

Media Release:

Tokio Marine Nawa Insurance 'twAA+' Ratings Affirmed On Improved Capitalization; Outlook Stable

January 20, 2025

Overview

- Tokio Marine Nawa's financial strength has improved over the past few quarters with a good underwriting result in 2024. We believe the insurer will maintain capital redundancy under our severe stress scenario during 2025-2026.
- We raised our assessment of Tokio Marine Nawa's capital and earnings to strong from satisfactory. There is no change to the rating anchor of 'a-' which continues to reflect our view that the insurer's capital buffer remains small under our severe stress scenario.
- We affirmed our 'twAA+' issuer credit rating and financial strength rating on Tokio Marine Nawa.
- The stable rating outlook reflects our expectation that Tokio Marine Nawa Insurance will maintain its financial strength through enhanced risk management, prudent investment strategies, and steady earnings retention over the next two years.

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Rating Action

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

Rationale

The rating affirmation reflects the unchanged rating anchor for the insurer of 'a-' following our holistic assessment of the insurer's business and financial risk profiles. In our view, Tokio Marine Nawa will have only a small capital buffer above our threshold for the rating over the next two years. That's despite the insurer's improved financial risk profile with capital redundancy under our severe stress scenario. The capital buffer remains volatile and subject to significant changes in the insurer's business strategy and capital policy. Under the insurer's strong financial risk profile and strong business risk profile, we choose the lower potential anchor of 'a-' which is the same as our existing anchor assessment.

We forecast the insurer will maintain capital redundancy under a severe stress scenario over the next two years. Tokio Marine Nawa has strengthened its capitalization over the past year supported by solid underwriting profits and good investment returns under favorable market momentum. This is reflected in the insurer's net combined ratio of 86% for the first three quarters of 2024, which is significantly better than the domestic industry average of 92% for the same

period. We have therefore raised our assessment of Tokio Marine Nawa's capital and earnings to strong from satisfactory. A combined ratio below 100% represents underwriting profitability.

We estimate Tokio Marine Nawa maintained redundant capital adequacy in full-year 2024 under our test for a severe stress scenario (99.95% confidence level). We also forecast the insurer will maintain capital redundancy at the same confidence level during 2025-2026. We base this on our assumption that Tokio Marine Nawa will maintain a prudent financial policy and stable profitability over the same period, driven by above-average underwriting performance, stable premium growth, and steady investment returns.

Strong business risk profile reflects the insurer's good brand image. Tokio Marine Nawa is the fourth largest player by direct premiums written in Taiwan's property and casualty (P/C) insurance market with a market share of 7.6% as of Sept. 30, 2024. That's despite intense competition in the insurer's focus segment of domestic car insurance. Tokio Marine Nawa benefits from the parent Tokio Marine Group's global insurance network as well as the expertise and franchise of Taiwan-based Yulon Motor Group in the local auto sector. This support has helped the insurer to consistently manage its expense ratio below the domestic average and rank among the top motor insurers in Taiwan in 2024.

We continue to assess the insurer as a strategically important subsidiary of the Tokio Marine Group. This reflects our view of Tokio Marine Nawa's important role in the group's Greater China strategy and the insurer's significant profit contribution in the region. We assess the ratings on a strategically important subsidiary to be generally three notches higher than our assessment of its stand-alone credit profile and subject to a cap of one notch below the group credit profile on S&P Global Ratings' global rating scale.

Outlook

The stable rating outlook reflects our view that Tokio Marine Nawa will maintain its financial strength through enhanced risk management, a prudent investment strategy, and steady earnings retention over the next one to two years. We view the insurer has good control over its distribution channels, satisfactory operating efficiency, and prudent underwriting performance to support stable earnings performance over the same period. In addition, we expect Tokio Marine Nawa to remain a strategically important entity to the parent Tokio Marine Group over the period.

Downside scenario

We may lower the ratings on Tokio Marine Nawa if we lower our assessment of the company's stand-alone credit profile due to weaker operating performance or unexpected losses that materially weaken its capitalization over the next two years. We may also lower the ratings if the parent group credit profile deteriorates over the same period.

Upside scenario

We may raise the ratings on Tokio Marine Nawa if the insurer strengthens its capitalization significantly and sustainably over the next two years.

Ratings Score Snapshot

Tokio Marine Nawa Insurance Co. Ltd.

	To	From
Financial Strength Rating	twAA+	twAA+
Anchor	a-	a-
Business Risk	Strong	Strong
Competitive position	Strong	Strong
IICRA	Intermediate risk	Intermediate risk
Financial Risk	Strong	Satisfactory
Capital and earnings	Strong	Satisfactory
Risk exposure	Moderately low	Moderately low
Funding structure	Neutral	Neutral
Modifiers	0	0
Governance	Neutral	Neutral
Liquidity	Adequate	Adequate
Comparable ratings analysis	0	0
Stand-alone credit profile	a-	a-
Support	1	1
Group support	1	1
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 – November 11, 2021

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

Ratings List

Ratings Affirmed

Tokio Marine Nawa Insurance Co. Ltd.

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

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