

# **2019 Taiwan Life Insurance Market Overview**

## **I. Life Insurance Industry Business and Financial Overview**

### **A. Business Statistics**

The life insurance industry in Taiwan recorded NTD 3,466.7 billion in total premium income in 2019, down by 1.28% from NTD 3,511.5 billion in 2018. Of these, first-year premium (FYP) income accounted for NTD 1,274.7 billion, a 7.62% decrease compared with the 2018 figure of NTD 1,379.8 billion. Renewal premium income stood at NTD 2,192 billion, an increase of 2.83% over the previous year. The data indicate that renewal premium income was the main contributor to the total premium income.

#### **1. Breakdown of Premium Income**

First-year premium (FYP) represented NTD 1,274.7 billion, or 36.77% of the total premium income reported in 2019, down from 39.29% in 2018. Single premium stood at NTD 695.3 billion in 2019, a decrease of 22.86% from NTD 901.4 billion in 2018. Meanwhile, installment premium rose significantly by 21.12% from NTD 478.3 billion in 2018 to NTD 579.3 billion in 2019. Renewal premium income amounted to NTD 2,192 billion, or 63.23% of the total premium income in 2019, up by 2.83%, or NTD 60.3 billion from the previous year, when it totaled NTD 2,131.7 billion.

A further breakdown of the FYP indicates that single premium made up 54.55% in 2019. Of this, interest-sensitive life insurance premium stood at NTD 255.5 billion, while variable annuity premium came to NTD 217.2 billion, or 36.74% and 31.23% of the total single premium, respectively. The data show that products with a higher percentage of single premium payments still contribute significantly to FYP income.

#### **2. Breakdown of Premium Income by Product**

In 2019, premium income generated by traditional insurance policies amounted to NTD 2,965.2 billion, or 85.53% of the total premium income. Of these policies, life insurance accounted for NTD 2,449.4 billion, up by 0.96% compared with NTD 2,426 billion in 2018; health insurance generated NTD 386.1 billion in premium income, a growth of 5% over the 2018 figure of NTD 367.6 billion; premium income from accident insurance totaled NTD 67.7 billion, an increase of 2.73% from NTD 65.9 billion in 2018; and annuity premium income at NTD 62 billion represented a decline of 4.17% compared with NTD 64.7 billion in 2018.

Owing to fluctuations in the capital market, 2019 investment income generated by life insurers was lower than expected. Beginning in the second quarter, life insurers moved to lower their declared interest rates, and as a result FYP income from traditional life insurance policies saw year-on-year negative growth in the second half of 2019. FYP income generated from traditional life insurance policies dropped by 2.59% from NTD 772.4 billion in 2018 to NTD

752.4 billion. Interest-sensitive life insurance policies made up the largest share of these, and FYP income from them decreased 9.38% from the same period in 2018 to reach NTD 630.6 billion. Meanwhile, traditional annuities generated NTD 55.1 billion in FYP income, a decline of 5.97% over the 2018 figure of NTD 58.6 billion, of which interest-sensitive annuities accounted for NTD 54.3 billion, a year-on-year decrease of 6.38%.

Fluctuations in the capital market also affected sales of investment-linked insurance policies. In addition, a new policy requiring sales of investment-linked insurance policies to clients over the age of 70 to be audio- or video-taped made elderly clients less willing to buy such policies. The premium income generated by investment-linked insurance policies totaled NTD 501.5 billion in 2019, accounting for 14.47% of the total premium income. This was a decrease of 14.59% compared with NTD 587.2 billion in 2018. Of the investment-linked insurance policies, premium income from investment-linked life insurance totaled NTD 247.6 billion, a decline of 19.06% from NTD 305.9 billion in 2018, while premium income from investment-linked annuities fell by 9.74% from NTD 281.3 billion in 2018 to NTD 253.9 billion in 2018.

Further analysis indicate that FYP income generated from investment-linked life insurance policies decreased by 26.09% to NTD 170.3 billion in 2019 over the previous year's figure of NTD 230.4 billion, while income from investment-linked annuity also saw a decrease of 10.26% from NTD 272.9 billion in 2018 to NTD 244.9 billion in 2019. Overall, FYP income from investment-linked insurance products declined by 17.50%.

### **3. Industry Channel Mix**

In 2019, bancassurance and agency channels generated NTD 674.3 billion (52.90%) and NTD 504.5 billion (39.58%) of the life insurance industry's total FYP income, respectively. The two distribution channels represented 92.48% of the total market share, while other channels accounted for merely 7.52%. Based on further analysis, FYP income from the bancassurance channel declined by 8.49% from NTD 736.9 billion in 2018 to NTD 674.3 billion in 2019, and its market share fell from 53.41% in 2018 to 52.9% in 2019. The agency channel generated NTD 50.2 billion less in FYP income than the previous year, decreasing from 554.7 billion in 2018 to NTD 504.5 billion in 2019, and its market share slid from 40.2% to 39.58%. The bancassurance channel's share of FYP income, which focuses mainly on interest-sensitive life insurance products, is still larger than that of the agency channel in 2019.

### **4. Group Insurance and Individual Insurance**

In 2019, 60.47 million new business insurance policies were issued, up 18.9 from the 2018 figure of 50.86 million. The number of newly issued individual insurance policies totaled 15.76 million, an increase of 8.47% from 14.53 million in 2018. A further breakdown by product type indicates the following: life insurance accounted for 3.32 million policies, up by 9.93%; accident insurance constituted 6.34 million policies, an increase of 1.6%; health insurance represented 5.81 million policies, a rise of 17.61%, and annuity insurance amounted to 0.29 million policies,

a decline of 12.12%. The number of insured protected by group insurance totaled 44.71 million people, up by 23.07% from 36.33 million people reported in 2018.

The sum assured of the newly issued policies totaled NTD 49.26 trillion, an increase of 3.53% compared with NTD 47.58 trillion in 2018. The sum assured for newly issued individual insurance policies amounted to NTD 30.18 trillion, down by 2.49% from NTD 30.95 trillion recorded in the previous year. A breakdown by product type shows the following: the sum assured for life insurance stood at NTD 1.99 trillion, up by 1.53%; accident insurance reached NTD 25.78 trillion in sum assured, down by 3.99%; the sum assured for health insurance amounted to NTD 2.13 trillion, a growth of 20.34%; and the sum assured for annuity insurance was NTD 0.28 trillion, a decrease of 24.32%. The sum assured for newly issued group insurance saw an increase of 14.73%, rising from NTD 16.63 trillion in 2018 to NTD 19.08 trillion in 2019.

In summary, life insurance saw an increase in the number of new policies issued and the levels of sum assured in 2019 but a decrease in premium income, while accident insurance recorded a rise in the number of new policies issued and premium income, but a decline in the levels of sum assured. Health insurance posted growth in all categories. By contrast, annuities saw a decline in all categories.

## **5. New Business of Investment-linked Insurance**

In 2019, 404,900 new business investment-linked insurance policies were issued, a decline of 18.38% compared with the figure of 496,100 in 2018. Among those, variable life insurance represented 63,900 policies, a decrease of 28.44%; variable universal life insurance accounted for 110,500 policies, a reduction of 21.63%, and variable deferred annuities made up 230,500 policies, a decline of 13.31% over the previous year.

The sum assured for the new policies issued totaled NTD 185.4 billion in 2019, down by roughly 10.61% in comparison with NTD 207.4 billion in 2018. Of these new policies, the sum assured for variable life insurance policies slid by 2.89% to NTD 32.2 billion; the sum assured for variable universal life insurance fell by 7.22% to NTD 129.9 billion, and the sum assured for variable deferred annuities declined by 31.97% to NTD 23.3 billion.

In summary, investment-linked insurance products posted decline in the number of new policies issued, sum assured, and FYP income from the levels achieved in 2018.

## **6. Policies in Force**

As of the end of December 2019, there were 228.35 million policies in force, up by 2.51% compared with 222.76 million as of the end of December 2018. The number of life insurance policies in force totaled 58.78 million, an increase of 2.53%; accident insurance policies in force came to 63.86 million, a growth of 0.77%; health insurance policies in force stood at 104.04 million, a rise of 3.47%, and annuities in force totaled 1.66 million, up by 10.67%. The sum assured for policies in force totaled NTD 106 trillion, an increase of 1.44% from the figure of

NTD 104.5 trillion at the end of December 2018. A breakdown of the total sum assured by product type shows that life insurance grew by 4.24% to NTD 47.23 trillion; accident insurance saw a decrease of 0.39% to NTD 40.57 trillion; health insurance was down by 2.76% to NTD 16.20 trillion, and the sum assured for annuities climbed 11.11% to NTD 2 trillion. Overall, there was growth in both the number and level of sum assured for individual policies in force from the same period in the previous year, while group policies in force saw a slight growth in number but a decrease in the level of sum assured.

## **7. Insurance Benefit Payments**

In 2019, insurance benefit payments totaled NTD 1,942.1 billion, up by 3.53% compared with NTD 1,875.8 billion in 2018. Of these, life insurance payments made up the biggest share at 80.6%, totaling NTD 1,565.3 billion; annuity insurance payments came second at NTD 195.9 billion; followed by health insurance payments at NTD 151.5 billion, and accident insurance payments at NTD 29.3 billion. In terms of the number of beneficiaries, a total of 46.84 million people received insurance benefit payments in 2019, an increase of 5.76% compared with 44.29 million in 2018. The number of beneficiaries of life insurance benefit payments topped the chart, accounting for 25.33 million, or 54.08%, of the total number of beneficiaries.

A breakdown of the types of benefit paid indicates that surrender benefits accounted for NTD 826.2 billion, or 42.54% of the total benefit payments in 2019, followed by maturity benefits at NTD 504.4 billion (25.97%), and survivor benefits at NTD 251.2 billion (12.93%). Together, the three types made up 81.45% of the total benefits paid, and surrender benefits increased by 12.71% from NTD 733 billion in 2018 to NTD 826.2 billion. This growth was mainly attributable to traditional insurance policyholders surrendering their policies.

## **B. Financial Overview and Analysis**

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

As of the end of December 2019, life insurance companies reported NTD 29.39 trillion in assets, up 11.66% compared with NTD 26.32 trillion in the same period in 2018. A breakdown of the assets shows that total assets excluding separate accounts totaled NTD 27.16 trillion, an increase of 11.04%. The value of the separate accounts amounted to NTD 2.23 trillion, representing 7.59% of the total assets, up 19.89 % from 1.86 trillion as of the end of December 2018.

A breakdown of life insurance companies' asset allocation by category indicates the following: 74.31% of the total utilized fund was allocated in securities, 4.8% in loans, 7.59% in separate accounts, 5.61% in cash and cash equivalents, 4.01% in property investment, and 3.67% in other assets. In comparison with the end of December 2018, the most notable growth can be seen in securities (9.69%) and property investment (14.56%). The growth is a result of life insurers' capital utilization and allocation strategies.

As of the end of December 2019, life insurance companies recorded NTD 27.46 trillion in total liabilities, up by NTD 2.23 trillion, or 8.84%, when compared with NTD 25.23 trillion in the same period in 2018. Of these, insurance liabilities accounted for NTD 24.45 trillion, or 89.04% of total liabilities and 83.19% of the total assets.

The owners' equity of the life insurance industry reached NTD 1,927.3 billion at the end of December 2019, an increase of NTD 838.4 billion from the 2018 figure of NTD 1,088.9 billion. The owners' equity to asset ratio climbed from 4.14% at the end of December 2018 to 6.56%, which was higher than the pre-European Debt Crisis level (the ratio stood at 4.03% at the end of 2009). In the meantime, the debt-to-equity ratio (leverage) declined from 23 times at the end of December 2018 to 14 times, indicating that life insurers' ability to absorb future losses increased and that their financial standing remains robust.

## **2. Profits and Losses**

Life insurance companies recorded NTD 4.35 trillion in aggregated operating revenue as of the end of December 2019, up 7.6% from NTD 4.04 trillion in the same period in 2018. Operating costs at NTD 4.08 trillion, an increase of 6.53% from the figure of NTD 3.83 trillion at the end of December 2018, accounted for 93.79% of the total revenue. As the result, life insurance companies posted NTD 272.6 billion in business profits.

Life insurance companies posted an income from continuing operations of NTD 145.9 billion as of the end of December 2019, an increase of NTD 51.3 billion on the NTD 94.6 billion from the same period in 2018. These earnings can be attributed to good performance in the bond and equity markets, which led to higher investment gains. As a result, the comprehensive income for life insurance companies jumped significantly from a loss of NTD 501.61 billion in 2018 to a huge profit of NTD 775.89 billion in 2019.

## **3. Investment Portfolio**

As of the end of December 2019, the life insurance industry recorded NTD 26.46 trillion in available funds, up 11.41% from NTD 23.75 trillion as of the end of December 2018, with a 100.08% fund utilization rate (the ratio of the total funds utilized to total available funds). Securities investment accounted for NTD 5.51 trillion, or 20.82% of the total funds (mostly equities, which made up NTD 1.54 trillion or 5.82%), and foreign investment totaled NTD 17.6 trillion, or 66.52%. The combination of the two categories represented as high as 87.34% of the total funds.

Foreign investments by the domestic insurance industry grew 7.92% from NTD 16,305.5 billion in 2018 to NTD 17,597 billion, and the share of foreign investments fell slightly from 68.65% to 66.49%, indicating that foreign investment has become a dominant fund utilization category. Although the regulator eased public infrastructure investment rules for the insurance industry as a way to encourage the industry to invest in public infrastructure and social welfare

projects in Taiwan, the industry's investment in authorized projects and public infrastructure decreased by 2.49% from 65.6 billion in 2018 to NTD 64 billion in 2019.

## **II. Conclusion and Outlook**

### **1. Conclusion**

In 2019, life insurance companies recorded NTD 3,466.7 billion in premium income, down by 1.28% compared with the previous year, while FYP income fell by 7.62% to NTD 1,274.7 billion. FYP income generated from traditional products declined by 1.94% from 2018 to NTD 859.5 billion, and most of the income came from interest-sensitive products. On the other hand, FYP income from investment-linked products decreased 17.5% to NTD 415.2 billion. Meanwhile, renewal premium income totaled NTD 2,192 billion, an increase of 2.83% over the figure recorded in 2018. Overall, the decrease in premium income was a result of decline in FYP income.

In 2019, 60.47 million new insurance policies were issued, with a total sum assured of NTD 49.26 trillion. Life insurance and health insurance recorded growth in sums assured and number of policies, while other types insurance saw mixed performance. A total of 228.35 million policies were in force and the total sum assured came to NTD106 trillion, both representing a small increase over the previous year. Meanwhile, life insurers paid a total of NTD 1,942.1 billion in benefits, 90.69% of which was accounted for by life insurance and annuities. Further analysis of the benefit payments shows that surrender benefits (NTD 826.2 billion), maturity benefits (NTD 504.4 billion), and survivor benefits (NTD 251.2 billion) made up 81.45% of total benefit payments. Of the three, surrender benefit payments grew by 12.71% from 2018, mostly owing to cancellation of traditional life insurance policies.

Life insurance companies posted a net investment profit of NTD 981.5 billion, up 15.4% from NTD 850.5 billion in 2018. This increase can be attributed to a number of favorable factors, including bullish global stock markets and lower bond yields. Thanks to the massive investment gains, the life insurance industry recorded overall net profits of NTD 145.9 billion in 2019.

### **2. Outlook**

Total premium income hit new highs for six consecutive years, but this ongoing increase came to an end in 2019 owing to a decline in FYP income, which saw a small decrease compared with the 2018 level. Daunting challenges now lie in the sale of traditional insurance policies owing to changes in regulatory action: the policy reserve interest rate has been cut by 25 basis points, and the declared interest rate on interest-sensitive policies is trending lower. In addition, the Financial Supervision Commission (FSC) announced that starting in July 2020, insurance companies must establish a mechanism to keep their declared interest rates stable, which means the FSC requires insurers to take into account bond coupon rates when setting their declared interest rates such that the latter stays closer to the actual yield in bond markets. Other new FSC measures include a higher death benefit to policy value reserve (i.e. policy value) ratio, and a requirement that the

contractual service margin (CSM) remain positive.

Apart from traditional insurance policies, policies linked to target-date bond funds, previously the hottest-selling products, have also been affected by new regulatory measures. The new measures stipulate that all bonds invested by the funds must be rated BBB+ or above, and that such investments cannot exceed 40% of the funds' net asset value. This has led to lower returns on funds to which the policies are linked and has thus impacted sales of these policies. Owing to a series of new regulatory measures, generating higher FYP will be a tough challenge for the insurance industry in 2020.