

Research Update

Central Reinsurance Corp. 'twAA+' Ratings Affirmed; Outlook Stable

August 14, 2019

Overview

- Central Re is the sole domestically owned reinsurer in Taiwan, and has a strong franchise, diversified premiums, and satisfactory profitability in the domestic market.
- At the same time, the insurer has a very strong capital buffer against potential investment and catastrophe risks.
- We are affirming our 'twAA+' long-term insurer financial strength and issuer credit ratings on Central Re.
- The outlook is stable because we project that Central Re can maintain its capital and earnings with good business stability over the coming one to two years.

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Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA+' long-term insurer financial strength and issuer credit ratings on Taiwan-domiciled **Central Reinsurance Corp.** (Central Re). The outlook is stable.

Outlook

The stable outlook reflects our view that Central Re will maintain its very strong capital and earnings through prudent growth and a moderate risk appetite for catastrophe risk and investment risk over the coming one to two years. That's despite the company's smaller absolute capital size compared with that of other international reinsurers. We also expect Central Re to maintain its solid domestic market position and remain prudent in exploring the international reinsurance market.

Downward scenario

We may lower the ratings on Central Re if the company's capitalization weakens, due to overly aggressive business expansion, significant investment losses, or severe underwriting losses. We may also lower the ratings if the insurer no longer has a competitive advantage in the local market as demonstrated by a significant loss of market share.

Upward scenario

There is only a limited likelihood that we may upgrade Central Re over the rating horizon, given the nature of the reinsurance business and comparing the reinsurer to other similarly rated international reinsurers.

Rationale

The ratings on Central Re reflect the company's strong direct relationships with local clients and solid domestic market position, very strong capital and earnings, and diversified and prudent investment profile. The ratings also reflect the company's good risk controls with satisfactory operating performance. Several factors partly offset these strengths, including Central Re's small scale and less geographic diversification than those of Asia-based reinsurers as well as the volatile nature of the reinsurance business, given its exposure to catastrophe risks.

Ratings Score Snapshot

Business Risk Profile	Strong
Competitive position	Strong
IICRA	Intermediate
Financial Risk Profile	Strong
Capital and earnings	Very strong
Risk exposure	Moderately high
Funding structure	Neutral
Modifiers	
Governance	Neutral
Liquidity	Adequate
Financial Strength Rating	twAA+

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model - June 07, 2010
- Understanding Taiwan Ratings' Rating Definitions, www.taiwanratings.com - June 26, 2018
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

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Ratings List

Ratings Affirmed

Central Reinsurance Corp.

Issuer Credit Rating	twAA+/Stable
Financial Strength Rating	twAA+/Stable

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