

IMIA Country Analysis 2011

Country	Premium Development	Claims Development	Underwriting Profitability	Business Outlook
<p>Taiwan</p> <p>Report 2011</p>	<p>◆ The total premium income of engineering insurance has increased from NT\$4.2 billion in 2010 to NT\$4.4 billion in 2011. The share Engineering holds of the total premium spent on Commercial Property & Casualty (P&C) insurance in our market was 3.97% with the entire insurance premium income of NT\$113,033 million in 2011 and rose by 0.04% in comparison with the previous year's share of 3.93%. The increase of the engineering insurance total premium in 2011 was primarily due to insurance premium income of massive project to construct three coal-fired supercritical-pressure power generation units at Taipower's Linkou Thermal Power Plant.</p> <p>◆ As usual, the majority of engineering insurance premium income came from non-renewable business, such as Contractors' All Risks and Erection All Risks insurances. Moreover, only 9.53% of its premium income was generated from renewable engineering insurances, such as CPM, BPV, MI and EEI.</p>	<p>◆ The claim of the engineering insurance drastically decreased from NT\$2,818,492,789 in 2010 to NT\$1,437,622,213 in 2011 with -48.99% rate of growth since no large natural disasters hit Taiwan and no major events caused by human causes of losses occurred in engineering insurances in 2011.</p> <p>◆ In comparison with 2010, the loss ratio in 2011 is decreased drastically because some major loss events occurred in 2010 including the MB claim caused by the fracture of a stator blade in one independent power producer, the EEI claim caused by fire in the largest Puppet Shows production center, the EEI claim caused by fire in one IT central room and several claims about off-shore pipelines installation..</p>	<p>◆ The loss ratio of engineering insurance increased moderately from 61.60% in 2010 to 33.67% in 2011. The market situation is still soft since there are nearly 20 insurers providing engineering insurance capacity in Taiwan. The capacity available is not increasing, but more and more local insurers retain risks which they write as acceptable.</p> <p>◆ The underwriting profit for engineering insurance is satisfactory for the past ten years since 2002 except 2009. The underwriting profit for 2011 is acceptable due to the combined ratio is less than 73.67% if the loading is estimated to be 40%</p>	<p>◆ On April 17, 2012, the Chung-Hua Institution for Economic Research (CIER) said it has lowered its forecast for Taiwan's economic growth for 2012 to 3.55 percent from 4.07 percent because of a recent increase in fuel prices and looming hikes in electricity rates. The price hikes will definitely have a negative impact on Taiwan's GDP. But such an adjustment of resource prices will help improve the country's overall financial structure and energy. Besides, the inflation rate in Taiwan was last reported at 1.2 percent in March of 2012.</p> <p>◆ Some reports indicated that construction activity in Taiwan could remain relatively lackluster in 2012 and have revised down their construction forecasts for 2012 and 2013 respectively. Nevertheless, there are still some key developments recently including the terminal construction project at the Southern Port of Kaohsiung in Taiwan, the contract to develop a coal-based power facility worth more than US\$2.6billion by constructing three modern coal-fired generators with a combined capacity of 2,400 megawatts (MW) and the Taichung Metro (officially Taichung Mass Rail Transit System) project, etc.</p> <p>◆ In order to develop and expand the engineering insurance markets, the new product should be studied and introduced into the potential customers. Therefore, in the near future, the insurers, the government authorities, and the academic fields are sure to team up with one another by integrating all resources in a new risk financing mechanism, for example IDI. No doubt, it is much better to have the relative law or regulations enacted by the government so that the insurers can solicit this insurance business more easily.</p> <p>◆ As last year, now it is still a 'soft' period in the cycle in which premiums are low, capital base is high, capacity is high and competition is high.</p>