

# 2023H1 Taiwan Life Insurance Market Overview

## I. Life Insurance Industry Business and Financial Overview

### A. Business Statistics

The life insurance industry in Taiwan recorded NTD 1,108.7 billion in total premium income in 2023H1, down by 11.17% from NTD 1,248.1 billion in 2022H1. Of these, first-year premium (FYP) income accounted for NTD 349.6 billion, a 23.6% decrease compared with the 2022H1 figure of NTD 457.6 billion. Renewal premium income stood at NTD 759.1 billion, a decline of 3.97% over the same period in the previous year.

#### 1. Breakdown of Premium Income

FYP represented NTD 349.6 billion, or 31.53% of the total premium income reported in 2023H1, down from 36.66% in 2022H1. Single premium stood at NTD 160.5 billion in 2023H1, a decrease of 42.53% from NTD 279.3 billion in 2022H1. Meanwhile, installment premium rose by 6.23% from NTD 178.1 billion in 2022H1 to NTD 189.2 billion in 2023H1. Renewal premium income amounted to NTD 759.1 billion, or 68.47% of the total premium income in 2023H1, down by NTD 31.4 billion from the same period last year, when it totaled NTD 790.5 billion (63.34%).

A further breakdown of the FYP indicates that single premium made up 45.90 % in 2023H1. Of this, interest-sensitive life insurance premium stood at NTD 53.9 billion, while variable annuity premium came to NTD 49.5 billion, or 33.61% and 30.82% of the total single premium, respectively. The data show that single-premium products now contribute less to FYP income than before.

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

In 2023H1, traditional insurance policies produced a premium income of NTD 918.5 billion, making up 82.84% of the total. Within this, life insurance contributed NTD 664.7 billion, a 9.91% decrease from NTD 737.8 billion in 2022H1. Health insurance income rose by 4.19% to NTD 211.3 billion from NTD 202.8 billion in 2022H1. Accident insurance premium income reached NTD 35.6 billion, a 6.59% increase from NTD 33.4 billion in 2022H1. Annuities, however, saw a sharp decline of 48.51%, from NTD 13.4 billion in 2022H1 to NTD 6.9 billion in 2023H1.

In the first half of 2023, FYP income from traditional life insurance policies declined by 15.45%, dropping from NTD 207.8 billion in 2022H1 to NTD 175.7 billion. Despite this, the market share of traditional life insurance policies rose from 45.41% in 2022H1 to 50.26% in 2023H1. Due to life insurers' conservative adjustments in declared interest rates—which did not meet policyholder expectations after US rate hikes—many policyholders adopted a wait-and-see

approach or diverted their funds. Consequently, FYP from interest-sensitive life insurance policies decreased by 20.93% compared to 2022H1. Additionally, traditional annuities reported an FYP income of NTD 4.4 billion, marking a steep decline of 59.63% from the NTD 10.9 billion recorded in 2022H1.

Due to uncertainties in the global economy, investor confidence has waned. Against this backdrop, premium income from investment-linked insurance policies in 2023H1 amounted to NTD 190.2 billion, making up 17.16% of the total premium income, marking a 27.04% decline from NTD 260.7 billion in 2022H1. Breaking this down, premium income from investment-linked life insurance was NTD 91.8 billion, down 2.44% from NTD 94.1 billion in 2022H1. Meanwhile, investment-linked annuities saw a drop of 40.94%, plummeting from NTD 166.6 billion in 2022H1 to NTD 98.4 billion in 2023H1.

Further analysis indicates that FYP income generated from investment-linked life insurance policies decreased to NTD 51.3 billion in 2023H1 over the previous year's figure of NTD 54.8 billion, while income from investment-linked annuity saw a significant decline of 42.97% from NTD 161.5 billion in 2023H1 to NTD 92.1 billion in 2022H1. Overall, FYP income from investment-linked insurance products fell by 33.7%.

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

In the first half of 2023, the bancassurance channel produced NTD 124.2 billion or 35.52% of the total FYP income for the life insurance industry, while the agency channel generated NTD 177.8 billion, accounting for 50.84%. Combined, these two distribution channels dominated the market with an 86.37% share, leaving other channels with just 13.63%. Diving deeper, the bancassurance channel saw a significant 49.48% drop from NTD 245.8 billion in 2022H1 to NTD 124.2 billion in 2023H1. In contrast, the agency channel's FYP income rose by NTD 11.6 billion compared to the same period in the previous year, growing from NTD 166.2 billion in 2022H1 to NTD 177.8 billion in 2023H1. This led its market share to surge by 14.53%, moving from 36.32% to 50.84%. Notably, since 2009, bancassurance has consistently held over half of the FYP income. However, in 2023H1, it dropped below 40%, marking its lowest contribution since 2009.

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

In 2023H1, 159,100 new business investment-linked insurance policies were issued, a decrease of 21.7% compared with the figure of 203,200 in 2022H1. Among those, variable life insurance represented 13,700 policies, an increase of 7.87%; variable universal life insurance accounted for 59,800 policies, a decline of 12.7%, and variable annuities made up 85,600 policies, a drop of 29.84% over the same period in the previous year.

The sum assured for the new policies issued totaled NTD 138.2 billion in 2023H1, down by 11.14% in comparison with NTD 155.5 billion in 2022H1. Of these new policies, the sum assured for variable life insurance policies fell by 30.07% to NTD 9.7 billion; the sum assured for variable universal life insurance dropped by 6.12% to NTD 119.3 billion, and the sum assured for variable annuities declined by 37.05% to NTD 9.1 billion.

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

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

In 2023H1, 24.22 million new business insurance policies were issued, marking a 12.76% increase from the 21.48 million in 2022H1. Of these, 5.64 million were individual insurance policies, showing a 23.41% rise from 4.57 million in 2022H1. Breaking down by product type: life insurance policies numbered 0.92 million, a decrease of 5.15%; accident insurance reached 2.19 million, surging by 56.43%; health insurance totaled 2.44 million, up by 17.87%; and annuity insurance was at 0.09 million, a drop of 30.77%. Group insurance covered 18.58 million people, an increase of 9.88% from the 16.91 million in 2022H1.

In 2023H1, newly issued policies had a total sum assured of NTD 17.98 trillion, marking a 54.33% increase from NTD 11.65 trillion in 2022H1. Newly issued individual insurance policies had a sum assured of NTD 8.89 trillion, which is an 84.44% increase from NTD 4.82 trillion the previous year. Breaking this down by product type: life insurance was at NTD 1.03 trillion, up by 9.57%; accident insurance was NTD 6.93 trillion, a 120% surge; health insurance was NTD 0.82 trillion, an increase of 46.43%; and annuity insurance was NTD 0.11 trillion, down by 35.29%. Group insurance sum assured grew by 33.09% to NTD 9.09 trillion, up from NTD 6.83 trillion in 2022H1.

To summarize, in 2023H1, accident and health insurance both saw increases in the number of new policies, sum assured, and FYP income. Life insurance experienced growth in the number of policies and sum assured but a decrease in FYP income. Annuities recorded declines across all three metrics.

## **6. Policies in Force**

As of the end of June 2023, 239.47 million policies were in force, a 2.33% increase from 234.01 million at the end of June 2022. The life insurance policies in force numbered 59.75 million (up by 0.25%); accident insurance reached 68.38 million (a 3.98% growth); health insurance was at 109.22 million (a 2.52% rise); and annuities were 2.12 million (a 0.47% increase).

The total sum assured for policies in force was NTD 116.38 trillion, which, if compared to the NTD 112.19 trillion at the end of June 2022, indicates a 3.73% increase. Breaking this down by product type: life insurance's sum assured grew by 2.57% to NTD 51.01 trillion; accident insurance increased by 5.11% to NTD 44 trillion; health insurance rose by 3.63% to NTD 18.83 trillion, and annuities climbed by 4.53% to NTD 2.54 trillion.

## **7. Insurance Benefit Payments**

In 2023H1, insurance benefit payments totaled NTD 1,124.5 billion, up by 21.32% compared with NTD 926.8 billion in 2022H1. Of these, life insurance payments accounted for the lion's share, increasing by 22.06% to NTD 891.3 billion; annuity insurance payments came

second at NTD 111.6 billion; followed by health insurance payments at NTD 104 billion, and accident insurance payments at NTD 17.5 billion. In terms of the number of beneficiaries, a total of 26.07 million people received insurance benefit payments in 2023H1, an increase of 5.21% compared with 24.78 million in 2022H1, and the number of beneficiaries of life insurance benefit payments topped the chart, accounting for 13.18 million, or 50.56%, of the total number of beneficiaries.

A breakdown of the types of benefit paid indicates that surrender benefits accounted for NTD 704.1 billion, or 62.61% of the total benefit payments in 2023H1, followed by survivor benefits at NTD 149.5 billion (13.3%), and medical disbursements at NTD 100.1 billion (8.9%). Together, the three types made up 84.82% of total benefits paid, and surrender benefits saw an increase of 46.68% from NTD 480 billion in 2022H1. 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 2023, life insurance companies reported NTD 34.72 trillion in assets, up 5.56% compared with NTD 32.89 trillion in the same period in 2022. A breakdown of the assets shows that total assets excluding separate accounts totaled NTD 32.04 trillion, an increase of 5.19%. The value of the separate accounts amounted to NTD 2.68 trillion, representing 7.72% of the total assets, up from 7.39% as of the end of June 2022.

A breakdown of life insurance companies' asset allocation by category indicates the following: 77.36% of the total utilized fund was allocated in securities, 7.72% in separate accounts, 3.63% in loans, 2.68% in cash and cash equivalents, 4.35% in property investment, and 4.26% in other assets. In comparison with the end of June 2022, the most notable growth can be seen in securities (6.67%) and property investment (4.14%). The growth is a result of life insurers' capital utilization and allocation strategies.

As of the end of June 2023, life insurance companies recorded NTD 32.67 trillion in total liabilities, up by NTD 1.03 trillion, or 3.26 %, when compared with NTD 31.64 trillion in the same period in 2022. Of these, insurance liabilities accounted for NTD 28.78 trillion, or 88.09% of total liabilities and 82.89 % of the total assets.

Also during this period, the owners' equity of the life insurance industry totaled NTD 2,049.8 billion, a significant increase of NTD 802.5 billion from the figure of NTD 1,247.4 billion at the end of June 2022. The owners' equity to asset ratio rose from 3.79% at the end of June 2022 to 5.9%, 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) was 16 times—lower than the 25 times at the end of June 2022—indicating that life insurers have improved ability to absorb future losses and that their financial standing is growing more robust.

## **2. Profits and Losses**

Life insurance companies reported an aggregated operating revenue of NTD 1.61 trillion as of the end of June 2023, a 4.31% increase from NTD 1.54 trillion during the same period in 2022. Operating costs were NTD 1.5 trillion, representing a 17.32% increase from NTD 1.28 trillion at the end of June 2022 and accounting for 93.44% of the total revenue. As a result, life insurance companies posted a business profit of NTD 110 billion.

By the end of June 2023, operating life insurance companies registered total profits of NTD 56.4 billion, decreasing from NTD 175.9 billion in the same period in 2022 by NTD 119.5 billion. However, due to a significant rally in investment markets in June, the peak of dividend payments, and the depreciation of the New Taiwan Dollar, the comprehensive income for life insurance companies shifted dramatically. They went from a loss of NTD 1,377.2 billion at the end of June 2022 to a profit of NTD 454.1 billion by the end of June 2023, marking a massive swing of NTD 1,831.3 billion.

## **3. Utilization of Funds**

As of the end of June 2023, the life insurance industry recorded NTD 31.07 trillion in available funds, up by 5.79% from NTD 29.37 trillion in same period in 2022. Among the fund utilization categories, securities investment accounted for NTD 5.86 trillion (mostly equities, which made up NTD 1.84 trillion or 5.92%), or 18.86% of the total utilized funds, and foreign investment totaled NTD 21.66 trillion, or 69.71%. The combination of the two categories represented as high as 88.57% of the total utilized funds.

In recent years, the prevailing environment of low interest rates and loose liquidity has caused the spread between domestic and foreign government bonds to narrow. As a result, the life insurance industry is increasingly allocating capital to assets with higher yields, such as domestic real estate offering stable rental income, and foreign investments.

By the end of June 2023, the life insurance industry's investment in domestic equities stood at NTD 1,841.4 billion, accounting for 5.92% of total investments. While this percentage was down from 6.05% during the same period in 2022, the actual investment amount grew by 3.55%. Real estate investments amounted to NTD 1,457.6 billion, or 4.69% of total investments, a slight dip from the 4.79% in the previous year. Meanwhile, foreign investments amounted to NTD 21,659.8 billion, making up 69.71% of all investments, up from 68.87% in June 2022, marking a 7.09% rise in the absolute investment amount.

## **II. Conclusion and Outlook**

### **1. Conclusion**

In 2023H1, life insurance companies recorded NTD 1,108.7 billion in premium income, down by 11.17% compared with the same period last year, and FYP income decreased by 23.6% to NTD 349.6 billion. FYP income generated from traditional products fell by 14.55% to NTD 206.2 billion. FYP income from investment-linked products dropped by 33.7% to NTD 143.4 billion. Meanwhile, renewal premium income totaled NTD 759.1 billion, a decrease of 3.97% over the figure recorded in 2022H1. Owing to an uncertain economic backdrop and tightened

supervision of savings-type products by the regulator, the 2023H1 premium income is the lowest for this period in the last three years.

In 2023H1, despite a decrease in FYP income, 24.22 million new insurance policies were issued with a total sum assured of NTD 17.98 trillion, both surpassing the figures from 2022H1. As of the end of this half-year, there were 239.47 million policies in force with a total sum assured of NTD 116.38 trillion, reflecting a consistent growth in both the number of policies and the sum assured. During the same period, life insurers disbursed NTD 1,124.5 billion in benefits, with life insurance and annuities comprising 89.19% of that amount. Breaking down the benefit payments further, surrender benefits (NTD 704.1 billion), survivor benefits (NTD 149.5 billion), and medical disbursements (NTD 100.1 billion) constituted 84.82% of the total benefits paid.

Life insurance companies posted a net investment profit of NTD 513.7 billion, down 18.83% from NTD 632.8 billion in 2022H1. The investment profit can be mainly attributed to dividend payments, realized capital gains, and foreign exchange gains. The life insurance industry recorded an overall net profit of NTD 56.4 billion in 2023H1.

## **2. Outlook**

In the first half of 2023, the life insurance industry grappled with challenges stemming from fluctuations in the New Taiwan Dollar to US Dollar exchange rate, which affected the sales of insurance products denominated in the Taiwanese currency. Life insurance companies, opting for a conservative approach, did not drastically adjust their declared interest rates to meet policyholders' expectations following interest rate hikes in the US. This mismatch in expectations led many policyholders to either adopt a wait-and-see attitude or allocate their funds differently. Added to this, global economic uncertainties further eroded their investment confidence. As a result, FYP income for 2023H1 fell by approximately 24% compared to the previous year. Notably, the income from interest-sensitive life insurance premiums, which constituted the bulk of the total premium income, dropped by 20.93% to NTD 143.9 billion from NTD 182 billion in 2022H1.

The decline in the life insurance industry's total premium income decelerated, moving from a 21% drop in 2022H1 to roughly 11% in 2023H1. With the upcoming implementation of the IFRS 17 insurance accounting standard in 2026, life insurance companies are shifting their focus from selling savings-oriented products to the more lucrative protection-type offerings. Yet, persistent global economic uncertainties are undermining policyholders' confidence in investments. In light of these factors, it is a considerable challenge for the life insurance sector to counteract its recent downturn and potentially achieve a premium income rebound in the second half of the year.