

Research Update

Prudential Life Insurance Co. of Taiwan Inc. Ratings Affirmed At 'twAAA'; Outlook Stable

September 6, 2019

Overview

- We continue to assess Prudential Taiwan as highly strategic to its parent group and fully integrated with the group.
- We are affirming our 'twAAA' long-term financial strength and issuer credit ratings on Prudential Taiwan
- The rating outlook is stable, in line with our opinion of the Prudential group's credit profile over the next one to two years.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAAA' long-term financial strength and issuer credit ratings on Taiwan-domiciled **Prudential Life Insurance Co. of Taiwan Inc.** The outlook is stable.

Outlook

The stable outlook reflects our expectation that Prudential Taiwan will remain a highly strategic entity within the Prudential Financial group, and as such the ratings on Prudential Taiwan will move in tandem with the direction of the group credit profile.

Downward scenario

We may lower the ratings on Prudential Taiwan if its importance to the group weakens thereby weakening its group status to strategically important or lower. This could happen if the performance of Prudential Taiwan falls consistently below the group's expectation. We may also lower the ratings if the group credit profile deteriorates, which could happen for several reasons, including:

- Contrary to our expectations, Prudential Financial's market position or capital adequacy deteriorate significantly over the next 12-24 months.
- Prudential Financial's financial flexibility weakens because of a significant increase in leverage or drop in coverage.

Rationale

The rating on Prudential Taiwan reflects our view that the insurer continues to be of highly strategic importance to its U.S.-based parent, Prudential Financial group. We expect the parent group to support Prudential Taiwan under almost all foreseeable circumstances. The ratings on Prudential Taiwan will therefore move in tandem with direction of the Prudential Financial group credit profile.

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We view Prudential Taiwan as integral to the overall parent group's operations because it fits well into the group's expansion strategy in Asia Pacific. Despite Prudential Taiwan's small presence and profit contribution, the company plays a key strategic role in the group's APAC business to expand its life planner franchise and growth in retirement planning. Prudential Taiwan is fully integrated with the group in terms of risk management, life planner business model, and product and investment strategies. Prudential Taiwan is also able to leverage group resources in terms of product development, distribution model, and underwriting experience.

We believe the group's senior management is strongly committed to support the subsidiary under any circumstances, and we do not expect the group to divest of the subsidiary in the foreseeable future. The parent group has a proven record of providing Prudential Taiwan with financial support, as needed, which is evidenced by consecutive capital injections in the earlier years of Prudential Taiwan's operations.

Related Criteria

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

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Ratings List

Ratings Affirmed

Prudential Life Insurance Co. of Taiwan Inc.

Issuer Credit Rating	twAAA/Stable
Financial Strength Rating	twAAA/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.

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