriorates significantly, possibly due to an aggressive increase in its investment risk appetite, or large losses that erode its capital adequacy.

Upside scenario

We may raise the ratings if the insurer significantly enhances its competitive position with a solid franchise and strong position in the domestic market, while maintaining a satisfactory operating performance. However, we view this scenario as remote over the next one to two years.

Ratings Score Snapshot

RSS	Table RSSTbl	
	To	From
Financial strength rating	twAA	twAA
Anchor	a-	a-
Business risk	Satisfactory	Satisfactory
IICRA	Intermediate	Intermediate
Competitive position	Satisfactory	Satisfactory
Financial risk	Very strong	Very strong
Capital and earnings	Very strong	Very strong
Risk exposure	Moderately low	Moderately low
Funding structure	Neutral	Neutral
Modifiers		
Governance	Neutral	Neutral
Liquidity	Adequate	Exceptional
Comparable ratings analysis	0	0
Stand-alone credit profile	a-	a-
Support	0	0
Group support	0	0
Government support	0	0
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, Nov. 11, 2021

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

Union 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.

Copyright © 2024 by Taiwan Ratings Corporation (TRC). All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of TRC. The Content shall not be used for any unlawful or unauthorized purposes. TRC and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively TRC Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. TRC Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. TRC DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall TRC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. TRC's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. TRC assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. TRC does not act as a fiduciary or an investment advisor except where registered as such. While TRC has obtained information from sources it believes to be reliable, TRC does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, TRC reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. TRC disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

TRC keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of TRC may have information that is not available to other TRC business units. TRC has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

TRC receives compensation for its solicited ratings and certain analyses, normally from issuers, originators, arrangers, or underwriters of securities or from obligors. TRC reserves the right to disseminate its opinions and analyses. TRC's public ratings and analyses are made available on its Web sites, www.taiwanratings.com (free of charge), and rrs.taiwanratings.com.tw (subscription), and may be distributed through other means, including via TRC publications and third-party redistributors. Please click [here](#) for any other conflict of interests that may affect the credit rating as requested by the regulator.