

# 2022H1 Taiwan Life Insurance Market Overview

## I. Life Insurance Industry Business and Financial Overview

### A. Business Statistics

The life insurance industry in Taiwan recorded NTD 1,248.1 billion in total premium income in 2022H1, down by 17.6% from NTD 1,514.6 billion in 2021H1. Of these, first-year premium (FYP) income accounted for NTD 457.6 billion, an 11.25% decrease compared with the 2020H1 figure of NTD 515.6 billion. Renewal premium income stood at NTD 790.5 billion, a decline of 20.87% over the same period in the previous year.

#### 1. Breakdown of Premium Income

FYP represented NTD 457.6 billion, or 36.66% of the total premium income reported in 2022H1, up from 34.04% in 2021H1. Single premium stood at NTD 279.3 billion in 2022H1, a decrease of 7.79% from NTD 302.9 billion in 2021H1. Meanwhile, installment premium declined by 16.27% from NTD 212.7 billion in 2021H1 to NTD 178.1 billion in 2022H1. Renewal premium income amounted to NTD 790.5 billion, or 63.34% of the total premium income in 2022H1, down by NTD 208.5 billion from the same period last year, when it totaled NTD 999 billion (65.96%).

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

In 2022H1, premium income generated by traditional insurance policies amounted to NTD 987.4 billion, or 79.11% of the total premium income. Of these policies, life insurance accounted for NTD 737.8 billion, down by 19.54% compared with NTD 917 billion in 2022H1; health insurance generated NTD 202.8 billion in premium income, a growth of 2.79% over the 2021H1 figure of NTD 197.3 billion; premium income from accident insurance totaled NTD 33.4 billion, in line with NTD 33.4 billion in 2021H1; and annuity premium income at NTD 13.4 billion represented a significant decrease of 60% compared with NTD 33.5 billion in 2021H1.

In 2022H1, FYP income generated from traditional life insurance policies rose by 24.73% from NTD 166.6 billion in 2021H1 to NTD 207.8 billion. The market share of traditional life insurance policies also increased from 32.31% in 2021H1 to 45.41% in 2022H1. Thanks to the promotion of online digital transaction channels and a boost from US rate hikes to USD-denominated interest-sensitive life insurance policies, FYP from interest-sensitive life insurance policies increased by 24.23% from 2021H1. However, traditional annuities generated only NTD 10.9 billion in FYP income, a decrease of 64.95% over the 2021H1 figure of NTD 31.1 billion.

Owing to volatility in the capital markets and NTD depreciation against the USD, policyholders became more conservative investors. Against this background, in 2022H1, premium income generated by investment-linked insurance policies totaled NTD 260.7 billion, accounting for 20.89 % of total premium income. This was a decline of 21.83% compared with

NTD 333.5 billion in 2021H1. Among investment-linked insurance policies, premium income from investment-linked life insurance totaled NTD 94.1 billion, a decrease of 3.19% from NTD 97.2 billion in 2021H1, while premium income from investment-linked annuities fell by 29.5% from NTD 236.3 billion in 2021H1 to NTD 166.6 billion in 2022H1.

Further analysis indicates that FYP income generated from investment-linked life insurance policies decreased to NTD 54.8 billion in 2022H1 over the previous year's figure of NTD 59.6 billion, while income from investment-linked annuity saw a significant decline of 30.48% from NTD 232.3 billion in 2021H1 to NTD 161.5 billion in 2022H1. Overall, FYP income from investment-linked insurance products fell by 25.9%.

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

In 2022H1, bancassurance and agency channels generated NTD 245.8 billion (53.73%) and NTD 166.2 billion (36.32%) of the life insurance industry's total FYP income, respectively. The two distribution channels represented 90.04% of the total market share, while other channels accounted for merely 9.96%. Based on further analysis, FYP income from the bancassurance channel fell by 17.62% from NTD 298.4 billion in 2021H1 to NTD 245.8 billion in 2022H1. The agency channel generated NTD 10.2 billion less in FYP income than the same period in the previous year, decreasing from NTD 176.3 billion in 2021H1 to NTD 166.2 billion in 2022H1, but its market share grew 2.12% from 34.2% to 36.32%. The bancassurance channel's share of FYP income is still larger than that of the agency channel in 2022H1.

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

In 2022H1, 203,200 new business investment-linked insurance policies were issued, a decrease of 21.06% compared with the figure of 257,400 in 2021H1. Among those, variable life insurance represented 12,700 policies, a decline of 20.63%; variable universal life insurance accounted for 68,500 policies, a decline of 1.01%, and variable annuities made up 122,000 policies, a drop of 29.15% over the same period in the previous year.

The sum assured for the new policies issued totaled NTD 155.5 billion in 2022H1, up by 5.38% in comparison with NTD 147.6 billion in 2021H1. Of these new policies, the sum assured for variable life insurance policies fell by 39.94% to NTD 13.9 billion; the sum assured for variable universal life insurance grew by 18.84% to NTD 127.1 billion, and the sum assured for variable annuities dropped by 17% to NTD 14.5 billion.

In summary, investment-linked insurance products recorded declines in the number of new policies issued and FYP income from the levels of 2021H1, but the sum assured rose slightly on the same period in the previous year.

### **5. Group Insurance and Individual Insurance**

In 2022H1, 21.48 million new business insurance policies were issued, down 12.22% from the 2021H1 figure of 24.47 million. The number of newly issued individual insurance policies totaled 4.57 million, a decrease of 17.51% from 5.54 million in 2021H1. A further breakdown by product type indicates the following: life insurance accounted for 0.97 million policies, up

by 14.12%; accident insurance constituted 1.4 million policies, a decline of 20.45%; health insurance represented 2.07 million policies, a decrease of 24.18%, and annuity insurance amounted to 0.13 million policies, down by 35%. The number of insured protected by group insurance totaled 16.91 million people, down by 10.67% from 18.93 million people reported in 2021H1.

The sum assured of the newly issued policies totaled NTD 11.65 trillion, a decline of 12.73% compared with NTD 13.35 trillion in 2021H1. The sum assured for newly issued individual insurance policies amounted to NTD 4.82 trillion, down by 21.24% from NTD 6.12 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 0.94 trillion, up by 20.51%; accident insurance reached NTD 3.15 trillion in sum assured, down by 26.74%; the sum assured for health insurance amounted to NTD 0.56 trillion, a decrease of 20%; and the sum assured for annuity insurance was NTD 0.17 trillion, a decline of 50%. The sum assured for newly issued group insurance fell by 5.53%, moving from NTD 7.23 trillion in 2021H1 to NTD 6.83 trillion in 2022H1.

In summary, life insurance and health insurance saw an increase in the number of new policies issued, levels of sum assured, and FYP income in 2022H1; while accident insurance, health insurance, and annuity insurance recorded a decline in the number of new policies issued, levels of sum assured, and FYP income.

## **6. Policies in Force**

As of the end of June 2022, there were 234.01 million policies in force, up by 1.32% compared with 230.97 million policies in force as of the end of June 2021. The number of life insurance policies in force totaled 59.6 million, an increase of 0.3%; accident insurance policies in force came to 65.76 million, a growth of 0.92%; health insurance policies in force stood at 106.54 million, a rise of 1.98%, and annuities in force totaled 2.11 million, up by 9.90%. The sum assured for policies in force totaled NTD 112.19 trillion, an increase of 3.25% from the figure of NTD 108.66 trillion at the end of June 2021. A breakdown of the total sum assured by product type shows that life insurance grew by 1.88% to NTD 49.73 trillion; accident insurance saw an increase of 3.79% to NTD 41.86 trillion; health insurance was up by 6.2% to NTD 18.17 trillion, and the sum assured for annuities rose 0.83% to NTD 2.43 trillion.

## **7. Insurance Benefit Payments**

In 2022H1, insurance benefit payments totaled NTD 926.8 billion, down by 3.79% compared with NTD 963.4 billion in 2021H1. Of these, life insurance payments saw the biggest decrease of 4.29%, totaling NTD 730.3 billion; health insurance payments came second at NTD 91.3 billion; followed by annuity insurance payments at NTD 90.5 billion, and accident insurance payments at NTD 14.8 billion. In terms of the number of beneficiaries, a total of 24.78 million people received insurance benefit payments in 2022H1, an increase of 2.02% compared with 24.29 million in 2021H1, and the number of beneficiaries of life insurance benefit payments topped the chart, accounting for 13.09 million, or 52.82%, of the total number of beneficiaries.

A breakdown of the types of benefit paid indicates that surrender benefits accounted for NTD 480 billion, or 51.79% of the total benefit payments in 2022H1, followed by survivor benefits at NTD 147.3 billion (15.89%), and maturity benefits at NTD 90.1 billion (9.72%). Together, the three types made up 77.4% of total benefits paid, and surrender benefits saw an increase of 12.24% from NTD 427.7 billion in 2021H1. 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 2022, life insurance companies reported NTD 32.92 trillion in assets, up 0.89% compared with NTD 32.63 trillion in the same period in 2021. A breakdown of the assets shows that total assets excluding separate accounts totaled NTD 30.48 trillion, an increase of 1.4%. The value of the separate accounts amounted to NTD 2.44 trillion, representing 7.41% of the total assets, down from 7.88% as of the end of June 2021.

A breakdown of life insurance companies' asset allocation by category indicates the following: 76.58% of the total utilized fund was allocated in securities, 7.41% in separate accounts, 3.98% in loans, 3.01% in cash and cash equivalents, 4.4% in property investment, and 4.62% in other assets. In comparison with the end of June 2021, the most notable growth can be seen in securities (3.15%) and property investment (3.57%). The growth is a result of life insurers' capital utilization and allocation strategies.

As of the end of June 2022, life insurance companies recorded NTD 31.67 trillion in total liabilities, up by NTD 1.67 trillion, or 5.57%, when compared with NTD 30 trillion in the same period in 2021. Of these, insurance liabilities accounted for NTD 28.09 trillion, or 88.70% of total liabilities and 85.33% of the total assets.

Also during this period, the owners' equity of the life insurance industry totaled NTD 1,254.6 billion, a significant decline of NTD 1,378 billion from the figure of NTD 2,632.6 billion at the end of June 2021. The owners' equity to asset ratio fell from 8.07% at the end of June 2021 to 3.81%, which was lower 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 25 times—far higher than the 11 times at the end of June 2021—indicating that life insurers have less ability to absorb future losses and that their financial standing is being challenged.

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

Life insurance companies recorded NTD 1.58 trillion in aggregated operating revenue as of the end of June 2022, down 24.82% from NTD 2.1 trillion in the same period in 2021. Operating costs at NTD 1.32 trillion, a decrease of 26.21% from the figure of NTD 1.79 trillion at the end of June 2021, accounted for 83.45% of the total revenue. As the result, life insurance companies posted NTD 265.3 billion in business profits.

As of the end of June 2022, operating life insurance companies posted total profits of NTD

176.5 billion, a decrease of NTD 64.2 billion on the NTD 240.7 billion from the same period in 2021. As global capital markets continue to see violent fluctuations, the severe correction in equity markets around the world has led to a decline in the equities held by insurers. In addition, rising bond yields in a rate hike cycle mean that the prices of their bond positions are facing significant falls. As a result, the comprehensive income for life insurance companies moved from 98.6 billion at the end of June 2021 to a loss of NTD 1,430.2 billion at the end of June 2022, a massive decline of NTD 1,528.8 billion.

### **3. Utilization of Funds**

As of the end of June 2022, the life insurance industry recorded NTD 29.21 trillion in available funds, down by 0.03% from NTD 29.22 trillion in same period in 2021. Among the fund utilization categories, securities investment accounted for NTD 5.82 trillion, or 19.92% of the total utilized funds (mostly equities, which made up NTD 1.78 trillion or 6.09%), and foreign investment totaled NTD 20.22 trillion, or 69.22%. The combination of the two categories represented as high as 89.14% 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 2022, the life insurance industry invested NTD 1,778.3 billion in domestic equities, which comprised 6.09% of total investments, down from the 7.26% at the same point in 2021, and the absolute investment amount also fell by 16.16%. At NTD 1,407.6 billion, investment in real estate in terms of total investment share rose slightly from 4.61% to 4.82% at the end of June 2022. Foreign investments totaled NTD 20,221.7 billion, or 69.23%, up from 65.37% at the end of June 2021, and the absolute investment amount also grew by 5.89%.

## **II. Conclusion and Outlook**

### **1. Conclusion**

In 2022H1, life insurance companies recorded NTD 1,248.1 billion in premium income, down by 17.6% compared with the same period last year, and FYP income decreased by 11.27% to NTD 457.6 billion. FYP income generated from traditional products rose by 7.82% to NTD 241.3 billion. FYP income from investment-linked products fell by 25.9% to NTD 216.3 billion. Meanwhile, renewal premium income totaled NTD 790.5 billion, a decrease of 20.87% over the figure recorded in 2021H1. Under the influence of Covid-19 measures and capital market corrections, the 2022H1 premium income is the lowest for this period in the last three years.

In 2022H1, 21.48 million new insurance policies were issued with a total sum assured of NTD 11.65 trillion, both lower than the figures recorded in 2021H1. The total number of policies in force was 234.01 million and the total sum assured came to NTD 112.19 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 926.8 billion in benefits, of which life insurance and annuities accounted for 88.56%. A further analysis of the benefit payments shows that surrender benefits

(NTD 480 billion), maturity benefits (NTD 90.1 billion), and survivor benefits (NTD 147.3 billion) made up 77.4% of the total benefit payments.

Life insurance companies posted a net investment profit of NTD 647 billion, down 6.78% from NTD 694 billion in 2021H1. This increase can be attributed to foreign exchange gains and interest income. The life insurance industry recorded an overall net profit of NTD 176.5 billion in 2022H1.

## **2. Outlook**

In 2022H1, due to the uncertainty of the Covid-19 pandemic and stay-at-home measures, the life insurance industry continued to promote online digital transaction channels. While the rise in interest rates in the US boosted sales of USD-denominated interest-sensitive life insurance products, sales of investment-linked products were affected by capital market volatility and the depreciation of the NTD against the USD, which made policyholders more conservative in their investment decisions.

In 2022H1, the FYP income generated by insurance policies fell by about 10% over the same period last year. Among all policies, interest-sensitive life insurance products contributed the largest share of FYP income at NTD 182 billion, an increase of 24.23% over NTD 146.5 billion in 2021H1.

In the second half of this year, in terms of traditional insurance products, as insurers are becoming more cautious in raising the declared interest rate of interest-sensitive life insurance products, sales of these products are expected to slow. Regarding investment-linked insurance products, capital market volatility and the weakening of NTD against the USD will continue to dampen policyholder appetite. 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.