Insurer Financial Strength Ratings

An S&P Global Ratings insurer financial strength rating is a forward-looking opinion about the financial security characteristics of an insurance organisation with respect to its ability to pay under its insurance policies and contracts in accordance with their terms. Insurer financial strength ratings are also assigned to health maintenance organisations and similar health plans with respect to their ability to pay under their 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 defense such as fraud to deny claims.

Insurer financial strength ratings do not refer to an organisation's ability to meet nonpolicy (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 Ratings.
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 and '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 favorable 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.
SD or D	An insurer rated 'SD' (selective default) or 'D' is in default on one or more of its insurance policy obligations. 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 Ratings 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 Ratings 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 Ratings 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. 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 Ratings' analytical staff.

Rating Outlooks

An S&P Global Ratings 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.

N.M. means not meaningful.

S&P Global Insurance Criteria
"Insurers: Rating Methodology"

(Published 1 July 2019)

Extracted of the Insurance Industry and Country Risk Assessment (Paragraph 17 to 22)*

Insurance Industry And Country Risk Assessment

17. The IICRA addresses the risks typically faced by insurers operating in specific industries and countries. We may also analyze industry and country risk on a global basis for specific sectors. We assess the IICRA on a scale from '1' (very low) to '6' (very high).

18. To determine the IICRA for each country and sector, we assess the country risk and then modify this with our assessment of industry risk (see table 5). For instance, a country risk of '4'(moderately high) combined with an industry risk of low would result in a –1 modifier, resulting in an overall IICRA of '3' (intermediate), unless otherwise adjusted.

19. In cases where we determine that the balance of industry and country risks from applying table 5 materially understates or overstates the risks for the insurance sector of operating in a given country, the IICRA will be one category higher or lower, respectively, than indicated in table 5.

20. We assess country risk from strongest to weakest on a scale from very low risk to very high risk. Our analysis of country risk addresses the major factors that affect the country where the company operates – including economic, institutional and governance effectiveness, financial system, and payment culture and rule of law risks. We apply country risk criteria to determine our country risk assessment (see Related Criteria).

21. We assess industry risk as low, moderately low, moderately high, or high. The analysis of industry risk addresses the level, volatility, and sustainability of profitability in a given industry sector. The primary factor is an assessment of prospective profitability, supplemented by a holistic analysis of factors that in combination are likely to either support or threaten industry profitability prospects, such as barriers to entry, market growth prospects, product risk, and the institutional framework (see table 6).

22. For insurers operating in more than one country or sector, we assign a combined IICRA. We may adjust up or down by one category the combined relevant IICRAs for a given insurer:
    - To capture the directional trend of the overall IICRA, or
    - If the combination does not fully represent the relative exposure to industry and country risks.

Table 5: Insurance Industry And Country Risk*

	Country risk					
Industry risk						
	1. Very low	2. Low	3. Intermediate	4. Moderately high	5. High	6. Very high
Low	+1	0	0	–1	–1	–1
Moderately low	+1	+1	0	0	0	0
Moderately high	+1	+1	+1	0	0	0
High	+3	+2	+2	+1	0	0

**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.*

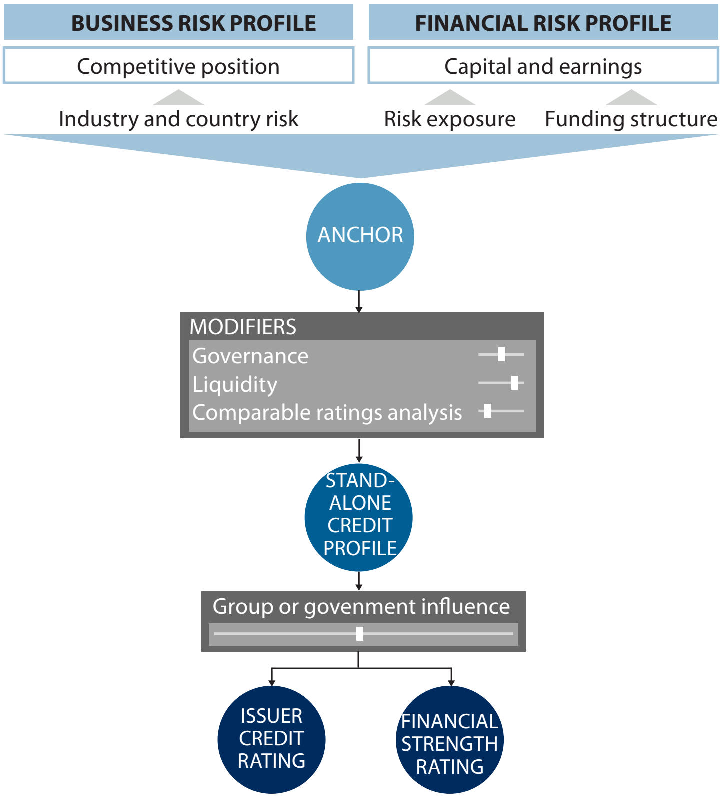
Table 6: Industry Risk Assessment

Descriptor	What it typically means
Low	Strong prospective profitability with low potential impact of competition and product risk, and supportive institutional framework.
Moderately low	Satisfactory prospective profitability with low potential impact of competition or product risk and supportive institutional framework; or strong prospective profitability with modest potential impact of competition or product risk and supportive institutional framework.
Moderately high	Weak prospective profitability; or satisfactory prospective profitability with potentially material impact of competition or product risk.
High	Weak prospective profitability and either high potential impact of competition or product risk, or an unsupportive institutional framework.

** 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.

Insurance Ratings Framework



Our Coronavirus Assumptions

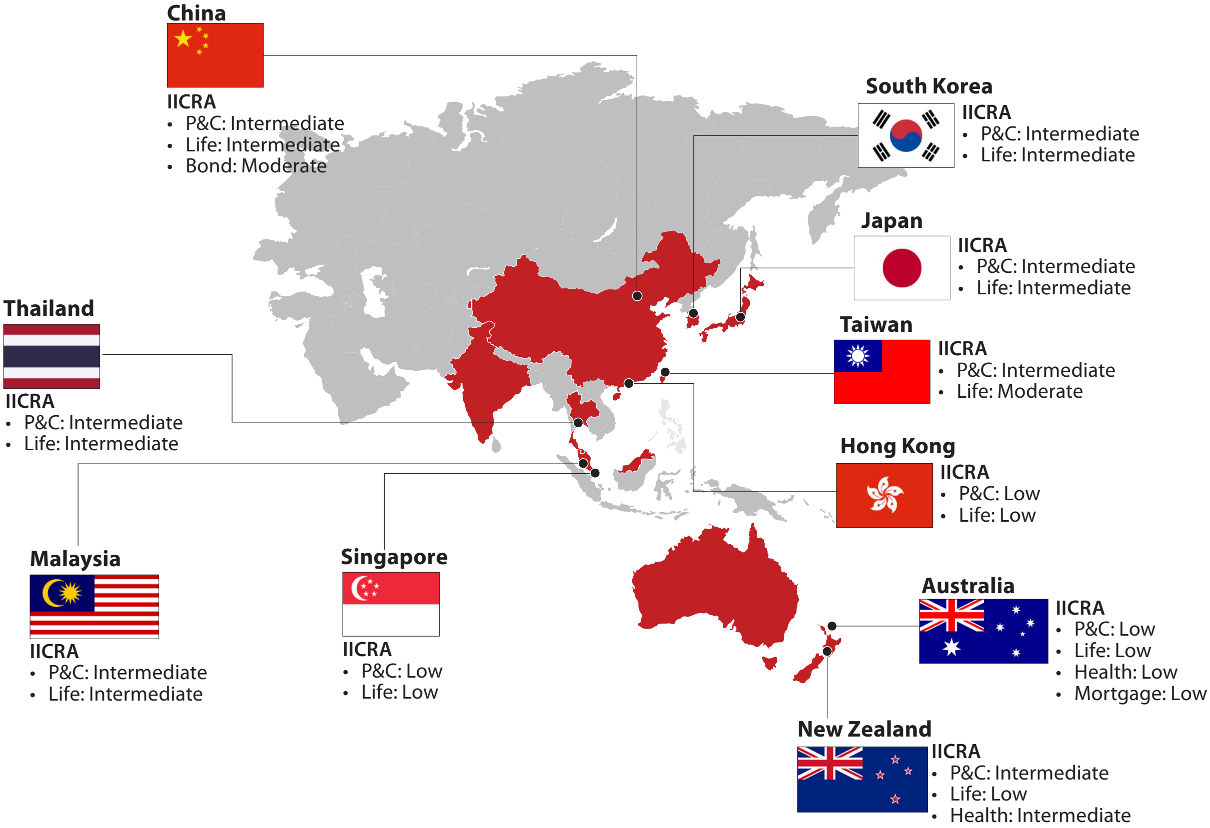
S&P Global Ratings acknowledges a high degree of uncertainty about the evolution of the coronavirus pandemic.

The consensus among health experts is that the pandemic may now be at, or near, its peak in some regions but will remain a threat until a vaccine or effective treatment is widely available, which may not occur until the second half of 2021.

We are using this assumption in assessing the economic and credit implications associated with the pandemic (see our research here: www.spglobal.com/ratings).

As the situation evolves, we will update our assumptions and estimates accordingly.

IICRA Snapshot – Asia Pacific



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

Disclaimers

Australia

S&P Global Ratings

Sovereign Ratings

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

- COVID-19 has created a new suite of earnings pressures, most acutely for life and mortgage insurance sectors.
- Strong buffers, low-risk investments, and defensive positioning makes this sector largely resistant to COVID-19 and other potential disruptions.
- Underwriting results to moderate, but divergent earnings prospects to persist for life and P/C insurers.

S&P Global Ratings anticipates Australia's insurers are well placed to absorb subdued earnings and other negative effects from the pandemic. The suite of COVID-related earnings pressures follows significant natural catastrophe losses for property/casualty (P/C) insurers over the 2019 Australian summer and into early 2020. To date, losses for Australian P/C insurers from bushfires and storms over the summer months are in excess of A$5 billion. These losses are partly offset by lower claims from personal lines, such as motor vehicle claims, due to the lockdown. There are likely to be some further constraints relating to already poorly performing income-protection products for life insurers. In the main, weaker economic conditions weigh on all insurers, particularly on new business growth, and will likely bump up claims for mortgage insurers.

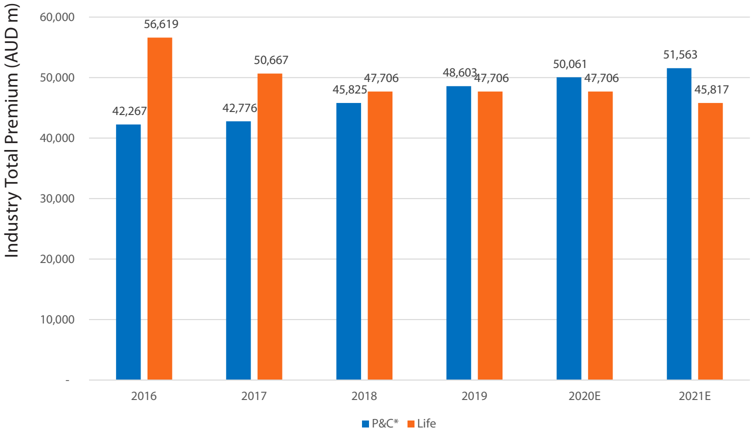
We expect COVID-19 to slow top-line premium growth, elevate claims in some lines of business, and lead to markdowns on investments. However, strong capital buffers, sound reinsurance coverage, and relatively conservative investment portfolios will protect insurers' credit quality. The financial assistance measures that many insurers are offering, such as premium deferral periods, full or partial refunds, and rebates, will also lower earnings for fiscal 2020 (ending 30 June 2020, or later depending on the insurer). These financial assistance measures may improve consumer sentiment and retentions over the medium term. However, tightening affordability may eventually result in higher lapse rates and potential underinsurance.

Life insurers will likely experience a small decline in premiums over the next one to two years, with lower new sales and an increase in lapses resulting from the increased financial weight on consumers. These conditions supplement our existing negative outlook on the Australian life sector placed in 2016. The new stresses also come at a time of industry disruption from merger and acquisition activity and conduct and compensation pressures on distribution post Australia's Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. While early days, we observe increasing interest in life cover from some industry sectors due to direct exposure to COVID-19, which could partially offset other top-line impacts. We note that income protection and total and permanent disability claims typically increase during times of economic and social stress, particularly regarding mental health and musculoskeletal aspects, and as such we may see an increase in these types of filings as a second-order impact of the pandemic.

Australia's P/C insurers have experienced elevated claims over a summer besieged by a large number of catastrophes and natural disasters; however, we expect limited additional increases due to the COVID-19 pandemic. The increases will likely come in smaller business lines, such as event cancellation, trade credit, and commercial liability. While business interruption policies typically do not cover disruptions caused by communicable diseases, we will monitor the potential for varying interpretations and judicial challenges to affect these contracts. Increased travel insurance claims reflect the period until COVID-19 pandemic became a known event, after which cover is generally not provided. We understand the average travel insurance claim size is modest, with the majority of refunds for cancelled travel borne by the airline and hotel operators. Further, insurers will need to combat natural peril-related claims that have, to date, been moderated by well-structured reinsurance programmes and we expect such cover to be retained. Some further premium rate rises across 2020 will lessen the suite of earnings pressures that has battered industry return on equity (ROE). Premium growth in the year to 31 March 2020, was 5.8%, slightly above full-year growth of 5.5% in 2019, but we expect COVID-19 uncertainty to materially disrupt GDP and bring premium growth down to about 3.5% for the year to 31 December 2020 before rebounding in 2021.

The economic shutdown will take a toll on earnings for Australia mortgage insurers, and such, we have revised our outlook on the segment to negative in May 2020. We expect higher unemployment could hurt serviceability toward the end of 2020 and in 2021. Moreover, new premiums are likely to contract over calendar 2020 because of reduced numbers of home sales due to economic uncertainty, particularly in those market segments that would typically require lenders' mortgage insurance. Furthermore, we have seen a reduced risk appetite from some lenders, reflected through tightened lending criteria, in response to the economic downturn. However, we consider potential changes to bank capital standards over the next few years may make mortgage insurance a more effective tool for managing the capital base, particularly for advanced internal ratings-based (IRB) banks. Currently the advanced IRB banks do not receive capital relief from use of the product. In our view, 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 2019, excluding mortgage

Australia

Australia – Rated Insurers

Company Name	Insurer Financial Strength Ratings	Outlook
Non-life Insurers		
AAI Ltd.	A+	Positive
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+	Stable
Medical Insurance Australia Pty Ltd.	A-	Stable
QBE Insurance (Australia) Ltd.	A+	Stable
QBE Insurance (International) Ltd.	A+	Stable
Zurich Australian Insurance Ltd.	A+	Positive
Life Insurers		
AIA Australia Ltd.	A+	Stable
AMP Life Ltd.	A-	Negative
Challenger Life Company Ltd.	A	Stable
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+	Positive
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 30 June 2020

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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 will fall by half but remain solid at 10% increase in life-insurance premiums in 2020.
- Profitability is getting squeezed amid falling investment returns and the need for additional reserve provisions.
- Evolving regulatory and governance framework to aid disciplined growth.

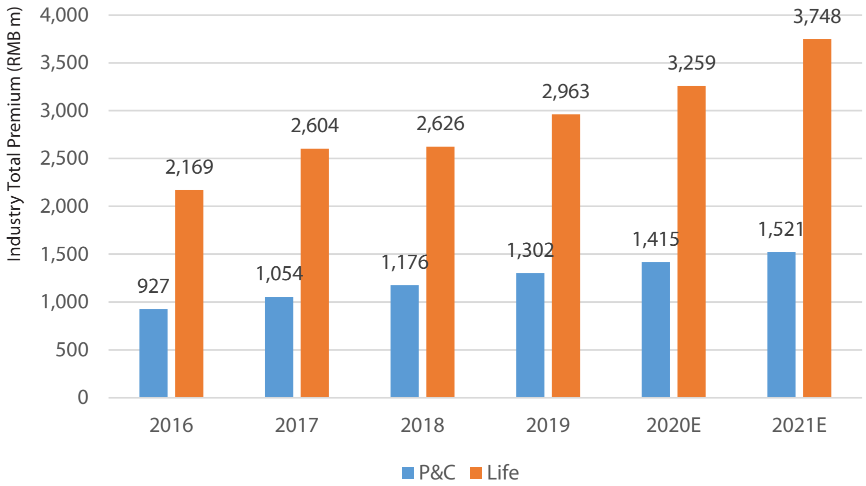
Capital market volatility and lower-for-longer interest rates resulting from COVID-19 will strain Chinese insurers' earnings while hiking reserve provisions. Our assessment on the credit trends for both the life and P/C insurance sectors turned negative since early 2020. We anticipate that the capital buffers for our rated insurers, though narrowed, will remain sufficient to support existing rating levels. Meanwhile, the pressure on capital will be more pronounced on smaller insurers that lack strong parent group support in China's large insurance market, which is dominated by a number of key domestic insurers. We believe the China Banking and Insurance Regulatory Commission (CBIRC) will continue to evolve its regulatory framework (C-ROSS), with ongoing Phase II developments and product governance, supporting more disciplined growth of China's dynamic insurance market. Following the lifting of foreign ownership restrictions on life insurance sectors in 2019, we expect increasing foreign life insurers to strengthen their presence in China.

The COVID-19 pandemic ushered in a new chapter in the development of the Chinese life insurance sector. We anticipate Chinese life insurers will benefit from the wider population's rising insurance awareness and uptake in seeking medical, health, and life insurance protection. To cope with the prohibition of face-to-face interactions during lockdowns, life insurers shifted gears to increase digital sales. This response helped insurers to stabilise activity somewhat; we estimate the life sector will increase premiums by about 10% in 2020, compared to our pre-COVID estimation of 20%. Growth will likely restore to 15%-20% in 2021. The pandemic disruptions will intensify efforts to incorporate more advanced technologies and enhance traditional tied-agency distribution, in supportive of better policyholder services. Capital market turmoil and reinvestment challenges will pressurise the life insurers' prospective earnings. In addition, lower-for-longer interest rates will translate to additional reserve provisions and slower value-in-force (VIF) accumulation, contracting Chinese life insurers' profit margin. We therefore expect the sector's profitability to decline, with return on assets (ROA) at approximately 0.8% over the period of 2020 and 2021. 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 purview.

China P/C sector's growth and profitability will be further constrained in 2020, amid heightened market competition and slower macro-economic outlook. Impending comprehensive motor reform and subdued new car sales volume will weigh further on the already dim growth prospects for motor insurance. While insurers' diversification towards non-motor lines speed up, the overall profitability of the non-motor segment will likely remain in loss making. In addition, we consider the insurers' still limited underwriting expertise and technical pricing to constrain its ability to underwrite such coverages profitably. The sector's exposures toward high-risk asset will likely remain high, in light of the need to boost investment income to counter underwriting margin challenges.

We estimate that the P/C sector's combined ratio will stand at slightly above 100% in 2020 and 2021 (a ratio above 100% indicates an underwriting loss). The largest non-motor contributor, accident and health will likely remain in loss making. P/C insurers with large credit guarantee insurance book will face greater challenge on its underwriting performance, in light of rising delinquencies amid a dim economic outlook.

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 Co. Ltd.	A-	Stable
China Pacific Property Insurance Co. Ltd.	A	Stable
Chubb Insurance Company Limited (China)	AA-	Stable
Lloyd's Insurance Co. (China) Ltd.	A+	Stable
Mitsui Sumitomo Insurance (China) Co. Ltd.	A	Stable
Ping An Property & Casualty Insurance Co. of China Ltd.	A-	Negative
Samsung Property & Casualty Insurance Co. (China) Ltd.	A+	Stable
Sompo Insurance (China) Co., Ltd.	A	Stable
Swiss Re Corporate Solutions Insurance China Ltd.	A+	Negative
Taiping General Insurance Co. Ltd.	A	Stable
Life Insurers		
CCB Life Insurance Co. Ltd.	A-	Stable
China Life Insurance Co. Ltd.	A+	Stable
Credit Insurers		
China Export & Credit Insurance Corp.	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 30 June 2020

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Hong Kong

S&P Global Ratings

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

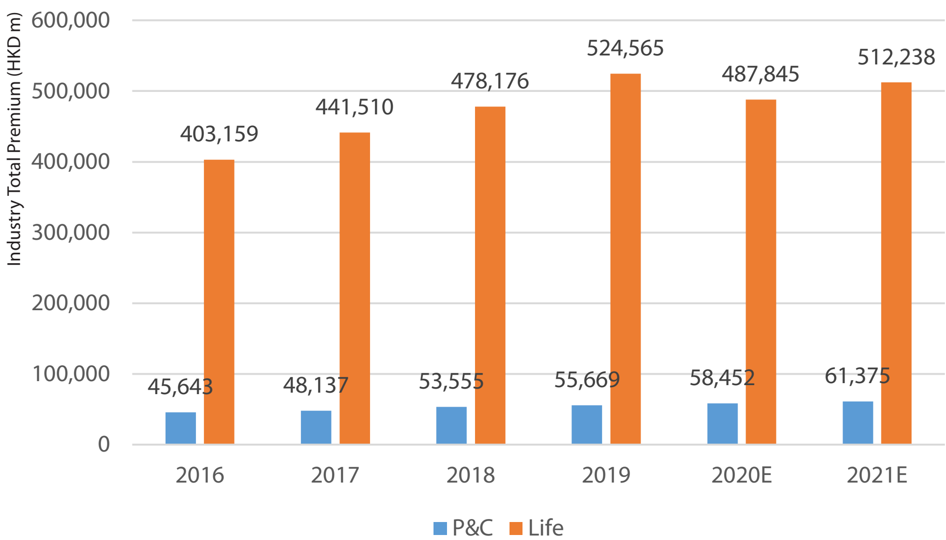
- The growth prospects for Hong Kong insurers, particularly life insurers, darkens in 2020 amid economic recession and ongoing travel restrictions associated with the COVID-19 pandemic.
- Constrained profitability amid investment market volatility and lower-for-longer interest rate environment.
- Evolving regulatory framework to strength insurers' risk awareness and governance.

Revenue and profits will be squeezed in 2020 for Hong Kong insurers as the pandemic exacerbates volatility in capital markets and keeps interest rates low. This follows a weak fourth quarter of 2019 because domestic social unrest had clipped volumes for new life insurance policies contributed by visitors from mainland China. In our opinion, ongoing travel restrictions and rising unemployment amid recession in 2020 will lead to the first contraction in life-insurance premiums in decades.

We expect new life-insurance volumes for Hong Kong to slump in 2020 due to eroding mainland Chinese business, resulted from tighter border controls and social unrest. We estimate the sector's total premiums will slide more than 5% this year, assuming a 50% drop in new business and a stable renewal rate. The sharp rout in investment markets and reserve strengthening under flat yield curves will weigh on the life sector's profitability, further diluting capital buffers. That said, we expect Hong Kong life insurers' flexible product design and high proportion of profit-sharing policies to mitigate some pressures. We estimate the sector's ROA will halve to just 0.7% in 2020 from historical levels. To cope with the ongoing social distancing initiatives, we anticipate an acceleration in digital distribution and evolving technology advancements.

For Hong Kong's P/C sector, the impact is moderate. Faced with slower macro-economic headwinds and reduced travel, organic premium growth will likely slow. As premium rate hikes for major lines such as property damage and employee compensation (EC) moderate, the sector will likely face muted premium growth in 2020 -2021. The sector reported 3.9% growth in premiums in 2019. Tighter regulatory oversight supports disciplined growth; we estimate a combined ratio averaging 98%-99% over 2020-2021 (a ratio below 100% indicates an underwriting profit). COVID-related business interruptions and claims due to event cancelations will likely be manageable for P/C insurers. The sector's effective reinsurance arrangements aid in mitigating balance sheet volatility from large losses, particularly property damage-related losses resulting from extreme weather and social unrest. We anticipate that Hong Kong P/C insurers will continue to tighten underwriting standards and proactively review reinsurance arrangements. Mounting compliance-cost burdens with the upcoming rollout of Risk-Based Capital Solvency in 2022 could lead to some consolidation in Hong Kong's P/C crowded segment.

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
Asia Insurance Co. Ltd.	A	Stable
Bank of China Group Insurance Co. Ltd.	A-	Stable
China Pacific Insurance Co. (H.K.) Ltd.	A-	Stable
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-	Stable
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	Stable
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
Chubb Life Insurance Co. Ltd	A+	Stable
Hang Seng Insurance Co. Ltd.	AA-	Stable
HSBC Life (International) Ltd.	AA-	Stable
Manulife (International) Ltd.	AA-	Stable
Sun Life Hong Kong Ltd.	AA-	Stable
Mortgage Insurers		
QBE Mortgage Insurance (Asia) Ltd.	A	Stable
Arch MI Asia Limited	A	Negative
Reinsurers		
SCOR Reinsurance Co. (Asia) Ltd.	AA-	Stable
Taiping Reinsurance Co. Ltd.	A	Stable

All ratings are Local Currency Financial Strength Ratings as at 30 June 2020

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India

S&P Global Ratings

Sovereign Ratings

Foreign Currency: BBB-/Stable/A-3
Local Currency: BBB-/Stable/A-3

- Growth momentum to slow amid weakened macro-economic conditions.
- Earnings clamped amid intensely competitive market, deteriorating underwriting performance, and fading investment income.
- Marginal contraction in capital cushions from equity markets sensitivities.

India's economic contraction will rein in growth for the P/C insurance sector, however structural drivers remain in place, given under-penetration in India's insurance markets. We expect the nominal premium growth of India's non-life insurance sector to slow down to around 5%-7% over the next two years from 12% in 2019. The COVID-related hit to volumes is only marginal, in our view, due to the industry support pillars of increasing protection awareness, rising demand for health insurance, and upward rate adjustments for property lines.

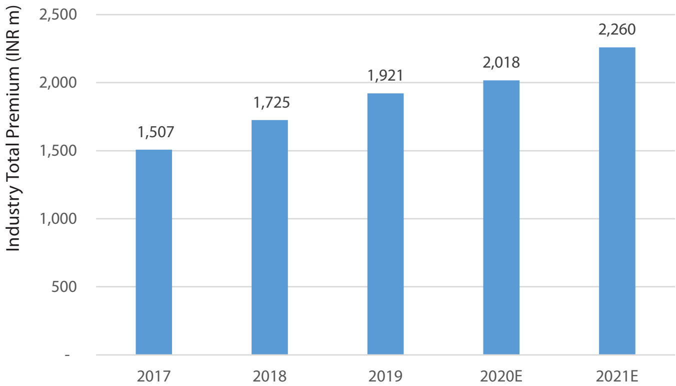
Our slower growth projection mainly reflects the drag from lower motor premiums (the largest line), given reduced auto sales and a pause on upward tariff revisions. Furthermore, changing regulations, uncertain monsoon patterns, and lockdown extensions have increased premium uncertainties for the crop segment. Crop insurance accounts for about 17% of the sector's gross premiums written in 2019. The overall P/C sector expanded approximately 12% in the fiscal year 2020 (ending 31 March 2020) slightly above India's nominal GDP expansion of 10%. Rate increases across all major lines (motor, fire, and crop) and higher demand for health-insurance products underpinned growth over fiscal 2020.

In our view, sector reforms – such as rate revisions in motor third party and health; mandatory crop schemes; and proposed merger of public insurers – are advancing at slower pace. The ongoing challenges of timely and effective execution of reforms impedes the sector's progress.

Subdued investment income and persistent underwriting losses will hurt Indian P/C insurers' profitability, in our view. Through fiscal 2021, we expect ROE to remain weak at about 0.1%-0.5% (versus 0.32% as of March 2019). The sector's underwriting performance will likely remain pressurised with a combined ratio at 115%-120%, despite product rate hikes. Investment income had supplemented the sector's weak underwriting performance. To enhance yield, insurers allocated about 33% of their invested assets to approved and other investments, including equities, debentures and mutual funds. Amid deteriorating credit conditions and volatile equity markets, capital strength will erode for some insurers.

We consider the 100% foreign ownership permitted for insurance intermediaries since February 2020, would aid in facilitating better reach and technology for the sector. While the stresses within the Indian banking system have mounted, we anticipate limited impact for Indian insurers, given the still low allocation towards financial institutions' hybrid instruments. Insurance companies are allowed to allocate 10% of their investments into additional tier 1 (AT1) bonds issued by banks, which provide an additional avenue for parking funds.

India - Total Gross Premium Written (P&C)



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Japan

S&P Global Ratings

Sovereign Ratings

Foreign Currency: A+/Stable/A-1

Local Currency: A+/Stable/A-1

- Financial market uncertainties triggered by COVID-19 bring downside risks to Japanese insurers' capital and earnings through high equity holdings and increasing overseas asset exposures.
- Underwriting profits could decline but not dramatically.
- For the non-life sector, natural catastrophes continues to be the largest risk.

Financial market uncertainty induced by the pandemic has heightened downside risks for major Japanese life insurers. We revised the sector outlook to negative in March 2020. Major life insurers' high allocations to equities reduces capital tolerance to volatile stock prices, in our view. Furthermore, should yield curves continue to flatten globally, the structural gap in interest sensitivity between assets and liabilities could widen, shrinking reinvestment yields.

In our view, Japanese life insurers are sensitive to foreign exchange movements given their growing overseas bond holdings. As of end-December 2019, foreign securities account for 26% of their total assets, according to data from the Life Insurance Association of Japan. Although most insurers maintain a relatively high FX hedge ratio on their foreign currency investments, interest income from these foreign currency denominated investments are unhedged, leaving the insurers' exposed to forex movements. While the JPY/USD had remained stable this year at around 106-108, a sharp appreciation of yen would lower their investment income.

In terms of credit risk, major life insurers in Japan have limited exposure to 'BBB' or lower rated investment products. In our view, appropriate risk management limits insurers' excessive concentrations to industries and single names. That said, the chase for yield has bumped up exposure to 'BBB' rated instruments, prompting a close monitoring of such allocations from our end.

On the business side, premium income could weaken if falling overseas interest rates leads to a drop or suspension of sales of foreign currency-denominated savings products. Also, sales of products targeting small and midsized enterprises might slow as the performance of such companies worsens.

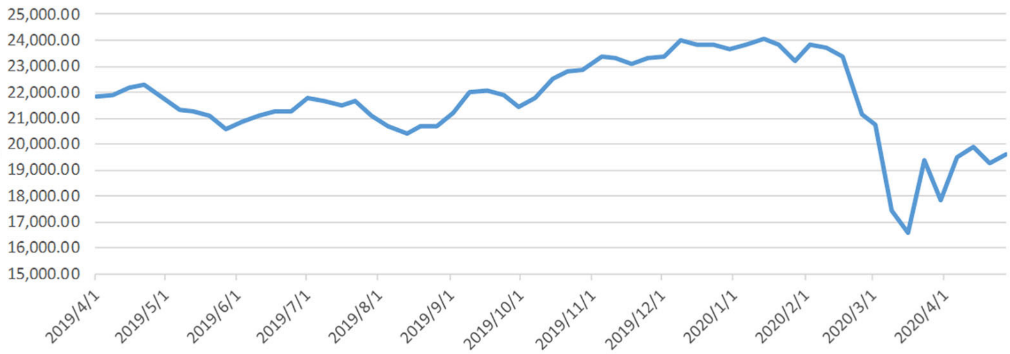
Having said that, we anticipate that the declining top line will have a limited effect on the bottom line. Underlying profitability will remain stable. In addition, incurred claims related to the COVID-19 outbreak are likely to be small considering the small benefit amount per policy and claim number, and thus have a minimal impact on profit.

For Japan's P/C insurers, the largest risk continues to be natural catastrophe risk and market risk. After two consecutive years of large typhoons, P/C insurers are faced with hiking reinsurance costs, declining capital buffers, and thinner underwriting profits. In fiscal 2019 (ended March 2020), large typhoons hit domestic non-life insurance business although the impact was less than that in fiscal 2018. To stabilise net profits, the non-life insurers reversed their catastrophe reserves to offset the net losses, although this further diluted their capital.

Downside risks related to COVID-19 predominantly stem from the investment side as major non-life insurers hold a large proportion of domestic equities. Despite their efforts to reduce strategically held stakes in listed companies, equities continue to account for about 18% of their total assets (as of March 2020), and declines in stocks prices weigh further on the diminished capital buffers. Further, we consider non-life insurers with aggressive risk appetite toward overseas investments could see downside risks from heightening credit risk, particularly in the US.

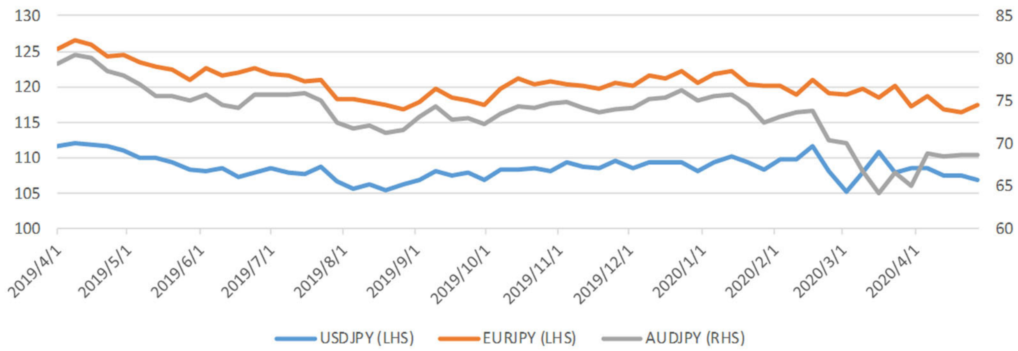
We expect the industry's combined ratio to be in the range of 95%-99% in 2020, assuming catastrophe events normalise. Premium rate hikes in fire insurance will help improve the profitability. Auto insurance claims will likely decline because social-distancing initiatives in Japan resulted in fewer cars on the roads; that said, in our view, the improving global loss experience on the auto-insurance is temporal as many countries, including Japan, as the government relax lock-down measures. Auto insurance (voluntary auto insurance and compulsory auto liability insurance) accounts for about half of industry gross premiums written in Japan. Overall, premium growth momentum is set to slow reflecting the slower economic outlook. Furthermore, an increase in Japan's consumption tax rate since October 2019 and change in the statutory interest rate (under the civil law) in April 2020 will strain margins. We anticipate the sector's ROE will to be around 6%-8% across 2020-2021, slightly lower than the average of 8% over the past five years.

Chart 1: Nikkei225

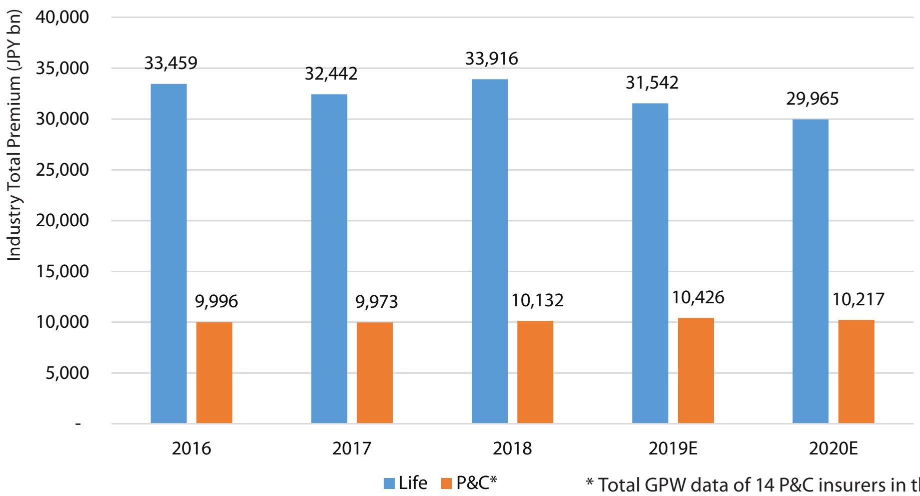


Japan

Chart 2: FX movement



Japan – Total Gross Premium Written



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

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	Negative
Chubb Insurance Japan	AA-	Stable
Hitachi Capital Insurance Corporation	A-	Stable
Japan Ship Owners' Mutual Protection & Indemnity Association (The)	BBB+	Positive
Kyoei Fire & Marine Insurance Co. Ltd.	A	Stable
Meiji Yasuda General Insurance Co. Ltd.	A+	Stable
Mitsui Sumitomo Insurance Co. Ltd.	A+	Stable
Secom General Insurance Co. Ltd.	A-	Stable
Sompo Japan Insurance Inc.	A+	Stable
Tokio Marine & Nichido Fire Insurance Co. Ltd.	A+	Stable

Japan

Japan – Rated Insurers

Company Name	Insurer Financial Strength Ratings	Outlook
Life Insurers		
Aflac Life Insurance Japan Ltd.	A+	Stable
AXA Life Insurance Co. Ltd.	A+	Stable
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+	Stable
Meiji Yasuda Life Insurance Company	A+	Stable
MetLife Insurance KK	AA-	Stable
Mitsui Sumitomo Primary Life Insurance Company, Limited	A+	Stable
Nippon Life Insurance Co.	A+	Stable
Nippon Wealth Life Insurance Co. Ltd.	A	Stable
NN Life Insurance Co. Ltd.	A-	Stable
Sompo Himawari Life Insurance Inc.	A+	Stable
Sony Life Insurance Co. Ltd.	A+	CW Negative
Sumitomo Life Insurance Co.	A+	Stable
Taiju Life Insurance Co. Ltd	A	Stable
Taiyo Life Insurance Co.	A	Stable
The Dai-ichi Life Insurance Co. Ltd.	A+	Stable
The Gibraltar Life Insurance Co. Ltd.	A+	Stable
The Prudential Gibraltar Financial Life Insurance Co. Ltd.	A+	Stable
The Prudential Life Insurance Co. Ltd.	A+	Stable
Tokio Marine & Nichido Life Insurance Co. Ltd.	A+	Stable
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 30 June 2020

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South Korea

S&P Global Ratings

Sovereign Ratings

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

- Earnings prospects weighed down by COVID-19.
- Low interest rates and financial market volatility weaken insurers' investment yields.
- Adoption of IFRS 17 from 2023 remains a challenge.

Korean insurers will likely eke out modest premium growth in the coming year. Reduced household income growth and limited face-to-face sales by agents are the key constraints. Part of the premium growth of P/C insurers will be partly supported by hikes in premium rates for loss-making medical indemnity and auto insurance policies. We project Korea's economy to contract by 1.5% in 2020, before rebound by 4.0% in 2021.

Persistently low interest rates will reduce investment returns. Weaker economic growth and heightened financial market volatility could result in higher credit losses for investment assets such as loans or securities with alternative investment features. These investments represent approximately 30% of total investment assets as of December 2019.

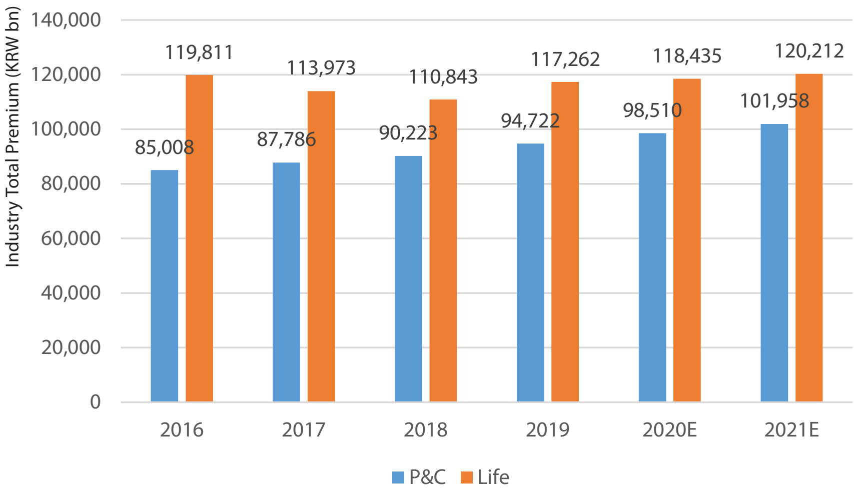
Insurers have increased their allocation to overseas bonds over the past several years, in an effort to increase their asset duration and boost investment returns. We anticipate this trend will gradually continue, given the proposed regulatory changes to raise overseas investment limits to 50% of total investment assets from current 30% at general account, effective in the fourth quarter of 2020. While most of the foreign currency exposure to overseas bonds are hedged, rising hedging costs amid market volatility would lower investment returns. The portion of overseas investments, mainly consisting of high-quality bonds, have increased to about 15% of the total invested assets as of end-2019 from about 5% as of end-2013.

As the 2023 implementation date draws nearer, we expect Korean insurers to devote their attention towards the implementation of International Financial Reporting Standard (IFRS) 17 and the new capital framework, or Korean-Insurance Capital Standard (K-ICS). Under IFRS 17, insurers will need to report the value for their insurance liabilities, based on market interest rates trends, resulting in volatile capitalisation. This will be a bigger challenge for life insurers given their legacy high-yield fixed rate guarantee policies. The life insurers are likely to see increasing reserve provisions for this legacy portfolio in the lower-for-longer environment. Compliance costs will rise since new accounting systems and financial management rules will be required. We estimate the life insurers' ROA at around 0.3%, lower than that of P/C insurers' at around 0.7% in the coming few years.

While costly, we consider this shift to adopt IFRS 17 and an economic capital solvency regime will facilitate Korean insurers' comparability with international insurers and enhance the sector's focus on asset and liability management. The regulatory initiative to introduce coinsurance may help restructure the life insurers' legacy portfolio. However, the costs could be high, in our view. We expect the insurers to continue focusing on better-value protection policies with limited investment guarantees.

Korea

South Korea – Total Gross Premium Written



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	Negative
Hyundai Marine & Fire Insurance Co. Ltd.	A-	Stable
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 30 June 2020

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Malaysia

S&P Global Ratings

Sovereign Ratings

Foreign Currency:	A-/Negative/A-2
Local Currency:	A/Negative/A-1

- Growth prospects to remain mixed for Malaysia's insurance sector.
- Disciplined underwriting supports resilience of life insurance sector, with ROE at 18%-20%.
- Uncertainty on policy plans to improve penetration levels and limit foreign ownership due to change in government.

Malaysia's plan to improve insurance penetration will likely take a backseat amid COVID-19 and recent change in government. In our view, the economic slowdown and volatile financial markets will inevitably knock growth and profitability of the insurance sector. While Bank Negara Malaysia, the Malaysia financial services regulator, had sought since 2017 to limit foreign ownership of its insurers to 70% from 100%, progress had been stagnant. Further delays are likely. In our view, foreign players will not likely divest partial ownership, and the final approval and effective implementation has yet to materialise.

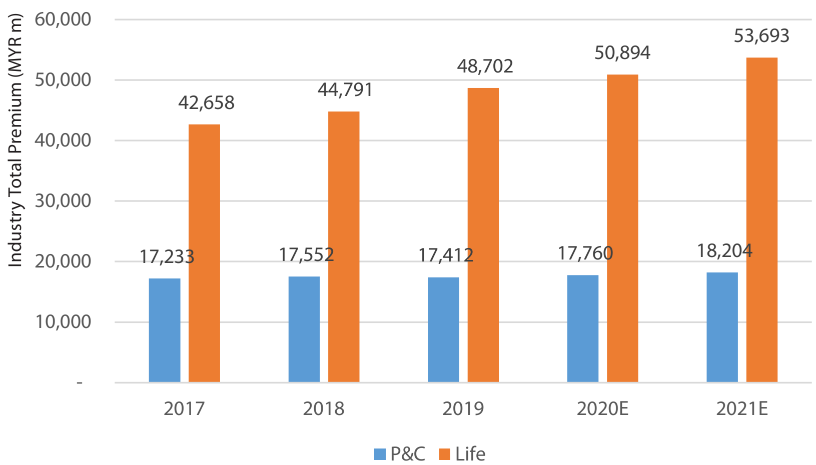
We expect life insurance premiums to grow at a subdued pace of around 4%-5%, down from 7.5% in 2019 and compared with a five year average of about 4.5%. We see demand for traditional protection and health insurance products along with enhanced distribution channels (eg, digital platforms) further boosting the sector's coverage. While agency and bancassurance will likely maintain their dominance in the distribution of life insurance policies, we anticipate sales conducted through digital means to accelerate. The lockdown period, which limited face-to-face meetings, accelerated adoption of technology.

In our view, the life insurance sector's profitability remains strong, though it has declined due to smaller investment yields and larger compliance costs. We anticipate the lower for longer interest rate environment will dent capital buffers, as insurers will need to strengthen reserve provisions. Based on our analysis of the five largest life insurers in Malaysia, we estimate the industry's ROE will decline to 18%-20% over the coming two years from around 22% in 2019

In our view, the P/C industry's top-line will continue to contract amid tough macro-economic conditions. We expect the underwriting performance to worsen with a combined ratio between 95%-97% over 2020-2021, (2019: around 93%). The industry's ROE will reduce marginally to around 8%-10% through 2021, due to price competition, ongoing regulatory changes, and the global economic slowdown. As Malaysia's P/C market continues its journey of de-tariffs, we expect underwriting losses to persist for third-party motor insurance. With motor insurance accounting for 48% of gross premiums for 2019, severe competition will limit premium rate hikes.

Consolidation in the industry will continue, especially within P/C sector, in line with encouragement from Bank Negara Malaysia and in light of some companies mooting plans to seek buyers for their insurance portfolio. At present, the market has 42 insurers and reinsurers (1990: 58; excluding "takaful" and "retakaful" companies).

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 25 June 2020

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New Zealand

S&P Global Ratings

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

- COVID-19 will dilute insurers' toplines and lower investment returns.
- Natural catastrophe exposure continues to weigh on pricing and risk selection, but well cushioned by sufficient reinsurance capacity.
- Low-risk investment portfolios lessen impact of market volatility.

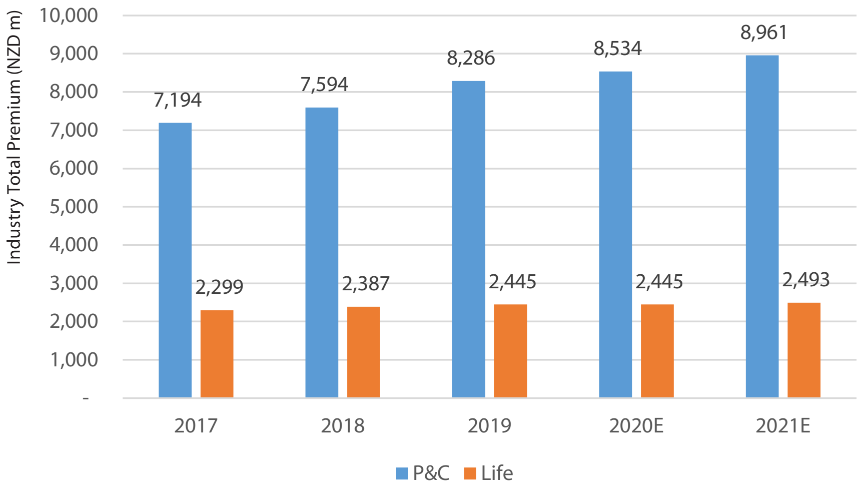
New Zealand insurers are well placed to absorb the effects of COVID-19, with sound reinsurance coverage, strong capital buffers, and relatively conservative investment portfolios to protect credit quality. The sector continues to benefit from strong offshore ownership and reinsurer capacity. After recent years of solid premium growth, New Zealand's lockdown measures at the height of the pandemic and ongoing economic strain should moderate topline growth in 2020 to low single digit. This follows physical restrictions on advisor and broker activity, lower insurable events such as new home and car purchases, premium rebates and suspensions, and affordability pressures.

In our view, the pandemic will drag on overall profitability with rising claims from unattended commercial properties and possible business interruption and liability. However, the insurers stand to benefit from lower claims relating to motor and household given the lockdown initiatives to cope with the pandemic. While temporary, we anticipate lower health claims due to deferment of elective surgery. We see relatively low impact on the life sector in line with New Zealand's low mortality rate from COVID-19, although income protection claims may increase, under more difficult economic and social conditions. Traditionally these claims have been lower in New Zealand than Australia due to the social benefit of the government's Accident Compensation Corp.

Property and casualty insurers have performed solidly of late (2019 combined ratio around 95% by the regulator's measure and 82% by the wider Insurance Council measure), with limited new earthquake events and less reserve strengthening required, although weather-related claims have picked up over the past year. Premium rate sufficiency has benefited from the tail of previous earthquakes and improved risk selection and assessment. We see key issues as affordability and coverage for P/C insurers, especially in high-catastrophe zones, and possible increased capacity by the Earthquake Commission, which may dilute property premium for the private sector.

We see ongoing regulatory scrutiny for life insurers regarding conduct and disclosure to customers, especially around advice and upfront commissions. This, as well as the bedding-down of recent merger activity, may curtail sales volumes in 2020. Premium grew by a modest 2.8% over the year ending March 2020, with declining volumes in some classes such as Consumer Credit Insurance, offset by modest growth in term and trauma products. Premium volumes may decline further through 2020 with distribution restrictions and lapses associated with affordability concerns.

New Zealand – Total Gross Premium Written



New Zealand – Rated Insurers

Company Name	Insurer Financial Strength Ratings	Outlook
P&C Insurers		
AA Insurance Ltd.	A+	Positive
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-	Positive
Society of Lloyd's	A+	Stable
Southern Cross Benefits Ltd.	A	Stable
Southern Cross Pet Insurance Ltd.	A	Stable
Teleco Insurance (NZ) Ltd.	BBB+	Stable
Vero Insurance New Zealand Ltd.	A+	Positive
Vero Liability Insurance Ltd.	A+	Positive
Life Insurers		
AMP Life Ltd. (New Zealand Branch)	A-	Negative
Asteron Life Ltd.	A+	Positive
Hallmark Life Insurance Co. Ltd. (New Zealand Branch)	BBB+	Stable
Medical Life Assurance Society Ltd.	A-	Positive
Resolution Life New Zealand	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	Stable

All ratings are Local Currency Financial Strength Ratings as at 30 June 2020

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Singapore

S&P Global Ratings

Sovereign Ratings

Foreign Currency: AAA/Stable/A-1+

Local Currency: AAA/Stable/A-1+

- Recessionary conditions amid phased social distancing initiatives to hit sector's profitability.
- Weakened growth prospects intensifying competition, with about 3%-4% annual premium growth for life insurers this year and next, and 1%-2% for P/C.
- Increased emphasis on enhancing digitisation capabilities across the insurance value chain.

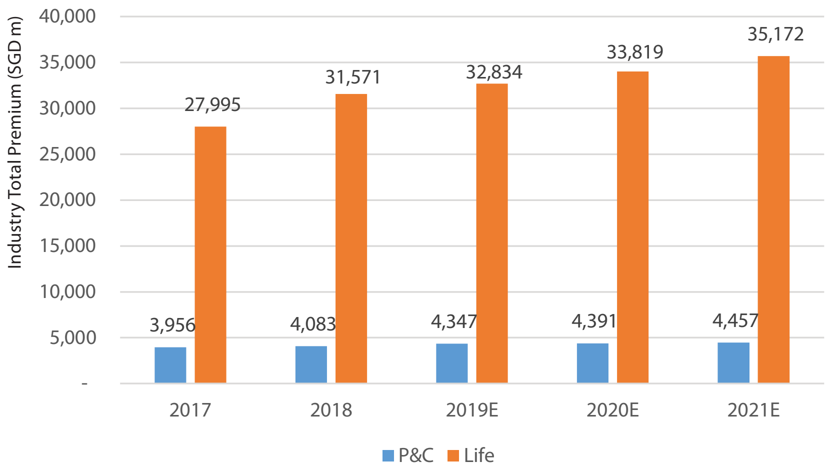
With recessionary macro-economic winds and phased social distancing initiatives, Singapore's mature insurance market faces a double whammy of slower growth and weakened investment yield. Sector profitability will weaken amid lower for longer interest rates, volatile capital markets, and sluggish growth prospects owing to restricted movements. We anticipate the country's earlier investments into digital capabilities provides some support as customer outreach transitions. The pandemic has accelerated efforts to strengthen digital presence and capabilities. Until a vaccine or some lasting solution is found, face-to-face interactions will remain depressed and sales tactics of the traditional agency models will continue to evolve. Over time, we expect digitisation and innovation to be crucial across the insurance value chain; such a transition will be necessary for the sector to maintain its attractiveness as one of the regional hubs within Asia-Pacific, reinforced by a highly regarded regulatory framework.

We estimate premium growth for Singapore life insurers will remain subdued, at around 3%-4% annually through 2021. The slower momentum reflects deteriorating economic conditions and reduced demand for single premium and linked products. Social distancing measures stymie distribution channels such as agency and financial advisory channels, which contributed about 59% of weighted new business premiums in 2019. Nonetheless, improved awareness of health protection and growing medical inflation might fuel a demand for health insurance products. We expect COVID-19-related claims to be manageable, given the low mortality rate. However, the volatile capital markets and concerns over a second wave of outbreaks globally will dent already narrow capital buffers (affected by higher reserve provisions due to low interest rates). We expect the dominant participating insurance portfolio of major insurers to review their bonus strategy.

In our view, the P/C insurance market will sharply slow to around 1%- 2% premium growth through 2020 and 2021. This compares to 6.5% in 2019, mainly supported by health, property and miscellaneous lines. While we expect motor insurance to remain a dominant premium contributor (about 27% for 2019), overall premiums will likely decline reflecting slower new car sales and market competition. In addition, lower renewals owing to reduced business activities and sustained global trade and travel restrictions will hurt lines such as travel and marine. However, pockets of opportunities remain intact. With increased awareness of protection and need of remote working connectivity, demand for health and cyber-risk protection may raise.

We expect the sector's underwriting profitability to recover from a loss in 2019, with a combined ratio of 95%-98% over the next two years. We anticipate the sector's return on equity to be around 4%-5% through 2020-2021. The return to underwriting profitability reflects our expectations of lower claims (mainly motor) given reduced traffic activity amid social lockdown measures. We also expect pandemic-related losses to be manageable for Singapore P/C insurers reflecting limited exposures to business interruption and event cancellation lines. For 2019, the industry recorded an underwriting loss with a combined ratio of more than 102%, mainly due to higher claims within its major segments (such as motor, fire and miscellaneous lines). Despite the underwriting loss, the sector's ROE stood at 6.6% in 2019 given higher investment income.

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+	Stable
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		
China Taiping Insurance (Singapore)	A-	Stable
NTUC Income Insurance Co-operative Ltd.	AA-	Stable
Reinsurers		
IAG Re Singapore Pte. Ltd	AA-	Stable
Toyota Tsusho Re Singapore Pte. Ltd.	A	Negative

All ratings are Local Currency Financial Strength Ratings as at 30 June 2020

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Taiwan

S&P Global Ratings

Sovereign Ratings

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

- Life insurers' premium growth is likely to remain muted by regulatory guidance on product shifts, while P/C insurers to see one-third discount on the growth of direct premium written from the economic slowdown following the COVID-19 outbreak.
- Most rated life insurers on negative credit outlook as weakened capital and earnings limits shock absorption against capital market uncertainties.
- Capitalisation remained a relative strength for P/C insurers, while credit profiles hold stable.

We anticipate 2020 will be a painful year for Taiwan life insurers. Downside risk is rising in light of the negative global impact from COVID-19, recent oil shocks, and sluggish macroeconomic prospects. While we view claims and benefit payments related to the pandemic as manageable, reduced recurring yields from US rate cuts, lower-for-longer interest rates, and tough investment conditions will drag on earnings. This comes despite life insurers' proactive initiatives to lower the portfolio's average guaranteed rates through the years.

Negative new business growth and weaker profitability prompted us to revise the Taiwanese life insurance sector's outlook to negative in March 2020. We estimate the sector's return on average assets will be around 0.3% in 2020 (2019: 0.5%). This comes on top of regulatory guidance for life insurers to reduce sales of savings products and to promote long-term protection products, which already slowed premium momentum. The lowering of declared rates on interest-sensitive life policies (perceived as a savings product) had resulted in reduced attractiveness to the policyholders. Furthermore, the tough investment conditions to promote investment-linked policies also reduces incentives to purchase. Taiwan has one of the world's highest penetration in insurance market.

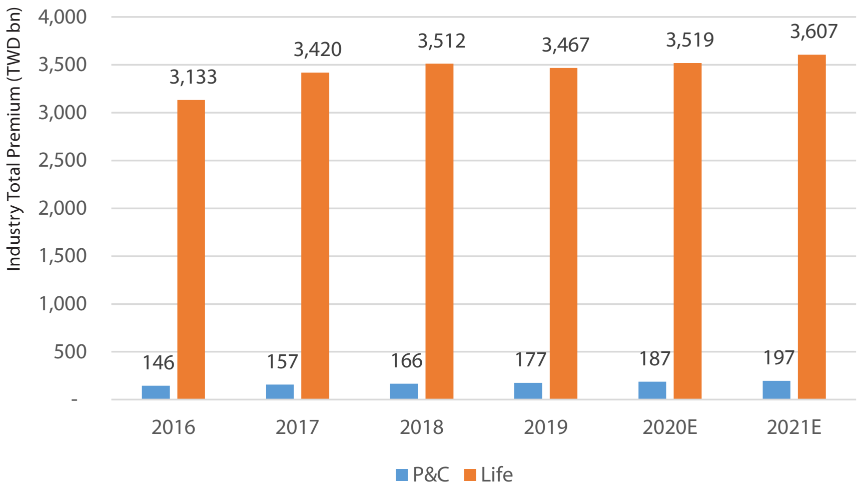
This year, life insurers will likely lose capitalisation gains built in 2019, in view of rising valuation losses on investments and subdued earnings. Slower capital accumulation also stems from the lower growth of value-of inforce after reflecting interest rate cuts in insurers' investment return assumptions. Asset risk remains high for life insurers, underpinned by the sector's higher weighting in equity exposure compared with that of regional peers and the sector's inherent asset-liability mismatches. Life insurers remained susceptible to market volatility and with thin capital buffer against the challenging operating environments.

Managing foreign exchange (forex) risks remain high on the agenda for Taiwan's life insurance executives, given their heavy weighting in overseas investments. We expect the insurers to monitor their hedge ratio closely while balancing the price of such hedging tools. Nonetheless, domestic insurers' exposure to forex risk remains higher than global peers. We believe continuing risk awareness and the implementation of effective mechanisms to manage forex risk will be most critical for Taiwanese insurers to deal with currency volatility over the coming year.

On the other hand, P/C insurers rest on solid capital foundations to sustain their credit profile in 2020. We expect growth of direct premium written for insurers may moderate slightly due to declining new auto sales. Insurers may also see less travel insurance, as well as transportation and export-related cargo, shipping, and airline insurance, due to the pandemic. However, the continued upward price adjustments on third-party liabilities and commercial fire, and demand for credit guarantee and liability insurance, should provide some cushion.

P/C insurers' satisfactory underwriting performance and sufficient reinsurance coverage for catastrophe risks support the sector's generally strong capitalisation. These factors underpin our stable outlook on the P/C sector for 2020. The insurers benefited from a relatively benign catastrophe experience over the past few years. We estimate the sector's combined ratio will be around 95%. Supporting the strong underwriting performance is sound underwriting controls. That said, equity market volatility would pose some headwinds to insurers' return on equity. Equity investments account for about 20% of the rated insurers' investment asset allocation.

Taiwan – Total Gross Premium Written



Taiwan – Rated Insurers

Company Name	Insurer Financial Strength Ratings	Outlook
P&C Insurers		
Cathay Century Insurance Co. Ltd.	A-	Negative
Chung Kuo Insurance Co. Ltd.	A-	Stable
Fubon Insurance Co. Ltd.	A-	Negative
MSIG Mingtai Insurance Co. Ltd.	A	Stable
Nan Shan General Insurance Co. Ltd.	BBB+	Negative
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	Stable
Union Insurance Co. Ltd.	A-	Stable
Life Insurers		
BankTaiwan Life Insurance Co. Ltd.	A+	Stable
Cathay Life Insurance Co. Ltd.	A-	Negative
Fubon Life Insurance Co. Ltd.	A-	Negative
Nan Shan Life Insurance Co. Ltd.	BBB+	Negative
Shin Kong Life Insurance Co. Ltd.	BBB	Negative
Taiwan Life Insurance Co. Ltd.	BBB+	Stable
Reinsurers		
Central Reinsurance Corp.	A	Stable

All ratings are Local Currency Financial Strength Ratings as at 30 June 2020

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Taiwan

Thailand

S&P Global
Ratings

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

- Insurers face subdued top-line growth at 4%-6% amid COVID-related economic slowdown this year and next.
- Capital buffers set to contract due to volatile investment and low interest rate environment.
- Strengthening digitalisation efforts to benefit operational effectiveness and customer outreach.

Premium growth through 2020-2021 will be subdued amid an economic slowdown due to COVID-19. For Thailand's life insurance sector, we anticipate premium growth will hover between 5%-6%; for the P/C sector, at 4%-6%. Border closure and ongoing travel restrictions have severely disrupted Thailand's tourism-reliant economy resulting in reduced household incomes and weaker purchasing power. Amid declines in face-to-face sales by agents due to social distancing measures, business growth will be weaker. That said, the pandemic has raised awareness about insurance needs on individual health and business interruption. We believe this could increase in demand for insurance protection.

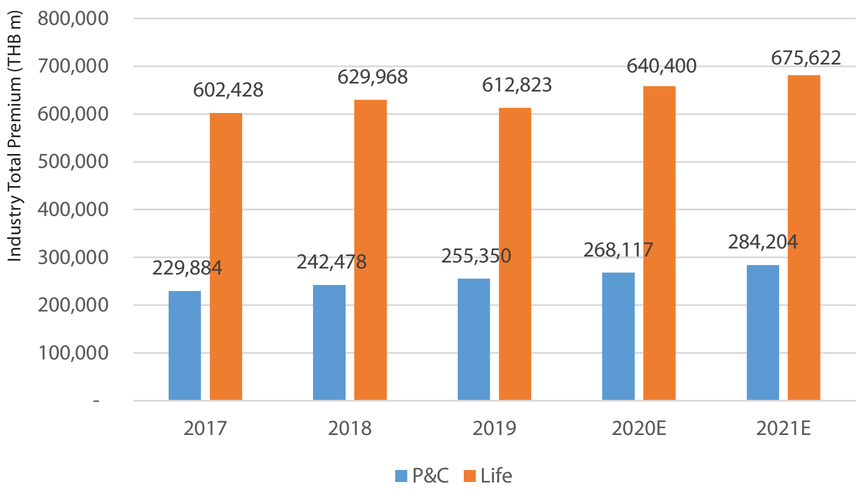
Weaker economic growth and heightened financial market volatility could lead to higher market and credit losses for Thailand insurers. Persistent low interest rates further pressure reserve needs, in turn eroding capital buffers. This is especially so for the life sector because domestic capital markets are scarce on long-dated fixed-income instruments and regulatory restrictions constrain overseas investments. In such an environment, Thai life insurers have shifted toward protection-based products and products with lower and no guarantee, such as investment-linked policies. We expect asset-liability management risk of the industry to remain significant over the near term.

Social distancing measures and regulatory measure allowing digital face-to-face insurance sales will accelerate technology advances and business evolution. Agency channels will have to adapt to digitalisation at a faster rate in order to continue business as usual amid the pandemic. In addition, implementation of work from home measures will increase the need for better backend digital capabilities. Hence, we expect to see a shift in spending budgets to speed up digital infrastructure. While this will increase operational expenses, the acceleration of digitisation will benefit the industry in both operational effectiveness and customer outreach in the long run.

The P/C sector will see slower growth momentum due to the COVID-related global recession. While the government will stimulate the economy by accelerating budget disbursement in infrastructure initiatives such the Eastern Economic Corridor development project, reliance on foreign investment may throw some uncertainties to its progress. On Thailand P/C sector's dominant motor market, the drop in claims due to the government-imposed lockdown may be offset by relief measures of premium payments deferment and lower new car sales. We view that the net effect will keep the combined ratio of the industry at around 96%-98%.

We estimate the life industry's ROE will fall 8%-9% annually over 2020-2021, from around 10% reflecting subdued topline growth and declining investment yields. For the P/C sector, we anticipate intense price competition to lower overall ROE to 4%-5% in 2020-2021 from around 7%. These trends, coupled with the de-tariffication efforts in Thailand, will drive rate reductions and dilute underwriting profits.

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 Safety Insurance (Thailand) Public Company Limited	A	Stable
Life Insurers		
Muang Thai Life Assurance Public Company Limited	BBB+	Stable

All ratings are Local Currency Financial Strength Ratings as at 30 June 2020

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