

Research Update: Central Reinsurance Corp.

Primary Analyst: Chris Lee, (8862) 8722-5816, chris_lee@taiwanratings.com.tw

Secondary Analyst: Andy Chang, CFA, (8862) 8722-5815, andy_chang@taiwanratings.com.tw

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA+' counterparty credit and insurer financial strength ratings on Central Reinsurance Corp. (Central Re). The outlook is stable.

Rationale

The ratings reflect the company's strong position in the domestic market, strong underwriting performance, and adequate capitalization. Moderating factors include the challenges the insurer faces to expand its business, both locally and globally. The company's investment performance which exposes it to global market volatility and foreign exchange risk also constrains the ratings.

Outlook

The stable outlook reflects our view that Central Re's strong position in the domestic market will remain intact, and help the company to maintain its strong underwriting performance under its strong underwriting control. In addition, we expect the company will maintain a prudent overseas business strategy, including pricing and business development. Central Re's capitalization is therefore likely to remain adequate relative to its risk written, in our view. Moreover, we expect Central Re's operations to remain independent from its parent, the Evergreen group. We may lower the ratings if Central Re's operating performance and capitalization weaken through the pursuit of an aggressive business expansion plan with a rising retention policy, or due to disappointing investment results. We may raise the ratings if Central Re can develop new, profitable growth drivers and the company's capitalization strengthens to a strong level, but we view this possibility to be limited over the next one to two years.

Related Research

This article is based in part on the following criteria articles:

- "Criteria | Insurance | General: Summary Of Standard & Poor's Enterprise Risk Management Evaluation Process For Insurers", published on www.globalcreditportal.com on Nov. 26, 2007
- "Criteria | Insurance | Property/Casualty: Interactive Ratings Methodology", published on www.globalcreditportal.com on April 21, 2004