

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

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HONG KONG--(BUSINESS WIRE)--AM Best has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Ratings of “a” (Excellent) 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 assesses 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.

TPRe’s risk-adjusted capitalisation remained at the strongest level at year-end 2022, as measured by Best’s Capital Adequacy Ratio (BCAR). The company’s consolidated capital and surplus declined slightly by 6% in 2022, mainly due to fair value loss of the investments. TPRe China, a key subsidiary of TPRe, issued CNY 1.3 billion of capital supplementary bonds in March 2023. Over the short to intermediate term, AM Best expects TPRe’s risk-adjusted capitalization to remain at the strongest level. Other supportive factors to the company’s balance sheet strength include a high level of financial flexibility and gradual improvement in the investment portfolio’s credit profile.

TPRe’s operating performance has improved over the past two years and remains positive, after posting an operating loss in 2020. The company’s overall operating results marginally supported the adequate operating performance assessment, with a five-year return-on-equity (ROE) ratio of 1.5%. The company aims to bolster its profitability, with its ROE returning to mid-single digit range in the next three years. In preparation of Hong Kong’s risk-based capital regime in 2024, the reinsurer has actively trimmed down its life saving type reinsurance portfolio to mitigate potential solvency pressure. Going forward, AM Best expects the non-life reinsurance business to remain the key strategic focus, while its life business provides a stable underwriting profit.

Leveraging its status as a subsidiary of CTIH, TPRe has established a strong foothold in the Greater China region and maintains a leading position in the non-life reinsurance markets in Hong Kong and Macau. TPRe also continues its expansion across different markets, with a strategic focus on emerging markets such as Southeast Asia. TPRe has partnered with its strategic investor Ageas on product development and reinsurance arrangements. AM Best views that CTIH, as the controlling shareholder, will continue to render strong capital and financial support to TPRe in a timely manner when necessary, evident by its track record of capital injections to TPRe over the years.

Negative rating actions could occur if there is a sustained deteriorating trend in TPRe’s operating performance such that it no longer supports the current adequate assessment. 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.

Although the likelihood is low, positive rating actions could occur if there is a material improvement in CTIH’s credit profile, for example, a material improvement in balance sheet strength from lowering financial leverage or a major enhancement in capital position.

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 use of Best's Credit Ratings, Best's Performance Assessments, Best's Preliminary Credit Assessments and AM Best press releases, please view [Guide to Proper Use of Best's Ratings & Assessments](#).

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