

## **2019 Overview of Taiwan's Non-Life Insurance Industry**

### **I. Business and Financial Overview of the Taiwan's Non-Life Insurance Industry**

#### **A. Premium Growth and Analysis**

In 2019, the non-life insurance companies in Taiwan reported a total of NTD 177.1 billion in gross written premium, up by NTD 11.5 billion or 7 percent year over year, mainly due to the premium income growth from miscellaneous lines of business.

A breakdown of written premium by product line indicated that automobile insurance premium income grew by 5.7 percent year over year, and reaching NTD 94.7 billion and represent 53.4 percent of the overall non-life insurance market premium income. The year over year growth was mainly credited to the premium rate adjustment for automobile third party liability insurance and the implementation of a cap based on the published automobile insurance reference rate for premium rate filed. The premium income from voluntary automobile insurance grew by 6.7 percent year over year, and reaching approximately NTD 76.5 billion and representing 43.2 percent of the overall non-life premium income. With regard to compulsory automobile insurance, the premium income also increased by 1.9 percent in comparison with the same period last year, reaching NTD 18.1 billion and representing 10.2 percent of the overall non-life premium income.

The premium income for fire insurance amounted to approximately NTD 25.9 billion, down by 0.01 percent in comparison with the same period last year, and accounted for 14.6 percent of the overall non-life premium income.

For personal accident insurance, it is the third largest line of insurance in terms of market share, and the premium income reached approximately NTD 19.2 billion, up by 8.3 percent year over year and accounted for 10.8 percent of the overall non-life premium income. The personal accident insurance has maintained a steady growth since its launch, albeit a mere 0.5 percent growth rate in 2009 due to the impact of the financial crisis. In the first half of 2010, the scale of the personal accident insurance expanded drastically because ACE Group transferred the accident insurance business under its life insurance company to its non-life insurance entity.

The premium income for liability insurance totaled approximately NTD 13.5 billion, down by 2.7 percent year over year, and accounting for 8 percent of the overall non-life premium income. The premium income from liability insurance was among the highest in recent years, indicating a steady expansion of business.

The premium income generated by marine insurance reached NTD 7.1 billion representing 4 percent of overall premium income and had increased by 0.8 percent in

comparison to the same period last year. The cargo insurance premium income within the category accounted for NTD 4.8 billion, decreased by 1.8 percent compared to the same period last year.

The industry overall recorded NTD 6.7 billion of premium income through engineering insurance, which was up by 53.4 percent year over year, recorded NTD 900 million through guarantee insurance, which was down by 13.6 percent year over year and recorded NTD 3 billion through health insurance, which had increased by 16.6 percent in comparison with same period last year. Finally, the premium income from aviation insurance increased by 1.3 percent year over year and totaled to NTD 700 million.

To better manage the risk, every non-life insurance company spreads the risk assumed by means of reinsurance. The business performance of non-life insurance companies usually depend heavily on their reinsurance strategies, and therefore, it is important to take a closer look at the growth of retained premium. The retained premium is the underwriting premium income that the non-life insurers keep after ceding part of risks to reinsurers or assuming risk from reinsurers for risk spreading purpose. In 2019, the non-life insurance industry posted NTD 134.9 billion in net written premium, up by 7.5 percent year over year. The retention ratio was 71.6 percent, up by 0.3 percentage points in comparison with 71.3 percent recorded in 2019.

## **B. Claims Payout and Claims Breakdown**

The overall claim payout made by the Taiwan non-life insurance companies amounted to NTD 88 billion, up by NTD 7.7 billion or 9.6 percent year over year, and is mainly contributed by automobile insurance.

A further study on the claims payout for 2019 indicated that automobile insurance claims accounted for NTD 59.7 billion of the overall non-life insurance market claims payout, up by NTD 7 billion or 13.3 percent year over year. The increase in auto claims payout is mainly tied to the increasing business volume, and among the total automobile insurance claims paid, voluntary automobile insurance claims represented NTD 45.3 billion, up by NTD 3.9 billion or 9.4 percent in comparison with same period last year. Meanwhile, compulsory automobile liability insurance claims amount to 14.4 billion, which was up by 27.7 percent or NTD 3.1 billion year over year.

For fire insurance, the claims payout totaled NTD 5.7 billion, decreased by 9.9 percent or NTD 600 million in comparison with same period last year.

The payout for personal accident insurance claims amounted to NTD 8.2 billion, which had increased by NTD 400 million or 5.5 percent year over year.

The payout of marine insurance claims totaled NTD 4 billion, and had increased by 4.9 percent or NTD 200 million year over year.

As for other lines of insurance, the total claims payout had decreased by 17 percent for liability insurance, had increased by 17 percent for health insurance, had increased by 34% for engineering insurance, had increased by 97% for guarantee insurance, and had decreased by 13% for aviation insurance year over year.

In 2019, the non-life insurance companies reported an earned net loss ratio of 56.3 percent, which had increased by 1.6 percentage points in comparison with 54.7 percent reported in the same period last year. The net loss ratio on earned basis for marine insurance and guarantee insurance had increased the most, which had increased by 17 percentage points and 10 percentage points respectively year over year.

The overall expense ratio reported for the industry in 2019 was 37.6 percent, slightly decreased by 0.1 percentage points in comparison with same period last year, and the combined ratio reached 93.8 percent, up by 1.4 percentage points year over year.

## **C. Financial Overview and Fund Utilization**

### **1. Assets and Liabilities**

In 2019, non-life insurance companies in Taiwan recorded a total of NTD 384.5 billion in assets, up by 8.8 percent in comparison with the NTD 353.5 billion reported in the same period last year.

Total capital amounts to 341.2 billion, which had increased by 8.2 percent in comparison with the 315.4 billion recorded same period last year. Within which, the shareholder's equity totaled 135.2 billion, up by 14.8 percent in comparison to 117.7 billion recorded same period last year, and the insurance liability amounts to 206.1 billion, which had increased by 4.3 percent in comparison with the amount of 197.6 billion recorded last year. The overall debt-equity ratio for the industry reached 35.2%.

### **2. Profits and Losses**

In 2019, non-life insurance companies rendered NTD 148.7 billion in operating revenue, up by NTD 10.81 billion or 7.8 percent in comparison with the amount of NTD 137.8 billion reported in the same period last year. The operating cost reported was 98.5 billion, which had increased by 7.82 billion or 8.6 percent from NTD 90.7 billion recorded last year. The net income attained by the industry reached NTD 13.7 billion, which had increased by NTD 1.1 billion or 8.7 percent compared to the net income of 12.6 billion recorded in the same period last year.

### **3. Fund Utilization**

In 2019, the total fund utilized by the non-life insurance industry accumulated to NTD 283.98 billion, mainly in the forms of equity and bond (making up 44 percent of the total utilized fund), overseas investment (21 percent), bank deposit (20 percent), real estate investment (13 percent), and ad hoc & public project investment (1 percent). The industry in whole achieved a 3.32 percent net annualized return on investment, which was slightly increased by 0.52 percentage point year over year.

#### **D. Summary non-life insurance industry for 2019 and outlook for 2020**

The non-life insurance premium income in 2019 grew by 7% in comparison with 2018. However, the main driver have shifted from automobile insurance line to miscellaneous insurance line, and within which, the other miscellaneous, engineering, and health insurance have the highest growth. It is worth noting that the premium income for automobile insurance had increased by 5.7% in 2019. The main reason behind the growth lies with the ongoing green energy transition campaign undertaken by the government. The offshore wind farm construction contractors required protection such as erection all-risk insurance and business interruption insurance to manage risks association with the specialized type of construction. The increased demand in turn boosted premium income for engineering insurance. As the wind farm construction project entering its second phase, it is expected to further boosting the engineering business. Furthermore, the up lifting effect on engineering, commercial fire and liability insurance business due to the homecoming investment from oversea Taiwanese business induced by the US-China trade tension can already be observed, and is expected to provide continuous growth momentum for nonlife insurance business. For automobile insurance, the annual new vehicle sales have increased from 435 thousand units to 439 thousands units compared to last year, and with the increasing sales of import vehicles, the premium income growth for automobile insurance is expected to be maintained.

In 2019, the overall claim payout grew mainly with the increase in the business volume of automobile insurance. All in all, the industry have profited from both insurance business side and investment side. In 2019, no major earthquake have occurred and typhoon Lekima, tropical storm Danas, and severe tropical storm Bailu have not resulted in heavy loss for the insurer, and as a result the industry have benefited from favorable weather on insurance business operation. On the investment side, the stock and bond market performed well owing to quantitative easing (QE) and positive development for US-China trade tension in 2019, and consequently, Taiwan's insurance industry as a whole rendered an investment return of NTD 8.8 billion, and boosted the overall comprehensive income to NTD 22.5 billion, which has increased drastically from NTD 6.7 billion recorded last year.

Looking into 2020, despite the outbreak of coronavirus pandemic, and the continuation of US-China trade war, Taiwan have benefited from the trade diversionary effects resulted from the US-China trade war. The Directorate-General of Budget, Accounting and Statistics, Executive Yuan (DGBAS; Chinese: 行政院主計總處) and several other research institutes have provided optimistic outlook for Taiwan's economy in 2020. The DGBAS have recently revised downward their economic growth rate forecast for 2020, but still expect that an overall growth rate of 1.67% is to be achieved. On the automobile insurance, despite the coronavirus that have interrupted part of the economic activities, Yulon Motor Inc., one of the major car manufacturer and distributor in Taiwan, forecasted that total new vehicle sale of 450 thousand units is to be expected in 2020. Furthermore, with the effect from the tightening of rating regulation and a pressure to adjust third party liability insurance rate due to unfavorable loss history, it is expected that, with growth drive from automobile line, there are still room for premium income growth. The growth from other commercial lines, such as engineering and liability insurance, are expected to be boosted in 2020 by the homecoming investment from Taiwanese entrepreneurs resulted from US-China trade war. On the other side, the investment performance for the first half of 2020 have been dragged by the outbreak of coronavirus. However, as the pandemic containment action taking effect, followed by financial aid and monetary policy administered by countries affected by the pandemic, the investment performance is expected to bounce back in the second half of 2020. Overall speaking, with prudent reinsurance strategies exercised by Taiwan's insurer, and with the growth of automobile, engineering and liability insurance, the overall performance of insurance industry is expected to at least remain constant as previous year.