S&P Global Ratings

Insurer Financial Strength Ratings

An S&P Global insurer financial strength rating is a forward-looking opinion about the financial security characteristics of an insurer with respect to its ability to pay under its insurance policies and contracts in accordance with their terms.

This opinion is not specific to any particular policy or contract, nor does it address the suitability of a particular policy or contract for a specific purpose or purchaser. Furthermore, the opinion does not take into account deductibles, surrender or cancellation penalties, timeliness of payment, nor the likelihood of the use of a defence such as fraud to deny claims.

Insurer financial strength ratings do not refer to an organisation's ability to meet non-policy (ie, debt) obligations. Assignment of ratings to debt issued by insurers or to debt issues that are fully or partially supported by insurance policies, contracts, or guarantees is a separate process from the determination of insurer financial strength ratings, and it follows procedures consistent with those used to assign an issue credit rating. An insurer financial strength rating is not a recommendation to purchase or discontinue any policy or contract issued by an insurer.

Insurer Financial Strength Ratings*

Category	Definition
AAA	An insurer rated 'AAA' has extremely strong financial security characteristics. 'AAA' is the highest insurer financial strength rating assigned by S&P Global.
AA	An insurer rated 'AA' has very strong financial security characteristics, differing only slightly from those rated higher.
A	An insurer rated 'A' has strong financial security characteristics but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.
BBB	An insurer rated 'BBB' has good financial security characteristics, but is more likely to be affected by adverse business conditions than are higher-rated insurers.
BB, B, CCC, and CC	An insurer rated 'BB' or lower is regarded as having vulnerable characteristics that may outweigh its strengths. 'BB' indicates the least degree of vulnerability within the range; 'CC' the highest.
BB	An insurer rated 'BB' has marginal financial security characteristics. Positive attributes exist, but adverse business conditions could lead to insufficient ability to meet financial commitments.
B	An insurer rated 'B' has weak financial security characteristics. Adverse business conditions will likely impair its ability to meet financial commitments.
CCC	An insurer rated 'CCC' has very weak financial security characteristics and is dependent on favourable business conditions to meet financial commitments.
CC	An insurer rated 'CC' has extremely weak financial security characteristics and is likely not to meet some of its financial commitments.
R	An insurer rated 'R' is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favour one class of obligations over others or pay some obligations and not others. The rating does not apply to insurers subject only to non-financial actions such as market conduct violations.
SD or D	An insurer rated 'SD' (selective default) or 'D' is in default on one or more of its insurance policy obligations but is not under regulatory supervision that would involve a rating of 'R'. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on a policy obligation are at risk. A 'D' rating is assigned when S&P Global believes that the default will be a general default and that the obligor will fail to pay substantially all of its obligations in full in accordance with the policy terms. An 'SD' rating is assigned when S&P Global believes that the insurer has selectively defaulted on a specific class of policies but it will continue to meet its payment obligations on other classes of obligations. An 'SD' includes the completion of a distressed exchange offer. Claim denials due to lack of coverage or other legally permitted defenses are not considered defaults.

** Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.*

Issuer Credit Ratings

An S&P Global issuer credit rating is a forward-looking opinion about an obligor's overall creditworthiness. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. Both corporate credit ratings and sovereign credit ratings are forms of issuer credit ratings. Issuer credit ratings can be either long-term or short-term.

CreditWatch

CreditWatch highlights our opinion regarding the potential direction of a short-term or long-term rating. It focuses on identifiable events and short-term trends that cause ratings to be placed under special surveillance by S&P Global's analytical staff.

Rating Outlooks

An S&P Global outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action.
Positive means that a rating may be raised.
Negative means that a rating may be lowered.
Stable means that a rating is not likely to change.
Developing means a rating may be raised, lowered, or affirmed.

Insurers: Rating Methodology

(published 3 December 2018)

Extracted of the Proposed Methodology (Paragraph 6 to 12)*

6. The criteria describe the methodology for assessing the stand-alone credit profile (SACP) of insurers. The SACP, together with the support framework, determine the issuer credit rating (ICR) on the insurer. For most companies, the financial strength rating (FSR) and financial enhancement rating (FER), if any, are identical to the ICR.

7. The methodology for analysing the creditworthiness of insurers is forward-looking. Our analysis typically uses projections for the current and upcoming two years, as informed by the past five years, unless otherwise stated, and takes into consideration:
   - Developments since the most recent financial statements; and
   - Developments that have a reasonably high degree of certainty of occurring.

8. The assessment of the SACP is based on the following rating factors (see chart 1):
   - Competitive position,
   - Insurance Industry And Country Risk Assessment (IICRA),
   - Capital and earnings,
   - Risk exposure,
   - Funding structure,
   - Governance, and
   - Liquidity.

9. We determine the long-term issuer credit rating of an insurer as follows:
   - The business risk profile (BRP) is based on our analysis of an insurer's competitive position, modified by the IICRA.
   - The financial risk profile (FRP) is based on our analysis of an insurer's capital and earnings, modified by risk exposure and funding structure.
   - We derive the anchor from the combination of the business risk profile and the financial risk profile (see table 1).
   - We then modify the anchor by our assessment of governance, liquidity (subject to any caps), and any adjustment due to our comparable ratings analysis to determine the SACP (see table 2).
   - We derive the ICR by combining the SACP and the support framework, which determines the extent of uplift, if any, for group or government support, or the risk of extraordinary negative intervention or sovereign-related risks.
   - The FSR, if any, equals the ICR unless the present default risk leads to a rating conclusion of 'CCC+' or lower, or unless policyholder obligations, but not other financial obligations, are supported by a more creditworthy counterparty.

Chart 1: Insurance Ratings Framework

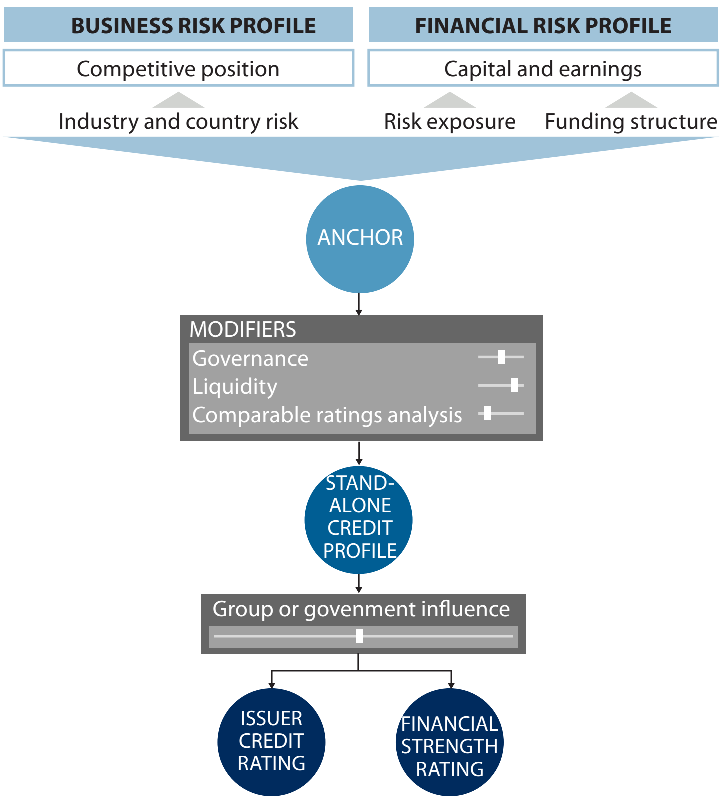


Table 1: Business Risk Profile and Financial Risk Profile

Anchor								
	Financial risk profile							
Business risk profile								
	1. Excellent	2. Very strong	3. Strong	4. Satisfactory	5. Fair	6. Marginal	7. Weak	8. Vulnerable
1. Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
2. Very strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
3. Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
4. Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
5. Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
6. Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
7. Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

10. Where table 1 indicates two possible outcomes, we determine the anchor as follows:
    - For FRPs that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the BRP and FRP.
    - For FRPs that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the FRP.

Table 2

Determining the SACP	
	Anchor
	'aa+' to 'b-'*
Governance	
Neutral	0 notches
Moderately negative	-1 notch
Negative	-2 or more notches
Liquidity	
Exceptional	0 notches
Adequate	-1 notch
Less than adequate	Capped at 'bb+'
Weak	Capped at 'b-'
Comparable ratings analysis^	+1, 0, -1 notch

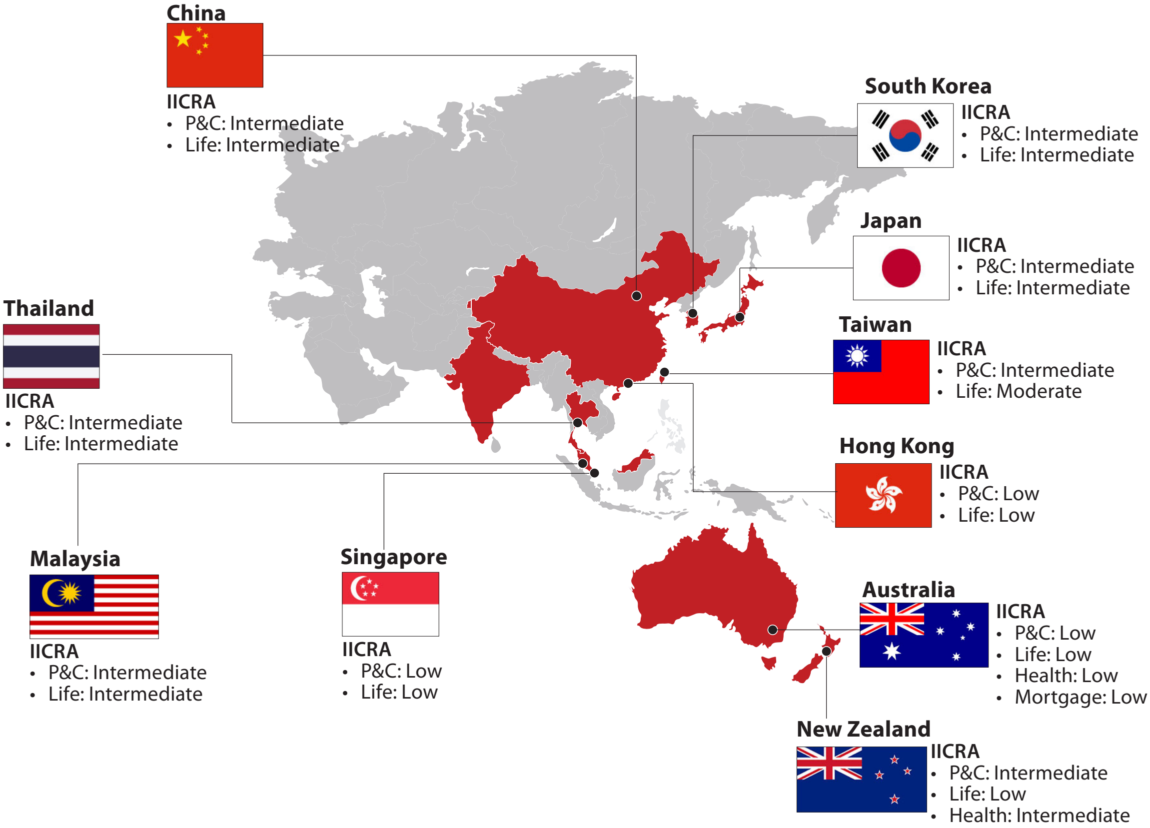
* The modifiers do not lower the anchor below 'b-'.

^ The comparable ratings analysis cannot be used to raise the SACP above the caps imposed by less than adequate and weak liquidity.

11. We may apply an adjustment to determine the SACP of up to one notch in either direction based on our comparable ratings analysis to capture a more holistic view of creditworthiness. Our comparable ratings analysis incorporates additional credit factors, which the criteria do not separately identify, as well as existing credit factors not fully captured, which may be informed by peer analysis.

**A full list of Insurance Ratings Criteria can be found on S&P Global's public website at www.spratings.com*
Click "Criteria" in the menu bar, then refer to the "Insurance" section.

IICRA Snapshot – Asia Pacific



Source: Insurance Industry and Country Risk Assessment Update: March 2019, S&P Global

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Australia

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Australia

S&P Global Ratings

Sovereign Ratings

Foreign Currency:	AAA/Stable/A-1+
Local Currency:	AAA/Stable/A-1+

- Growth prospects to remain subdued with rising uncertainty around life insurance
- Divergent earnings prospects to persist for life and non-life insurers
- Solid reinsurance cover likely to moderate unexpected catastrophes

S&P Global Ratings anticipates increasing policy lapses will affect the Australian life insurance sector. With risk premium growth in the sector likely to remain subdued over the next year, the Australian winter just turned colder for these insurers. The government's "Protecting Your Superannuation" initiatives involve an opt-in approach to maintain life insurance for inactive group insurance risk business, suggesting to us that the number of insurance policies will drop. The growth and earnings profile of group insurance risk underwriters (accounting for 40% of total premium risk inflows) in particular will be affected. Price rises are on the horizon, implying the attractiveness of insurance coverage to the wider population will dim.

The ongoing poor performance of the income protection line of business continue to weigh down on the profitability of life insurers. The business line has been consistently loss making for the past five years despite the industry's aggressive remediation actions. That said, we expect some improvement in the next 12-18 months as these pricing, underwriting, and claims management actions take hold. The volatile operating performance in recent times has been a key driver of divestments of life risk operations by domestic, largely bank, groups. The Australian life sector has shown negative credit trends since 2016.

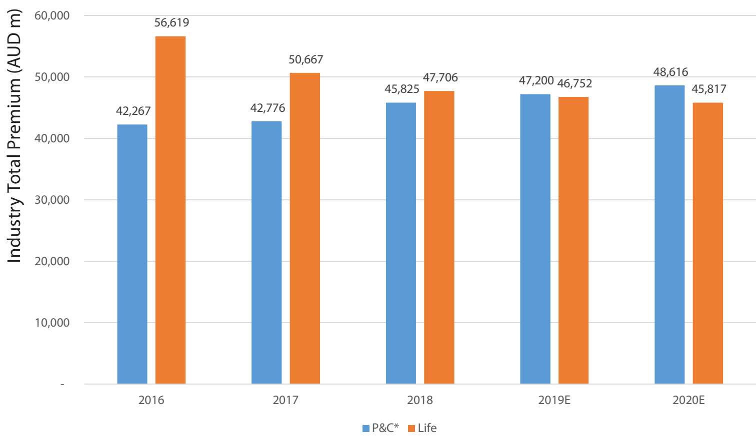
Australia's non-life industry fundamentals, however, are healthy with both unit growth and premium rate rises supporting growth in direct non-life gross earned premiums of about 7% in the year to 31 March 2019. We expect such growth to slightly moderate across 2019 as it was the strongest rate for the past five years. Even so, it is not plain sailing for insurers as competitive threats are building for about 100 insurers. Key challenges for the next 12-18 months remain in commission payments (growing at about 9% annually over the past two years), and achieving pricing adequacy for commercial lines (with underwriting losses for each of the past five years).

Insurers will also need to combat natural peril-related claims that have, to date, been moderated by well-structured reinsurance programs that we expect to be retained. Even with these challenges, return on equity (ROE) for the industry remains above 10%. We expect industry returns to strengthen in the upcoming two years as benefits from efficiency initiatives, digitisation, and augmented intelligence are monetised and provide a point of differentiation.

Leading mortgage insurers' earnings have been pressured by a range of factors over the past five years, including a slowdown in gross written premiums (GWP), changes to their earnings curves, heightened claims stemming from two states, and various regulatory-related uncertainties. Despite these difficulties, mortgage insurers remain profitable, generating an average ROE of about 9% over the past two years (or 12% in the past five) – partly benefiting from an earnings curve that extends over a 10-12 year period.

We expect the industry's headwinds to moderate over the next 12-18 months. The re-election of the incumbent federal government removed near-term uncertainty relating to housing and associated tax concessions for geared housing investments. We believe this may encourage the take-up of mortgage insurance. Potential changes to bank capital standards may also make mortgage insurance a more capital-effective tool for advanced internal ratings-based banks, which currently do not receive capital relief from use of the product. Industry participants remain well placed to deal with the shifting landscape, given their high levels of capital, low-risk investment portfolios, and considerable reinsurance protection.

Australia - Total Gross Premium Written



* Total GPW data of 96 P&C insurers in the market,
Year ended 31 December 2018

Australia – Rated Insurers

Company Name	Insurer Financial Strength Ratings	Outlook
P&C Insurers		
AAI Ltd.	A+	Stable
AIG Australia Limited	A	Stable
Allianz Australia Insurance Ltd.	AA-	Stable
BHP Billiton Marine & General Insurances Pty Ltd.	A	Stable
Chubb Insurance Australia Ltd.	AA-	Stable
Great Lakes Insurance S.E (Australia Branch)	AA-	Stable
Hallmark General Insurance Co. Ltd.	BBB+	Stable
Insurance Australia Ltd.	AA-	Stable
Society of Lloyd's	A+	Negative
Medical Insurance Australia Pty Ltd.	A-	Stable
QBE Insurance (Australia) Ltd.	A+	Stable
QBE Insurance (International) Ltd.	A+	Stable
Zurich Australian Insurance Ltd.	A+	Stable
Life Insurers		
AIA Australia Ltd.	A+	Stable
AMP Life Ltd.	A	Credit Watch Negative
Challenger Life Company Ltd.	A	Positive
Colonial Mutual Life Assurance Society Ltd. (The)	A+	Stable
Hallmark Life Insurance Co. Ltd.	BBB+	Stable
MetLife Insurance Ltd.	A+	Stable
OnePath Life Ltd.	A+	Stable
Westpac Life Insurance Services Ltd.	A+	Stable
Lenders Mortgage Insurers		
Genworth Financial Mortgage Insurance Pty Ltd.	A+	Negative
QBE Lenders' Mortgage Insurance Ltd.	A+	Stable
Westpac Lenders Mortgage Insurance Ltd.	AA-	Negative
Reinsurers		
General Reinsurance Australia Ltd.	AA+	Stable
General Reinsurance Life Australia Ltd.	AA+	Stable
Hannover Life Re of Australasia Ltd.	AA-	Stable
Munich Reinsurance Co. of Australasia Ltd.	AA-	Stable
RGA Reinsurance Co. of Australia Ltd.	AA-	Stable
SCOR Global Life Australia Pty Ltd.	AA-	Stable
Swiss Re Life & Health Australia Ltd.	AA-	Stable
Swiss Reinsurance Co. (Australian Branch)	AA-	Stable

All ratings are Local Currency Financial Strength Ratings as at 31 May 2019

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China

S&P Global Ratings

Sovereign Ratings

Foreign Currency: A+/Stable/A-1

Local Currency: A+/ Stable/A-1

- Growth momentum remain strong underpinned by growing insurance demand
- Alleviated margin compression driven by lower tax burden
- Heightened investment risk exposure with low risk-adjusted returns

China's insurers will see stable profits following the government's enhanced tax-deduction initiatives for the sector. In our view, this bonanza will position the wider insurance sector for faster growth as insurers share the tax savings with their policyholders through improved affordability and yield on their insurance contracts. However, holdings are increasing of risky investment assets, such as equity, real estate, and alternative investments (including debt schemes, wealth management products, and trust plans). These are coupled with a greater responsibility for Chinese insurers to assist the economy, and that exposes them to rising investment risks.

China's regulatory framework will continue to evolve. The China Risk-Oriented Solvency System (C-ROSS) was implemented in 2016 and its ongoing Phase II developments aim at meeting the needs of the country's fast-growing and dynamic insurance market. We revised our assessment of the credit trends for China's life insurance sector to stable from negative in late 2018, in view of its disciplined new-business growth initiatives and tighter regulatory environment. The landscape is changing for non-life and life sectors, and the growing momentum should attract more international players. We expect the increasing number of foreign insurers to strengthen their footprint in China following the government's initiative to further open up the sector.

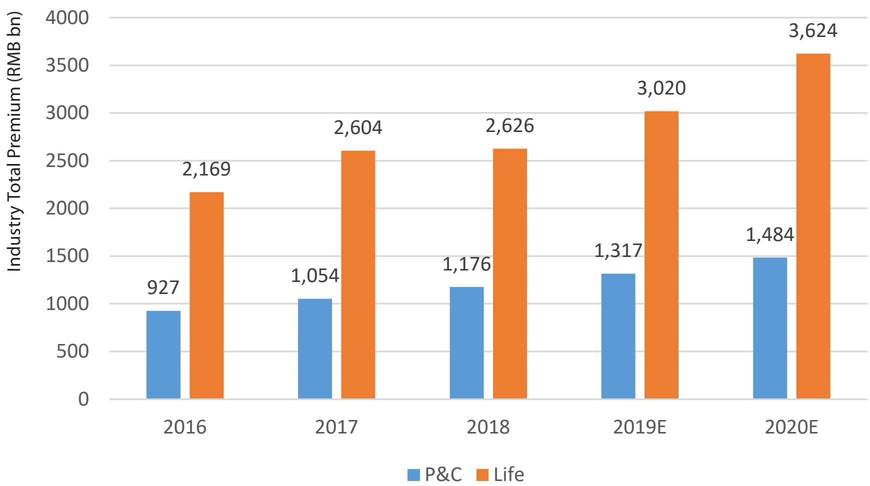
We estimate the life insurance sector's annual premiums will grow by about 15% over the next two years. The sector benefits from growing insurance demand amid the country's ageing demographics and expanding middle-income class. Recent announcements on enhanced tax deductions will likely prompt life insurers to take stock of their pricing assumptions on existing products. We anticipate the insurers will introduce enhanced features, and policyholders may benefit from improved investment yields on existing products. These measures could help raise the attractiveness of life insurance policies domestically. This is positive for China's midsize life insurers as they seek to grow their business by focusing on protection and regular premium policies. However, lower taxes might result in some insurers hiking commission rates to boost their agency distribution.

Asset-liability management (ALM) remains the key risk for many Chinese life insurers due to the limited availability of long-duration assets to match liabilities. We expect life insurers' emphasis on ALM management to increase amid heighten regulatory scrutiny. Furthermore, the loosening of reins over investments towards banks' perpetual debts will help mitigate the mounting long-duration liabilities as insurers seek to focus on protection policies.

We estimate that China's non-life insurance sector will grow about 12% over the next two years, given rapid growth of non-motor insurance coverage. The lower tax burden will dilute non-life insurers' margin compression. But even though commission payouts to auto insurance distributors have decreased, they remain aggressive. In addition, the regulator continues to implement pricing liberalisation initiatives for auto insurance. As such, we anticipate a dent in the underwriting profitability of China's non-life insurance providers. By the end of the first quarter of 2019, non-motor insurance represented more than 40% of GWP.

China

China - Total Gross Premium Written



China – Rated Insurers

Company Name	Insurer Financial Strength Ratings	Outlook
P&C Insurers		
AIG Insurance Co. China Ltd.	A	Stable
BOC Insurance Company Ltd.	A-	Stable
China Pacific Property Insurance Co. Ltd.	A	Negative
Chubb Insurance Company Limited (China)	A+	Stable
Lloyd's Insurance Co. (China) Ltd.	A+	Negative
Mitsui Sumitomo Insurance (China) Co. Ltd.	A	Stable
Ping An Property & Casualty Insurance Co. of China Ltd.	A-	Stable
Samsung Property & Casualty Insurance Co. (China) Ltd.	A+	Stable
Sompo Insurance China Co. Ltd.	A	Stable
Swiss Re Corporate Solutions Insurance China Ltd.	A+	Stable
Taiping General Insurance Co. Ltd.	A	Stable
Tokio Marine & Nichido Fire Insurance Co. (China) Ltd.	A	Positive
Life Insurers		
CCB Life Insurance Co. Ltd.	A-	Stable
China Life Insurance Co. Ltd.	A+	Stable
Reinsurers		
China Life Reinsurance Co. Ltd.	A	Stable
China Property & Casualty Reinsurance Co. Ltd.	A	Stable
China Reinsurance (Group) Corp.	A	Stable

All ratings are Local Currency Financial Strength Ratings as at 31 May 2019

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Hong Kong

S&P Global Ratings

Sovereign Ratings
Foreign Currency: AA+/Stable/A-1+
Local Currency: AA+/Stable/A-1+

- Ongoing growth momentum stemming from rising domestic demand
- Evolving regulatory framework to strength insurers' risk awareness and governance
- Solid profitability despite intensifying competition

We anticipate that Hong Kong insurers will enhance their digital footprints, following the establishment of the first home-grown digital insurer in 2018. The earlier "sandbox" initiative by the Hong Kong regulator helped set the scene for the insurers to increase the usage of technology. In particular, technology initiatives are likely to focus around boosting efficiencies and improving outreach to customers. We also expect the sector's risk awareness to strengthen, given the upcoming implementation of enhanced Guideline on Enterprise Risk Management and the Risk-based Capital Regime. We consider life insurers to be better positioned than their non-life insurance peers to adopt the upcoming risk-based capital regime.

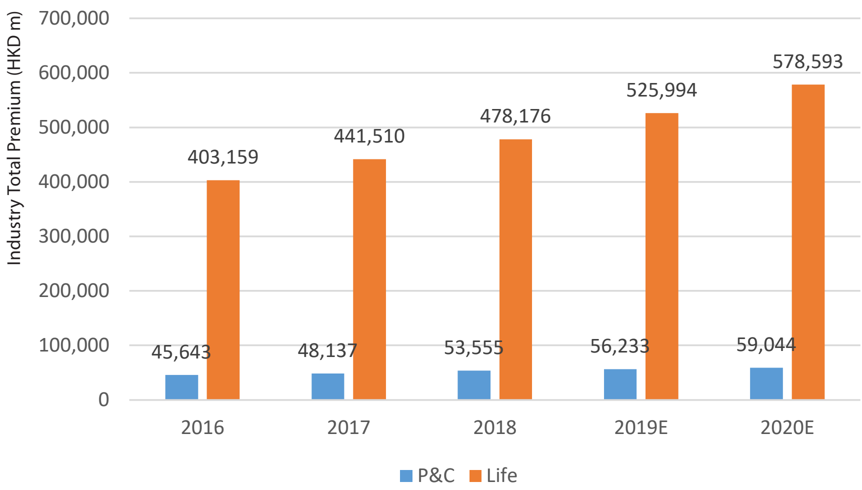
Life insurers in Hong Kong will likely benefit from rising domestic demand, following recent key initiatives from the government that include a voluntary health insurance scheme and tax-deductible deferred annuity. In view of improved connectivity with China through Greater Bay Initiatives, the premium growth momentum from offshore policyholders will likely rebound. We expect Hong Kong's high-end medical and protection policies, and the ability to settle in foreign currency, to continue to attract offshore customers. We forecast the life insurance market will grow about 10% over the next two years.

We estimate that life insurers' profitability will be sustainable, with a return on assets (ROA) above 1% over the next two years despite a thinning profit margin due to intensifying competition and sensitivity toward volatile investment markets. We expect the sector to remain supported by strong underwriting margins and robust fee income compared with other regional peers'.

The organic growth prospects of Hong Kong's intensely competitive non-life sector will likely remain modest. That said, we expect the sector to benefit from a premium rate adjustment following tighter underwriting discipline toward employee compensation (EC) lines and the effect of Typhoons Hato and Mangkhut. We anticipate that the sector's premium income will grow at 5.0%-7.0% over the next two years.

Hong Kong's non-life sector will likely resume its profitable underwriting over the next two years, though with thinning margins stemming from mounting compliance costs. The underwriting performance of the sector's direct business deteriorated slightly in 2018 due to property losses associated with Typhoon Mangkhut. The magnitude of property losses was tempered by improvement in the still loss-making EC business. The combined ratio stands at 98.9% in 2018 (2017: 98.2%), indicating profitability. We expect Hong Kong non-life insurers to continue to tighten underwriting standards and proactively review reinsurance arrangements amid more frequent weather-related events. Competition continues to intensify because of the crowded sector, fueled by less-stringent requirements for new insurance licences and wide availability of insurance specialists.

Hong Kong – Total Gross Premium Written



Hong Kong – Rated Insurers

Company Name	Insurer Financial Strength Ratings	Outlook
P&C Insurers		
AIG Insurance Hong Kong Ltd.	A+	Stable
Arch MI Asia Limited	A	Stable
Asia Insurance Co. Ltd.	A	Stable
Bank of China Group Insurance Co. Ltd.	A-	Stable
China Pacific Insurance Co. (H.K.) Ltd.	A-	Negative
China Taiping Insurance (HK) Co. Ltd.	A	Stable
Chubb Insurance Hong Kong Ltd.	AA-	Stable
CNOOC Insurance Limited	A+	Stable
Falcon Insurance Co. (Hong Kong) Ltd.	A-	Positive
MSIG Insurance (Hong Kong) Ltd.	A+	Stable
QBE General Insurance (Hong Kong) Ltd.	A	Stable
QBE Hongkong & Shanghai Insurance Ltd.	A	Stable
Sinopec Insurance Ltd.	A+	Stable
Sompo Insurance (Hong Kong) Co., Ltd.	A	Stable
Sun Hung Kai Properties Insurance Ltd.	A-	Stable
Tokio Marine & Fire Insurance Co. (Hong Kong) Ltd.	A	Positive
Life Insurers		
AIA Co. Ltd.	AA-	Stable
AIA International Ltd.	AA-	Stable
AXA China Region Insurance Co. Ltd	AA-	Stable
AXA China Region Insurance Co. (Bermuda) Ltd	AA-	Stable
BOC Group Life Assurance Co. Ltd.	A	Stable
China Life Insurance (Overseas) Co. Ltd.	A	Stable
Hang Seng Insurance Co. Ltd.	AA-	Stable
HSBC Life (International) Ltd.	AA-	Stable
Manulife (International) Ltd.	AA-	Stable
MetLife Limited	A+	Stable
Mortgage Insurers		
QBE Mortgage Insurance (Asia) Ltd.	A	Stable
Reinsurers		
AIA Reinsurance Ltd.	AA-	Stable
SCOR Reinsurance Co. (Asia) Ltd.	AA-	Stable
Taiping Reinsurance Co. Ltd.	A	Stable

All ratings are Local Currency Financial Strength Ratings as at 31 May 2019

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India

S&P Global Ratings

Sovereign Ratings

Foreign Currency: BBB-/Stable/A-3

Local Currency: BBB-/Stable/A-3

- Slower than GDP growth due to underpricing and slower uptake of agriculture insurance
- Weak underwriting performance prompting reliance on investment income
- Capital-market initiatives to facilitate greater governance and transparency within the industry

India

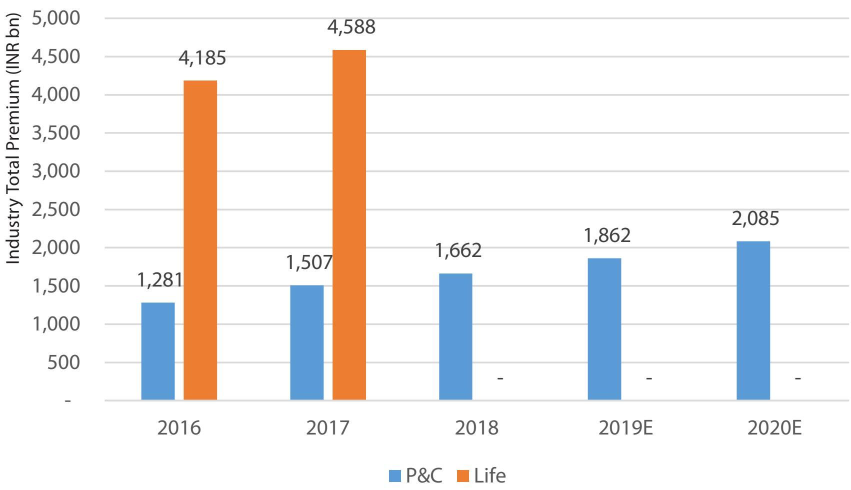
We expect insurance sector reforms to press on given the re-election of the ruling Bharatiya Janata Party, and this should have a positive impact on the weak underwriting performance. However, underwriting losses are likely to persist for the next two years. India is home to the world's second-largest population, and we consider the growth potential for the insurance sector to be substantial.

We expect the nominal growth of India's non-life insurance sector to be slow at around 10%-12% over the next two years (expected nominal GDP growth of 12%). In 2018, the sector grew approximately 10%. While this comes as a surprise for an emerging market, the rate was below GDP growth, in our view, because the sector is underpricing its risks and agriculture insurance has slowed down after the initial boost in prior years. As of 31 March 2019 (the end of the fiscal year), India's nominal GDP stood at 12%.The sector's total GPW grew at 18% in 2017, a sharp decline from 2016's 33%. The very high growth in 2016 follows government initiatives to subsidise crop insurance for farmers. Crop insurance accounts for about 16% of the sector's gross premiums written in 2017.

India's non-life sector's combined ratio will stay at 115%-120% over the next two years, indicating a loss. We believe the ongoing losses from motor third-party, group health, and crop segments will dent underwriting profitability. The sector's overall profitability remains highly dependent on investment returns. We expect ROE to be stable at 3%-5% over the next two years. In our view, the recent listing of insurance companies in India will aid further transparency and strengthen the focus on underwriting profitability. As insurers face more scrutiny over their performances, we anticipate management will increase their focus on premium sufficiency and risk appetite. However, this will take time amid a competitive landscape.

S&P Global Ratings believes the introduction of private equity capital within the insurance sector will facilitate faster growth and technology sophistication. At the same time, we consider the new shareholders will instill greater discipline in profitability. The influx of new capital from private equity investors was mostly channeled to the health insurance sector, following revised regulations since December 2017. Since then, the insurance sector has seen additional capital influx of about US$2 billion.

India - Total Gross Premium Written



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Japan

S&P Global Ratings

Sovereign Ratings

Foreign Currency:	A+/Positive/A-1
Local Currency:	A+/Positive/A-1

- Profits to remain stable and underwriting margins to thin
- Increasing risk appetite towards overseas investments to counter ultra-low domestic interest rates
- Heightened sensitivities towards currency movements

The largest risk for Japan's non-life insurance sector continues to be natural catastrophe events and market risk. In fiscal 2018 (ended March 2019), a series of large catastrophe events such as typhoon Jebi pushed the combined ratio of domestic non-life insurance business to around 100% compared with 94% in the previous fiscal year. The non-life insurers reversed their catastrophe reserves to offset the increase in the net losses to stabilise their net profits, although this led to negative pressure on their capital.

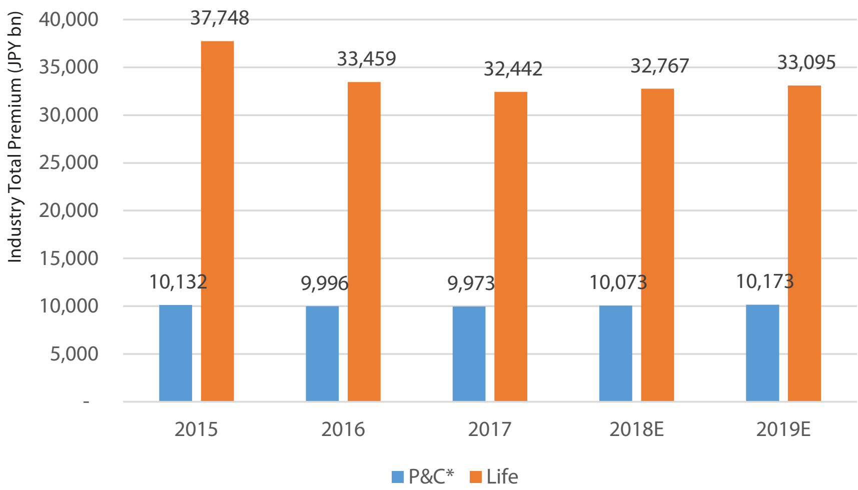
We expect the industry's combined ratio to stay below 100%, provided natural catastrophe events stay within the normal range. We anticipate that the profitability of Japan's non-life insurance sector will remain stable despite declining underwriting profits. Margins will be strained because of price reductions for voluntary auto insurance in 2018, a scheduled hike of the consumption tax rate in October 2019, and the change to the statutory interest rate under the civil law taking effect in April 2020. However, the price increase in fire insurance scheduled in late 2019 and growth in new types of commercial insurance will likely ease the downward pressure.

These insurers have established risk controls and an articulated risk appetite to manage investment risks, in our view. Non-life insurers are increasing their offshore investments and widening their credit risk appetite. While these actions help to maintain investment income, it also exposes insurers to potential foreign exchange fluctuations. Large non-life insurance groups have steadily reduced their exposure and realised capital gains by selling strategically held stocks to limit their market risk exposure.

The pressure on life profitability is set to rise amid intensifying competition across savings-type products and third-sector products (which include nursing care and medical treatment-related policies). To mitigate thinning profit margins amid persistently low domestic interest rates, major traditional life insurers have been offering foreign currency-denominated savings-type products; lowering guaranteed rates for yen-denominated savings-type products; and launching new types of third-sector products such as dementia insurance, and nursery insurance. Most insurers have also limited or suspended sales of yen-denominated savings policies.

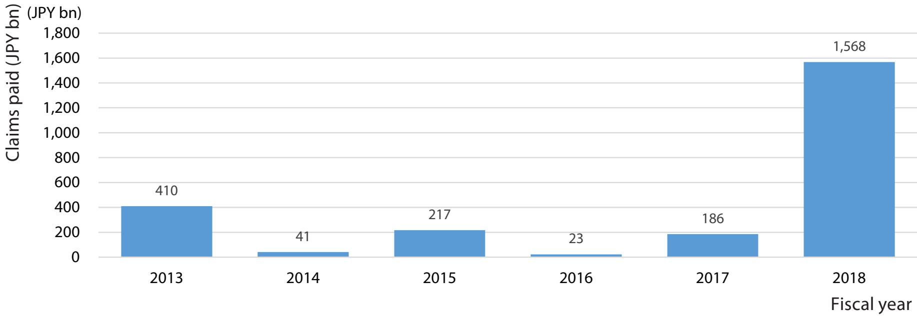
Life insurers have increased their allocation towards foreign currency-denominated bonds for both new premium proceeds and reinvestment needs. While these assets provide comparatively higher investment yields, they may expose life insurers to currency mismatches – increasing their sensitivities towards foreign-currency movements. Despite this, we expect their capitalisation to be robust. The insurers' capitalisation benefits from continued retained earnings accumulation backed by the insurers' stable mortality and morbidity margins from both traditional insurance and third-sector businesses.

Japan – Total Gross Premium Written



* Total GPW data of 14 P&C insurers in the market
Financial Year: 1 April to 31 March

Japan – Claims Paid for Major Typhoons and Windstorms



Note:
The amount of fiscal 2018 is an aggregate amount of figures published by GIAJ.

A large amount of claims paid in fiscals 1991, 2004 and 2018 arose mainly from the following natural disasters, respectively:

- Fiscal 1991: typhoon no. 19 (¥568 billion);
- Fiscal 2004: typhoons no. 18 (¥387.4 billion), no. 23 (¥138 billion) and no. 16 (¥121 billion); and
- Fiscal 2018: typhoons no. 21 (¥1,067.8 billion), no. 24 (¥306.1 billion) and torrents in July (¥195.6 billion).

Source: The General Insurance Association of Japan (GIAJ)

Japan – Rated Insurers

Company Name	Insurer Financial Strength Ratings	Outlook
P&C Insurers		
AIG General Insurance Co. Ltd.	A+	Stable
Aioi Nissay Dowa Insurance Co., Ltd.	A+	Stable
Allianz Fire and Marine Insurance Japan Ltd.	AA	Stable
Chubb Insurance Japan	A+	Positive
Hitachi Capital Insurance Corporation	A-	Stable
Japan Ship Owners' Mutual Protection & Indemnity Association (The)	BBB+	Stable
Kyoei Fire & Marine Insurance Co. Ltd.	A	Stable
Meiji Yasuda General Insurance Co. Ltd.	A	Positive
Mitsui Sumitomo Insurance Co. Ltd.	A+	Stable
Secom General Insurance Co. Ltd.	A-	Stable
Sompo Japan Nipponkoa Insurance Inc.	A+	Stable
Tokio Marine & Nichido Fire Insurance Co. Ltd.	A+	Positive

Japan – Rated Insurers

Company Name	Insurer Financial Strength Ratings	Outlook
Life Insurers		
Aflac Life Insurance Japan Ltd.	A+	Positive
AXA Life Insurance Co. Ltd.	A+	Positive
Daido Life Insurance Co.	A	Stable
Fukoku Mutual Life Insurance Co.	A	Stable
Japan Post Insurance Co., Ltd.	A+	Stable
Manulife Life Insurance Company	A+	Positive
Meiji Yasuda Life Insurance Company	A	Positive
MetLife Insurance KK	AA-	Stable
Mitsui Sumitomo Aioi Life Insurance Company, Limited	A+	Stable
Mitsui Sumitomo Primary Life Insurance Company, Limited	A+	Stable
Nippon Life Insurance Co.	A+	Positive
Nippon Wealth Life Insurance Co. Ltd.	A-	Positive
NN Life Insurance Co. Ltd.	A-	Stable
Sompo Japan Nipponkoa Himawari Life Insurance Inc.	A+	Stable
Sony Life Insurance Co. Ltd.	A+	Positive
Sumitomo Life Insurance Co.	A+	Stable
Taiju Life Insurance Co. Ltd.	A	Positive
Taiyo Life Insurance Co.	A	Stable
The Dai-ichi Life Insurance Co. Ltd.	A+	Positive
The Gibraltar Life Insurance Co. Ltd.	A+	Positive
The Prudential Gibraltar Financial Life Insurance Co. Ltd.	A+	Positive
The Prudential Life Insurance Co. Ltd.	A+	Positive
Tokio Marine & Nichido Life Insurance Co. Ltd.	A+	Positive
Reinsurers		
Insurance Company of Trinet Asia Pte Ltd.	A	Stable
New Century Insurance Co., Ltd.	A	Stable
Toa Reinsurance Co.	A+	Stable
Toyota Tsusho Re Singapore Pte. Ltd.	A+	Stable

All ratings are Local Currency Financial Strength Ratings as at 31 May 2019

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South Korea

S&P Global Ratings

Sovereign Ratings

Foreign Currency: AA/Stable/A-1+

Local Currency: AA/Stable/A-1+

- Moderate business growth to focus on protection policies
- Continuing efforts to strengthen capitalization ahead of IFRS 17 and K-ICS implementation
- Potential Investment volatility stemming from insurers' growing overseas investments

Korea's mature insurance market is likely to grow moderately over the next two years as insurers devote their attention towards the implementation of International Financial Reporting Standard (IFRS) 17 through proactive control of their insurance product offerings. This comes at a time when the country's financial regulators are also planning to roll out a new capital framework: Korean-Insurance Capital Standard (K-ICS). The insurers' moderate business growth reflects their deliberate focus on protection policies and strengthening underwriting standards.

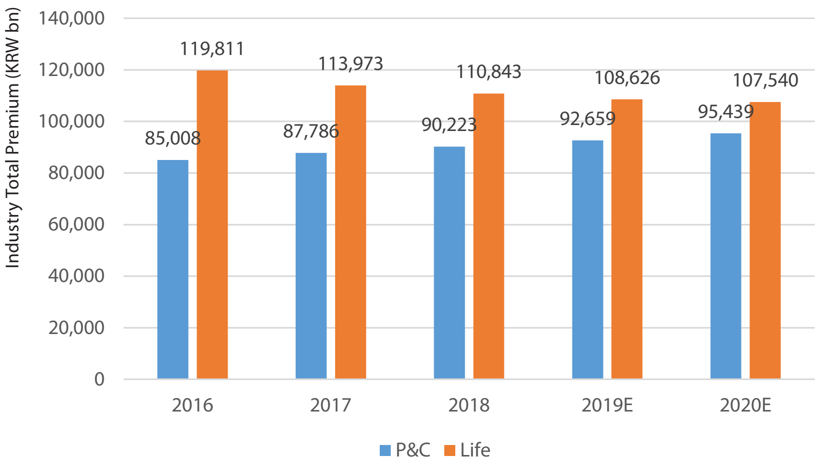
Compliance costs will rise with the implementation of IFRS 17 since new accounting systems and financial management rules will be required. Particularly, we expect a more pronounced impact of IFRS 17 for life insurers stemming from high investment guarantees offered on legacy savings policies. Under IFRS 17, insurers will need to report market value for their insurance liabilities, which will move in line with the broader interest rate trends, resulting in volatile capitalization. Nevertheless, the combination of both K-ICS and IFRS 17 should improve Korean insurers' comparability with international insurers and enhance the sector's focus on asset and liability management. As part of their capital management efforts, Korean insurers have started to refine their product strategies to focus on better-value protection policies with limited investment guarantees.

Furthermore, we expect Korean insurers to continue their efforts to secure a bigger capital buffer via the issuance of new capital including regulatory compliant hybrid securities as the implementation date draws closer. In our view, this exposes insurers to interest costs – denting profitability. Life insurers issued more than US$2 billion worth of hybrid securities in overseas market in recent few years, although issuance activities have slowed since mid-2018.

While we expect broadly stable profitability for insurers, potential investment volatility stems from their gradually increasing alternative investments and overseas investment exposures. The heightened risk appetite could result in higher credit losses. The increasing foreign exchange exposures amid market volatilities will also translate into higher hedging costs. The portion of overseas investment securities increased to about 15% of total invested assets in 2018 from about 5% in 2013. The increasing allocation towards overseas investment reflects insurers' efforts towards longer-duration assets to match their liability profiles.

Among the insurers, we anticipate that the non-life sector will sustain relatively high profitability with ROE around 10% in the coming years, backed by the insurers' focus on managing underwriting performances of auto and medical indemnity policies with premium rate adjustments. Comparatively, their life insurance counterparts have lower profitability with ROE of about 5%.

South Korea – Total Gross Premium Written



Korea

South Korea – Rated Insurers

Company Name	Insurer Financial Strength Ratings	Outlook
P&C Insurers		
AIG Korea Inc.	A+	Stable
DB Insurance Co. Ltd.	A	Stable
Hanwha General Insurance Co., Ltd.	A	Stable
Hyundai Marine & Fire Insurance Co. Ltd.	A-	Positive
Samsung Fire & Marine Insurance Co. Ltd.	AA-	Stable
Seoul Guarantee Insurance Co.	A+	Stable
Reinsurers		
Korean Reinsurance Co.	A	Stable

All ratings are Local Currency Financial Strength Ratings as at 31 May 2019

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Malaysia

S&P Global Ratings

Sovereign Ratings

Foreign Currency: A-/Stable/A-2

Local Currency: A/Stable/A-1

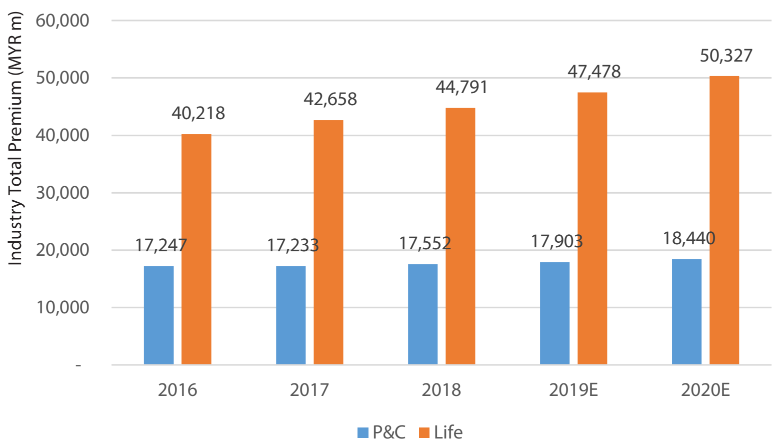
- Mixed growth prospects for Malaysia's insurance sector amid slower economy
- Foreign ownership limits driven by focus on penetration and in-country profit retention
- Strong profitability to continue given disciplined underwriting

The economic slowdown has led to subdued growth for Malaysia's insurance sector. While we expect insurance penetration to continue to rise, it will be at a slow pace. In our view, further consolidation within the sector will persist. This comes amid limited issuance of new licenses and the regulator's tightened stance towards foreign-ownership shareholding. In our view, the final implementation of the foreign ownership limits remains to be seen. To date, a foreign-owned life insurer has opted to contribute to the health trust scheme to avoid diluting its ownership. Post the completion of the conversion of composite insurers into single life/general licenses, the market has 43 insurers and reinsurers as of March 2019 (1990: 58; excluding takaful and retakaful companies).

On the life side, the demand for single-premium and traditional products will keep premium growth to around 5%. The increasing usage of digital distribution channels boosted the reach of life insurers to its customers. Agency and bancassurance channels continue to dominate the distribution of life insurance policies. We anticipate the profitability of the life insurance sector to remain strong, though susceptible to volatility in the investment markets and a still-low interest rate environment. Furthermore, the need to comply with the foreign ownership limits may have compliance costs, which dent profitability. Based on our analysis of the five largest life insurers in Malaysia, we anticipate the industry's ROE will stand at around 20% over the coming two years.

Unlike that of life insurance peers, non-life growth should be marginal at around 2%-3% over the next two years. This reflects the slower economy and intensifying domestic competition. While premium rate hikes (as part of ongoing de-tariff initiatives) will help cushion the impact of market competition, the benefits are limited. Particularly for third-party motor insurance, underwriting losses will likely persist. Overall, we believe the sector's underwriting profitability remains strong, with a combined ratio of 90%-95%; though, this is reduced from 87% in 2013.

Malaysia – Total Gross Premium Written



Malaysia – Rated Insurers

Company Name	Insurer Financial Strength Ratings	Outlook
Reinsurers		
IAG Re Labuan (L) Berhad	AA-	Stable

All ratings are Local Currency Financial Strength Ratings as at 31 May 2019

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New Zealand

S&P Global Ratings

Sovereign Ratings

Foreign Currency: AA/Positive/A-1+

Local Currency: AA+/Positive/A-1+

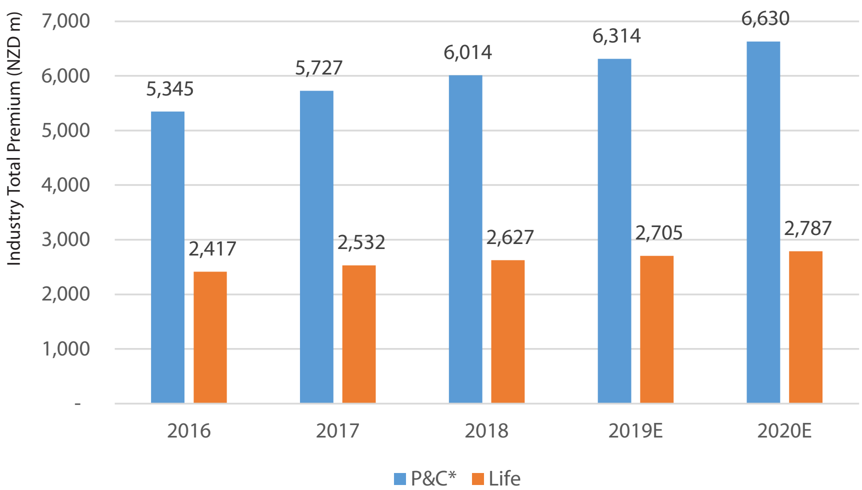
- Heightened regulatory scrutiny under conduct and advice reviews along with halo impact of Australia's Royal Commission
- Ongoing merger and acquisition activity increases dominance of major players
- Natural catastrophe exposure continues to impact pricing, reserving and risk selection, though cushioned by sufficient reinsurance capacity

We anticipate ongoing regulatory scrutiny for life insurers regarding conduct and disclosure, especially around sales commissions and advice, which may curtail sales volumes. Overlap of ownership with Australian institutions will also see a halo impact from Australia's Royal Commission. Operating performance has been strong and stable relative to recent Australian experience. The life market has recently seen several divestments to large global players, and related mergers, with resultant increased scale among the top three groups. While providing some scale and reach advantage, we still see solid competitive positions among mid-tier providers.

The relatively soft state of the global reinsurance market has assisted with both capacity and pricing in New Zealand despite natural disaster and weather-related events in recent years. We believe reinsurers will remain active and offer capacity in the region, with primary insurers continuing to benefit from ample capacity at favourable pricing and terms and conditions. The tail risk from the Canterbury earthquake has reduced considerably, and we see less reserve strengthening required. Despite continuing high levels of natural hazard claims, the operating performance of New Zealand non-life insurers will likely remain solid for the next two years. Sound economic prospects should support both premium and volume growth.

New Zealand's health insurance industry is highly concentrated, with the largest provider accounting for about 62% of the market (based on lives covered) in 2018, and the second largest about 15%. The operating performance of the largest providers has been sound with solid rate increases covering medical inflation, and should remain steady over the next two years. The two largest health insurers, in particular, also continue to develop their digital capabilities and preferred supplier arrangements, which we expect to help lessen future cost inflation for medical claims.

New Zealand – Total Gross Premium Written



New Zealand – Rated Insurers

Company Name	Insurer Financial Strength Ratings	Outlook
P&C Insurers		
AA Insurance Ltd.	A+	Stable
AIG Insurance New Zealand Ltd.	A	Stable
Chubb Insurance New Zealand Ltd.	AA-	Stable
Hallmark General Insurance Co. Ltd. (New Zealand Branch)	BBB+	Stable
IAG New Zealand Ltd.	AA-	Stable
Medical Insurance Society Ltd.	A-	Stable
Society of Lloyd's	A+	Negative
Southern Cross Benefits Ltd.	A	Stable
Teleco Insurance (NZ) Ltd.	BBB+	Stable
Tokio Marine & Nichido Fire Insurance Co. Ltd. (New Zealand Branch)	A+	Positive
Vero Insurance New Zealand Ltd.	A+	Stable
Vero Liability Insurance Ltd.	A+	Stable
Life Insurers		
Asteron Life Ltd.	A+	Stable
Hallmark Life Insurance Co. Ltd. (New Zealand Branch)	BBB+	Stable
Medical Life Assurance Society Ltd.	A-	Stable
OnePath Life (NZ) Ltd.	A	Negative
Westpac Life-NZ-Ltd.	A+	Negative
Health Insurers		
NIB NZ Ltd.	A-	Stable
Southern Cross Medical Care Society	A+	Stable
Lenders Mortgage Insurers		
Genworth Financial Mortgage Insurance Pty Ltd. (NZ Branch)	A+	Negative

All ratings are Local Currency Financial Strength Ratings as at 31 May 2019

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Singapore

S&P Global Ratings

Sovereign Ratings

Foreign Currency:	AAA/Stable/A-1+
Local Currency:	AAA/Stable/A-1+

- Operates as one of the insurance hubs within the Asia-Pacific region supported by highly regarded regulatory framework
- Moderate growth prospects to reflect mature market dynamics
- Increased focus on enhancing digitisation capabilities within the insurance value chain

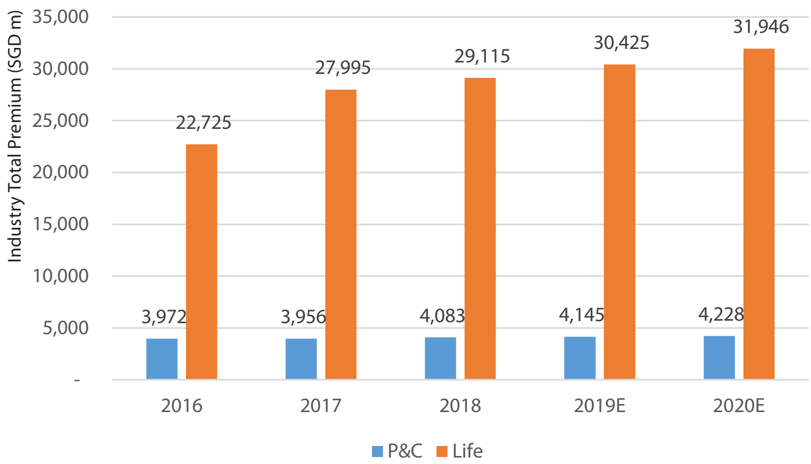
Singapore's mature insurance market remains supportive of growth and profitability. Insurers continue to benefit from the country's status as a regional financial hub that has attracted numerous multinational insurers. Singapore is also one of several countries to have taken leadership in building financial technology capabilities, with increased budgetary and sectoral allocations towards digitisation in recent years. Over time, we expect automation in several activities to further improve cost efficiencies for the industry and smooth customer experience. The setup of the "fintech sandbox" by the financial regulator – Monetary Authority of Singapore – to promote digitalisation and innovation within the financial sector has borne fruit, with the formation of numerous fintech players since its launch.

We expect Singapore's life insurance sector to achieve premium growth of around 5% through 2020, supported by moderate demand for single premium. The push for protection and health insurance policies should continue amid increasing medical inflation. The sector has strong profitability backed by disciplined underwriting strategies. However, persistent low interest rates and potential volatility in equity markets could constrain the industry's profitability. Bancassurance and traditional tied agents maintain their dominance in the distribution of life insurance. However, we expect the independent financial advisor channel to grow steadily in conjunction with a growing population of consumers who are insurance and digitally savvy.

The non-life sector's growth will likely be around 1.5%-3% through 2020. We expect motor insurance to remain the key business line, representing about 28% of the market. However, motor premiums will probably remain flat or decline marginally due to limitations on certificates of entitlement and revised emission regulations that could influence the availability of vehicles. Industry premium growth was 3.2% in 2018, supported by health, fire, and miscellaneous lines. We anticipate the sector will maintain moderate profitability with ROE of 4%-7% and a combined ratio of 90%-95% over the next two years, due to generally prudent underwriting, increased focus on cost efficiencies, and conservative asset allocations. Barring major natural catastrophes, potential profit volatility could mainly come from a continued softening in commercial rates, due partly to abundant capacity in the market. We expect moderate earnings volatility for the non-life sector's overseas portfolio through 2020, as the market manages higher loss experiences amid continued competitive pricing.

As the implementation of the Risk-Based Capital Framework (RBC2) draws closer, Singapore insurers are undertaking parallel runs to assess the impact of finalised proposals on their balance sheets for end-2018. In particular, we anticipate the revised liability valuation will affect life insurers. The revised framework includes alterations to discounting approach for liability valuations, calibration of unrated bonds based on eligible internal credit rating models, and operational risk.

Singapore – Total Gross Premium Written



Singapore – Rated Insurers

Company Name	Insurer Financial Strength Ratings	Outlook
P&C Insurers		
AIG Asia Pacific Insurance Pte. Ltd.	A+	Stable
Chubb Insurance Singapore Ltd.	AA-	Stable
Great Eastern General Insurance Ltd.	AA-	Stable
India International Insurance Pte. Ltd.	A-	Negative
Insurance Company of Trinet Asia Pte Ltd.	A	Stable
MSIG Insurance (Singapore) Pte. Ltd.	A+	Stable
QBE Insurance (Singapore) Pte. Ltd.	A	Stable
Sompo Insurance Singapore Pte. Ltd.	A	Stable
Tokio Marine Insurance Singapore Ltd.	A+	Positive
Life Insurers		
AIA Singapore Private Limited	AA-	Stable
HSBC Insurance (Singapore) Pte. Ltd.	A+	Stable
Manulife (Singapore) Pte. Ltd.	AA-	Stable
Prudential Assurance Co. Singapore (Pte.) Ltd.	AA-	Stable
Singapore Life Pte. Ltd.	BBB	Stable
The Great Eastern Life Assurance Company Limited	AA-	Stable
Multi-Line Insurers		
NTUC Income Insurance Co-operative Ltd.	AA-	Stable
Reinsurers		
Asia Capital Reinsurance Group Pte. Ltd.	A-	Stable
IAG Re Singapore Pte. Ltd.	AA-	Stable
Toyota Tshusho Re Singapore Pte Ltd	A+	Stable

All ratings are Local Currency Financial Strength Ratings as at 31 May 2019

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Taiwan

S&P Global Ratings

Sovereign Ratings

Foreign Currency: AA-/Stable/A-1+
Local Currency: AA-/ Stable/A-1+

- Prospects for premium growth remain healthy for life and non-life insurers amid a moderate economic growth environment
- Life insurers will be susceptible to offshore investment market volatility given significant overseas investments
- Capitalisation remained a relative strength for non-life insurers, versus a weakness for life insurers

Taiwan's insurers continue to travel a rough road toward satisfactory profitability, given volatility in global capital markets and forex rates in 2019. Particularly, life insurers' earnings performance remain susceptible to high hedging costs for foreign exchange exposure and capital market volatility. The high hedging costs will partly offset the better recurring yields on the sector's sizable US dollar-denominated fixed income securities than domestic fixed income securities. We estimate return on average assets will be 0.5% for the sector in 2019.

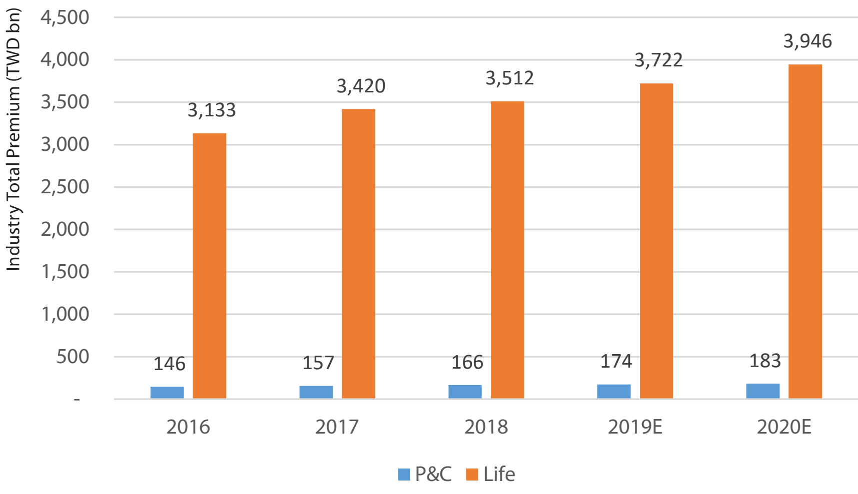
Forex risks will likely remain high for Taiwan's life insurers, making it increasingly challenging for insurers to maintain their credit profiles in 2019, with only modest capital buffers. Foreign currency investments remain attractive to insurers seeking higher yields and longer-duration instruments. This is despite the regulator's more stringent rules governing foreign-currency investments, such as tightening the minimum tenor on call options (enacted in 2017) and a tighter calculation of the upper foreign-currency investment limit (applicable beginning 2018). We believe growing risk awareness and the implementation of effective mechanisms to manage forex risk will be most critical for Taiwanese insurers to deal with potential forex volatilities over the coming year. The increased provisioning of the forex volatility reserve will also provide an additional buffer for life insurers to manage their forex exposure.

We expect insurers' capitalisation to show little improvement due to slow capital accumulation, given low earning growth prospects to match the growth in balance sheets. Several life insurers have announced capital-raising plans for 2019, but we expect the overall capitalisation to remain stable as new capital partly makes up for the unrealized losses in investments from the equity market volatility in the last quarter of 2018. In addition, continuous asset growth will offset the increase in capital.

We expect insurers to maintain their stable business momentum with little disruption in market share and distribution channels. Life insurers have been promoting investment-linked products to enhance their fee income and foreign-currency dominated policies that do not require forex hedging in asset-liability management.

On the other hand, non-life insurers rest on solid capital foundations to capture new growth in 2019. The insurers benefited from a relatively catastrophe benign environment for the past few years. In our view, non-life insurers' satisfactory underwriting performance and sufficient reinsurance coverage for catastrophe risks support the sector's generally strong capitalisation and underpin our stable outlook for non-life insurers for 2019. We estimate the sector's combined ratio will be around 95%. The underwriting performance is good by global standards with sound underwriting controls. We expect the sector's premium growth to be 5%-6% in 2019 with motor, fire, engineering, and liabilities to lead the growth, given that in aggregate these product lines commanded around 80% of the sector's total premiums. This is despite the lingering impact of a lower momentum for new car sales in 2019.

Taiwan – Total Gross Premium Written



Taiwan

Taiwan – Rated Insurers

Company Name	Insurer Financial Strength Ratings	Outlook
P&C Insurers		
Cathay Century Insurance Co. Ltd.	A-	Stable
Chung Kuo Insurance Co. Ltd.	A-	Stable
Fubon Insurance Co. Ltd.	A-	Stable
MSIG Mingtai Insurance Co. Ltd.	A	Stable
Nan Shan General Insurance Co. Ltd.	A-	Stable
Shinkong Insurance Co. Ltd.	A	Stable
Taian Insurance Co. Ltd.	A-	Stable
Taiwan Fire and Marine Insurance Co. Ltd.	A-	Stable
The First Insurance Co. Ltd.	A-	Stable
Tokio Marine Newa Insurance Co. Ltd.	A	Positive
Union Insurance Co. Ltd.	A-	Stable
Life Insurers		
BankTaiwan Life Insurance Co. Ltd.	A+	Stable
Cathay Life Insurance Co. Ltd.	A-	Stable
Fubon Life Insurance Co. Ltd.	A-	Stable
Nan Shan Life Insurance Co. Ltd.	A-	Stable
Shin Kong Life Insurance Co. Ltd.	BBB	Stable
Reinsurers		
Central Reinsurance Corp.	A	Stable

All ratings are Local Currency Financial Strength Ratings as at 31 May 2019

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Thailand

S&P Global Ratings

Sovereign Ratings

Foreign Currency: BBB+/Stable/A-2
Local Currency: A-/Stable/A-2

- Increase compliance cost in exchange for higher governance standards
- Foreign ownership liberalisation to regain momentum
- Improving growth potential across the industry

We expect Thailand's insurance industry to face higher compliance costs in 2019 due to significant regulatory changes. The new RBC2 brings new quantitative and qualitative requirements, particularly around market risk charges and the introduction of operational risk charge. We anticipate more pressure on insurers' capital, and that may drive consolidation within the sector. In our view, greater focus around Enterprise Risk Management (ERM) and Own Risk and Solvency Assessment (ORSA) will benefit the industry's overall governance standards over time. Furthermore, the enhanced need for risk professionals will also mean greater resource allocation from the insurance companies to better develop their people.

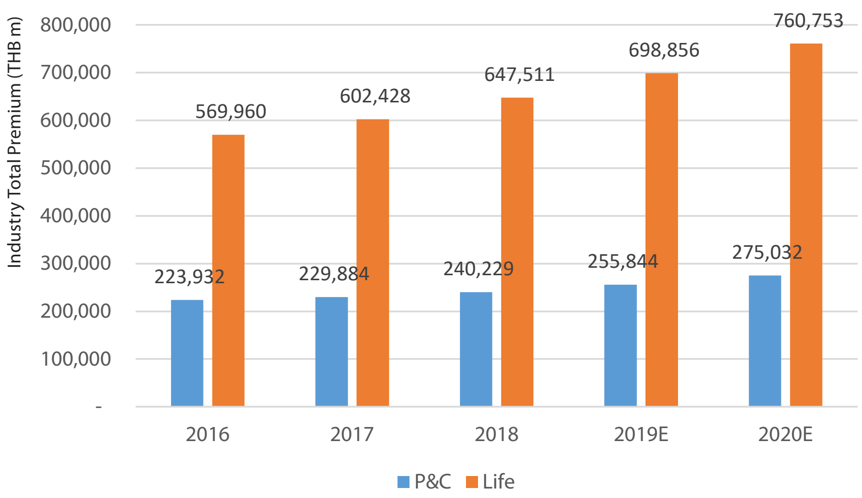
With the returning government in office, we expect the influx of greater foreign participation within the insurance sector will regain momentum. Since January 2017, Thailand has removed foreign ownership restrictions on insurance companies. We believe the directive will boost the influx of foreign capital into the industry and provide greater knowledge transfer from the foreign players to that of the domestic companies.

Following the footsteps of the region and driven by the demand on younger generation in online consumption, industry players are developing online and fintech capabilities to supplement their existing business model. While growth in digital capabilities might help insurers to acquire market share at a lower cost, in our view it also bring in significant risks in cyber and data protection as Thailand's technological infrastructure is still developing.

2019 saw some early recovery signs of of the non-life sector's growth momentum. The improving sentiment reflects a pickup in economic activities and various government initiatives. These initiatives include the Eastern Economic Corridor development project. We expect Thailand's non-life sector to deliver 4%-8% premium growth and ROE of 6%-8% in 2019-2020. That said, the regulator's de-tariffing efforts (starting with voluntary motor insurance) will drive rate reductions and dilute underwriting profits. Furthermore, the non-life insurers' already high exposure to equity investment limits their capital strength.

We expect Thailand's life insurance sector to maintain healthy premium growth at 7%-9% over the next few years, backed by the demand on retirement, health insurance, and investment-linked policies. The industry's ROE should remain strong at around 10% annually over 2019-2020, supported by robust underwriting margins, fee income, and investment returns. The life sector's asset-liability mismatch (ALM) risk remains high, due to the limited availability of long-dated fixed income instruments within the domestic capital market. In addition, regulatory restrictions on overseas investments constrain insurers' ability to match lengthy liabilities. That said, we expect gradually improving interest rates over the next few years will help to ease the ALM risk.

Thailand – Total Gross Premium Written



Thailand – Rated Insurers

Company Name	Insurer Financial Strength Ratings	Outlook
P&C Insurers		
Bangkok Insurance Public Company Limited	A-	Stable
Sompo Insurance (Thailand) Public Company Limited	A-	Stable
Tokio Marine Insurance (Thailand) PCL	A-	Stable
Life Insurers		
Muang Thai Life Assurance Public Co. Ltd.	BBB+	Stable

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