Media Release:

Cathay Life Insurance Co. Ltd. 'twAA+' Ratings Affirmed On Stable Credit Profile; Outlook Stable

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Overview

- Cathay Life Insurance Co. Ltd. has strengthened its liquidity over the past few quarters, which provides a good buffer against potential cash outflow.
- We have therefore revised our assessment of the insurer's liquidity to exceptional from adequate.
- Cathay Life's credit profile remains solid, supported by its leading market position and franchise, satisfactory capital and earnings, and manageable risk exposure.
- We affirmed our 'twAA+' long-term issuer credit and financial strength ratings on Cathay Life. At the same time, we affirmed the 'twAA' issue credit rating on the insurer's subordinated bonds.
- The outlook on the ratings is stable to reflect our view that Cathay Life's satisfactory capital and earnings will help maintain its credit profile over the next one to two years.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA+' long-term issuer credit and financial strength ratings on Cathay Life. The outlook on the ratings is stable. At the same time, we affirmed the 'twAA' issue credit rating on the company's subordinated bonds.

Rationale

The affirmation reflects Cathay Life's leading position and solid franchise in Taiwan's life insurance market. As of June 30, 2026, the insurer commands more than a 20% share of the domestic life insurance market by total assets. We assess Cathay Life has satisfactory capital and earnings which is similar to the domestic peer average. We also estimate the insurer's capitalization can sustain capital redundancy at a 99.5% confidence level over the next two years. Cathay Life's profitability is similar to its domestic peers and the insurer has accumulated a healthy contract service margin. The insurer has higher investment leverage and is exposed to greater foreign exchange risks when compared with its regional peers; however, we believe Cathay Life can adequately manage these risks without weakening its capitalization.

Exceptional liquidity is likely to sustain over the next one to two years. We assess Cathay Life has a strong liquidity position to combat potential cash outflows under our stressed scenario. The insurer has maintained its liquidity ratio above our threshold for exceptional liquidity over the past one year. The ratio measurably improved in the first half of 2026 amid increased valuation for listed equity investments coupled with a stable stressed liability. We forecast the ratio will remain above our threshold for exceptional liquidity over the next one to two years, given Cathay Life's strategy to invest in high rated bonds with good liquidity and stable cashflow management. The assessment has a neutral impact on the overall credit risk profile.

Outlook

The stable rating outlook reflects our view that Cathay Life will maintain its capital adequacy under a moderate stress scenario at a 99.5% confidence level over the next one to two years. The insurer's proactive asset liability management and moderate growth in invested assets support this view.

We believe the Cathay Life will remain the flagship entity of Taiwan-domiciled Cathay Financial Holding Co. Ltd. (Cathay FHC) group and continue to dominate the group credit profile over the next few years. We also believe the group will maintain prudent capital management including its supportive dividend policy for Cathay Life.

Downward scenario

We could lower the ratings on Cathay Life if we lower our assessment of the Cathay FHC group credit profile due to weakening of the insurer's stand-alone credit profile. This could happen if:

- Cathay Life's capital deficiency weakens significantly due to (1) unexpected financial market volatility with sizable and unrecoverable losses on the insurer's investment portfolio, (2) increased volatility or deterioration in accumulated contractual service margin than in our current forecast, or (3) overly aggressive business growth; or
- The effectiveness of Cathay Life's hedging mechanism materially weakens, or its hedging policies become more aggressive, resulting in higher foreign exchange risks that negatively affect its capitalization.

Upward scenario

We could raise the ratings if we raise our assessment of the group credit profile. This could occur under a sustainable improvement in Cathay Life's capital such that we revise upward our assessment of its capital and earnings to strong from satisfactory. This would also have to be accompanied by the insurer's superior earnings resilience compared with its peers, along with stable credit profiles for the group's other core entities.

Rating Component Scores

Business Risk Profile	Strong
Competitive position	Very strong
IICRA	Moderately high risk
Financial Risk Profile	Satisfactory
Capital and earnings	Satisfactory
Risk exposure	Moderately low
Funding structure	Neutral
Anchor	a-
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Comparable rating analysis	0
Current Credit Rating	
Financial strength rating	twAA+/Stable/--
Issuer credit rating	twAA+/Stable/--

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

Cathay Life Insurance Co. Ltd.	
Issuer Credit Rating	twAA+/Stable/--
Financial strength rating	twAA+/Stable/--

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.