



TAIWAN REPORT

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- Overview of the local Insurance situation
- Engineering insurance market and its general speciality
- Local companies
- Specific insurance conditions and present problems
- Interesting risks, projects
- Losses
- Possible trends
- Specialty



Overview of the local Insurance situation (1/3)



- The Market in General
 - The direct written premium of Taiwan's non-life insurance industry revealed continuous decline in 2009. The premium income was reduced from NT\$107,731 million to NT\$101,859 million, which was NT\$5,872 million or 5.45% less than the premium income of the previous year.



Overview of the local Insurance situation (2/3)



- The decrease of premium income in 2009 was mainly attributed by two factors:
 - First, by the global financial crisis from the previous year.
 - Second, the 3rd stage of deregulation in the non-life market on April 1st. Each of the insurers was allowed to establish its own rating mechanism and this policy finally resulted in significant drop in premium rates.
- The deregulation policy applied to the non-life insurance industry since 2002 gradually revealed its adverse effects to the market. In 2002, the growth of premium income of the market reached a peak of 11.67%. However, the growth started to decrease year by year and finally became negative since 2006. The decline in premium income has lasted for four consecutive years.

Overview of the local Insurance situation (3/3)



Table 1: Direct Written Premium Income & Growth Ratio
(in million NT\$)

Year		2005	2006	2007	2008	2009
Total	Premium Income	118,501	114,106	112,582	107,731	101,859
	Growth Ratio (%)	2.63	-3.71	-1.33	-4.31	-5.45

Table 2: Loss Ratio (in %)

Year	2005	2006	2007	2008	2009
Total	55.59	48.33	45.54	46.50	53.77

Table 3: Major Losses

No.	Date of Loss	Coverage	Occupation	Location	Cause of Loss	Estimated Loss (NT\$ million)
1	08.08.2009	Commercial Fire, Engineering, Marine Cargo	All Industries	Taiwan	Typhoon	3,000

Sources: Taiwan Insurance Institute
The Non-Life Insurance Association of the Republic of China

Engineering insurance market and its general speciality (1/2)



- In 2009, the total premium income of Engineering insurance reached NT\$4,808 million, increasing by 8.5% from the previous year's premium of NT\$4,431 million. Its market share was 4.7% of the entire insurance premium income in 2009, a rise of 0.61% in comparison with the previous.
- The increase of the Engineering insurance premium in 2009 primarily was due to significant new infrastructure projects (power plant, mass rapid transit, and harbour works, etc.)
- The majority of Engineering insurance premium income came from non-renewable business (CAR / EAR). Only 9.88% of its premium income was generated from renewable Engineering insurances.



Engineering insurance market and its general speciality (2/2)



- Compared to other countries, there is much less premium income in Taiwan produced from renewable engineering businesses, and we expect the whole non-life insurance industry to promote this potential market. It will definitely assist not only increasing the premium income continuously, but also normalizing the market structure of Engineering insurance.
- The loss ratio of the Engineering insurance drastically increased from 34.8% in 2008 to 65.7% in 2009 as a result of the terrible Typhoon Morakot invading the south island on August 8, 2009.



Gross Written Premium from 2007 to 2009



Type of Insurance	Gross written premiums (NT\$ million)				
	2007	2008	Change	2009	Change
Machinery & Boiler Explosion	121.20	97.84	-19.27%	90.45	-7.55%
MLoP	--	--		--	
ALOP (DSU)	--	--		--	
EAR	1,560.09	989.59	-36.57%	1,000.82	1.13%
CAR	3,202.64	2,982.38	-6.88%	3,423.45	14.8%
Guarantee	--	--		--	
Electronic Equipment	231.06	194.19	-16%	150.97	-22,3%
IDI / Decennial Ins.	--	--		--	
Others (CPM&CECR)	151.94	143.33	-5.67%	165.40	15.4%
TOTAL	5,299.93	4,407.33	-16.32%	4,831.09	9.61%

Note: Source: Taiwan Insurance Institute

Earned Premium from 2007 to 2009



Type of Insurance	Earned premiums (NT\$ million)				
	2007	2008	Change	2009	Change
Machinery & Boiler Explosion	112.53	89.89	-20.12%	109.30	21.6%
MLoP	--	--		--	
ALOP (DSU)	--	--		--	
EAR	1,516.98	1,159.86	-23.54%	1,142.01	-1.54%
CAR	3,191.40	3,072.54	-3.72%	3,408.32	10.93%
Guarantee	--	--		--	
Electronic Equipment	186.42	202.66	-19.71%	172.12	-15.07%
IDI / Decennial Ins.	--	--		--	
Others (CPM&CECR)	186.42	139.50	-25.17%	151.29	8.45%
TOTAL	5,259.65	4,664.44	-11.32%	4,983.04	6.83%

Note: Source: Taiwan Insurance Institute

Claims from 2007 to 2009



Type of Insurance	Claims (paid & reserved) (NT\$ million)				
	2007	2008	Change	2009	Change
Machinery & Boiler Explosion	3.10	11.82	281%	0.02	-99.83%
MLoP	--	--		--	
ALOP (DSU)	--	--		--	
EAR	420.09	389.91	-7.18%	267.94	-31.3%
CAR	1,569.86	1,157.57	-26.3%	2,878.77	148.7%
Guarantee	--	--		--	
Electronic Equipment	16.73	12.49	-25.34%	38.86	211%
IDI / Decennial Ins.	--	--		--	
Others (CPM&CECR)	50.87	53.01	4.21%	90.26	70.3%
TOTAL	2,060.65	1,623.80	-21.15%	3,275.85	101.6%

Note: 1. Source: Taiwan Insurance Institute

2. Accident-year basis:

Claims = Paid losses + outstanding losses at year end

Loss Ratio from 2007 to 2009



Type of Insurance	Loss Ratio (%)				
	2007	2008	Change	2009	Change
Machinery & Boiler Explosion	2.75	13.15	377%	0.02	-99.86%
MLoP	--	--		--	
ALOP (DSU)	--	--		--	
EAR	27.69	33.62	21.42%	23.46	-30.22%
CAR	49.19	37.67	-23.42%	84.46	124.2%
Guarantee	--	--		--	
Electronic Equipment	6.63	6.16	-7.09%	22.58	266%
IDI / Decennial Ins.	--	--		--	
Others (CPM&CECR)	27.29	38.00	39.27%	59.66	57%
TOTAL	39.18	34.83	-11.09%	65.74	88.7%

Note: 1. Source: Taiwan Insurance Institute

2. Accident-year basis:

Claims = Paid losses + outstanding losses at year end

Local Insurance Companies




臺灣產物保險
Taiwan Fire & Marine Insurance Co., Ltd.
Taiwan Fire & Marine Insurance Co., Ltd.



The First Insurance Co., Ltd.



友邦產物保險
General Insurance
AIG General Insurance Co., Ltd.



兆豐保險
Chung Kuo Insurance
Chung Kuo Insurance Co., Ltd.



旺旺友聯產物保險公司
Union Insurance Company
Union Insurance Co., Ltd.



TOKIOMARINE
NEWA
Tokio Marine Newa Insurance Co., Ltd.



富邦保險
Fubon Insurance
Fubon Insurance Co., Ltd.



新光產物保險
Shinkong Insurance Co., Ltd.



ace insurance
Insurance Company of North America, Taipei Branch



ZURICH
蘇黎世
Zurich Insurance (Taiwan) Ltd.



華南金融控股股份有限公司
HUA NAN FINANCIAL HOLDINGS CO., LTD.
South China Insurance Co., Ltd.



CARDIF
法國巴黎產險
A BNP PARIBAS company
Cardif-Assurances Risques Divers, Taiwan Branch



TAIAN
Taian Insurance Co., Ltd.



國泰產險
Cathay Century Insurance



台壽保產險
TLG Insurance
TLG Insurance Co., Ltd.



CHUBB
聯邦 美保
Federal Insurance Company, Taipei Branch



MSIG
Mingtai Fire & Marine Insurance Co., Ltd.



三井住友海上
Mitsui Sumitomo Insurance Co., Ltd. Taipei Branch



Asia Insurance Co., Ltd. Taiwan Branch

Specific insurance conditions and present problems



- Too high percentage of non-renewal insurance business (over 90% of market share for EAR and CAR)
- Too little renewal insurance business
- Severe competition at lowering rates
- More requests from the insured
- Fire insurance extended to cover MI and CMI business
- Potential business (CECR, CMI, etc.) needs more support and capacity from reinsurers



Interesting Project --- Xueshan Tunnel Project



Xueshan Tunnel Project

The 5th longest tunnel in the world



- Tunnel length:
- Main tunnels:
 - Eastbound tunnel: 12,917 m
 - Westbound tunnel: 12,942 m
- Location: Pinglin, Taipei County and Toucheng, Yilan County
- Ventilation shafts: 3
- Total cost: USD\$ 562,273,000
- Date of groundbreaking:
 - Pilot tunnel: July 1991
 - Main tunnels: July 23, 1993
- Date of opening: June 16, 2006

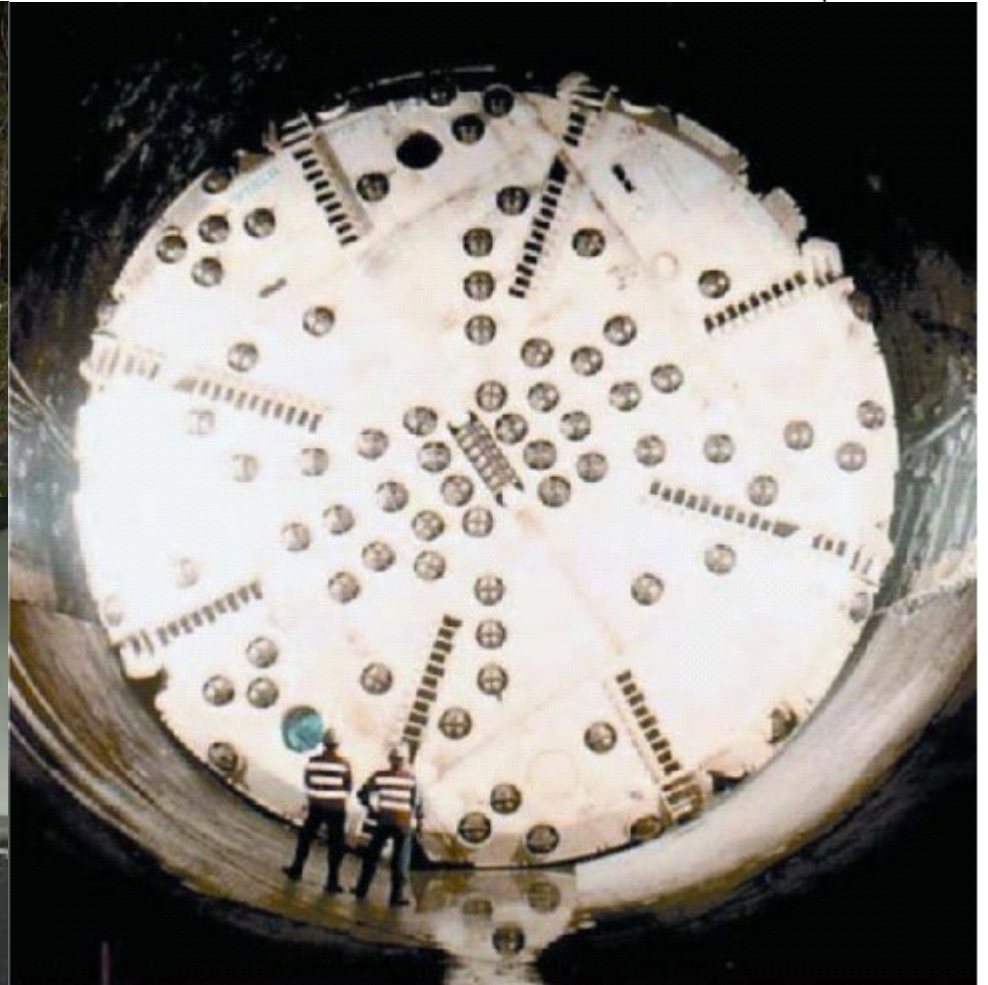
Xueshan Tunnel Project



Xueshan Tunnel Project



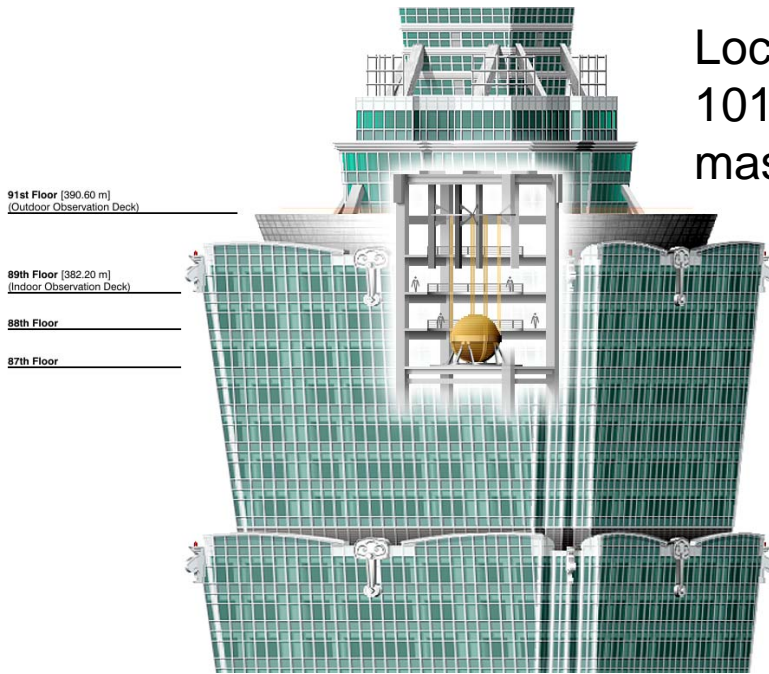
Xueshan Tunnel Project



Taipei 101 - the landmark in Taiwan



Location of Taipei 101's largest tuned mass damper.



The main tuned mass damper atop Taipei 101



Taipei 101

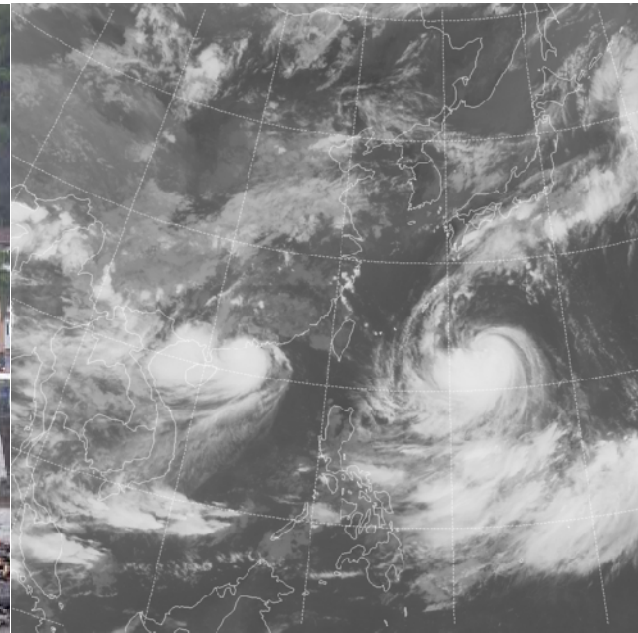


- **Taipei 101**, the **Taipei Financial Center**, is a landmark skyscraper located in Xinyi District, Taipei, Taiwan.
- The building ranked officially as the world's tallest from 2004 until the opening of the Burj Khalifa in Dubai in 2010.
- Taipei 101, received the 2004 Emporis Skyscraper Award and was hailed as one of the Seven New Wonders of the World (Newsweek magazine, 2006) and of the Seven Wonders of Engineering (Discovery Channel, 2005).

Major Losses in 2009



- Claims of Engineering insurance drastically increased from NT\$1,624.80 million in 2008 to NT\$3,275.85 million in 2009, 101.62% more than in 2008, as a result of typhoon Morakot invading the south island on August 8, 2009.
- The total claims amount of Engineering insurance caused by Typhoon Morakot was estimated at NT\$1,200 million.



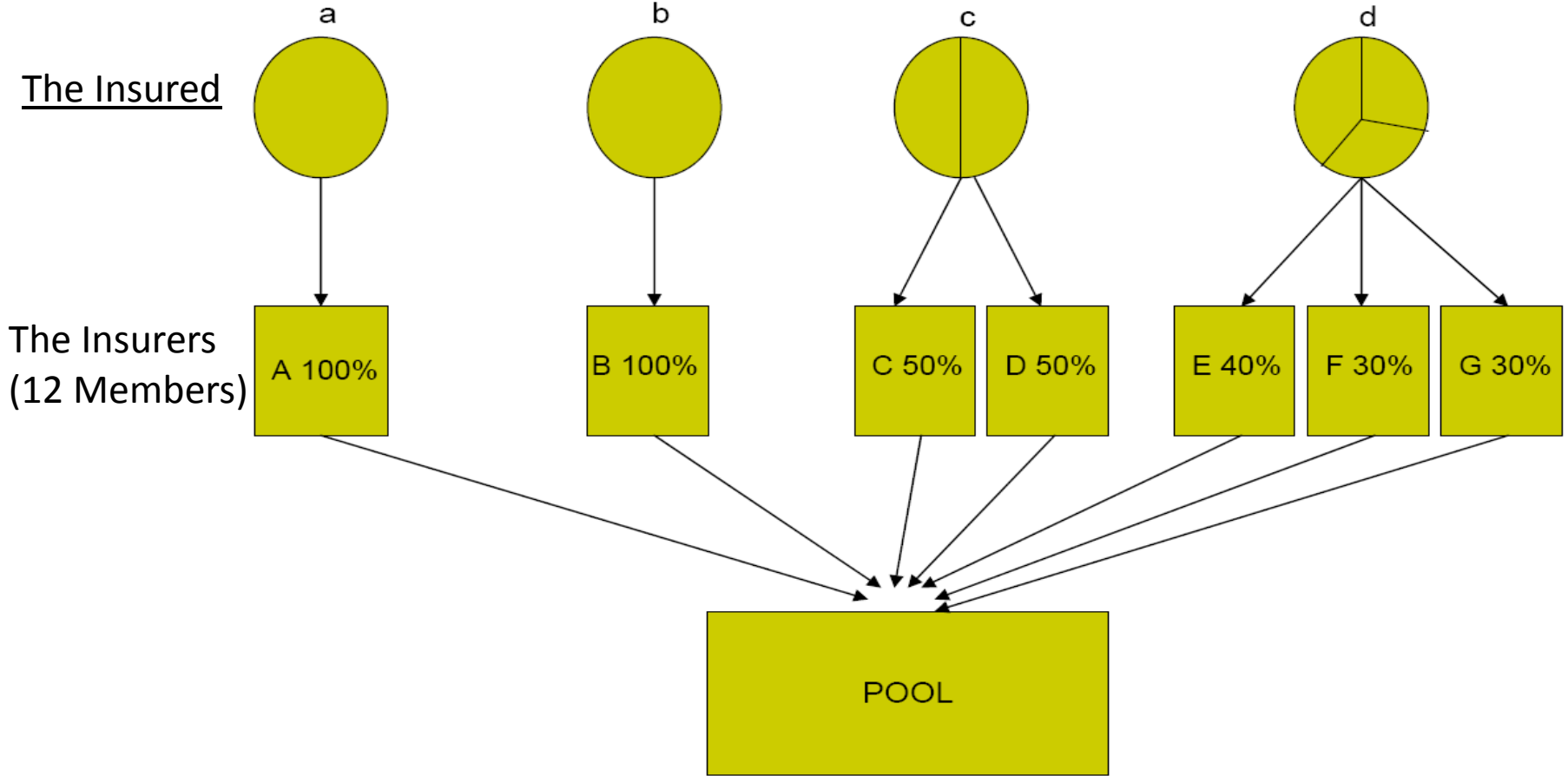
Possible trends



- Though the loss ratio is still not certain in 2010, we hope that the profit margin is maintained in the end.



Speciality – Co-insurance Platform (1/2)



Speciality – Co-insurance Platform (1/2)

