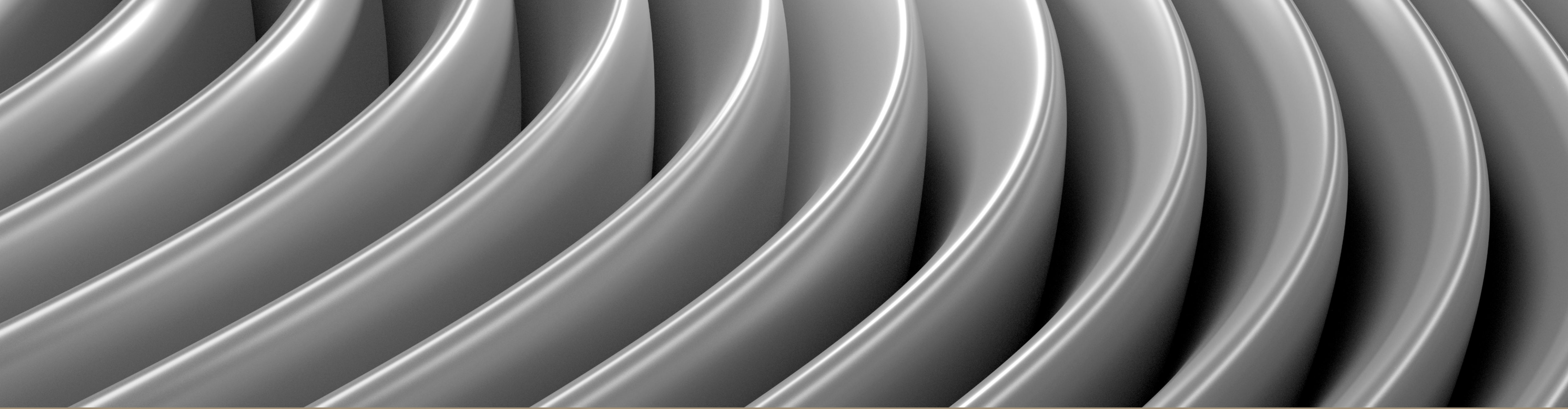

Asia-Pacific Insurance Mid-Year Outlook 2025

Strong Capital Buffers Dampen Tariff-Driven Market Volatility

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May 6, 2025

S&P Global Ratings

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Key Takeaways

- Insurers face a new set of potential macro-financial shocks, triggered by escalating trade tensions. S&P Global Ratings believes the ripple effects will be wide but uneven.
- Asia-Pacific insurers enter these tougher credit conditions from a position of strength, with solid capital adequacy and stable credit fundamentals.
- Our base case is for ratings stability in 2025. Various factors could nevertheless affect insurers. These include fluctuations in investment valuations; forex market volatility; supply-chain disruptions affecting property/casualty lines, and slower economic growth, which may dampen demand for new or renewed insurance coverage.

Strong Capital Buffers Dampen Tariff Volatility

- Credit rating outlooks largely stable.
- Tariff effects are secondary but multifactorial.
- Key risks around the baseline:
  - Trade tension and geopolitical challenges could raise forex and market volatility, affecting growth and investments;
  - Non-modelled impact of natural disasters;
  - Increase in regulation can expose insurers to legal and governance risks and entail higher operational costs; and
  - Major business acquisitions or investments could negatively affect capital.

Ratings and outlooks for rated insurers in Asia Pacific as of Apr. 30, 2025. Capital adequacy data is for year end 2023 and liquidity scores are based on the main entity as of Apr. 30, 2025

Ratings

74% in ‘A’ category ratings, 20% in ‘AA’ category ratings

Outlooks

82% stable, 18% positive

Capital adequacy

Redundant at 99.8% confidence level on aggregated basis

Liquidity

67% assessed exceptional; remainder have adequate cover

Ratings and outlooks for rated insurers in Asia Pacific as of Apr. 30, 2025. Capital adequacy data is for year end 2023 and liquidity scores are based on the main entity as of Apr. 30, 2025

Insurance Key Risks | Capital Buffers Could Narrow If Headwinds Intensify

Risk factor	Description	Risk level*	Risk trend§
Global trade and geopolitical conflicts	Trade tensions could hit sentiment and strain economic growth prospects. This, and geopolitical conflicts, could inflame market volatility and weigh on investment returns and forex hedging costs.	Elevated	Worsening
Higher claims	Supply-chain disruption can fuel inflation for auto repair and maintenance. Increasing health service usage and medical costs can also drive-up medical insurance claims.	Elevated	Unchanged
Reinsurance structure	Effectiveness of reinsurance arrangements being tested while insurers still have elevated retention. This is amid high prices despite ample reinsurance capacity.	Moderate	Unchanged
Physical risks	Difficulty to forecast and quantify costs associated with primary and secondary peril risks.	Moderate	Unchanged
Leverage burden	Insurers may face rising funding costs amid increasing hybrid capital issuance to strengthen capitalization in the face of evolving regulatory solvency frameworks, and to allow business growth.	Moderate	Unchanged
Cyber risks	Robust cyber security is essential for operational resilience, amid growing tech reliance such as cloud and digital platforms. Adoption of generative artificial intelligence also poses additional complexity risks.	Moderate	Unchanged

*We may classify risk levels as low, moderate, elevated, high, or very high, and we evaluate them by considering both the likelihood and systemic impact of such an event occurring over the next one-to-two years. Typically, we do not factor these risks into our base-case rating assumptions unless the risk level is very high. §Risk trend reflects our current view on whether the risk level could increase or decrease over the next 12 months. Source: S&P Global Ratings.

Asia-Pacific Insurers May See Ripple Effects From Changing U.S. Policies

Escalating geopolitical tensions could increase financial market volatility

- Insurers with higher equity investment weighting or reliance on capital gains may face earnings volatility.
- Rapid and severe drop in market values can lead to capital and earnings erosion.

Higher trade tariffs could slow the policy rate easing to pre-empt higher inflation

- Premium growth may slow due to weaker demand and lower spending.
- Cost of funding and foreign exchange hedging cost will remain high.

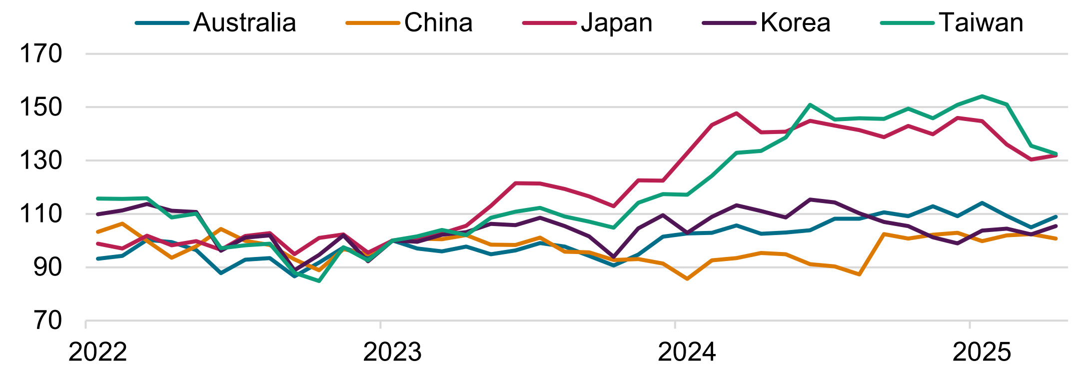
Asia-Pacific currencies volatile against US$

- Foreign exchange volatility may have a greater impact on insurers with significant international investments.

Source: Economic Research: Economic Outlook Asia-Pacific Q2 2025: U.S. Tariffs Will Squeeze, Not Choke, Growth, Mar. 24, 2025; Credit Conditions Asia-Pacific Q2 2025: Squeezed From Both Sides, Mar. 28, 2025.

Market Conditions | Moderating Inflation Enables Rate Cuts, Except In Japan

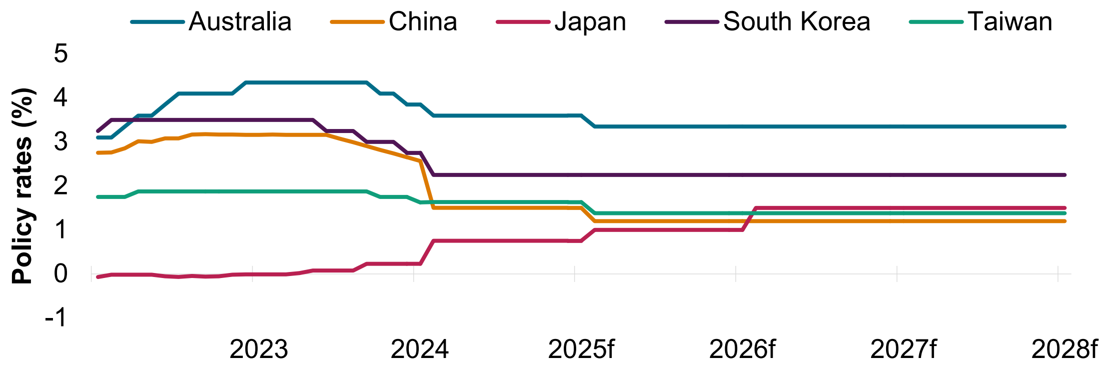
We expect heightened equity market volatility*



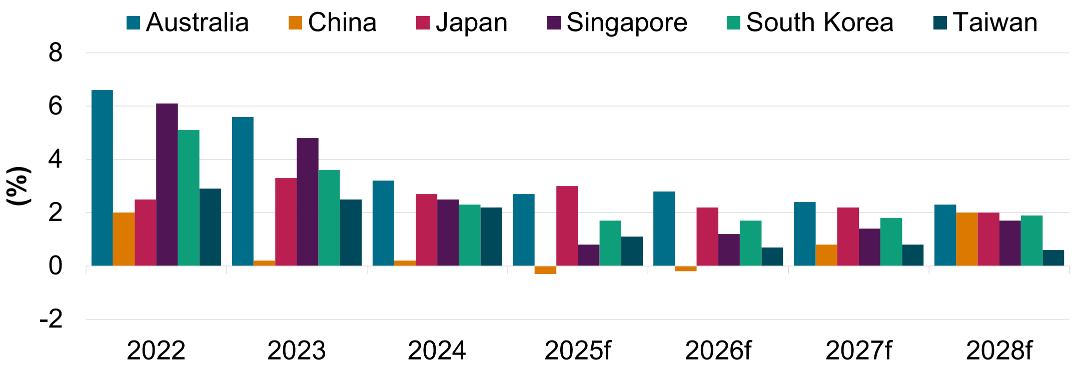
Inflation trajectory supports policy rate glide path

- Many Asia-Pacific markets are experiencing lower policy rates as inflation pressure softens.
- Uncertainty around tariff policy and geopolitics could heighten capital market volatility, with security valuation effects.

Policy rates softening; Gradually rising in Japan



Inflation expected to stay moderate

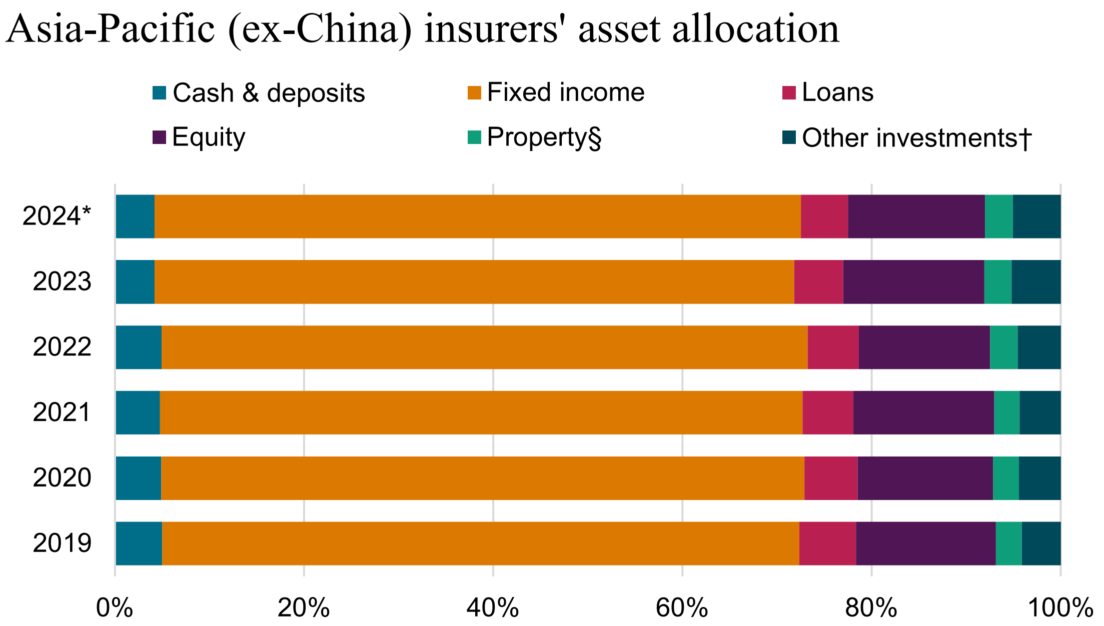


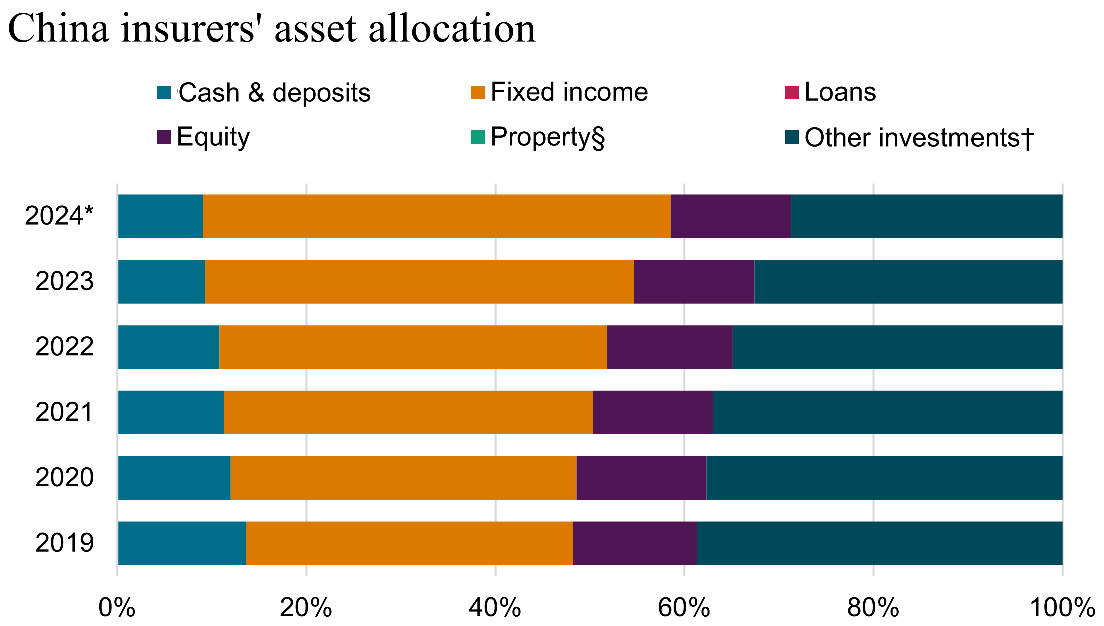
Data to Apr. 30, 2025; *Equity market performance index from Jan. 2023. Source: S&P Economics; CPI: consumer price index year average; S&P Global Market Intelligence.

S&P Global Ratings

Investments | Asset Mix Stable But Exposed To Credit And Market Risks

- For APAC ex-China, relatively stable asset mix with major exposure in fixed income, followed by equity, loans and other investments. Allocation to equities may fall as Japanese insurers accelerate sales of strategically held equities.
- Outside China, insurers are reducing asset-liability mismatch as returns improve (mainly in Japan) and regulation requires tighter ALM.
- China insurers are adjusting investments in search for yield, with gradual increase in equity investments.





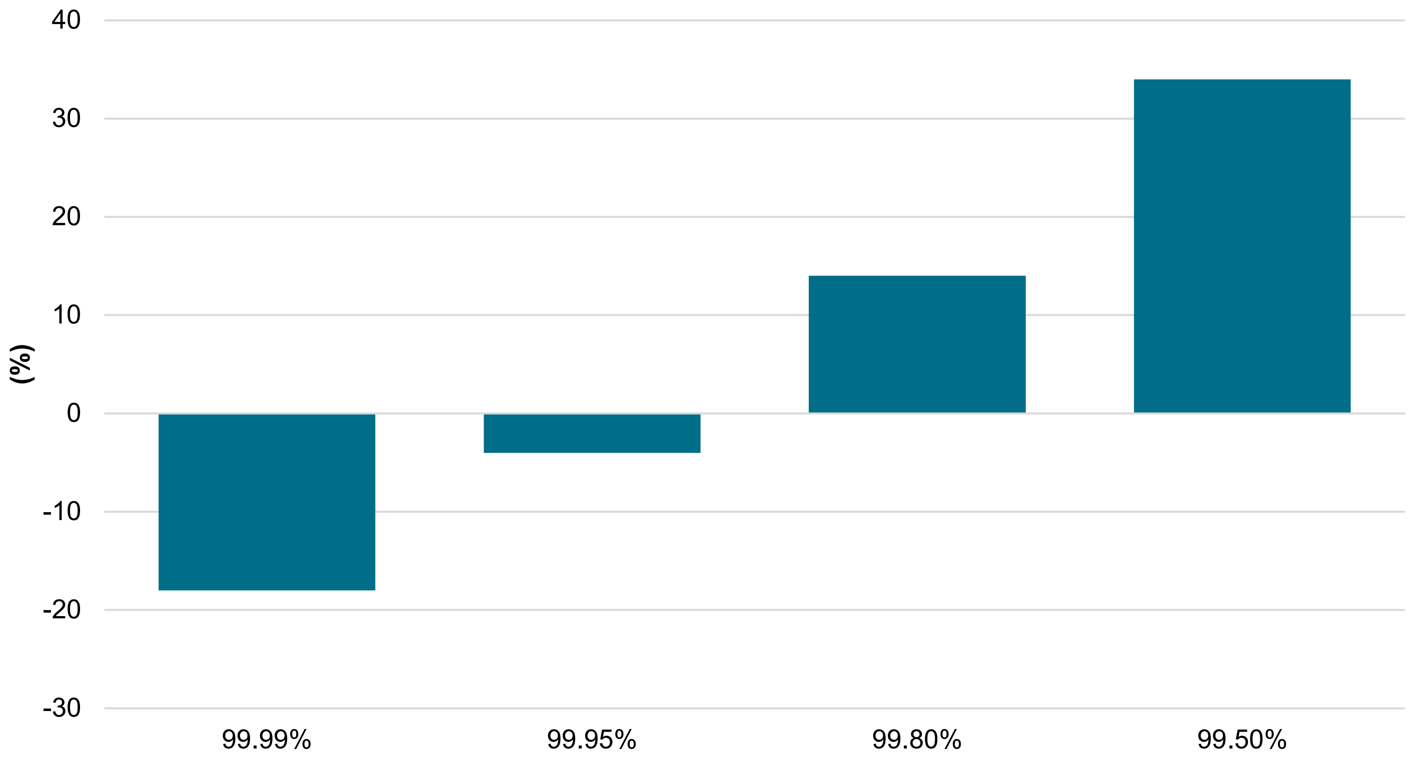
*2024 dataset includes interim data and estimates. §Refers to physical property holdings (including for owner-occupied buildings). †This is based on regulatory disclosures. Across different jurisdictions, definition of "other investments" varies
Source: Regulatory filings and disclosures collated across different geographies.

Asia-Pacific Insurers | Aggregate Capital Adequacy Indicates A Solid Buffer

Revised capital model indicates aggregated capital adequacy is solid

- We expect Asia-Pacific insurers' aggregate capital buffer to stay strong at a 99.8% confidence level.
- China and Hong Kong insurers have a slightly weaker capital buffer due to capital demands for premium growth and anticipated rising equity investments.
- On the other hand, there is greater diversity of capital strength by individual companies in Asia-Pacific. The insurers that possess stronger capital adequacy, however, are typically relatively small.
- About 19% and 48% of the rated insurers in Asia-Pacific show adequate capital at or above 99.95% and 99.99% confidence levels, respectively.

Capital surplus by confidence level



Above data is as of 2023 and excludes companies that are under another rated group and if the ratings are confidential or private. Aggregate reflects the summation of rated insurers across Asia Pacific.

Appendix

Key Themes | Stricter Requirements Will Lead To Stronger Capital

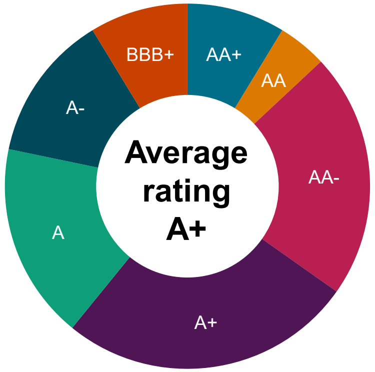
Regulatory and accounting standards in Asia-Pacific are evolving, with a shift to economic value-based reporting

Market	Capital regulation	IFRS 17
Australia	Revised prudential and reporting standards incorporating AASB 17, and updates to LAGIC framework commenced 1 July 2023 for all insurers reporting to APRA.	Jan 1, 2023: Industry-wide adoption.
China	Transition period for C-ROSS II was extended to end-2025.	Jan 1, 2023: Adopted for listed Insurers. Jan 1, 2026: Industry-wide adoption.
Hong Kong	Risk-based solvency regulation started in July 2024. Early adoption was allowed upon approval. Case-by-case transition measures allowed.	Jan 1, 2023: Industry-wide adoption.
Japan	Economic value-based solvency regulation (J-ICS) will start from end-March 2026. No transition period.	IFRS is optional. Few listed insurance groups will start reporting on IFRS from end-March 2025/2026.
Korea	Adopted Korean-ICS from Jan 2023. 10-year transition period allowed. Regulator plans to enhance regulatory solvency requirements to strengthen quality of capital.	Jan 1, 2023: Industry-wide adoption.
New Zealand	Interim Solvency Standard effective Jan. 1, 2023 was updated Dec. ’24 with the second amendment effective Mar. 1, 2025 in part to capture NZ IFRS 17.	Jan 1, 2023: Industry-wide adoption.
Taiwan	ICS will be adopted in Jan 2026. 15-year transition period allowed. The fourth wave of transitional measures announced end 2024.	Jan 1, 2026: Industry-wide adoption planned.
Singapore Malaysia Thailand	RBC-2 implemented in Singapore (2020) & Thailand (2019). Malaysia: BNM reviewing second impact study feedback for proposed changes to the RBC framework (implementation intended from Jan 1, 2027).	Industry-wide adoption: Jan 1, 2023 - Singapore & Malaysia Jan 1, 2025 - Thailand

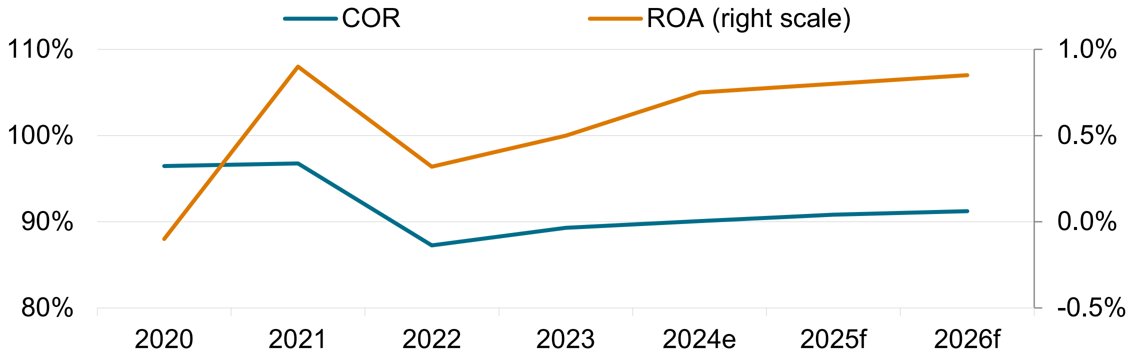
AASB--Australian Accounting Standards Board, LAGIC--Life and General Insurance Capital (LAGIC), APRA--Australian Prudential Regulation Authority, C-ROSS--China Risk-Oriented Solvency System, ICS--Insurance Capital Standard, RBC--Risk-Based Capital, BNM--Bank Negara Malaysia. Source: S&P Global Ratings.

Australia P/C And Life Insurance Markets

Rating distribution



P/C combined ratio and life ROA



Key credit factors: Tailwinds

- **P/C:** Earnings to benefit from strong rate rises with ROE in the mid-teens, supplemented with improved investment returns.
- **Life:** Distribution is now improving after advisor and bank distribution challenges. The market is dominated by five insurers with consolidation now slowing.

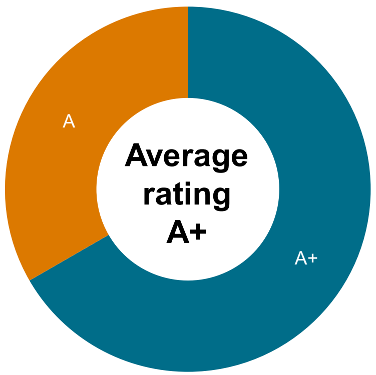
Key credit factors: Headwinds

- **P/C:** Earnings could be challenged by rising claims and affordability – particularly in personal lines.
- Natural catastrophe gross exposure is higher than average but moderated by strong reinsurance cover and risk management.
- **Life:** Modest profitability on 2%-3% premium increases and group pension inflows.

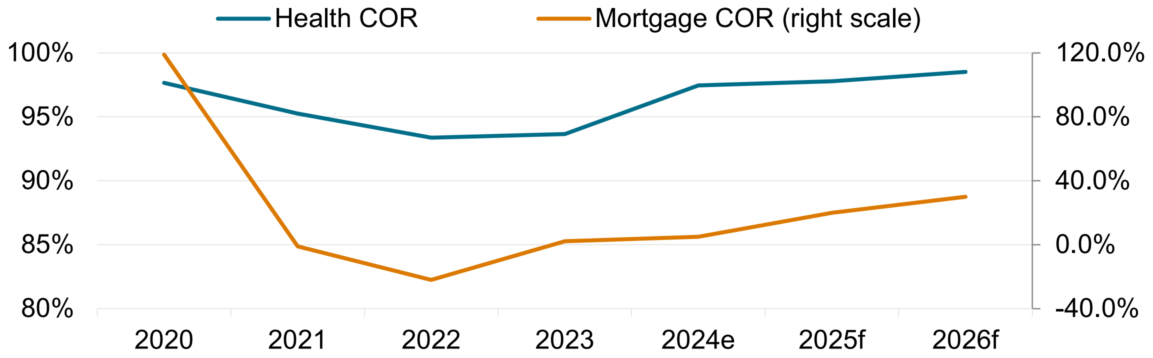
Source: S&P Global Ratings.

Australia Mortgage And Health Insurance Market

Rating distribution



P/C combined ratio and life ROA



Key credit factors: Tailwinds

- **Health:** Strong regulation, government support initiatives, and adequate premium rate increases support profitability.
- Mortgage insurers' solid profitability supported by very low claims with low unemployment and continued house price growth, combined with strong underwriting controls.

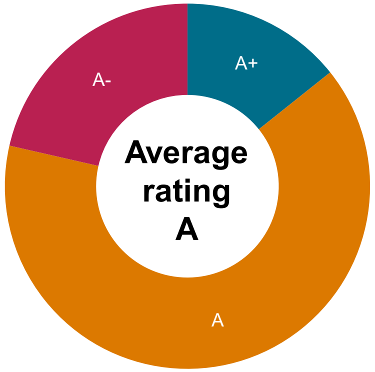
Key credit factors: Headwinds

- Health insurer's earnings and growth are challenged by an aging population and increasing medical cost inflation. Performance to normalize in 2025 as usage returns after the pandemic slowdown.
- Rising economic uncertainty may further dent mortgage insurance demand, and impact unemployment.

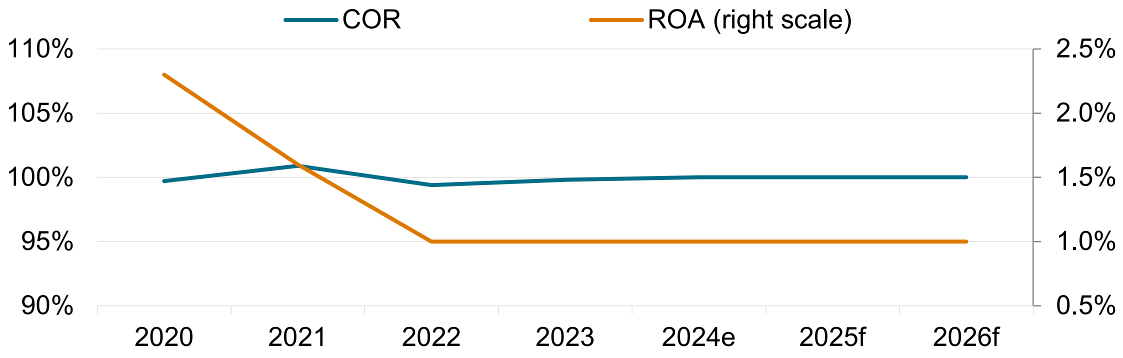
Source: S&P Global Ratings.

China Insurance Market

Rating distribution



P/C combined ratio and life ROA



Key credit factors: Tailwinds

- China's underpenetrated insurance market holds long-term growth potential, despite short-term pain amid slower economy.
- China's financial reforms and evolving regulations should facilitate a more sustainable and disciplined insurance sector.

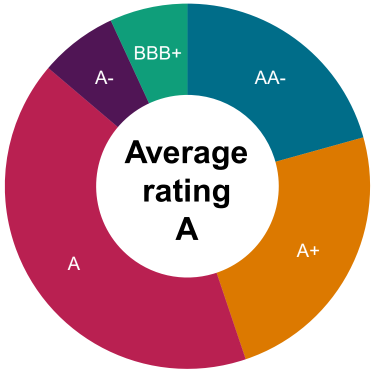
Key credit factors: Headwinds

- Market volatility and low interest rates may pose earnings strain, while slower growth will likely soften demand.
- P/C insurers face pricing pressures and EV insurance remains in a trial-and-error phase, keeping combined ratios near 100%.
- Life insurers' shift to floating return policies may slow growth but ease the strain of low interest rates.

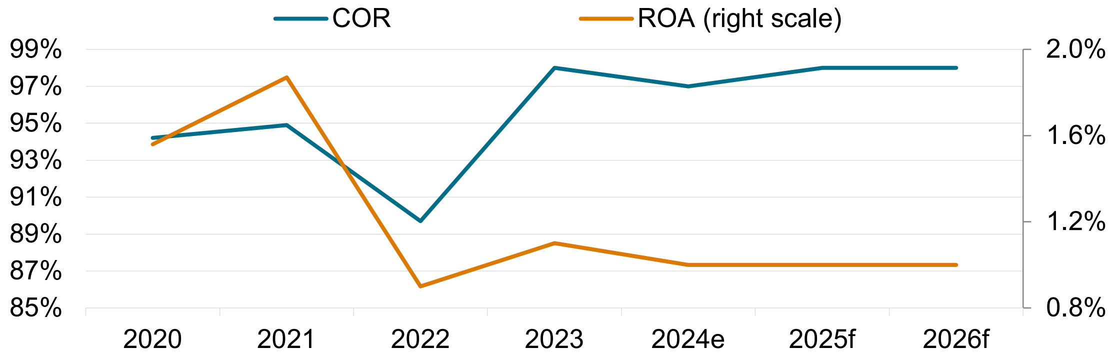
Source: S&P Global Ratings.

Hong Kong Insurance Market

Rating distribution



P/C combined ratio and life ROA



Key credit factors: Tailwinds

- Implementation of the risk-based capital regime help enhance governance and may prompt strategy shifts.
- **Life:** Growth will stem from strong margins, supported by demands from domestic and mainland Chinese visitors.
- **P/C:** Profitable underwriting to continue, backed by disciplined underwriting, sufficient reinsurance, and strong regulatory oversight.

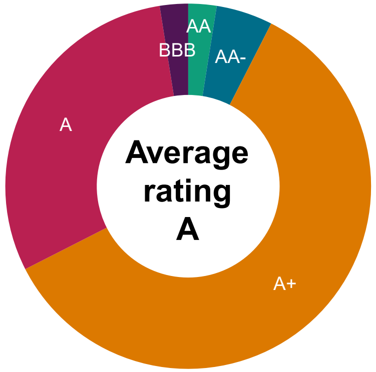
Key credit factors: Headwinds

- Macroeconomic slowdown and tariff risks may impede top-line growth, with mainland visitor demand normalizing by 2026.
- Life insurers face capital and earnings volatility from market swings due to sizable allocations to high-risk assets.
- **P/C:** Insurers face margin compression from intense competition and rising compliance costs.

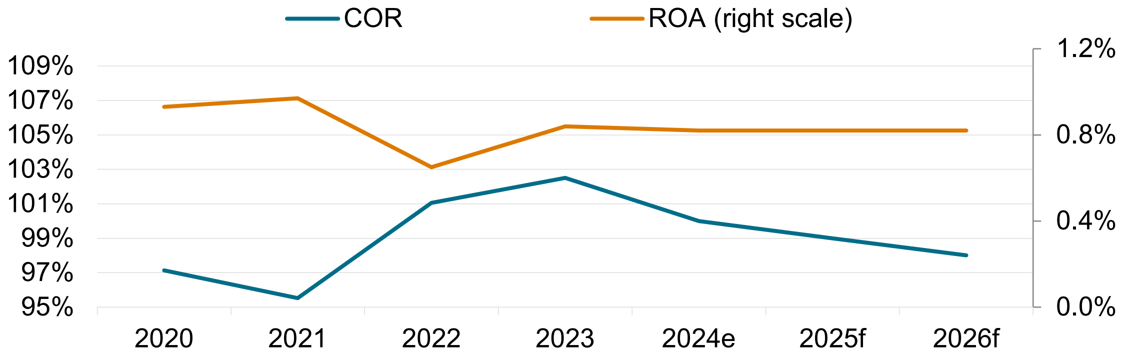
Source: S&P Global Ratings.

Japan Insurance Market

Rating distribution



P/C combined ratio and life ROA



Key credit factors: Tailwinds

- **Life:** Set to maintain moderate profitability, supported by investment income as domestic rates rise. Market growth will be supported by yen-denominated savings products while sales of foreign currency-denominated products moderate.
- **P/C:** Major insurers will see strong earnings from sales of strategic equities. Profitability of fire insurance is improving supported by rate rises and stronger underwriting discipline.

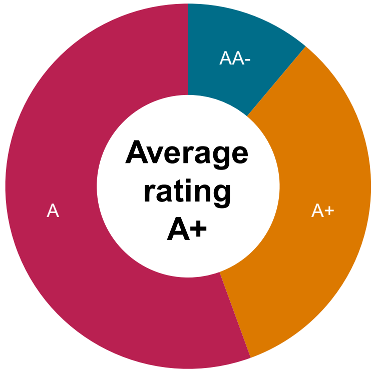
Key credit factors: Headwinds

- Financial market volatility could weigh on investment returns.
- **P/C:** Major players are implementing underwriting reforms as they received multiple business improvement orders from the regulator. Auto insurance profitability remains pressured, with combined ratios near 98%-100%. Nat Cat exposure poses risks.
- Expansion in overseas insurance business and noninsurance sectors may increase governance and risk management risks.

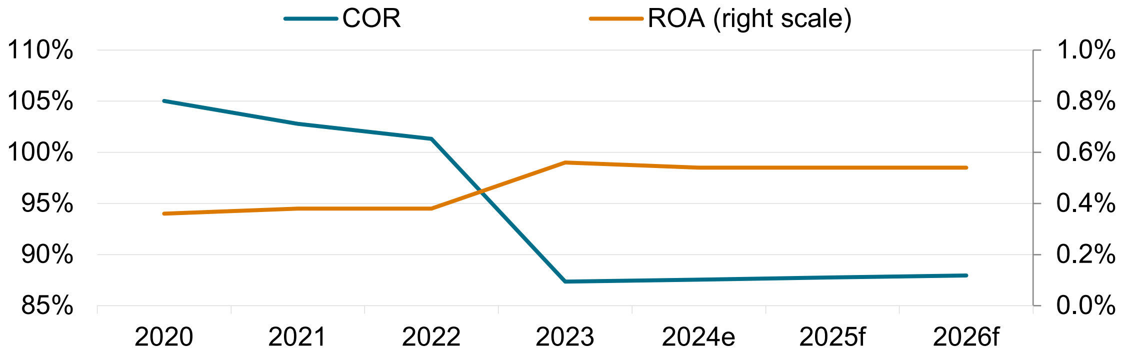
Source: S&P Global Ratings.

Korea Insurance Market

Rating distribution



P/C combined ratio and life ROA



Key credit factors: Tailwinds

- P/C sector will sustain sound underwriting performance, supported by efforts to enhance pricing adequacy and claims control. This is despite rising competition and claims inflation.
- Life insurers' premium growth will be backed by demand for high-margin health policies. Established regulatory framework and ongoing strengthening of regulatory guidelines under new accounting and solvency framework underpin sector stability.

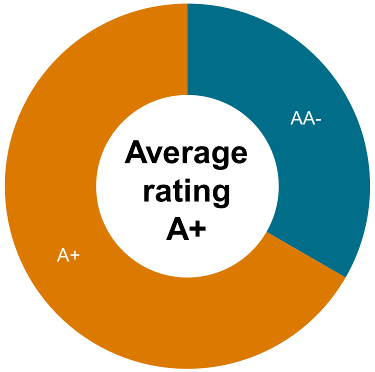
Key credit factors: Headwinds

- Volatility in financial markets will weigh on earnings and influence insurers' funding and issuance plans.
- Life insurers' profitability will remain moderate as lower interest rates weigh on investment yields and reserving requirements.
- Interest rate risk management a priority for insurers with long-term portfolios. If asset liability duration gap is not managed well, insurers may face capital squeeze as rates decline.

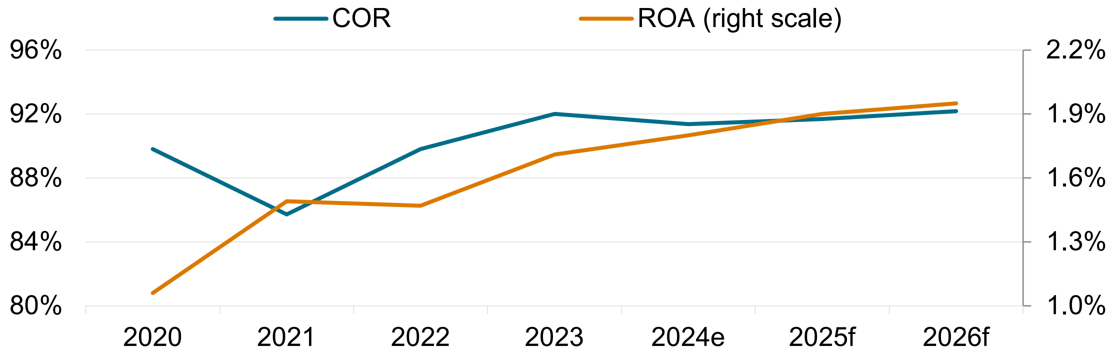
Source: S&P Global Ratings.

Malaysia Insurance Market

Rating distribution



P/C combined ratio and life ROA



Key credit factors: Tailwinds

- P/C insurance sector will remain profitable through 2026, underpinned by favorable underwriting performance despite pressures from recent spike in flood occurrences, rising claims inflation and competitive premium pricing.
- Life insurers' profitability to remain favorable given low guarantees and large insurers with efficient operations amid rising claims.

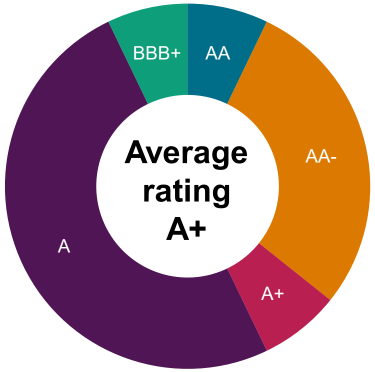
Key credit factors: Headwinds

- Premium growth will reflect favorable economic conditions, however the momentum remains vulnerable to universal tariffs, given Malaysia's large trade surplus with the U.S. .
- Pressure on claims from increasing healthcare treatment and medical inflation to continue.
- For life insurers sensitivity to interest rate fluctuations remain.

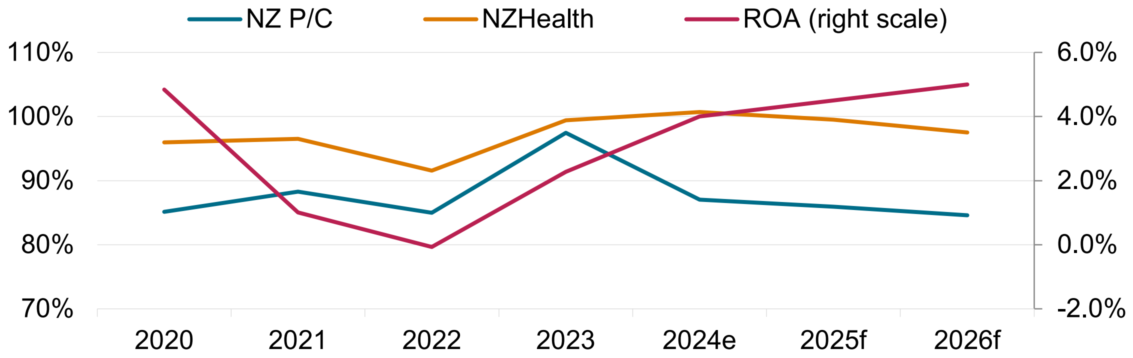
Source: S&P Global Ratings.

New Zealand Insurance Market

Rating distribution



P/C combined ratio and life ROA



Key credit factors: Tailwinds

- P/C insurers set for improved profitability after major weather-related claims in 2023
- Life insurers benefit from consolidation and strong returns, with profitability improving through rate rises and stronger investment returns.
- Health insurance industry benefits from risk-based pricing, government schemes for personal injuries, and strong capital.

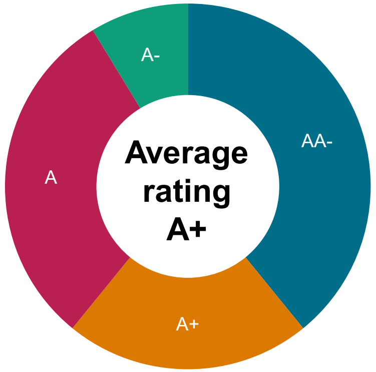
Key credit factors: Headwinds

- **P/C:** Moderate premium growth and stabilizing rates, though earthquake risks remain a concern.
- Life premium growth is expected to slow due to affordability pressures.
- **Health:** Face rising claims costs, medical inflation, and rising lapses due to cost-of-living pressures.

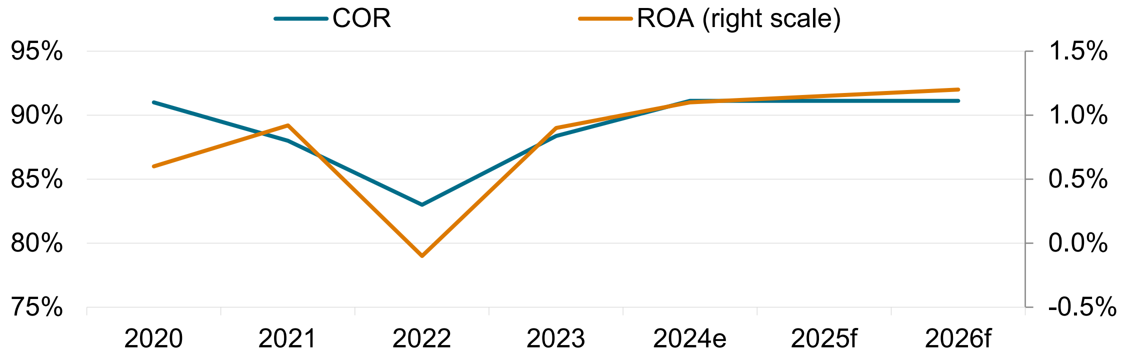
Source: S&P Global Ratings.

Singapore Insurance Market

Rating distribution



P/C combined ratio and life ROA



Key credit factors: Tailwinds

- P/C insurers profitability will remain stable through 2026, supported by healthy margins, favorable returns, and modest premium growth from increase in demand for key lines and prompt some rate revisions.
- Life insurers' disciplined underwriting and product risk management will sustain strong performance through 2026, with stable premium growth driven by demand for protection and wealth solutions.

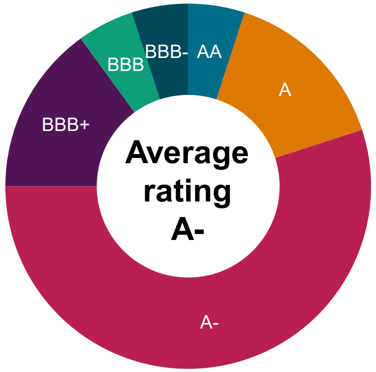
Key credit factors: Headwinds

- Singapore's economic prospects are partially dependent on the health of its trading partners such as China, the U.S., and Malaysia. While Singapore has a bilateral trade deficit with the U.S., some vulnerability from evolving tariff policies remains.

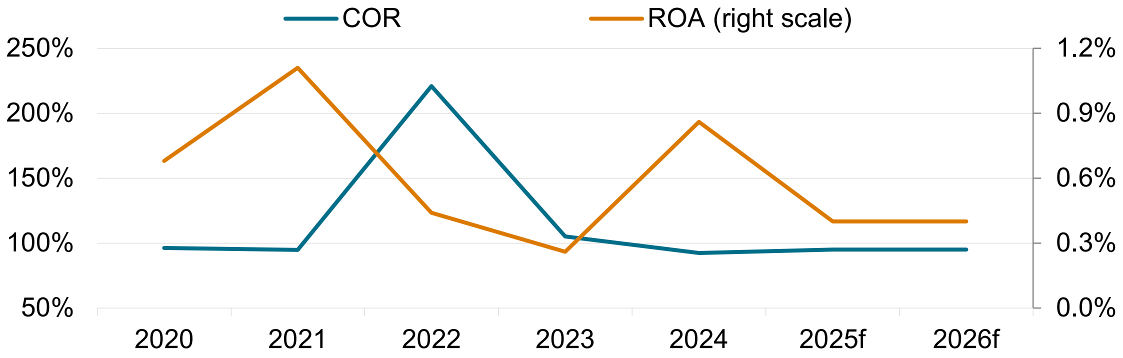
Source: S&P Global Ratings.

Taiwan Insurance Market

Rating distribution



P/C combined ratio and life ROA



Key credit factors: Tailwinds

- **P/C:** High single-digit premium growth over the next two years. Profitable underwriting will be bolstered by tightened pricing and prudent risk retention, while strong capitalization and a solid supervisory framework ensure market stability.
- **Life:** Moderate sector profits likely through 2026. Demand for high-margin products supports likely premium growth and long-term profitability. Supervisory framework ensures system stability as insurers transit to new accounting and solvency.

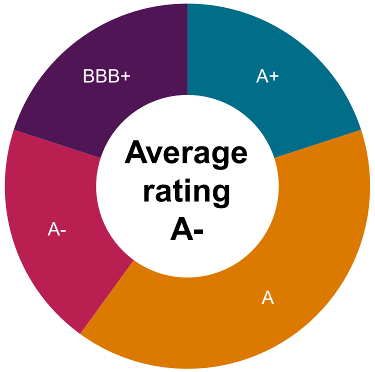
Key credit factors: Headwinds

- **P/C:** Insurers with increased risk appetite in commercial businesses or equity investments may face capital and earnings erosion. The sector faces high reinsurance prices, catastrophe risks, and capital market volatility, with a smaller capital base than insurers in other regions.
- Life sector's reliance on capital gains remains high and faces escalated market volatility, high hedging costs, and significant forex risks this year which may erode overall profitability.

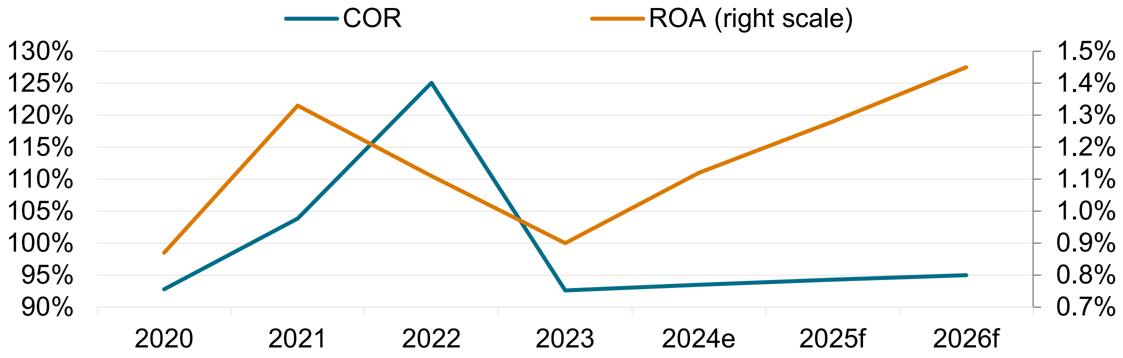
Source: S&P Global Ratings.

Thailand Insurance Market

Rating distribution



P/C combined ratio and life ROA



Key credit factors: Tailwinds

- P/C insurance sector is set to remain profitable through 2026 owing to ongoing underwriting discipline.
- Life insurers' profitability to remain modest through 2026 due to push for better margin long-term policies and active management of health insurance claims cost.
- Premium growth in the insurance sector will be supported by Thailand's anticipated recovery and the influx of tourists.

Key credit factors: Headwinds

- U.S. trade policies may pose challenges to the country's economic recovery given its large trade surplus with the U.S.
- Pressure on claims from increasing healthcare treatment and medical inflation to continue.
- For life insurers sensitivity to interest rate fluctuations remain.

Source: S&P Global Ratings.

Related Research

- Insurance Capital Adequacy Criteria Implementation Resulted In Further Buffers Against Market Volatility, Apr. 22, 2025
- Korea's Wildfires Will Prompt Insurers To Strengthen Catastrophe Insurance Capabilities, Mar. 31, 2025
- Taiwan Life Insurance Sector: Operating Surplus To Remain Volatile in 2025, Mar. 25, 2025
- Cyclone Alfred's Hit To Australia's Insurers May Reach A$2 Billion Or More, Mar. 5, 2025
- Australia's Home Underinsurance Could Spread Risks, Feb. 25, 2025
- Japan Insurers In 2025: Things Are Looking Up, Jan. 30, 2025

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