

Overview of Taiwan's Non-Life Insurance Industry in the first half of 2021

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

A. Premium Growth and Analysis

In the first half of 2021, the non-life insurance companies in Taiwan reported a total of NTD 105 billion in gross written premium, up by NTD 9.1 billion or 9.5 percent year over year, mainly due to the premium income growth from miscellaneous lines of insurance.

A breakdown of written premium by product line indicated that automobile insurance premium income grew by 8.4 percent year over year and reaching NTD 53.1 billion and represent 50.5 percent of the overall non-life insurance market premium income. The year over year growth was mainly credited to the premium rate adjustment for automobile third party liability insurance and the growth of physical damage automobile insurance. The premium income from voluntary automobile insurance grew by 10% percent year over year, reaching approximately NTD 44.1 billion and representing 42 percent of the overall non-life premium income. Regarding compulsory automobile, the premium income also increased by 0.9 percent compared to the same period last year, reaching NTD 9 billion and representing 8.5 percent of the overall non-life premium income.

The premium income for fire insurance amounted to approximately NTD 15.6 billion, down by 7.2 percent year over year and accounted for 14.8 percent of the overall non-life premium income.

For personal accident insurance, the premium income reached approximately NTD 9.4 billion, up by 2.4 percent year over year and accounted for 9 percent of the overall non-life premium income.

The premium income for liability insurance totaled approximately NTD 7.2 billion, up by 11.1 percent year over year, and accounting for 7 percent of the overall non-life premium income.

The premium income generated by marine insurance reached NTD 4.6 billion representing 4.4 percent of overall premium income and has slightly increased in comparison to the same period last year. The cargo insurance premium income within the category accounted for NTD 2.9 billion, increased by 11.7 percent compared to the same period last year.

The industry overall recorded NTD 3.8 billion of premium income through engineering insurance, which was down by 16.7 percent year over year. The industry overall also recorded NTD 700 million through guarantee insurance, which was up by 47.4 percent year over year and recorded NTD 3 billion through health insurance, which has increased by 85.7 percent year over year. Finally, the premium income from aviation insurance increased by 31.2 percent year over year and totaled to NTD 400 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 the first half of 2021, the non-life insurance industry posted NTD 78.5 billion in net written premium, up by 11.4 percent year over year. The retention ratio was 70.4 percent, up by 1.5 percentage points in comparison with 68.9 percent recorded in the first half of 2021.

B. Claims Payout and Claims Breakdown

The overall claim payout made by the Taiwan non-life insurance companies amounted to NTD 45.5 billion, up by NTD 8 billion or 1.9 percent year over year and is mainly contributed by automobile insurance.

A further study on the claims payout during first half of 2021 indicated that automobile insurance claims accounted for NTD 31.6 billion of the overall non-life insurance market claims payout, up by NTD 1 billion or 3.3 percent year over year. The increase is naturally tied to growing business volume. Among the total automobile insurance claims paid, voluntary automobile insurance claims represented NTD 24.8 billion, up by NTD 1.5 billion or 6.5 percent in comparison with same period last year. Meanwhile, compulsory automobile liability insurance claims amounted to 6.8 billion, which went down by 6.8 percent or NTD 500 million year over year.

For fire insurance, the claims payout totaled NTD 2 billion, decreased by 6.6 percent or NTD 100 million in comparison with same period last year.

The payout for personal accident insurance claims had increased by NTD 100 million or 2.3 percent year over year, reaching up to NTD 4.7 billion.

As for marine insurance, the claims payout amounted to NTD 2 billion, which had increased by 20.5 percent or NTD 300 million with same period comparison.

For other lines of insurance with same period comparison, the claims payout of liability insurance had decreased by 5 percent. Health insurance claims payout increased by 12 percent. Engineering insurance claims payout decreased by 46 percent. Guarantee insurance claims payout increased by 75 percent, and aviation insurance claims payout decreased by 49 percent.

In the first half of 2021, the non-life insurance companies reported an earned net loss ratio of 57 percent, increased by 1.6 percentage points in comparison with 55.4 percent reported in the same period last year. The fire insurance line had the highest increase in earned net loss ratio, which went up by 27 percentage points, whilst miscellaneous lines of insurance came in second with 8 percentage point increase year over year.

The overall expense ratio for the industry reached 35.2 percent, slightly decreased by 0.6 percentage points in comparison with same period last year. The combined ratio reached 92.1 percent, up by 1 percentage point in comparison with same period last year.

C. Financial Overview and Fund Utilization

1. Assets and Liabilities

In the first half of 2021, non-life insurance companies in Taiwan recorded a total of NTD 446.1 billion in assets, up by 13.1 percent in comparison with the NTD 394.5 billion in assets reported in the same period last year.

Total capital amounts to 393 billion and rose by 13.4 percent in comparison with the 346.7 billion recorded in the same period last year. Within which, the shareholder's equity totaled 151.4 billion, up by 15.1 percent in comparison with 131.6 billion recorded in same period last year and the insurance liability amounts to 241.6 billion, which had increased by 12.3% in comparison with 215.1 billion recorded in the same period last year. The overall debt-equity ratio for the industry reached 33.9%.

2. Profits and Losses

In the first half of 2021, non-life insurance companies rendered NTD 87.5 billion in operating revenue, up by NTD 12.71 billion or 17% increase in comparison with the amount of NTD 74.79 billion reported in the same period last year. The operating cost rose by 7.2 billion or 14.4 percent, increasing from NTD 50.07 billion reported in the same period last year to NTD 57.27 billion. The net income attained by the industry reached NTD 10.9 billion, increased by NTD 4.05 billion or 59.2 percent in comparison with the net income of 6.84 billion recorded in the same period last year.

3. Fund Utilization

In the first half of 2021, the total fund utilized by the non-life insurance industry accumulated to NTD 304.57 billion, mainly in the forms of equity and bond (making up 44 percent of the total utilized fund), bank deposit (21 percent), overseas investment (20 percent), real estate investment (13 percent), and ad hoc & public project investment (1 percent). The industry in whole achieved a 4.61 percent net annualized return on investment, which had slightly increased by 2.85 percentage points year over year.

D. Summary of the first half of 2021

The non-life insurance premium income in the first half of 2021 continued to grow. The main driver of the growth was linked to automobile insurance and Health insurance. The growth of automobile insurance was contributed by the rising rates of third-party liability insurance, and the increasing sales volume of import vehicles. As for health insurance, the growth rate soared by 86 percent in the first half of 2021, and the high growth rate was mainly contributed by pandemic insurance products. On the other hand, both engineering and fire lines of insurance showed signs of slowing down in the first half of 2021. The growth factors for these two lines observed last year, including the increasing offshore wind farm, large construction project, and inflow of foreign investment, had either diminished or showed signs of ebbing.

In the first half of 2021, the non-life insurance industry rendered NTD 1.05 billion in premium income through online channel, which had increased by 34.8% in comparison with NTD 780 million same period last year. The growth rate showed signs of recovery, and the motorcycle insurance remains to be the line with highest growth rate in terms of number of policies sold and premium income through online channel. Moreover, the number of policies sold and premium income for pandemic insurance were also boosted. For the industry, in comparison with less than 900 thousand polies sold in the same period last year, the number soared to 1.19 million in the first half of 2021, and the growth rate had regained grounds to the level before Covid-19 hit. The growing online sales of motorcycle insurance continue to contribute to the overall growth. However, the main driver was the increase sales of pandemic insurance which did more than recouping the declining sales from the almost halting oversea travel insurance

business. It is expected that as the sales momentum of new vehicle remains, and with expanding vaccination and expanded travel corridor, the sales of travel insurance is expected to recover, and the industry as a whole may have a chance to achieve a milestone of NTD 200 billion in premium income for this year.

Overall speaking, the industry continued to be under the influence of pandemic in the first half of 2021, and despite that there were no major claims arose from Earthquake and Typhoon events, the underwriting profit for the industry was reduced to NTD 3.7 billion or a 27.3 percent reduction year over year. On the investment side, Taiwan's capital market had benefited from low global interest rate, quantitative easing, and favorable domestic economic growth in the first half of 2021. As a result, the non-life insurers had enjoyed substantial increase in investment result, and the investment return reached NTD 8.9 billion or a 187.3 percent increase with same period comparison. However, with increasing vaccination coverage, and factors like price inflation and economic recover in many countries, it is expected that many countries may administer monetary policies to shrink their balance sheet. Consequently, for Taiwan, with the anticipation of slowing economic growth and tightening monetary supply to occur domestically, it is expected that the growth rate for investment return that the industry enjoyed in the first half of 2021 will be difficult to match for the second half of 2021.