

# 2021H1 Taiwan Life Insurance Market Overview

## I. Life Insurance Industry Business and Financial Overview

### A. Business Statistics

The life insurance industry in Taiwan recorded NTD 1,514.6 billion in total premium income in 2021H1, down by 5.44% from NTD 1,601.7 billion in 2020H1. Of these, first-year premium (FYP) income accounted for NTD 515.6 billion, a 9.4% increase compared with the 2020H1 figure of NTD 471.3 billion. Renewal premium income stood at NTD 999 billion, a decrease of 11.62% over the same period in the previous year.

#### 1. Breakdown of Premium Income

First-year premium (FYP) represented NTD 515.6 billion, or 34.04% of the total premium income reported in 2021H1, up from 29.42% in 2020H1. Single premium stood at NTD 302.9 billion in 2021H1, an increase of 25.53% from NTD 241.3 billion in 2020H1. Meanwhile, installment premium declined by 7.56% from NTD 230.1 billion in 2020H1 to NTD 212.7 billion in 2021H1. Renewal premium income amounted to NTD 999 billion, or 65.96% of the total premium income in 2021H1, down by NTD 131.4 billion from the same period last year, when it totaled NTD 1,130.4 billion (70.58%).

A further breakdown of the first-year premium (FYP) indicates that single premium made up 58.75 % in 2021H1. Of this, interest-sensitive life insurance premium stood at NTD 83.1 billion, while variable annuity premium came to NTD 136.7 billion, or 27.43% and 45.13% of the total single premium, respectively. The data show that single-premium products are the biggest contributor to first-year premium (FYP) income.

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

In 2021H1, premium income generated by traditional insurance policies amounted to NTD 1,181.1 billion, or 77.98% of the total premium income. Of these policies, life insurance accounted for NTD 917 billion, down by 21.3% compared with NTD 1,165.2 billion in 2020H1; health insurance generated NTD 197.3 billion in premium income, a growth of 2.97% over the 2020H1 figure of NTD 191.6 billion; premium income from accident insurance totaled NTD 33.4 billion, a slight increase of 1.83% from NTD 32.8 billion in 2020H1; and annuity premium income at NTD 33.4 billion represented an increase of 53.92% compared with NTD 21.7 billion in 2020H1.

Sales of interest-sensitive life insurance policies remained sluggish due to lower declared interest rates. In addition, many insurers started to phase out disability support insurance policies last year, citing rising loss ratios, and this dealt another blow to sales of traditional life insurance products. In 2021H1, FYP income generated from traditional life insurance policies fell by

40.03% from NTD 277.8 billion in 2020H1 to NTD 166.6 billion. The market share of traditional life insurance policies also decreased from 58.94% in 2020H1 to 32.31% in 2021H1. However, traditional annuities generated NTD 31 billion in FYP income, an increase of 61.46% over the 2020H1 figure of NTD 19.2 billion.

Thanks to outstanding performance in financial markets and record rallies in both the US and Taiwanese equity markets, more and more people are willing to invest in and buy investment-linked products. In 2021H1, premium income generated by investment-linked insurance policies totaled NTD 333.5 billion, accounting for 22.02% of total premium income. This was a rise of 75.16% compared with NTD 190.4 billion in 2020H1. Among investment-linked insurance policies, premium income from investment-linked life insurance totaled NTD 97.2 billion, an increase of 8.12% from NTD 89.9 billion in 2020H1, while premium income from investment-linked annuities jumped by 135.12% from NTD 100.5 billion in 2020H1 to NTD 236.3 billion in 2021H1.

Further analysis indicates that FYP income generated from investment-linked life insurance policies increased to NTD 59.6 billion in 2021H1 over the previous year's figure of NTD 51.4 billion, while income from investment-linked annuity saw a significant growth of 142.23% from NTD 95.9 billion in 2020H1 to NTD 232.3 billion in 2021H1. Overall, FYP income from investment-linked insurance products increased by 98.17%.

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

In 2021H1, bancassurance and agency channels generated NTD 298.4 billion (57.88%) and NTD 176.3 billion (34.2%) of the life insurance industry's total FYP income, respectively. The two distribution channels represented 92.08% of the total market share, while other channels accounted for merely 7.92%. Based on further analysis, FYP income from the bancassurance channel grew by 29.31% from NTD 230.8 billion in 2020H1 to NTD 298.4 billion in 2021H1. The agency channel generated NTD 21 billion less in FYP income than the same period in the previous year, decreasing from NTD 197.3 billion in 2020H1 to NTD 176.3 billion in 2021H1, and its market share fell 7.66% from 41.86% to 34.2%. The bancassurance channel's share of FYP income is still larger than that of the agency channel in 2021H1.

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

In 2021H1, 257,400 new business investment-linked insurance policies were issued, an increase of 84.38% compared with the figure of 139,600 in 2020H1. Among those, variable life insurance represented 16,000 policies, a growth of 42.86%; variable universal life insurance accounted for 69,200 policies, an increase of 37.57%, and variable annuities made up 172,200 policies, a surge of 120.2% over the same period in the previous year.

The sum assured for the new policies issued totaled NTD 147.6 billion in 2021H1, up by 77.47% in comparison with NTD 83.2 billion in 2020H1. Of these new policies, the sum assured for variable life insurance policies surged by 256.14% to NTD 23.1 billion; the sum assured for variable universal life insurance grew by 61.56% to NTD 107 billion, and the sum assured for variable annuities rose significantly by 67.16% to NTD 17.5 billion.

In summary, investment-linked insurance products recorded considerable growth in the number of new policies issued, sum assured, and FYP income from the levels achieved in 2020H1.

In 2021H1, 24.47 million new business insurance policies were issued, down 6.1% from the 2020H1 figure of 26.06 million. The number of newly issued individual insurance policies totaled 5.54 million, a decrease of 10.79% from 6.21 million in 2020H1. A further breakdown by product type indicates the following: life insurance accounted for 0.85 million policies, down by 41.38%; accident insurance constituted 1.76 million policies, a decline of 3.83%; health insurance represented 2.73 million policies, a decrease of 3.53%, and annuity insurance amounted to 0.2 million policies, an increase of 100%. The number of insured protected by group insurance totaled 18.93 million people, down by 4.63% from 19.85 million people reported in 2020H1.

The sum assured of the newly issued policies totaled NTD 13.35 trillion, a decline of 1.84% compared with NTD 13.6 trillion in 2020H1. The sum assured for newly issued individual insurance policies amounted to NTD 6.12 trillion, down by 4.23% from NTD 6.39 trillion recorded in the same period in the previous year. A breakdown by product type shows the following: the sum assured for life insurance stood at NTD 0.78 trillion, down by 17.89%; accident insurance reached NTD 4.3 trillion in sum assured, down by 6.72%; the sum assured for health insurance amounted to NTD 0.7 trillion, an increase of 1.45%; and the sum assured for annuity insurance was NTD 0.34 trillion, a surge of 142.86%. The sum assured for newly issued group insurance saw a growth of 0.28%, climbing from NTD 7.21 trillion in 2020H1 to NTD 7.23 trillion in 2021H1.

In summary, life insurance and health insurance saw a decrease in the number of new policies issued, levels of sum assured, and FYP income in 2021H1; accident insurance recorded an increase in the number of new policies issued but a decline in and levels of sum assured and FYP income, while annuity insurance saw an increase in the number of new policies issued, level of sum assured, and FYP income.

## **6. Policies in Force**

As of the end of June 2021, there were 230.97 million policies in force, up by 0.33% compared with 230.22 million policies in force as of the end of June 2020. The number of life insurance policies in force totaled 59.42 million, an increase of 0.25%; accident insurance policies in force came to 65.16 million, a growth of 1.92%; health insurance policies in force stood at 104.47 million, a fall of 0.80%, and annuities in force totaled 1.92 million, up by 12.28%. The sum assured for policies in force totaled NTD 108.66 trillion, an increase of 2.55% from the figure of NTD 105.96 trillion at the end of June 2020. A breakdown of the total sum assured by product type shows that life insurance grew by 3.17% to NTD 48.81 trillion; accident insurance saw a decrease of 0.07% to NTD 40.33 trillion; health insurance was up by 4.27% to NTD 17.11 trillion, and the sum assured for annuities rose 28.19% to NTD 2.41 trillion.

## **7. Insurance Benefit Payments**

In 2021H1, insurance benefit payments totaled NTD 963.4 billion, up by 8.28% compared

with NTD 889.7 billion in 2020H1. Of these, life insurance payments saw the biggest increase of 6.83%, totaling NTD 763 billion; annuity insurance payments came second at NTD 105.4 billion; followed by health insurance payments at NTD 80.4 billion, and accident insurance payments at NTD 14.6 billion. In terms of the number of beneficiaries, a total of 24.29 million people received insurance benefit payments in 2021H1, an increase of 2.97% compared with 23.59 million in 2020H1, and the number of beneficiaries of life insurance benefit payments topped the chart, accounting for 13.24 million, or 54.51%, of the total number of beneficiaries.

A breakdown of the types of benefit paid indicates that surrender benefits accounted for NTD 427.7 billion, or 44.39% of the total benefit payments in 2021H1, followed by maturity benefits at NTD 197.2 billion (20.47%), and survivor benefits at NTD 144.5 billion (15%). Together, the three types made up 79.86% of total benefits paid, and surrender benefits saw an increase of 9.07% from NTD 392.1 billion in 2020H1. This rise may be attributed to the fact that the policies surrendered were mostly traditional life insurance policies and interest rate-sensitive life insurance policies.

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

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

As of the end of June 2021, life insurance companies reported NTD 32.63 trillion in assets, up 7.94% compared with NTD 30.23 trillion in the same period in 2020. A breakdown of the assets shows that total assets excluding separate accounts totaled NTD 30.06 trillion, an increase of 6.82%. The value of the separate accounts amounted to NTD 2.57 trillion, representing 7.88% of the total assets, up from 6.91% as of the end of June 2020.

A breakdown of life insurance companies' asset allocation by category indicates the following: 74.9% of the total utilized fund was allocated in securities, 7.88% in separate accounts, 4.11% in loans, 5.24 % in cash and cash equivalents, 4.29 % in property investment, and 3.59% in other assets. In comparison with the end of June 2020, the most notable growth can be seen in securities (7.29%) and property investment (6.06%). The growth is a result of life insurers' capital utilization and allocation strategies.

As of the end of June 2021, life insurance companies recorded NTD 30 trillion in total liabilities, up by NTD 1.83trillion, or 6.5%, when compared with NTD 28.17 trillion in the same period in 2020. Of these, insurance liabilities accounted for NTD 26.57 trillion, or 88.57% of total liabilities and 81.43% of the total assets.

Also during this period, the owners' equity of the life insurance industry totaled NTD 2,632.6 billion, an increase of NTD 573.4 billion from the figure of NTD 2,059.2 billion at the end of June 2020. The owners' equity to asset ratio grew from 6.81% at the end of June 2020 to 8.07%, which was far 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) was at 11 times—slightly lower than the 14 times at the end of June 2020—indicating that life insurers have a stronger ability to absorb future losses and that their financial standing is robust.

## **2. Profits and Losses**

Life insurance companies recorded NTD 2.1 trillion in aggregated operating revenue as of the end of June 2021, up 7.94% from NTD 1.95 trillion in the same period in 2020. Operating costs at NTD 1.79 trillion, a decrease of 0.04% from the figure of NTD 1.79 trillion at the end of June 2020, accounted for 85.09% of the total revenue. As the result, life insurance companies posted NTD 314.8 billion in business profits.

Driven by a 35.03% rise in net investment profits from NTD 514 billion in 2020H1 to NTD 694 billion in 2021H1, operating life insurance companies posted total profits of NTD 240.7 billion as of the end of June 2021, an increase of NTD 143.6 billion on the NTD 97.1 billion from the same period in 2020. A stellar performance in the Taiwanese equity market in the first half of the year led to a significant increase of NTD 29.8 billion in the comprehensive income for life insurance companies, which climbed from NTD 68.9 billion at the end of June 2020 to NTD 98.6 billion at the same point in 2021.

## **3. Utilization of Funds**

As of the end of June 2021, the life insurance industry recorded NTD 29.22 trillion in available funds, up by 6.76% from NTD 27.37 trillion in same period in 2020. Among the fund utilization categories, securities investment accounted for NTD 6.4 trillion, or 21.9% of the total utilized funds (mostly equities, which made up NTD 2.12 trillion or 7.26%), and foreign investment totaled NTD 19.1 trillion, or 65.37%. The combination of the two categories represented as high as 87.27% of the total utilized funds.

In recent years, the general environment has been characterized by low interest rates and loose liquidity conditions, and the spread between domestic and foreign government bonds has been thinning. Thus, the life insurance industry is gradually shifting capital allocation to higher-yielding assets such as domestic real estate with steady rent income and dividends, and foreign investments. As of the end of June 2021, the life insurance industry invested NTD 2,121 billion in domestic equities, which comprised 7.26% of total investments, up from the 6.13% at the same point in 2020, and the absolute investment amount also grew by 26.44%. At NTD 1,345.2 billion, investment in real estate in terms of total investment share fell from 4.65% to 4.6% at the end of June 2021. Foreign investments totaled NTD 19,097.4 billion, or 65.36%, down from 66.26% at the end of June 2020, but the absolute investment amount grew by 5.28%.

## **II. Conclusion and Outlook**

### **1. Conclusion**

In 2021H1, life insurance companies recorded NTD 1,514.6 billion in premium income, down by 5.44% compared with the same period last year, but FYP income increased by 9.4% to NTD 515.6 billion. FYP income generated from traditional products fell by 30.96% to NTD 223.7 billion. FYP income from investment-linked products rose by 98.17% to NTD 291.9 billion. Meanwhile, renewal premium income totaled NTD 999 billion, a decrease of 11.62% over the figure recorded in 2020H1. Owing to the FSC's implementation of a mechanism to keep the declared interest rate stable and the impact of the Covid-19 pandemic, the 2021H1 premium

income is the lowest compared with the same period in the previous three years.

In 2021H1, 24.47 million new insurance policies were issued with a total sum assured of NTD 13.35 trillion, both lower than the figures recorded in 2020H1. The total number of policies in force was 230.97 million and the total sum assured came to NTD 108.66 trillion, indicating a steady upward trend in both the number of policies issued and the sum assured. Meanwhile, life insurers paid a total of NTD 963.4 billion in benefits, of which life insurance and annuities accounted for 90.14%. A further analysis of the benefit payments shows that surrender benefits (NTD 427.7 billion), maturity benefits (NTD 197.2 billion), and survivor benefits (NTD 144.5 billion) made up 79.86% of the total benefit payments.

The equity market rally in the first half of 2021 led to a 30.17% increase in the comprehensive income for life insurance companies, which rose from NTD 68.9 billion at the end of June 2020 to NTD 98.6 billion at the same point in 2021.

## **2. Outlook**

In 2021H1, life insurance policy sales through agents suffered owing to the anti-pandemic stay-at-home directive. In addition, interest rate-sensitive life insurance policies, previously the most popular of traditional insurance products, no longer appealed to consumers due to lower declared interest rates. By contrast, continued rallies in the US and Taiwanese equity markets led to higher participation in investment markets, with many policyholders purchasing investment-linked policies. In 2021H1, the FYP income generated by insurance policies rose by about 10% over the same period last year. Among all policies, variable annuities contributed the largest share of FYP income at NTD 232.3 billion, a massive increase of 142.23% over 2020H1's NTD 95.9 billion.

In the second half of this year, sales interest rate-sensitive insurance policies in the area of traditional insurance products are expected to remain sluggish owing to falling government bond yields and generally lower or flat monthly declared interest rates. Among investment-linked products, rising equity markets in Taiwan and abroad and the fact that consumption has been muted have led to an inflow of hot money into risk assets, thus pushing up the prices of investment-linked policies. However, as the US and European countries are gradually lifting Covid-19 restrictions, equity markets are seeing more volatility, and the higher base period of 2020H2 means that growth will slow. In the face of these headwinds, both premium income from traditional and investment-linked products have been affected. Going forward, a major challenge for the life insurance industry will be to reverse the premium income decline from the first half of this year.