

Media Release:

PCA Life Assurance Co. Ltd. Assigned 'twAAA' Ratings; Outlook Stable

February 20, 2025

Overview

- We view PCA Life Assurance Co. Ltd. (PCA Life Taiwan) as a highly strategic member of Prudential PLC.
- PCA Life Taiwan is highly integrated with the parent group's insurance operation and is closely linked with the group's brand and franchise.
- We are assigning our 'twAAA' long-term insurer financial strength and issuer credit ratings to PCA Life Taiwan.
- The stable outlook on PCA Life Taiwan reflects our view that the insurer will remain a highly strategic subsidiary within Prudential PLC.

Rating Action

Taiwan Ratings Corp. today assigned its 'twAAA' long-term financial strength and issuer credit ratings to PCA Life Assurance Co. Ltd. The outlook on the ratings is stable.

Rationale

The ratings on PCA Life Taiwan reflect our view of a high likelihood of extraordinary support from the company's parent, Prudential PLC, whose core entity includes Prudential Hong Kong Ltd. (rated 'AA-/Stable/--' by S&P Global Ratings). We view PCA Life Taiwan as a highly strategically important subsidiary to the parent group's operations, with high integration in terms of the group's core product offerings of savings, protection, and health insurance products.

We believe that PCA Life Taiwan's contribution to the group's annual premium equivalent (APE) continued to grow in 2024, given the insurer's strategies to strengthen its distribution and product competitiveness. The life insurer represented 15% of the group's APE in 2023, up from 11% in 2022. The contribution from its new business profit to the group's overall new business profits has also likely risen over the same period, up from 8% in 2023 and 6% in 2022. We also expect the insurer to remain a meaningful contributor to the group's core businesses for at least the next two years.

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We believe the parent group will support PCA Life Taiwan in almost any foreseeable circumstance. This is indicated by the group's long-term commitment to the Taiwan market, and the groupwide exclusive partnership with Standard Chartered Bank. PCA Life Taiwan brand and franchise are closely linked with the parent group and the insurer follows the group's risk management policy and closely collaborates with the group in terms of daily operation. This provides a clear foundation for the group to identify the subsidiary's needs and provide support in a timely manner.

PCA Life Taiwan is a small insurer in Taiwan's highly competitive life insurance market with a higher reliance on bancassurance channels and less favorable product diversity with main focus on participating products than its peers. As a result, the insurer has an above average expense to premium ratio and is more prone to premium inflow volatility risk than its peers. PCA Life Taiwan holds only around a 1% market share by total assets as of June 30, 2024. Nonetheless, the insurer's profitable track record and steady investment return somewhat offset some of these business risks. The insurer's return on average assets averaged 0.8% over 2019-2024, which is comparable to the local average of 0.7% for the same period.

We consider the insurer has a niche position in participating products and bancassurance channels. This is achieved through its good product offering, customer services, and the exclusive bancassurance scheme with Standard Chartered Bank. PCA Life Taiwan's good product capability supported by the group have enabled it to tap on strong premium growth opportunities in participating products since 2022. Recent rapid premium growth has lifted the insurer's share of the market's first year premium equivalent to 7.1% as of September 30, 2024, from 3.5% at the end of 2022.

In our view, the insurer's overall financial risk profile is about the industry average with adequate capital strength and manageable investment risks. Our assessment incorporates the life insurer's flexibility to adjust participating policyholders' bonus payments, which helps mitigate capital and earnings volatility, especially for those resulting from investment risks. We also assess the company has well established risk controls and adequate risk governance to manage risks from its investment profile, which has above-average allocation towards equity risks due to the insurer's high proportion of business in participating products.

PCA Life Taiwan has prudent liquidity management with highly liquid asset portfolio and satisfactory operating cash flows. The insurer has no covenants or collateral posting risks due to its zero-debt position.

Outlook

The stable rating outlook on PCA Life Taiwan mirrors the outlook on the other core operating subsidiaries under Prudential PLC. The outlook also reflects our belief that PCA Life Taiwan will remain an integral part of and a meaningful contributor to the group's core business as a highly-strategically important subsidiary for at least the next two years.

Downside scenario

We could lower the ratings on PCA Life Taiwan over the next two years if we lower our assessment of the Prudential PLC group credit profile. We could also lower the ratings if the insurer's importance to the group weakens to that of a strategic important entity though we consider this to be unlikely over the next two years.

Related Criteria & Research

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- 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

Related Research

- Taiwan Ratings' Ratings Definitions, Nov. 11, 2021

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

Ratings List

New Ratings

PCA Life Assurance Co. Ltd.

Financial Strength Rating	twAAA/Stable/--
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Issuer Credit Rating	twAAA/Stable/--
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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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