

## **2021 Overview of Taiwan's Non-Life Insurance Industry**

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

#### **A. Premium Growth and Analysis**

In 2021, the non-life insurance companies in Taiwan reported a total of NTD 207.4 billion in gross written premium, up by NTD 19.3 billion or 10.3 percent year over year, mainly due to the premium income growth from Miscellaneous lines of business.

A breakdown of written premium by product line indicated that automobile insurance premium income grew by 7.2 percent year over year and reaching NTD 108.9 billion and represent 52.5 percent of the overall non-life insurance market premium income. The premium income from voluntary automobile insurance grew by 8.5 percent year over year, reaching approximately NTD 90.3 billion and representing 43.5 percent of the overall non-life premium income. On the other hand, with compulsory automobile insurance line, the premium income also increased by 1.7 percent in comparison with the same period last year, reaching NTD 18.6 billion and representing 9 percent of the overall non-life premium income.

The premium income for fire insurance amounted to approximately NTD 30.3 billion, up by 4.3 percent in comparison with the same period last year and accounted for 14.6 percent of the overall non-life premium income.

For personal accident insurance, the premium income reached approximately NTD 18.7 billion, up by 1.1 percent year over year and accounted for 9 percent of the overall non-life premium income. It is worth noting that the primary growth factor in health insurance line was due to the soaring popularity for both Covid-19 vaccine and pandemic insurance product, which contributed a total of NTD 5.3 billion in premium income and grew by 95.8 percent in comparison with same period last year.

The premium income generated by marine insurance reached NTD 8.4 billion and had increased by 8.9 percent in comparison to the same period last year. The cargo insurance has attained a premium income of NTD 5.4 billion and had increased by 13.1 percent in comparison to the same period last year.

As for other insurance line, the industry overall recorded NTD 14.8 billion of premium income through liability insurance, which was up by 11.5 percent year over year; recorded NTD 6.5 billion of premium income through engineering insurance, which was up down by 8.7 percent year over year; recorded NTD 1.2 billion through guarantee insurance, which was up by 40.9 percent year over year and recorded NTD 0.6 billion through aviation insurance, which had decreased by 22.6 percent in comparison with same period last year. Finally, owing to the high

demand for pandemic insurance, the industry overall collected NTD 12.5 billion in premium income for Miscellaneous lines of insurance which resulted in a 96.3 percent increase year over year.

To better manage the risk, every non-life insurance company spreads the risk assumed by means of reinsurance. The business performance of non-life insurance companies usually depended heavily on their reinsurance strategies, and therefore, 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 2021, the non-life insurance industry posted NTD 156.3 billion in net written premium, up by 9.8 percent year over year. The retention ratio was 71 percent, which was down by 0.1 percentage point in comparison with 71.1 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 95 billion, up by NTD 5.1 billion or 5.7 percent year over year. The increase was resulted from several major losses for Fire lines of business and increasing pandemic claim under Miscellaneous lines of business.

A further study on the claims payout for 2021 indicated that automobile insurance claims accounted for NTD 61.7 billion of the overall non-life insurance market claims payout and up by NTD 0.4 billion or 0.6 percent year over year. Among the total automobile insurance claims paid, voluntary automobile insurance claims represented NTD 48.5 billion, up by NTD 0.9 billion or 2 percent in comparison with same period last year. Meanwhile, the claim payouts for compulsory automobile liability insurance amounted to 13.2 billion, which was down by 4.1 percent or NTD 0.6 billion year over year.

For fire insurance, the claims payout totaled NTD 7.5 billion, which was increased by 55 percent or NTD 2.7 billion in comparison with same period last year.

The payout for personal accident insurance claims amounted to NTD 9.4 billion, which had increased by NTD 0.2 billion or 1.7 percent year over year.

The payout of marine insurance claims totaled NTD 4.3 billion and had increased by 10 percent or NTD 0.4 billion year over year.

As for other lines of insurance, the claims payout for miscellaneous line totaled NTD 3.8 billion, which had increased by 125.8 percent or NTD 2.1 billion. Also the claim pay out had increased by 1 percent for liability insurance, increased by 31 percent for health insurance,

decreased by 36 percent for engineering insurance, decreased by 14 percent for guarantee insurance, and increased by 27% for aviation insurance in comparison with same period last year.

In 2021, the non-life insurance companies reported an earned net loss ratio of 55.7 percent, which had decreased by 0.9 percentage points in comparison with 56.6 percent reported in the same period last year. The earned net loss ratio for aviation insurance and fire insurance had increased the most, which had reported a 213 percentage points and 14 percentage points increase respectively year over year.

The overall expense ratio reported for the industry in 2021 was 36.9 percent, slightly decreased by 0.3 percentage points in comparison with same period last year, and the combined ratio reached 92.5 percent, which had decreased by 1.2 percentage points year over year.

## **C. Financial Overview and Fund Utilization**

### **1. Assets and Liabilities**

In 2021, non-life insurance companies in Taiwan recorded a total of NTD 453.2 billion in assets, up by 10.2 percent in comparison with the NTD 411.4 billion reported in the same period last year.

Total capital amounts to NTD 403.8 billion, which had increased by 9.7 percent in comparison with the NTD 368.2 billion recorded in the same period last year. Within which, the shareholder's equity totaled NTD 160.3 billion, up by 11 percent in comparison to 144.4 billion recorded year over year, and the insurance liability amounts to NTD 292.9 billion, which had increased by 9.7 percent in comparison with the amount of 267 billion recorded last year. The overall debt-equity ratio for the industry reached 35.4%.

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

In 2021, non-life insurance companies rendered NTD 176.4 billion in operating revenue, up by NTD 20.6 billion or 13.2 percent in comparison with the amount of NTD 155.8 billion reported in the same period last year. The operating cost reported was 115.5 billion, which had increased by 11.46 billion or 11 percent from NTD 104 billion recorded last year. The net income attained by the industry reached NTD 19.6 billion, which had increased by NTD 4.86 billion or 32.9 percent compared to the net income of 14.8 billion recorded in the same period last year.

### **3. Fund Utilization**

In 2021, the total fund utilized by the non-life insurance industry accumulated to NTD 332.3 billion, mainly in the forms of equity and bond (making up 47 percent of the total utilized fund), bank deposit (20 percent), overseas investment (19 percent), real estate investment (12 percent), and ad hoc & public project investment (1 percent). The industry in whole achieved a 2.93 percent net annualized return on investment, which was slightly increased by 0.19 percentage point year over year.

#### **D. Summary non-life insurance industry for 2021 and outlook for 2022**

The non-life insurance industry continued to be benefited from not only the sustained growth of automobile insurance, but also from soaring sells of pandemic insurance, which in turn resulted in a total of NTD 102 billion increase in premium income for 2021 and with a growth rate of 20.9 percent year over year. For Automobile insurance, overall sales trend for new vehicles had flattened, as the total number of vehicles sold dropped from 457 thousand units in 2020 to 450 thousand units. However, the overall awareness of import vehicle owners sought voluntary automobile insurance protection were observed to increase and thus increased the overall insurance coverage ratio. And on top of that, the continued rate increase for third party liability automobile insurance owing to poor loss history had all contributed to the growth of automobile insurance.

In 2021, the increase in claim payout was mainly due to Fire insurance and Miscellaneous insurance. Overall speaking, the industry had profited from both insurance business side and investment side. On the Insurance business side, the industry had benefited from favorable weather. The industry had no catastrophic claim payouts booked, as there were no major earthquake and typhoon made landfall during 2021. And on the investment side, countries around the world continued to maintain a low interest rate environment. The quantitative easing policies exercised globally pushed the stock market to record high. The world's economy continued to recover and as a result, Taiwan's insurer was able to render an overall investment return of NTD 14.9 billion and boosted the overall comprehensive income to NTD 24.2 billion in 2021, which had increased drastically from NTD 17.6 billion recorded last year.

Looking ahead in 2022, it is expected that the premium income for non-life insurers will continue to grow. For automobile insurance, the Executive Yuan had already decided to extend the termination date of the vehicle imports tax incentive to January 7<sup>th</sup>, 2026, and also to extend the termination date of the tax incentive for electronic vehicles to December 31<sup>st</sup>, 2025. Also, it is expected that the new vehicle sales volume be maintained at 450 thousand units, and with increasing portion being imported, it is expected that the average premium income will be driven upward. In addition, the rate increase pressure of the insurer due to sustaining poor loss history for third party auto liability insurance will also drive up the premium income growth

expectation for the industry for 2022. On the investment side, TWD continued to depreciate as a result of interest rate hike initiation by United State, and also foreign investors continued to sell-off Taiwanese Stock. As a result of the above outlook, it is expected that the investment performance for 2022 will have difficulty in matching the outstanding investment income recorded in 2021.