

Overview of Taiwan's Non-Life Insurance Industry in the first half of 2023

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

A. Premium Growth and Analysis

In the first half of 2023, the non-life insurance companies in Taiwan reported a total of NTD 124.6 billion in gross written premium, up by NTD9.1 billion or 7.9 percent year-over-year, mainly due to the premium income growth from Automobile and Fire insurance.

A breakdown of written premium by lines of business indicated that automobile insurance premium income grew by 8.9 percent year-over-year and reaching NTD 61.3 billion in total. In particular, the premium income from voluntary automobile insurance grew by 10.4 percent year-over-year, reaching approximately NTD 51.9 billion and representing 41.7 percent of the overall non-life premium income. While the premium income for compulsory automobile insurance also increased by 1.3 percent compared to the same period last year, reaching NTD 9.4 billion and representing 7.5 percent of the overall non-life premium income.

The premium income for fire insurance amounted to approximately NTD 22.5 billion, which was up by 19.5 percent year-over-year and accounted for 18.1 percent of the overall non-life premium income.

For personal accident insurance, the premium income reached approximately NTD 10.9 billion, up by 10.6 percent year-over-year and accounted for 8.8 percent of the overall non-life premium income.

The premium income for liability insurance totaled approximately NTD 8.4 billion, up by 16.5 percent year-over-year, and accounted for 6.7 percent of the overall non-life premium income.

The premium income generated by marine insurance reached NTD 6.2 billion, representing 5 percent of overall premium income, and has increased by 15% in comparison to the same period last year. Within which, the cargo insurance premium income accounted for NTD 4.1 billion, increased by 17.3 percent compared to the same period last year.

The industry overall recorded NTD 5.9 billion of premium income through engineering insurance, which was up by 11.5 percent year-over-year; recorded NTD 1.2 billion through guarantee insurance, which was up by 15.8 percent year-over-year and recorded NTD 2.1 billion through health insurance, which had decreased by 48.6 percent year-over-year. Finally, the premium income from aviation insurance increased by 47.4 percent year-over-year and totaled to NTD 500 million.

To better manage the risk, every non-life insurance company uses reinsurance to spread the risk assumed. 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 the first half of 2023, the non-life insurance industry posted NTD 87.8 billion in net written premium, which was up by 3.2 percent year-over-year. The retention ratio reported was 67.2 percent, which had decreased by 2.5 percentage points in comparison with 69.7 percent recorded in 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 122 billion in the first half of 2023, which had increased by NTD 58.4 billion or 91.9 percent year-over-year.

A further study on the claim payout indicated that automobile insurance claims accounted for NTD 34.2 billion of the overall non-life insurance market claims payout, which had increased by NTD 2.9 billion or 9.2 percent year-over-year. Among the total automobile insurance claims paid, voluntary automobile insurance claims represented NTD 27.9 billion, which was up by NTD 2.9 billion or 11.8 percent in comparison with same period last year. Meanwhile, the claims payout for compulsory automobile liability insurance amounted to 6.3 billion, which was down by 0.8 percent or NTD 100 million year-over-year.

For fire insurance, the claims payout totaled NTD 6.6 billion, which had increased by 31 percent or NTD 1.6 billion in comparison with same period last year. Mainly due to subsequent claims settlement from previous claims.

The claim payout for personal accident insurance had increased by NTD 1 billion or 23.2 percent year-over-year, reaching up to NTD 5.5 billion.

As for marine insurance, the claims payout amounted to NTD 1.6 billion, which had decreased by 26.8 percent or NTD 600 million with same period comparison.

For other lines of insurance with same period comparison, the claims payout of liability insurance had increased by 6 percent; claims payout of Health insurance had increased by 512 percent due to increased pandemic and vaccine insurance claims; claims payout of Engineering insurance had increased by 179 percent; claims payout of Guarantee insurance had increased by 249 percent; and finally, the claims payout of aviation insurance had increased by 113 percent.

In the first half of 2023, the non-life insurance companies reported a net earned loss ratio of 83.3 percent, which had decreased by 44.4 percentage points in comparison with 127.7 percent reported in the same period last year. Of all lines of insurance, the aviation insurance line had the highest increase in net earned loss ratio, which had increased by 19 percentage points; whilst accident insurance line came in second with a 10 percentage points increase year-over-year.

In the first half of 2023, the overall net expense ratio for the industry reached 35.7 percent, which had slightly increased by 1.7 percentage point year-over-year. The combined ratio reported was 119 percent, and had decreased by 42.7 percentage point in comparison with same period last year.

C. Financial Overview and Fund Utilization

1. Assets and Liabilities

In the first half of 2023, non-life insurance companies in Taiwan recorded a total of NTD 475.2 billion in assets, down by 2.1 percent in comparison with the NTD 485.6 billion in assets reported in the same period last year.

Total capital amounts to NTD389.7 billion and had decreased by 9.4 percent in comparison with the NTD 430.2 billion recorded in the same period last year. Within which, the shareholder's equity totaled NTD 116.3 billion, which had increased by 13.2 percent in comparison with NTD 102.7 billion recorded in same period last year. And the insurance liability amounts to NTD 273.5 billion, which had decreased by 16.5% in comparison with NTD 327.5 billion recorded in the same period last year. The overall debt-equity ratio for the industry reached 24.5%.

2. Profits and Losses

In the first half of 2023, non-life insurance companies rendered NTD 95 billion in operating revenue, which had increased by NTD 4.1 billion or 4.5% increase in comparison with the amount of NTD 90.9 billion reported in the same period last year. The operating cost decreased by NTD 48.81 billion or 41 percent, decreasing from NTD 119.2 billion reported in the same period last year to NTD 70.4 billion. The industry reported an after-tax net profit of NTD 3.8 billion, which had increased by NTD 44.11 billion or 109.5 percent from the net loss of 40.3 billion recorded in the same period last year.

3. Fund Utilization

In the first half of 2023, the total fund utilized by the non-life insurance industry accumulated to NTD 275.37 billion, mainly in the

forms of equity and bond (making up 40 percent of the total utilized fund), bank deposit (25 percent), overseas investment (16 percent), real estate investment (14 percent), and ad hoc & public project investment (2 percent). The industry in whole achieved a 2.2 percent net annualized return on investment, which had slightly decreased by 0.75 percentage point year-over-year.

D. Summary of the first half of 2023

The non-life insurance premium income in the first half of 2023 continued to grow, and the premium income for voluntary automobile insurance increased the most, while fire insurance came in second. The growth of voluntary automobile insurance was mainly due to increased number of new vehicles being registered in the first half of 2023, which had increased by approximately 32 thousand units, or 15 percent increase, in comparison with same period last year. In addition, the continuous increase in premium rate for automobile third party liability due to historically high loss ratio record have also contributed to this growth. For fire insurance, the growth was due to the increased cost of reinsurance, and the injection of premium income from the renewal of mega accounts such as TSMC (Taiwan Semiconductor Manufacturing Company).

On the claims side, the Executive Yuan have ordered that from March 20, 2023, mild COVID-19 cases can be exempt from reporting and quarantine, allowing the P&C insurance industry to more quickly adjust from post-impact of pandemic-related insurance policies. Over the past two years, pandemic-related insurance claims have exceeded NTD 270 billion in total, marking an unprecedented claims event for the P&C insurance industry, which calls for vigilance in the future.

Overall speaking, the P&C insurance industry reported a pre-tax profit of NTD 3.6 billion in the first half of 2023, which had increased by NTD 50.5 billion compared to the same period last year. On the investment side, the P&C insurance industry's investment income in the first half of 2023 grossed NTD 4.09 billion, which was approximately 31% less compared to NTD 5.91 billion in the same period last year.

Looking ahead to the second half of 2023, with the continued growth in new car sales and the premium rate of liability insurance continued to be adjusted upward, the overall premium income for the P&C insurance industry is expected to grow further. As of March, the P&C insurance industry reported a pre-tax loss of NTD 3.2 billion, but quickly turned into a pre-tax profit of NTD 2.68 billion in April. Where in May, a pre-tax profit of NTD 2.76 billion was reported, while a NTD 1.37 billion was booked in June. The industry reported profit on their book for three months in a row and accumulated a pre-tax profit of NTD 3.61 billion in the first half of 2023. Therefore, it is anticipated that a continued stable growth can be expected, and the industry can recover gradually to their pre-pandemic performance level.