

AM Best Affirms Credit Ratings of Taiping Reinsurance Company Limited and Its Subsidiary

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FOR IMMEDIATE RELEASE

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AM Best has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Ratings of “a” of Taiping Reinsurance Company Limited (TPRe) (Hong Kong) and its wholly owned subsidiary, Taiping Reinsurance (China) Company Ltd. (TPRe China) (China). The outlook of these Credit Ratings (ratings) is stable.

The ratings of TPRe reflect its balance sheet strength, which AM Best categorizes as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management. The ratings also acknowledge the continued and holistic implicit and explicit support given by TPRe’s parent company, China Taiping Insurance Holdings Company Limited (CTIH), in terms of capital, investment, risk oversight and shared operational resources.

TPRe’s capital and surplus has grown at an average rate of 15.7% over the past five years, mainly driven by capital injections from CTIH and the partial retention of operating profits during the period. AM Best expects the company’s risk-adjusted capitalization to remain robust over the short to intermediate term, supported by strong liquidity and comprehensive retrocession arrangements.

Despite increasing pressure on its non-life underwriting margin over the past five years due to catastrophe losses and strong ongoing market competition, as well as challenges to investment yields amid a low interest rate environment and heightened volatility in capital markets, the company has delivered consistently profitable operating results during the period. Leveraging its strong foothold in domestic Chinese, Hong Kong and Macau markets, the company continues to diversify its geographical coverage and product scope in the life and non-life segments, for example, by strengthening its direct business relationships with onshore and international clients.

The ratings of TPRe China reflect its strategic importance to TPRe, as well as its high level of integration with, and the explicit support it receives from TPRe. With the establishment of its branch office in Shanghai in mid-2019, TPRe China is expected to continue to be the primary contributor of revenue growth to TPRe’s consolidated financials. In 2018, the subsidiary accounted for more than half of TPRe’s consolidated non-life gross premium written. Going forward, TPRe China will seek to

expand its life reinsurance business, particularly in protection-type products, including health and term life.

Offsetting rating factors include downward pressure on non-life underwriting margin stemming from the robust expansion in business from China. In addition, the company's investment portfolio is exposed to some concentration risk from single investments in bonds and mutual funds.

Positive rating actions are unlikely over the near term. Negative rating actions could occur if there is a material decline in the company's risk-adjusted capitalization, or if there is a material deterioration in operating performance. Negative rating actions also could occur if CTIH reduces the level of support that it provides to TPR.

Ratings are communicated to rated entities prior to publication. Unless stated otherwise, the ratings were not amended subsequent to that communication.

This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Understanding Best's Credit Ratings](#). For information on the proper media use of Best's Credit Ratings and AM Best press releases, please view [Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases](#).

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