

2022 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 2022, the non-life insurance companies in Taiwan reported a total of NTD 221.2 billion in gross written premium, representing an increase of approximately NTD 13.8 billion compared to the same period last year, and a growth rate of 6.6%. The main reason for this increase is attributed to the growth in automobile insurance premium income.

A breakdown of written premium by product line indicated that automobile insurance premium income grew by 6.5 percent year over year and reaching NTD 116 billion and represent 52.4 percent of the overall non-life insurance market premium income. The premium income from voluntary automobile insurance grew by 7.3 percent year over year, reaching approximately NTD 96.9 billion and representing 43.8 percent of the overall non-life premium income. On the other hand, with compulsory automobile insurance line, the premium income also increased by 2.7 percent in comparison with the same period last year, reaching NTD 19.1 billion and representing 8.6 percent of the overall non-life premium income.

The premium income for fire insurance amounted to approximately NTD 33.5 billion, up by 10.5 percent in comparison with the same period last year and accounted for 15.2 percent of the overall non-life premium income.

For personal accident insurance, the premium income reached approximately NTD 19.7 billion, up by 5.2 percent year over year and accounted for 8.9 percent of the overall non-life premium income. As for health insurance, the premium income reached 5.9 billion, representing an increase of 10.2% compared to the same period last year.

The premium income generated by marine insurance reached NTD 9.4 billion and had increased by 12.4 percent in comparison to the same period last year. Within which, the cargo insurance has attained a premium income of NTD 6.2 billion and had increased by 14.1 percent in comparison to the same period last year.

In terms of other property insurance lines, the premium income of liability insurance is approximately NTD 16.3 billion, representing an increase of 9.8 percent compared to the same period last year; the premium income of engineering insurance reached approximately NTD 7.9 billion, which had increased by 21.4 percent year over year; the guarantee insurance recorded NTD 1.9 billion in premium income and representing an increase of 51.4 percent year over year; and the premium income of aviation insurance totaled NTD 0.7 billion, which had increased by 15.3 percent in comparison with same period last 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 2022, the non-life insurance industry posted NTD 167.2 billion in net written premium, up by 7 percent year over year. The retention ratio was 71.5 percent, which was up by 0.6 percentage point compared 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 299.6 billion, up by NTD 204.6 billion or 215.3 percent year over year. The significant increase was resulted from a substantial rise in claims from pandemic insurance under Miscellaneous lines of business.

A further study on the claims payout indicated that automobile insurance claims accounted for NTD 64.5 billion of the overall non-life insurance market claims payout, representing an increase of NTD 2.8 billion or 4.5 percent year over year. Among the total automobile insurance claims paid, voluntary automobile insurance claims represented NTD 51.7 billion, up by NTD 3.2 billion or 6.5 percent in comparison with same period last year. Meanwhile, the claims payout for compulsory automobile liability insurance amounted to 12.8 billion, which was down by 2.9 percent or NTD 0.4 billion year over year.

For fire insurance, the claims payout totaled NTD 9.5 billion, which had increased by 26.9 percent or NTD 2 billion in comparison with same period last year. Also, for marine insurance, the claims payout totaled 4.1 billion, which had decreased by 0.2 billion, or 4.7 percent compared to the same period last year. On the other hand, the claims payout for aviation insurance reached 0.4 billion, which had increased by 0.3 billion or 140 percent in comparison with same period last year.

As for other lines of insurance, the claims payout for engineering insurance had decreased by 23.8 percent compared to the same period last year. Liability insurance claims payout, on the other hand, had increased by 10.6 percent, while credit insurance claims payout experienced a decrease of 103.5 percent year over year.

For accident insurance, the claims payout amounted to NTD 9 billion, which had decreased by NTD 0.5 billion or 5 percent compared to the same period last year. Also, for health insurance, the insurance claims payout experienced a drastic increase of 10,617.2 percent compared to the same period dlast year, reaching a total of NTD 157.6 billion. Lastly, for miscellaneous lines of insurance, the total claims payout reached NTD 48 billion, which had

increased by NTD 44.1 billion or representing a growth rate of 1,147.7 percent in comparison with same period last year.

In 2022, the non-life insurance companies reported an earned net loss ratio of 183.8 percent, which had increased by 128.1 percentage points in comparison with 55.7 percent reported in the same period last year. Analyzing by lines of insurance, the earned net loss ratio for health insurance had increased the most, which had reported a 3,823 percentage points and representing a 3783.6 percentage points increase compared to the same period last year. The second highest increase was observed in miscellaneous lines of insurance, which reported a net retained loss ratio of 543.3 percent or 489.1 percentage point increase in the same period comparison.

The overall expense ratio reported for the industry in 2022 was 34.4 percent, slightly decreased by 2.5 percentage points, and the combined ratio reached 218.2 percent, which had increased by 125.7 percentage points in comparison with same period last year.

C. Financial Overview and Fund Utilization

1. Assets and Liabilities

In 2022, non-life insurance companies in Taiwan recorded a total of NTD 452 billion in assets, down by 0.27 percent in comparison with the NTD 453.2 billion reported in the same period last year.

The total owner's equity amounted to NTD 58.9 billion, which represents a decrease of 63.3 percent compared to the same period last year that a reported amount of NTD 160.3 billion. The total capital amounted to NTD 379.5 billion, which had decreased by 60% in comparison with NTD 403.8 billion reported last year. On the other hand, insurance liabilities increased to NTD 320.6 billion, a 31.9 percent increase compared to NTD 243.1 billion reported in the same period last year. The overall owner's equity to asset ratio reported in 2022 was 13 percent.

2. Profits and Losses

In 2022, non-life insurance companies rendered NTD 180.9 billion in operating revenue, up by NTD 44.4 billion or 2.5 percent in comparison with the amount of NTD 176.4 billion reported in the same period last year. The operating cost reported was 340.1 billion, which had increased by 224.5 billion or 194.5 percent from NTD 115.5 billion recorded last year. The industry as a whole rendered a net loss of NTD 172.6 billion, which had decreased by NTD 192.2 billion or 978.9 percent compared to the net income of 19.6 billion recorded in the same period last year.

3. Fund Utilization

In 2022, the total fund utilized by the non-life insurance industry accumulated to NTD 270.4 billion, mainly in the forms of equity and bond (making up 37 percent of the total utilized fund), bank deposit (25 percent), overseas investment (16 percent), real estate investment (15 percent), and ad hoc & public project investment (2 percent). The industry in whole achieved a 1.9 percent net annualized return on investment, which had decreased by 2 percentage point year over year.

D. Summary non-life insurance industry for 2022 and outlook for 2023

Looking back on 2022, the non-life insurance industry benefited from continued growth in motor insurance premiums, followed by a significant increase in fire insurance premiums due to a rise in reinsurance rates for commercial insurance. The fire insurance premium had increased by NTD 3.2 billion, representing a growth rate of 10.5 percent. Looking at automobile insurance line, although new car sales had decreased from 450,000 vehicles recorded in 2021 to a sale of 430,000 vehicles recorded in 2022, showing signs of slow down, the overall motor insurance premium continued to grow due to premium rate increase for third-party insurance driven by poor loss ratios.

In 2022, the claims payout of non-life insurance industry were mainly driven by other insurance categories and automobile insurance. Overall speaking, the insurance industry's performance in underwriting and investment profitability was underperformed in comparison to 2021. On insurance operations side, the industry suffered significant losses of NTD 190.5 billion before tax due to substantial claim payout made for pandemic prevention products, resulted in a decrease of NTD 213.1 billion in insurance revenue in 2022 compared to NTD 22.6 billion reported in 2021. Turning to investment performance, the global economy experienced a slowdown and signs of recession as a result of sustained high inflation, the initiation of interest rate hikes by the United States, and other major countries raising interest rates, altogether lead to a global tightening of funds and a sharp decline in the stock market. In 2022, Taiwan's insurance industry recorded investment income of approximately NTD 7.3 billion, a decline of about NTD 7.6 billion compared to NTD 14.9 billion reported in 2021. Overall, the industry rendered a loss of NTD 188 billion for 2022, which showed a significant decline compared to the same period last year.

Looking ahead to 2023, overall premium income is expected to show growth. In the automobile insurance sector, although there are concerns about a slowdown in Taiwan's economic growth in 2023, the global shortage of automotive chips is expected to ease, coupled with the relaxation of pandemic control measures in various countries and the recovery of private consumption. Moreover, there is a high number of pending car deliveries from

manufacturers. It is estimated that automobile sales in 2023 will reach approximately 450,000 vehicles, representing a growth of about 4.9% compared to the previous year. Additionally, the third-party liability loss ratio in voluntary motor insurance remains high, leading to pressure for further rate adjustments by insurers. Therefore, it is expected that motor insurance will continue to drive overall premium growth in the non-life insurance industry in 2023. On the investment side, the significant depreciation of the New Taiwanese Dollar and the impact of continuously selling off of Taiwanese stocks by foreign investors, Taiwanese insurers experienced underperformance for investment operations in 2022. However, in the first quarter of 2023, net foreign capital inflows reached USD 13.876 billion, compared to a net outflow of USD 13.564 billion for the full-year of 2022, indicating a shift to net inflows of foreign capital. Additionally, the expectation of US interest rate hike to end, it is anticipated that the economic downturn is to bottom out.