Taiwan Property & Casualty Insurance

Underwriting To Remain Satisfactory In 2025

中華信用評等
Taiwan Ratings
An S&P Global Company

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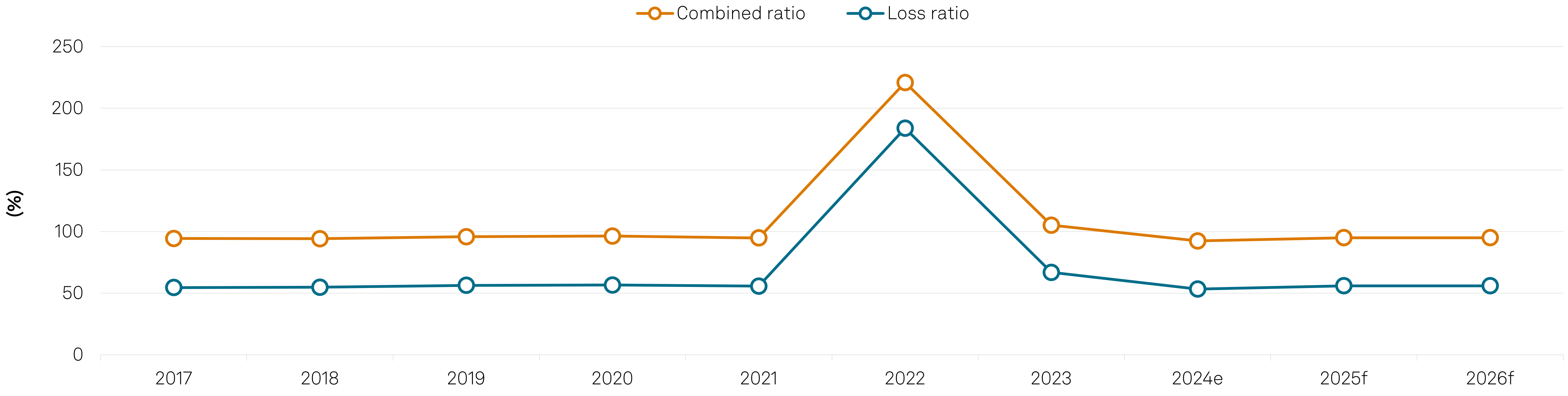
This report does not constitute a rating action

Key Takeaways

- Taiwan property and casualty (P/C) insurers will likely maintain satisfactory underwriting performance around the historical norm and stable premium growth in 2025-2026.
- The sector recorded low double-digit premium growth in 2024 with underwriting profit back around the historical norm.
- Stable demand from auto and travel insurance will continue in 2025, but growth in commercial businesses depends on reinsurance capacity and pricing, insurers' balance between costs and risk return, and corporate clients' risk retention appetite and expense control.
- Taiwan P/C insurers should be able to manage ongoing risks such as global trade and geopolitical uncertainties, the growth of cyber insurance, and the adoption of new accounting rules in 2026.
- Solid capitalization continues to support insurers' overall credit metrics.

Underwriting Profits Have Normalized

- The sector's profitable trend could continue in 2025-2026 under insurers' careful risk pricing, cost transferring, and improved risk mechanisms on new products.
- Insurers recorded a noticeable turnaround in underwriting profits in 2024. Insurers would also have been profitable in 2022-2023 if we exclude pandemic-related losses.

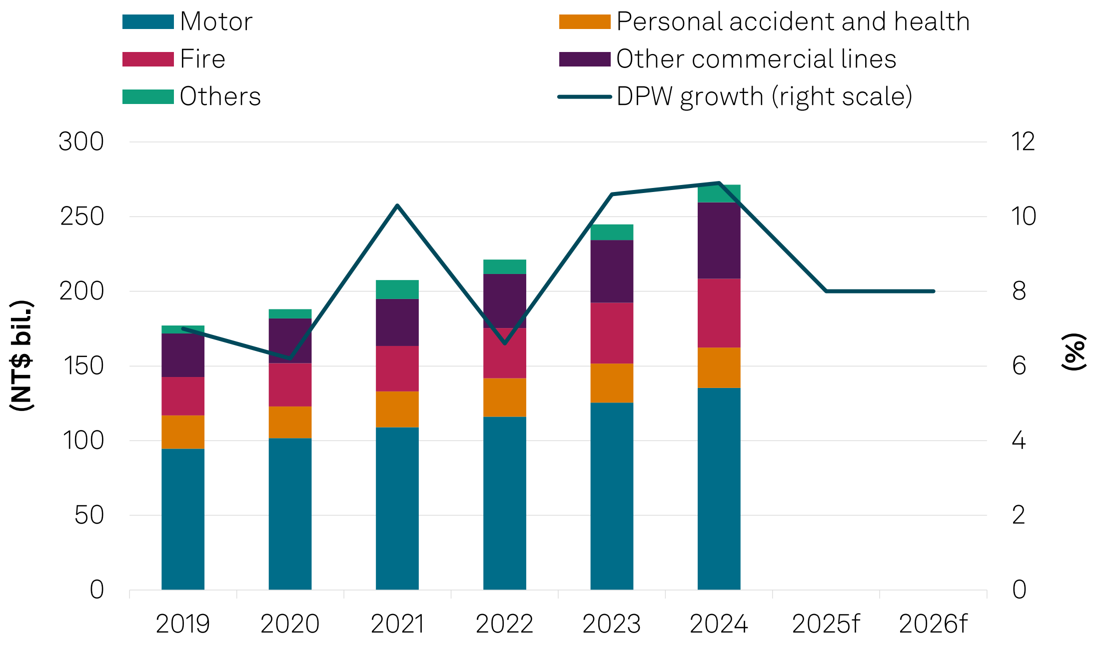


Note: Combined ratio is over premiums earned, with a number below 100% representing underwriting profits. Sources: Taiwan Insurance Institute and Taiwan Ratings Corp. estimates (e) and forecasts (f).

Premium Growth Likely Remains Healthy

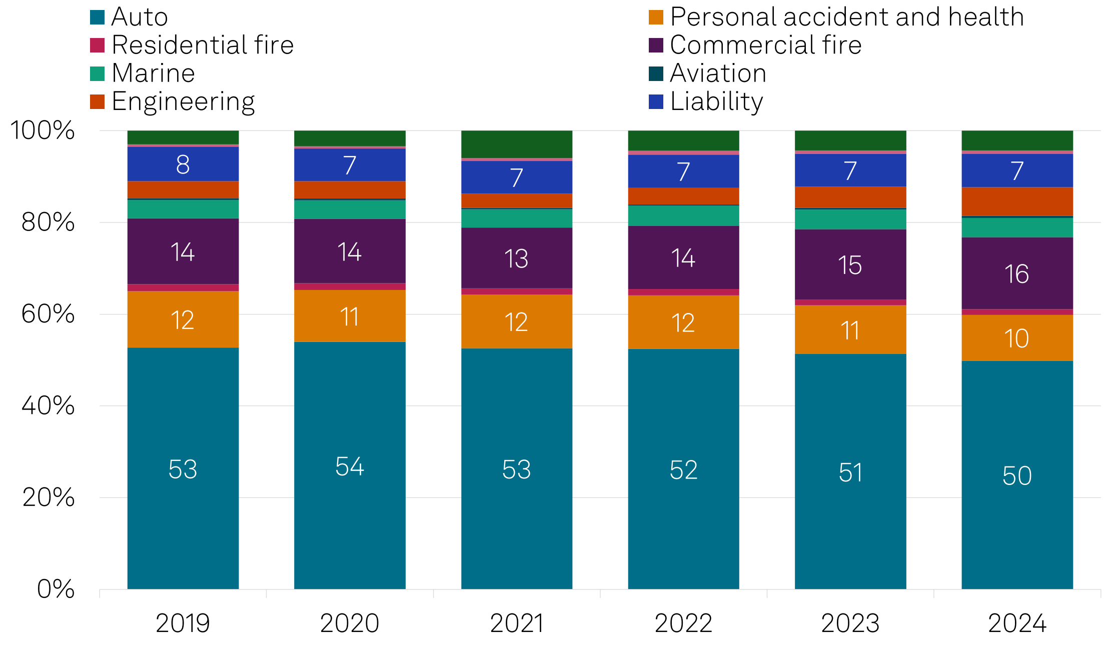
- Premium growth could continue in 2025-2026 under general market demand for annual renewals and insurers' emphasis on adequate risk pricing.
- 2024 saw strong premium growth in commercial line businesses, auto, travel, and other liability insurance. These business lines will remain the key growth drivers over the next few years.

Growth of direct premiums written (DPW)



Sources: Taiwan Insurance Institute, Taiwan Ratings Corp. estimates (e) and forecasts (f).

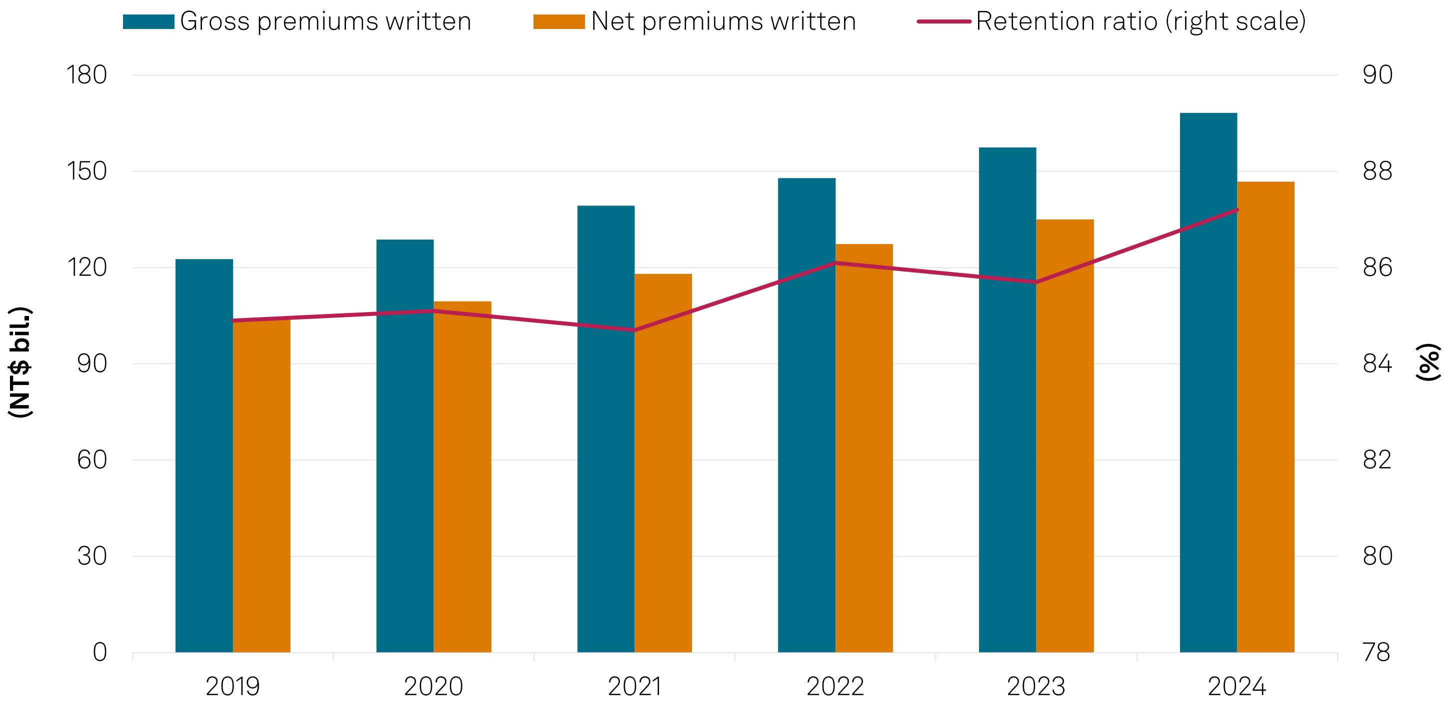
DPW breakdown by business lines



Source: Taiwan Insurance Institute.

Reinsurance Is One Of Several Key Sensitive Drivers Behind Premium Growth

Retention is growing for profitable retail businesses



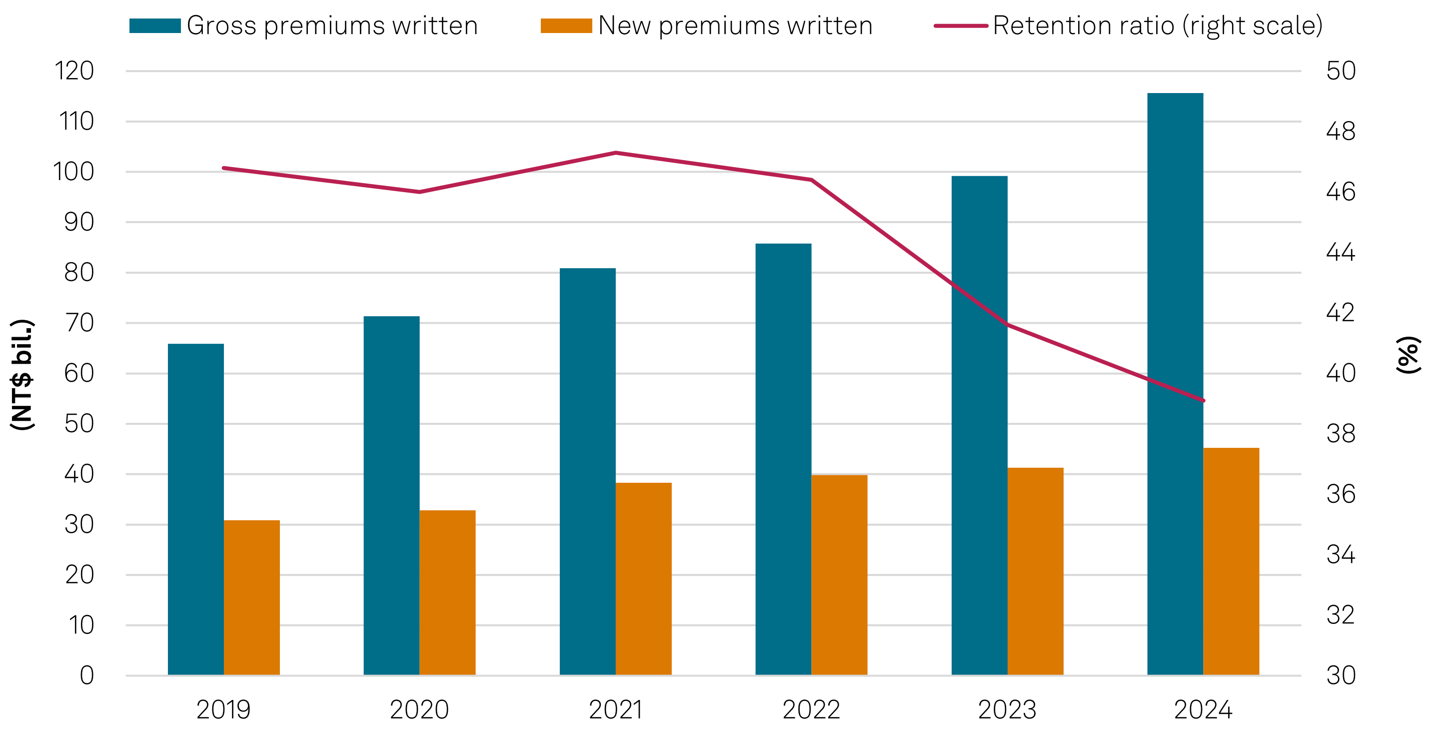
Note: Retention ratio is net premiums written over gross premiums written and reflects insurers' actual retained risk on book as a percentage of gross premiums before considering reinsurance ceding. Sources: Taiwan Insurance Institute, Taiwan Ratings Corp. estimates.

- Global reinsurers' capacity and pricing for Taiwan businesses are one of the key components for insurers' premium growth, especially for commercial lines or future new products.
- The retention ratio and premiums have been on a rising trend, given about 80% of insurers' retail business is composed of profitable auto insurance with seasoned loss experience.
- Nonetheless, insurers remain cautious over other new retail businesses where they have less loss experience, particularly given the lessons learned from recent pandemic-related policies.

Exposure To Commercial Businesses Remains Largely Flat

- Insurers have become increasing reliant on reinsurance for their commercial lines since the start of 2023, amid with flat net premiums written growth and a lower retention ratio. Insurers' awareness of risk return has heightened post pandemic, while reinsurance prices have risen.
- Global reinsurance capacity is stabilizing, but pricing has yet to soften for Taiwan insurers. The balance between cost management, risk retention and client relationship remains a challenge.
- The need to purchase sufficient reinsurance coverage for catastrophes could induce extra reinsurance costs (reinstatement cost) for Taiwan insurers, particularly with the increasing frequency of catastrophe events under climate change.

Reliance on reinsurance remains high for commercial businesses



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Impact From Global Trade And Geopolitical Tension Should Be Manageable

Direct impact to commercial businesses is limited

3-year average (2022 – 2024)	Marine insurance	Aircraft insurance
% to total direct premiums written	4.3%	0.4%
% to total net premiums written	2.3%	0.0%
% to total retained losses	1.2%	0.1%

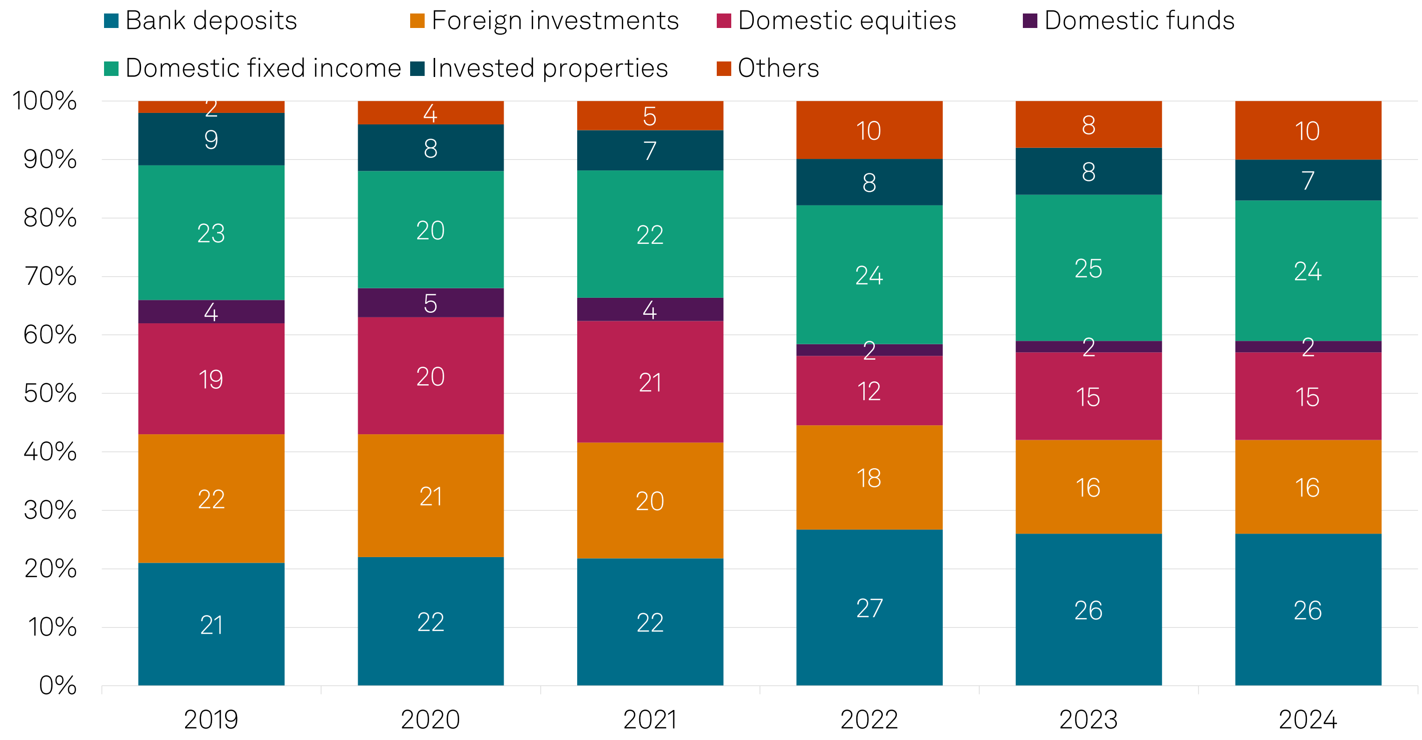
Sources: Taiwan Insurance Institute, Taiwan Ratings Corp. estimates.

- Slowing growth in commercial line business and capital market volatility are potential risks under ongoing trade and geopolitical uncertainties in 2025.
- Nonetheless, the weighting of marine and aircraft insurance among Taiwan insurers remains small and the risk for these business lines is mostly ceded out.
- Taiwan's economic growth still supports stable demand for property and liabilities insurance from corporate clients. Local insurers are also continuing to expand their small-and-medium business client base which offers better margins.

Investment Risks Are Moderate Despite Ongoing Market Uncertainty

- Potential market uncertainties and foreign exchange volatilities should be manageable, given P/C insurers' asset allocation is largely short-tail and simple.
- Exposure to foreign investments largely involves deposits, structured notes, and bonds that are low weighting to insurers' overall investments and with absorbable foreign exchange risk exposure.
- P/C insurers' investment allocations shifted slightly in 2022 due to the need for some insurers to liquidate equity investments to meet surging pandemic claims.
- We expect investment allocations to gradually return to pre-pandemic levels and we believe that insurers will maintain a stable recurring yield of around 1% in 2025.

Investments are largely plain vanilla and short-term



*Foreign investments are largely deposits, structured notes, and bonds. Source: Taiwan Insurance Institute.

Risk Mitigation For Cyber Insurance Could Be The Next Trend

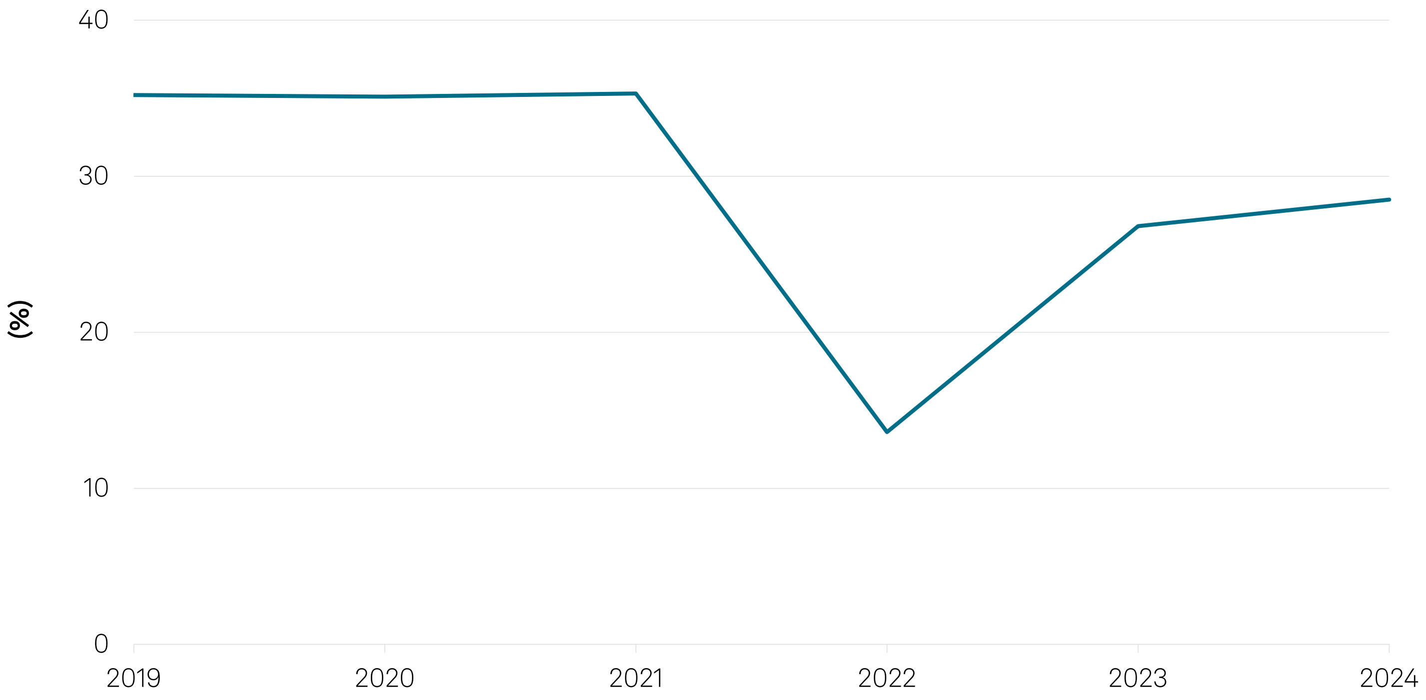
We believe local P/C insurers will remain prudent in expanding their cyber insurance offerings and keep adequate reinsurance arrangements.

We forecast a moderate rise in the sale of cyber insurance. Cyber risk will rise as corporates become increasingly reliant on technology which will in turn facilitate demand for cyber insurance to ensure operational resilience.

Nonetheless, the growth of cyber insurance could remain slow until insurers can ensure adequate risk pricing, given the lack of a loss track record for this new risk type. Experience accumulation by partnering with reinsurers will be the likely approach for Taiwan insurers.

Strong Capitalization Supports A Stable Outlook For The Sector

Shareholders' funds to total assets



Sources: Taiwan Insurance Institute, Taiwan Ratings Corp. estimates.

- Our outlook on the sector's credit trend is stable.
- Support for the outlook comes from the sector's generally solid capitalization, sufficient reinsurance for mega risks, and heightened awareness on risk pricing.
- We also believe the upcoming adoption of IFRS 17 in 2026 will be manageable for Taiwan P/C insurers, given their strong capital, satisfactory reserves, and manageable risk retention.

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