

Media Release:

Outlook On TransGlobe Life Revised To Negative On Weakening Capitalization; 'twA' Ratings Affirmed

October 30, 2025

Overview

- **TransGlobe Life Insurance Inc.'s** capital strength has weakened over the last few quarters under the impact of declining Value of In-Force (VIF) and weaker profits.
- We believe the insurer's capital and earnings will be more sensitive to market volatility over the next one to two years, given its weaker operating performance and thinner capital buffer.
- We therefore revised the outlook on our long-term ratings on TransGlobe Life to negative from stable to reflect the increasing difficulty for the insurer to restore its actuarial surplus and capital and earnings over the next one to two years.
- At the same time, we affirmed our 'twA' long-term issuer credit and financial strength ratings on TransGlobe Life.

Rating Action

Taiwan Ratings Corp. today revised its outlook on the 'twA' long-term issuer credit and financial strength ratings on TransGlobe Life to negative from stable. At the same time, we affirmed the long-term ratings.

Rationale

The outlook revision reflects our view of growing headwinds for TransGlobe Life to maintain its financial profile over the next few quarters. In our base case, we anticipate the insurer will maintain marginal capital and earnings over the next two years, albeit with a thinner capital buffer, which will make it more sensitive to market volatilities.

However, we anticipate TransGlobe Life will face increasing difficulty to sustain its capital and earnings over the next one to two years. This reflects the company's reduced total adjusted capital due to its lower net worth following foreign exchange (forex) losses in the second quarter of 2025 and increased unrealized valuation losses for its equity investments. The rise in unrealized valuation losses was registered under its Fair Value through Other Comprehensive Income on its balance sheet. In addition, industry-wide deteriorating loss experience for health insurance lines, will continue to have a negative effect on TransGlobe Life's VIF which is one of the primary sources of the company's total adjusted capital. We believe the negative impact to TransGlobe Life was more significant, given its above-average exposure to health insurance products. As of June 2025, the insurer's health insurance policies accounted for 21% of total insurance reserve.

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Under our base case assumptions for TransGlobe Life, we conservatively forecast the insurer's VIF will continue to trend downward slightly over the next one to two years, given its record of stressed actuarial surpluses over the past two years. Nonetheless, we expect the declining trend to moderate in 2026-2027, because the insurer has already revamped its product range and tightened claim controls. We also believe that TransGlobe Life can generate steady value of new business from other product lines to somewhat offset this negative trend.

Alike other local peers, TransGlobe Life rapidly depleted its forex volatility reserve during a period of unexpected appreciation in the new Taiwan dollar in the second quarter of 2025. We view forex volatility as an additional source of capital volatility that could weigh on the insurer's overall financial risk profile over the next one to two years though we acknowledge efforts by the insurer to increase its hedging ratio slightly over the past few months. We forecast TransGlobe Life will maintain an average investment risk profile by local standards over the next one to two years.

We assess TransGlobe Life has an adequate funding structure despite the company's financial leverage has slightly increased following the recent issue of subordinated debt. We assess the insurer's debt obligations and interest expenses are manageable. We also believe that TransGlobe Life's moderate profitability will sustain its adequate funding structure over next one to two years.

Outlook

The negative rating outlook reflects our view that TransGlobe Life's weaker actuarial surplus and thinner capital buffers will make it difficult to restore its and capital and earnings amid rising sensitive to market volatility over next one to two years.

Downside scenario

We could lower the ratings on TransGlobe Life if:

- The insurer's capitalization deteriorates due to a greater decline in VIF or material losses from market volatility than we had anticipated;
- The insurer's risk exposure increases significantly due to loosening risk controls or a heightened risk appetite for foreign currency or high-risk assets; or
- The insurer's business position weakens as demonstrated by a shrinking market share or unfavorable operating performance.

Upside scenario

We may revise the outlook back to stable if all the following occur:

- The insurer can restore its capital buffers through stabilized VIF and profitability;
- The insurer presents a sustainable business position and stable market shares along with a satisfactory franchise and brand name; and
- The company can control its investment position without enlarged losses or the pursuit of high-risk exposures.

Rating Component Scores

TransGlobe Life Insurance Inc..	To	From
Financial strength rating	twA/Negative/--	twA/Stable/--
Business risk	Satisfactory	Satisfactory
IICRA	Moderately high risk	Moderately high risk
Competitive position	Strong	Strong
Financial risk	Marginal	Marginal
Capital and earnings	Marginal	Marginal
Risk exposure	Moderately low	Moderately low
Funding structure	Neutral	Neutral
Modifiers		
Governance	Neutral	Neutral
Liquidity	Exceptional	Exceptional
Comparable ratings analysis	0	0
Support	0	0
Group support	0	0
Government support	0	0

IICRA--Insurance And Country Risk Assessment

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov 15 2023
- General Criteria: National And Regional Scale Credit Ratings Methodology, Jun 08 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct 10 2021
- General Criteria: Group Rating Methodology, Jul 01 2019
- Criteria | Insurance | General: Insurers Rating Methodology, Jul 01 2019
- General Criteria: Principles Of Credit Ratings, Feb 16 2011

Related Research

- Taiwan Ratings' Ratings Definitions, Nov. 11, 2021

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

Ratings List

Ratings Affirmed; Outlook Action

	To	From
TransGlobe Life Insurance Inc.'s.		
Financial Strength Rating	twA/Negative /--	twA/Stable/--
Issuer Credit Rating	twA/Negative/--	twA/Stable/--

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