

The Overview of Taiwan's Non-Life Insurance Industry in 2023

I. Business and Financial Overview of the Taiwan's Non-Life Insurance Industry

A. Premium Growth and Analysis

In 2023, the non-life insurance companies in Taiwan reported a total of NTD 244.8 billion in gross written premium, representing an increase of NTD 23.6 billion or 10.6 percent growth year over year. This increase was mainly attributed to the growth in premium income from Automobile insurance.

A breakdown of written premium by lines of business indicated that automobile insurance premium income reached NTD 125.5 billion in total, which grew by 8.2 percent compared to the same period last year, and account for 51.3 percent of the non-life industry's overall premium income. In particular, the premium income from voluntary automobile insurance reached NTD 106.1 billion, which grew by 9.6 percent growth year over year, and account for 43.4 percent of the non-life industry's overall premium income. As for compulsory automobile insurance, a total of approximately NTD 19.4 billion in premium income were booked, representing an increase of 1.4 percent year over year and account for 7.9 percent of the non-life industry's overall premium income.

The premium income for fire insurance amounted to approximately NTD 40.6 billion, which was up by 21.2 percent year over year, and accounted for 16.6 percent of the overall non-life premium income.

For personal accident insurance, the premium income reached approximately NTD 22 billion, up by 11.9 percent year over year, and accounted for 9 percent of the overall non-life premium income. As for health insurance, the premium income reached NTD 4.1 billion, which had decreased by 31.2% year over year

The premium income generated by marine insurance reached NTD 10.5 billion, which had increased by 11.5% in comparison to the same period last year. Within which, NTD 7 billion premium income were booked for cargo insurance, representing an increase of 13.6 percent compared to the same period last year.

For other lines of insurance with same period comparison, the industry overall recorded NTD 17.3 billion of premium income through liability insurance, which had increased by 6.6 percent; recorded NTD 11.1 billion premium incomes through engineering insurance, which had increased by 40.9 percent; recorded NTD 2.1 billion through guarantee insurance, which was up by 11.49 percent. Finally, the premium income from aviation insurance had increased by 33.9 percent and totaled to NTD 970 million.

To better manage the risk, every non-life insurance company spreads the risk assumed through reinsurance. Therefore, the business performance of non-life insurance companies usually depended heavily on their reinsurance strategies, thus it is important to take a closer look at the growth of retained premium. The retained premium is the underwriting premium income that the non-life insurers keep after ceding part of risks to reinsurers or assuming risk from reinsurers for risk spreading purpose. In 2023, the non-life insurance industry posted NTD 176.3 billion in net retained premium, which was up by 5.4 percent

year over year. The retention ratio reported to be 68.7 percent, which had decreased by 2.9 percentage points in comparison to the same period last year.

B. Claims Payout and Claims Breakdown

The overall claim payout made by the Taiwan non-life insurance companies amounted to NTD 187.3 billion in 2023, which had decreased by NTD 112.3 billion or 37.5 percent compared to the same period last year. The decrease was mainly contributed by the decrease in claim payout resulted from pandemic insurance policies.

A further study on the claim payout indicated that automobile insurance claims amounted to NTD 71.3 billion, which had increased by NTD 6.8 billion or an increase of 10.6 percent year over year. Among the total automobile insurance claims paid, voluntary automobile insurance claims represented NTD 58.3 billion, which had increased by NTD 6.6 billion or an increase of 12.8 percent in comparison with same period last year. Meanwhile, the claims payout for compulsory automobile liability insurance amounted to NTD 13 billion, which was up by NTD 200 million or an increase of 1.7 percent year over year.

For fire insurance, the claims payout totaled NTD 13.4 billion, which had increased by NTD 3.9 billion or an increase of 41.1 percent year over year.

For marine insurance, the claims payout amounted to NTD 6.4 billion, which had increased by 56.7 percent or NTD 2.3 billion with same period comparison.

For aviation insurance, the claims payout amounted to NTD 190 million, which had decreased by 58 percent or NTD 260 million with same period comparison.

For accident insurance, the claims payout amounted to NTD 10.7 billion, which had increased by 19.4 percent or NTD 1.7 billion with same period comparison. While the claims payout for health insurance amounted to NTD 63.7 billion, which had decreased by NTD 93.9 billion or an 59.6 percent decrease with same period comparison.

For other lines of insurance with same period comparison, the claims payout of engineering insurance had increased by 337.7 percent; the claims payout of liability insurance had increased by 16 percent; and the claims payout for other insurance lines amounted to NTD 9.5 billion, which had decreased by 80.2 percent.

In 2023, the non-life insurance companies reported a net earned loss ratio of 66.8 percent, which had decreased by 117 percentage points in comparison with 183.8 percent reported in the same period last year. Of all lines of insurance, the aviation insurance recorded a net earned loss ratio of 335.8 percent, the highest of all lines of insurance, and had increased by 46 percentage point in comparison with same period last year; whilst accident insurance line came in second with a reported net earned loss ratio of 50.8 percent, which had increased by 6 percentage points year over year.

In 2023, the overall net expense ratio for the industry reached 36.3 percent, which had slightly increased by 2 percentage point year over year. The combined ratio reported was 103.1 percent, and had decreased by 115 percentage point with same period comparison.

C. Financial Overview and Fund Utilization

1. Assets and Liabilities

In 2023, non-life insurance companies in Taiwan recorded a total of NTD 471.7 billion in assets, up by 4.4 percent in comparison with the NTD 452 billion in assets reported in the same period last year.

Total capital amounts to NTD 396.8 billion and had increased by 4.6 percent in comparison with the NTD 379.4 billion recorded in the same period last year. Within which, the shareholder's equity totaled NTD 127.9 billion, which had increased by 117.2 percent in comparison with NTD 58.9 billion recorded in same period last year. And the insurance liability amounts to NTD 269.1 billion, which had decreased by 16.1 percent in comparison with NTD 320.6 billion recorded in the same period last year. The overall debt to equity ratio for the industry reached 27.1 percent.

2. Profits and Losses

In 2023, non-life insurance companies rendered NTD 193.2 billion in operating revenue, which had increased by NTD 12.31 billion or 6.8 percent increase in comparison with the amount of NTD 180.9 billion reported in the same period last year. The operating cost was reported to be NTD 133 billion, which had decreased by NTD 207.07 billion from NTD 340.1 billion reported in the same period last year, which represents a 60.9 percent decrease. The industry reported an after-tax net profit of NTD 15.6 billion, which had increased by NTD 188.15 billion or 109 percent from the net loss of NTD 172.6 billion recorded in the same period last year.

3. Fund Utilization

In 2023, the total fund utilized by the non-life insurance industry accumulated to NTD 291.2 billion, mainly in the forms of equity and bond (making up 42 percent of the total utilized fund), bank deposit (25 percent), overseas investment (15 percent), real estate investment (14 percent), and other government authority approved investment (3 percent). The industry in whole achieved a 2.24 percent net annualized return on investment, which had slightly increased by 0.42 percentage point year over year.

D. Overview of 2023 and outlook into 2024

The increase in insurance premium in 2023 was mainly attributed to the continuous premium growth in automobile insurance and as well as fire insurance. With regard to automobile insurance, the growth was mainly contributed by the increasing number of new vehicles sales in 2023. With 477,000 vehicles sold over the fiscal year, it marks a record high sale since 2005. In addition, the continuous pressure in adjusting upward the premium rate for automobile third-party liability due to historically high loss ratio record have also contributed to this growth. Furthermore, the growth for fire insurance premium income was mainly due to a hike in reinsurance rates for commercial line, as well as increasing capital expenditure from the technology sector that drives up premium income.

On the claims side, the claim payout of non-life insurance industry grew along with the growth in automobile insurance business. Overall speaking, the industry had concluded with a profitable outcome both in insurance operation and investment outcome over the fiscal year. In insurance operation, the insurers had benefited from favorable

weather in the post-pandemic year. In 2023, no major earthquake occurred and no major insurance loss resulted from typhoon Dujuan, Khanun, Haitang, and Nida. As for investment performance, the non-life insurance industry rendered an overall investment income of NTD 8.4 billion, which had increased by NTD 1.1 billion from NTD 7.3 billion reported in 2022. The comprehensive income for 2023 amounted to NTD 21 billion, which had turned into a profitable fiscal year in comparison with the loss-making year of 2022 resulted from significant claims payout due to pandemic insurance.

Looking ahead into 2024, the overall premium income for the non-life insurance industry is expected to grow further. For automobile insurance, as the production of major vehicle brand stabilizes, and new vehicle sales reached record high in the last 18 years, it is expected that the waiting time for delivery of new vehicle in 2024 will return to normal. On the other hand, the new vehicle sales volume is projected to decline slightly, however, with the loss ratio of third-party liability insurance remains high, the insurers are faced with pressure to adjust premium rates upwards, and as a result, the premium income for automobile insurance is still expected to drive the growth expectation of overall premium income for the non-life insurance industry in 2024. On the investment side, with interest rate hike for United States and Europe nearing its end, the interest rate cut is anticipated to decline in the first half of 2024 or 2025. The investment environment in 2024 will face many uncertainties, including the economic downturn expectation accompanied by interest rate cuts, as well as geopolitical instability in the Middle East, Ukrainian and Russia.