

2023 Taiwan Life Insurance Market Overview

I. Life Insurance Industry Business and Financial Overview

A. Business Statistics

In 2023, the total premium income for the life insurance industry in Taiwan was NTD 2,188.1 billion, a decrease of 6.27% compared to NTD 2,334.4 billion in 2022. First-year premium (FYP) income amounted to NTD 671.4 billion, a decline of 13.12% from NTD 772.8 billion in 2022. Renewal premium income totaled NTD 1,516.7 billion, down 2.88% from the previous year's figure.

1. Breakdown of Premium Income

In terms of premium structure, first-year premium (FYP) income was NTD 671.4 billion, accounting for 30.68% of the total premium income in 2023, down from 33.10% in 2022. Among these, single premium decreased significantly by 31.77%, from NTD 442.2 billion in 2022 to NTD 301.7 billion in 2023. Installment premium increased by 11.83%, from NTD 330.6 billion in 2022 to NTD 369.7 billion in 2023. Renewal premium income was NTD 1,516.7 billion, making up 69.32% of the total premium income, a decrease of NTD 44.9 billion or 2.88% from the NTD 1,561.6 billion recorded in 2022.

A further analysis of the FYP structure in 2023 shows that single premium accounted for 44.94% of the total FYP. Within this category, interest-sensitive life insurance premiums were NTD 96.6 billion, and variable annuity premiums were NTD 88.6 billion, representing 32.02% and 29.37% of the total single premium, respectively. Compared to 2022, where single premium accounted for 57.22%, there is a notable decrease to 44.94% in 2023. This trend shows that, in recent years, the life insurance industry has been aligning with government policies and preparing for IFRS 17 compliance by optimizing product structures and shifting from single premium payments to installment premium products.

2. Change in Product Mix

In 2023, premium income from traditional insurance policies amounted to NTD 1,838.9 billion, representing 84.04% of the total premium income. Of these, life insurance accounted for NTD 1,319.8 billion, a decrease of 5.06% compared to NTD 1,390.2 billion in 2022. Health insurance generated NTD 433.6 billion, a growth of 3.51% from NTD 418.9 billion in 2022. Accident insurance premiums totaled NTD 73.2 billion, up 6.09% from NTD 69 billion in 2022. Annuity insurance premiums were NTD 12.3 billion, a significant decrease of 45.81% from NTD 22.7 billion in 2022.

In 2023, insurers took a more cautious approach to adjusting declared interest rates for interest rate-variable products. As policyholders' expectations for higher rates following US interest rate hikes were not met, many to adopt a wait-and-see attitude or divert their funds elsewhere. This weakened sales momentum for traditional products. FYP income from traditional products totaled NTD 414.8 billion, with traditional life insurance policies contributing NTD 353.5 billion, down 1.97% from NTD 360.6 billion in 2022. Interest-sensitive life insurance, which made up the largest share of traditional life insurance products, generated NTD 261.7 billion in FYP income, a 15.77% decrease from the previous year. Traditional annuity insurance premiums were NTD 7.6 billion, a significant drop of 57.54% from NTD 17.9 billion in 2022, with interest-sensitive annuities also decreasing by 57.54% to NTD 7.6 billion.

Regarding investment-linked policies, the introduction of new regulations on July 1, 2023, covering investment targets, asset payback mechanisms, and value-added bonuses, along with some insurers gradually transitioning their products, impacted the market. As a result, investment-linked product premium income totaled NTD 349.2 billion in 2023, accounting for 15.96% of the total premium income. This represented a decrease of 19.46% compared to NTD 433.6 billion in 2022. Within this category, investment-linked life insurance premiums were NTD 170.8 billion, down 4.79% from NTD 179.4 billion in 2022. Investment-linked annuity premiums fell significantly, from NTD 254.2 billion in 2022 to NTD 178.4 billion in 2023, a decrease of 29.82%.

Further analysis shows that FYP income from investment-linked life insurance policies decreased by 10.05% from NTD 99.5 billion in 2022 to NTD 89.5 billion in 2023. Investment-linked annuity premiums also saw a significant reduction, from NTD 246.9 billion in 2022 to NTD 167.1 billion in 2023, a decline of 32.32%. Overall, FYP income from investment-linked insurance products declined by 25.92%.

3. Industry Channel Mix

In 2023, FYP income primarily came from bancassurance and agency channels, totaling NTD 245.6 billion and NTD 329.9 billion, respectively, accounting for 36.58% and 49.13% of the market share, together representing 85.72% of the total. Other distribution channels made up only 14.28%. Further analysis reveals that the bancassurance channel's FYP income decreased by 34.94% from NTD 377.5 billion in 2022 to NTD 245.6 billion in 2023, with its market share dropping from 48.84% in 2022 to 36.58% in 2023. On the other hand, FYP income from life insurance agents grew by NTD 18.5 billion, from NTD 311.3 billion in 2022 to NTD 329.9 billion in 2023, increasing its market share from 40.28% in 2022 to 49.13% in 2023. Since 2009, the bancassurance channel has consistently held more than half

of the FYP income market share, but in 2023, its share fell below 40%, marking a new low since 2009.

4. Group Insurance and Individual Insurance

In 2023, a total of 48.93 million new insurance policies were issued, a 13.71% increase from the 43.03 million policies issued in 2022. Of these, individual insurance policies numbered 11.72 million, marking a 21.70% growth from 9.63 million in 2022. Breaking it down by type: life insurance policies numbered 1.73 million, a decrease of 4.95%; accident insurance policies reached 4.77 million, a growth of 45.43%; health insurance policies totaled 5.06 million, an increase of 17.13%; and annuity insurance policies were 0.16 million, a decrease of 23.81%. The number of people covered by group insurance was 37.21 million, up 11.41% from 33.40 million in 2022.

The sum assured of newly issued policies totaled NTD 36.29 trillion in 2023, a growth of 32.40% from NTD 27.41 trillion in 2022. The sum assured for individual insurance was NTD 19.12 trillion, up 53.95% from NTD 12.42 trillion in 2022. Breaking this down by type: the sum assured for life insurance was NTD 2.01 trillion, an increase of 12.29%; accident insurance reached NTD 15.11 trillion, an increase of 65.68%; health insurance amounted to NTD 1.78 trillion, up 43.55%; and annuity insurance was NTD 0.22 trillion, a decrease of 18.52%. The sum assured for group insurance was NTD 17.17 trillion, a 14.54% increase from NTD 14.99 trillion in 2022.

In summary, for individual insurance in 2023, annuity insurance saw a decline in the number of new policies issued, the sum assured, and FYP income. Life insurance experienced a decrease in both the number of new policies issued and FYP income, but the sum assured grew compared to the previous year. Health insurance and accident insurance showed growth in the number of policies issued, the sum assured, and FYP income compared to the previous year.

5. New Business of Investment-linked Insurance

In 2023, 285,500 new investment-linked insurance policies were issued, a decline of 15.66% compared to the 338,500 policies issued in 2022. Among these, variable life insurance accounted for 22,400 policies, a decrease of 3.45%; variable universal life insurance totaled 108,900 policies, down 11.68%; and variable deferred annuities amounted to 154,200 policies, a reduction of 19.69%.

Regarding the sum assured for new policies, the total was NTD 252.1 billion in 2023, a decrease of approximately 10.10% from NTD 280.4 billion in 2022. Specifically, the sum assured for variable life insurance was NTD 18.4 billion, a reduction of 25.11%; for variable

universal life insurance, it was NTD 219 billion, down 4.88%; and for variable deferred annuities, it was NTD 14.7 billion, a decline of 42.69%.

In summary, investment-linked insurance products in 2023 saw declines in the number of new policies issued, the sum assured, and FYP income compared to 2022.

6. Policies in Force

As of the end of 2023, there were 244.59 million policies in force, an increase of 2.79% compared to 237.96 million at the end of 2022. Among these, life insurance policies totaled 59.63 million, a decrease of 0.28%; accident insurance policies were 70.57 million, up 4.41%; health insurance policies stood at 112.30 million, an increase of 3.53%; and annuity policies were 2.09 million, a decline of 0.48%.

In terms of the sum assured for policies in force, the total was NTD 117.93 trillion, a growth of 2.62% from NTD 114.92 trillion at the end of 2022. Specifically, life insurance accounted for NTD 51.39 trillion, an increase of 1.78%; accident insurance was NTD 44.96 trillion, up 3.88%; health insurance amounted to NTD 19.03 trillion, a rise of 1.71%; and annuities totaled NTD 2.55 trillion, an increase of 4.51%.

Overall, by the end of 2023, both the number of policies in force and the sum assured for individual and group insurance showed a growth trend compared to the previous year.

7. Insurance Benefit Payments

In 2023, insurance benefit payments totaled NTD 2,405.4 billion, an increase of 10.89% compared to NTD 2,169.3 billion in 2022. Of these, life insurance payments were the highest at NTD 1,903.7 billion, making up 79.14% of the total benefit payments. Annuity insurance payments followed at NTD 249.1 billion, health insurance payments at NTD 216.8 billion, and accident insurance payments at NTD 35.9 billion.

In terms of the number of beneficiaries, a total of 52.98 million people received insurance benefit payments in 2023, an increase of 4.13% compared to 50.88 million in 2022. Among these, life insurance benefit payments had the highest number of beneficiaries at 26.56 million, accounting for 50.13% of the total number of beneficiaries.

Regarding the types of benefit payments, surrender benefits ranked first at NTD 1,540.7 billion, accounting for 64.05% of the total. This was followed by survivor benefits at NTD 309.2 billion (12.85%) and medical disbursements at NTD 209.2 billion (8.70%), with these three categories together making up 85.60% of the total payments. Surrender benefits saw a significant increase of 23.22%, rising from NTD 1,250.3 billion in 2022 to NTD 1,540.7 billion in 2023, primarily due to the surrendering of interest-sensitive and traditional life insurance policies.

B. Financial Overview and Analysis

1. Assets and Liabilities

As of the end of 2023, the total assets of the life insurance industry amounted to NTD 34.91 trillion, an increase of 3.84% from NTD 33.62 trillion at the end of 2022. Breaking it down further, total assets excluding separate accounts were NTD 32.19 trillion, growing by 3.41%. The assets in investment-linked separate accounts totaled NTD 2.72 trillion, accounting for 7.79% of the total assets, which is an increase of 9.24% from NTD 2.49 trillion at the end of 2022.

The asset allocation ratios were as follows: 77.57% in securities, 3.52% in loans, 7.79% in separate account insurance products, 2.69% in cash and cash equivalents, 4.35% in investment properties, and 4.07% in other assets. Compared to the same period in 2022, securities grew by 4.56% and investment properties by 3.40%, reflecting the capital utilization and allocation strategies of the life insurance industry.

Total liabilities at the end of 2023 were NTD 32.66 trillion, an increase of NTD 0.62 trillion or 1.94% from NTD 32.04 trillion at the end of 2022. Insurance liabilities were NTD 28.86 trillion, representing 82.67% of total assets and 88.36% of total liabilities.

Also during this period, the life insurance industry's owners' equity was NTD 2,245.7 billion, a substantial increase of NTD 658.4 billion from NTD 1,587.3 billion at the end of 2022. This raised the equity-to-asset ratio from 4.72% at the end of 2022 to 6.43%, significantly higher than the pre-European Debt Crisis level of 4.03% at the end of 2009. The debt-to-equity ratio (leverage) dropped significantly from 20 times at the end of 2022 to 15 times in 2023, indicating a marked improvement in the industry's capacity to absorb future losses and maintain financial stability.

2. Profits and Losses

In 2023, total operating revenue for the life insurance industry was NTD 3.19 trillion, an increase of 6.36% compared to NTD 3.00 trillion in 2022. Operating costs amounted to NTD 2.98 trillion, accounting for 93.42% of total revenue, and representing a 9.55% increase from NTD 2.72 trillion in 2022. This resulted in a business profit of NTD 204.3 billion.

In 2023, the life insurance industry's net income from continuing operations was NTD 88.1 billion, a decrease of NTD 55 billion compared to NTD 143.2 billion in 2022. However,

thanks to a significant recovery in the investment market and the depreciation of the New Taiwan Dollar, total comprehensive income improved dramatically from a loss of NTD 1,140.1 billion at the end of 2022 to a profit of NTD 646.3 billion in 2023, an increase of NTD 1,786.4 billion.

3. Utilization of Funds

As of the end of 2023, the total available funds for the life insurance industry amounted to NTD 31.39 trillion, an increase of 3.87% compared to NTD 30.22 trillion at the end of 2022. The fund utilization rate was 100.58% (the ratio of total funds utilized to total available funds). Among the various fund utilization categories, securities investments totaled NTD 6.13 trillion (with equities alone at NTD 1.92 trillion) and foreign investments amounted to NTD 21.86 trillion, representing 19.53% and 69.64% of the total utilized funds, respectively. Combined, these two categories accounted for 89.17% of the total utilized funds.

Foreign investments by the domestic insurance industry increased by 3.60%, from NTD 21.10 trillion in 2022 to NTD 21.86 trillion in 2023. The proportion of foreign investments slightly decreased from 69.82% at the end of 2022 to 69.64%, making foreign investment a major component of fund utilization for the life insurance industry. Meanwhile, the regulatory authority relaxed rules on insurance industry investments in public infrastructure to encourage keeping funds within Taiwan for special projects and social welfare ventures. As a result, investments in authorized projects and public infrastructure grew by 39.53%, from NTD 93 billion in 2022 to NTD 129.7 billion in 2023.

II. Conclusion and Outlook

1. Conclusion

In 2023, the life insurance industry reported premium income of NTD 2,188.1 billion, a decrease of 6.27% from the previous year. First-year premium (FYP) income was NTD 671.4 billion, down 13.12% from 2022. Traditional insurance products accounted for NTD 414.8 billion, a decrease of 2.70% compared to 2022. Investment-linked products brought in NTD 256.6 billion, a decline of 25.92% from the previous year. Renewal premium income was NTD 1,516.7 billion, down 2.88% from 2022. Overall, the decline in both traditional and investment-linked product sales led to a drop in FYP income and renewal premium income, resulting in the lowest total premium income in recent years.

In 2023, the number of new policies issued was 48.93 million, with a total sum assured of NTD 36.29 trillion, both showing growth compared to the previous year. The number of policies in force reached 244.59 million, with a total sum assured of NTD 117.93 trillion, both slightly higher than in 2022. Total insurance benefits paid out amounted to NTD 2,405.4

billion, with life insurance and annuity benefits making up 89.49% of the total. An analysis of the benefit payments shows that surrender benefits amounted to NTD 1,540.7 billion, survival benefits to NTD 309.2 billion, and medical disbursements to NTD 209.2 billion, collectively accounting for 85.60% of the total benefits paid.

Regarding profitability, the net investment profit for the life insurance industry was NTD 1,029.4 billion in 2023, a decrease of 3.20% from NTD 1,063.4 billion in 2022. Factors such as fluctuations in the New Taiwan Dollar exchange rate and increased hedging costs negatively impacted profits, leading to a net income of NTD 88.1 billion for the life insurance industry in 2023.

2. Outlook

Owing to continued interest rate hikes in the US, customers' expectations for an increase in declared interest rates have grown, but insurers have been relatively conservative in adjusting their rates. This has led customers to adopt a wait-and-see approach or divert their funds for other purposes, potentially impacting the sales performance of traditional insurance policies.

On the investment product side, new regulations for investment-linked policies have been implemented, including rules on investment targets, asset payback mechanisms, and value-added bonuses. Additionally, some companies are gradually transitioning their products, which has increased the difficulty of sales.

Looking forward to 2024, the life insurance industry faces significant challenges due to domestic and international interest rate hikes, competition from high-interest USD time deposits, and a decline in the sales momentum of investment-linked policies. Whether total premium income can overcome these obstacles and achieve new highs will be a major test.