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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 categorises as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management. The ratings also acknowledge the continued 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.

On 27 August 2020, TPRe entered into an agreement with Ageas Insurance International N.V. (Ageas), in which Ageas agreed to subscribe to additional shares issued by TPRe with cash. TPRe’s paid-in capital is expected to grow by HKD 3.1 billion, with Ageas accounting for approximately 25% of the increased capital. AM Best views the raised proceeds to materially boost TPRe’s capital and strengthen its underwriting capacity to support ongoing business expansion. AM Best also believes CTIH will maintain its controlling shareholding status in TPRe for the foreseeable future, and will continue to render capital and financial support to TPRe in a timely manner when necessary.

TPRe’s risk-adjusted capitalisation remained at the strongest level as of year-end 2019, as measured by Best’s Capital Adequacy Ratio (BCAR). The capital and surplus has grown at an average rate of 15.1% per annum over the past five years, mainly driven by capital injections from CTIH and the partial retention of operating profits. Other supportive factors to its balance sheet strength include strong liquidity and prudent retrocession programmes.

TPRe has delivered consistently profitable operating earnings over the past five years, mainly attributed to positive underwriting results and favourable investment performance. The five-year average return on equity was 6.5% (2015-2019). Asia remains the company’s core focus, while the company continues to diversify its geographical coverage and product scope in the life and non-life

segments. With the introduction of Ageas as a strategic investor, TPRE will benefit from additional support in overseas market expansion, particularly in Europe and a few target Asian markets.

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. The subsidiary has delivered robust non-life premium growth over the past five years, and had commenced assuming life reinsurance business in 2019. Going forward, AM Best expects TPRE China to remain a key contributor to TPRE's consolidated financials.

Offsetting rating factors include the diminishing underwriting margin in the non-life portfolio owing to natural catastrophe losses and the continued intense market competition, and the persistently low interest rate environment, which poses challenges to the asset and liability management of TPRE's fast growing life reinsurance book. The company's investment portfolio also is subject to some concentration risk from mutual funds and corporate bonds issued by financial institutions. Furthermore, fluctuations in foreign exchange have given rise to volatility in net profits over the past few years.

The company is well-positioned at the current rating level. Negative rating actions could occur if there is a material deteriorating trend in operating performance such that it no longer supports the current adequate assessment, or if there is a material decline in the company's risk-adjusted capitalisation. Negative rating actions also could occur if there is a material deterioration in CTIH's credit profile or if CTIH reduces the level of support it provides to TPRE.

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 [Guide to 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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