



Asia-Pacific Reinsurance Sector Update

Improvements Are Underway

S&P Global
Ratings

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Oct. 30, 2024

This report does not constitute a rating action

Asia Pacific Reinsurers Key Metrics Projections Through 2025



2% - 5%
Gross premium growth

99% ↔ 101%

Thin underwriting
profits potential*



Capitalization strength
remains[§]

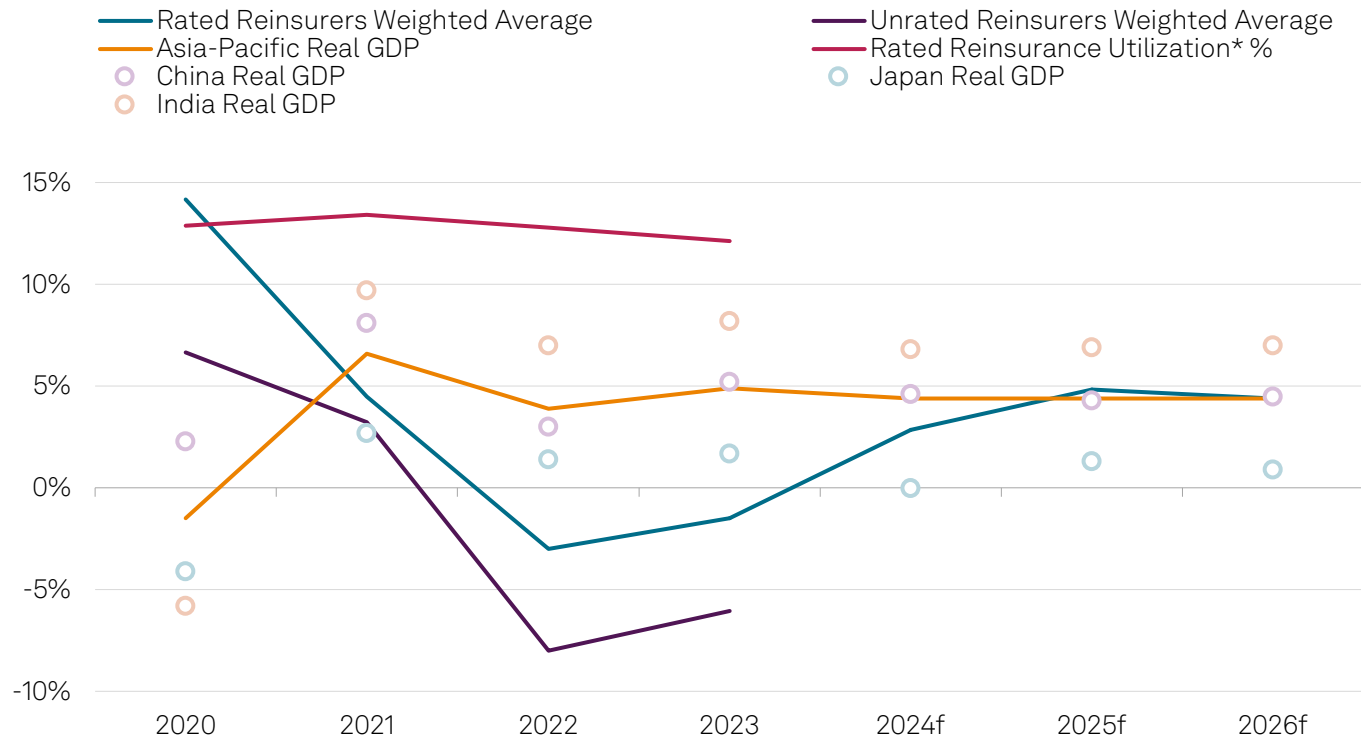
Based on our analysis of six rated Asia-Pacific reinsurers. *Combined ratio above 100% reflects underwriting loss. §Per S&P Global Ratings risk-based capital model, adequacy at our moderate stress scenario. Source: S&P Global Ratings.

Asia-Pacific Reinsurance Sector: Key Trends And Risks

- Rated regional reinsurers to see stable credit trends, given supportive earnings and capitalization.
- Prospective reinsurance capacity to remain given Asia-Pacific's still attractive growth story.
- Easing premium rates and organic demands to chart region's topline growth momentum.
- However, headwinds are accumulating amid rising physical risks and slower economic outlook.
- Still-costly retrocession cover could push up risk retention, potentially increasing margin volatility.
- Softer investment returns will require more underwriting discipline as monetary policy easing take root across the region.
- Higher-than-expected insurance claims and capital market volatility to chip away capital strength.

Slow But Steady – A More Disciplined Premium Growth

Asia-Pacific reinsurers to see modest growth amid slower economy (%)



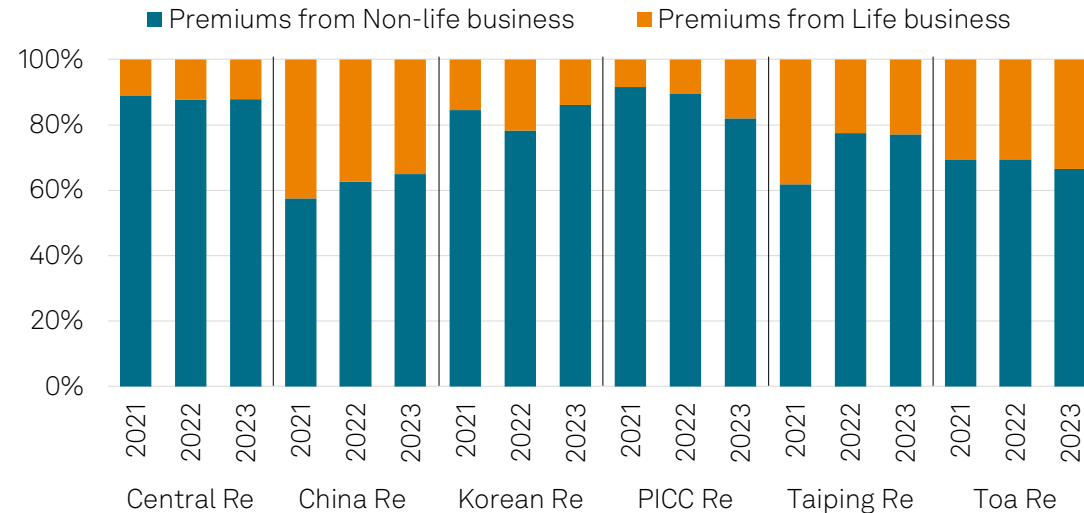
Note: For list of rated and unrated reinsurers see slide ten for the 15 Asia-Pacific reinsurers included in this study. Reflects Gross Premium written growth.
 *Based on weighted average. Source: S&P Global Ratings.

- Modest premium growth reflects slower economic growth and moderating rate in certain lines.
- Increased effort in managing in-force book and re-evaluation of expansion plan.
- Greater private-public partnership (such as catastrophe and agriculture insurance) and growing liability-related coverages to provide opportunities.
- Escalating geopolitical tensions could change growth dynamics among countries in the region.

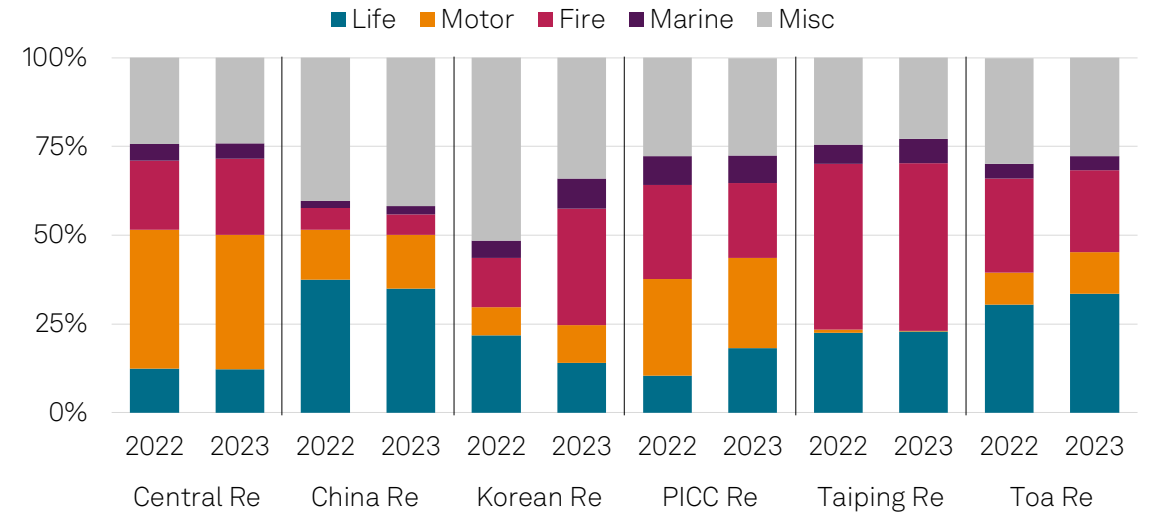
Internationalisation: Time To Take Stock

- Moderate growth in international book with a focus on pruning of loss-making accounts.
- Reinsurers are refining risk appetite and stress-testing in response to increasingly volatile economic conditions.
- Meanwhile, we expect changes in life reinsurance offerings following a cut-back in capital-consumptive products.

Home markets continue to drive APAC growth momentum



Nuanced business mix points to differing APAC strategies



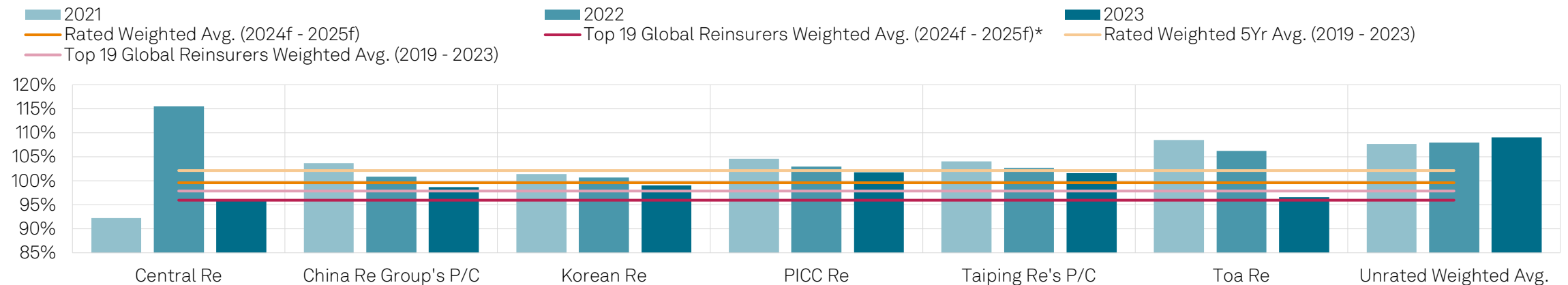
Note: Based on Gross Premium Written. Taiping Re's domestic book contains business from Mainland China and Hong Kong. Korean Re's 2023 business mix is based on IFRS 17 Insurance Revenue and Fire includes Engineering insurance revenues. Central Re--Central Reinsurance Corp. China Re--China Reinsurance (Group) Corp. Korean Re--Korean Reinsurance Co. PICC Re--PICC Reinsurance Co. Ltd. Taiping Re--Taiping Reinsurance Co. Ltd. Toa Re--Toa Reinsurance Co. Sources: Annual reports, S&P Global Ratings.

Complexities Could Chip Away Underwriting Margin

- Better underwriting profits follow pruning of loss-making accounts.
- Profits remain thin due to competitive primary insurance market.
- Economic uncertainties could intensify competition.
- Increasing complexities of more frequent natural catastrophes and urbanisation could dilute underwriting profits.
- Global reinsurers' profitability reflects sustained underwriting discipline.

Marginal underwriting profits still thin compared to global reinsurers

NCOR (%)

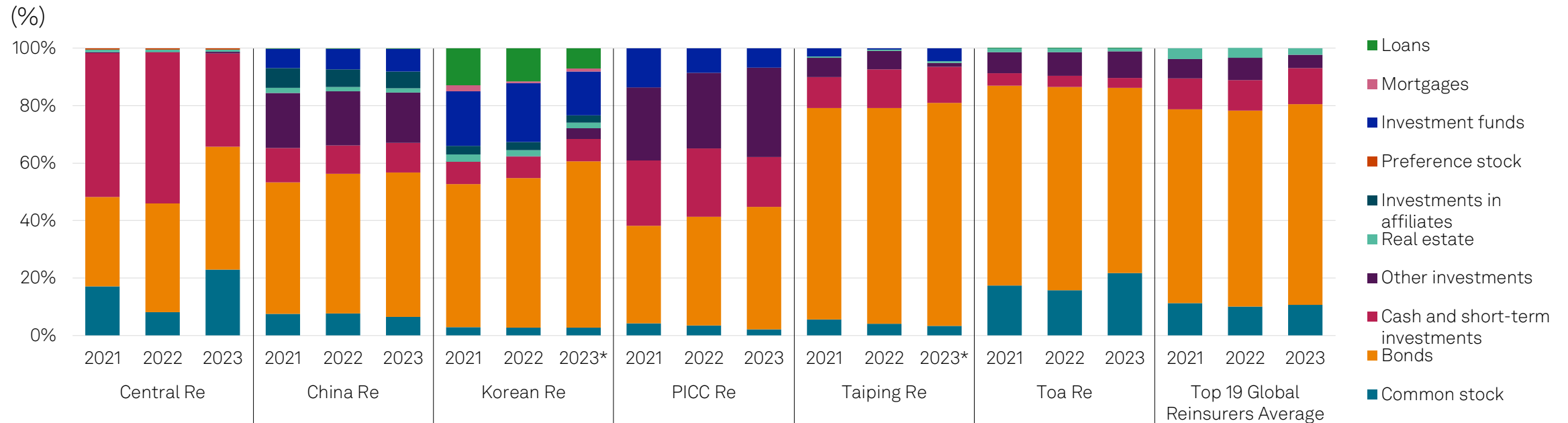


Note: The top 19 global reinsurers are Arch, Ascot, Aspen, AXIS, China Re, Convex, Everest, Fairfax, Fidelis, Hannover Re, Hiscox, Lancashire, Lloyd's, Markel, Munich Re, RenaissanceRe, SCOR, Sirius, and Swiss Re. *Reflects NCOR maximum forecast from the range of 92%-96%, published in Global Reinsurers Must Maintain Discipline To Cement Strong Performance Amid Casualty Risks, Sept. 3, 2024. NCOR--Net combined ratio; f--Forecast. Central Re--Central Reinsurance Corp. China Re--China Reinsurance (Group) Corp. Korean Re--Korean Reinsurance Co. PICC Re--PICC Reinsurance Co. Ltd. Taiping Re--Taiping Reinsurance Co. Ltd. Toa Re--Toa Reinsurance Co. Sources: Annual reports, S&P Global Ratings.

Shifting Interest Rates Points To Revisit Of Investment Allocation

- Interest rate cuts (ex-Japan), capital market volatility, and costly forex hedging could demand a reassessment of asset mix.
- Allocation toward real estate, alternative assets, and equities heightens sensitivity to credit and market risks.

Controlled risky asset exposures to limit volatility in earnings



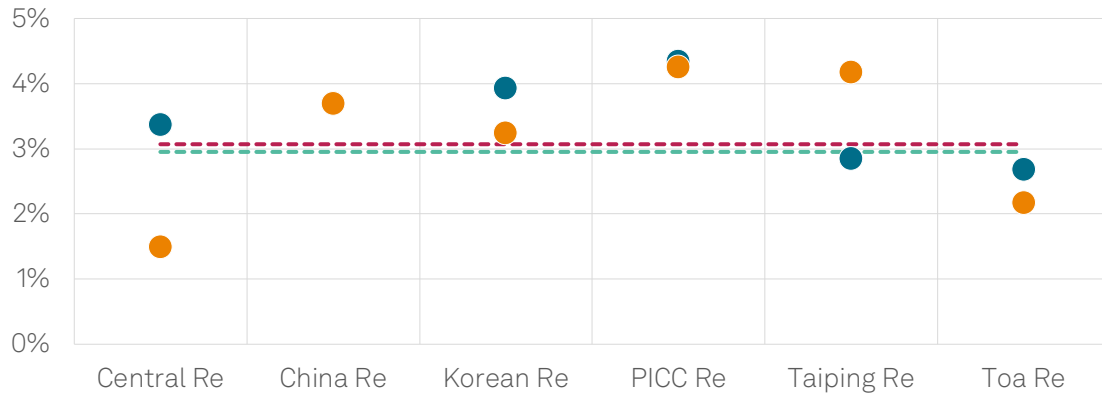
*Reflects investment mix based on IFRS17. Note: The top 19 global reinsurers are Arch, Ascot, Aspen, AXIS, China Re, Convex, Everest, Fairfax, Fidelis, Hannover Re, Hiscox, Lancashire, Lloyd's, Markel, Munich Re, RenaissanceRe, SCOR, Sirius, and Swiss Re. Central Re--Central Reinsurance Corp. China Re--China Reinsurance (Group) Corp. Korean Re--Korean Reinsurance Co. PICC Re--PICC Reinsurance Co. Ltd. Taiping Re--Taiping Reinsurance Co. Ltd. Toa Re--Toa Reinsurance Co. Sources: Annual reports, S&P Global Ratings

Receding Investment Returns Prompts Tighter Underwriting Oversight

- Asia-Pacific rated reinsurers remain dependent on investment income.
- Market volatility and interest rate cuts could pressure margins.

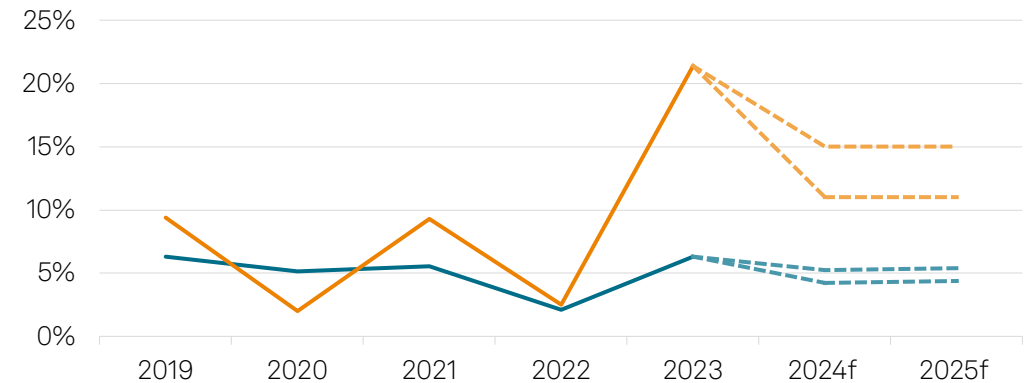
We anticipate a marginal reduction in yields (%)

- 5 yr Average Net Investment Yield Including Gains/Losses
- 5 yr Average Net Investment Yield
- 2023 Rated Weighted Average Net Investment Yield
- 2024f - 2025f Rated Weighted Average Net Investment Yield



Lower investment yields following interest rate cuts ROE (%)

- Rated Weighted Average ROE
- - - Rated Weighted Avg. ROE Forecast Range
- Top 19 Global Reinsurers Weighted Average ROE
- - - Top 19 Global Reinsurers Weighted Average ROE Forecast Range

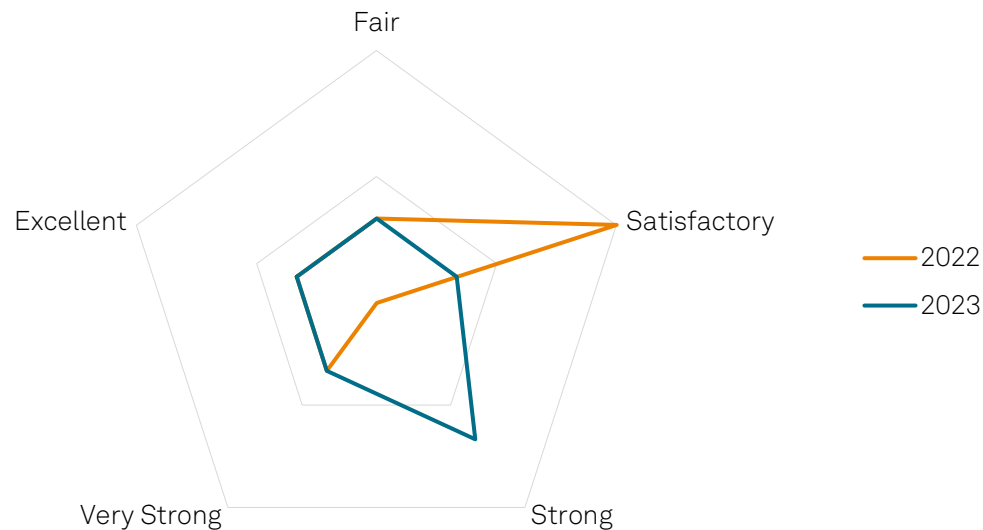


Note: The top 19 global reinsurers are Arch, Ascot, Aspen, AXIS, China Re, Convex, Everest, Fairfax, Fidelis, Hannover Re, Hiscox, Lancashire, Lloyd's, Markel, Munich Re, RenaissanceRe, SCOR, Sirius, and Swiss Re. f—Forecast. NCOR--Net combined ratio; ROE--Return on Equity. Central Re--Central Reinsurance Corp. China Re--China Reinsurance (Group) Corp. Korean Re--Korean Reinsurance Co. PICC Re--PICC Reinsurance Co. Ltd. Taiping Re--Taiping Reinsurance Co. Ltd. Toa Re--Toa Reinsurance Co. For list of rated and unrated reinsurers refer slide 10 for the 15 Asia-Pacific reinsurers included in this study. Sources: Annual reports, S&P Global Ratings.

Capitalization Offers Some Cushion Against Catastrophes

- Still costly retrocession could prompt Asia-Pacific reinsurers to retain more natural catastrophe exposures.
- Rise in exposure to natural catastrophes mainly attributed to organic growth; this could add more volatility to balance sheet.
- Increased frequency and severity of extreme weather could weigh on underwriting results and dent capital buffers.

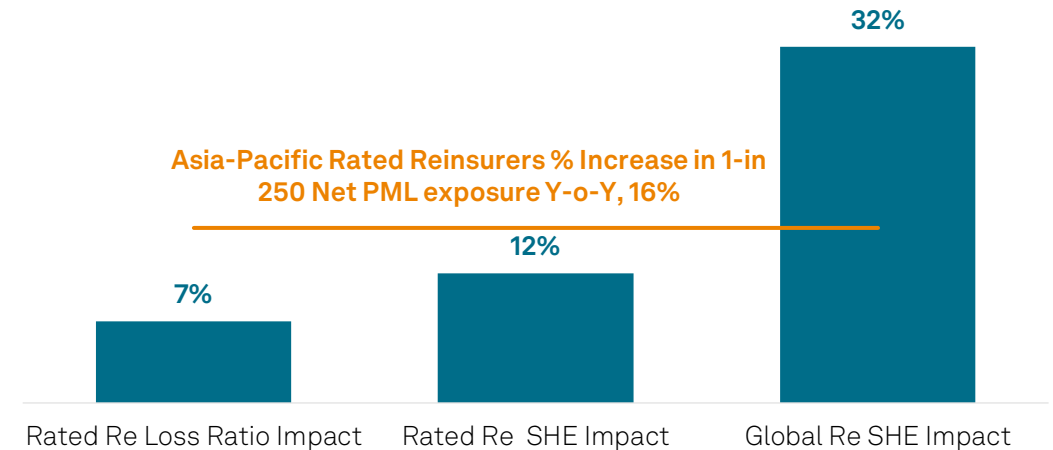
Strong capital underpins APAC rated reinsurers' credit profiles



Rated Reinsurers in Asia are: Central Reinsurance Corp., China Reinsurance (Group) Corp., Korean Reinsurance Co., PICC Reinsurance Co. Ltd., Taiping Reinsurance Co. Ltd., Toa Reinsurance Co. SHE--Shareholder Equity.
Source: S&P Global Ratings' risk-based insurance capital adequacy model.

Increasing natural catastrophes to dilute capital strength

Net 1-In-250-year aggregate loss impact* (%)



Source: S&P Global Ratings' risk-based insurance capital adequacy model. *Reflects impact on weighted basis for rated Asia Pacific and Top 19 Global reinsurers. Note: The top 19 global reinsurers are Arch, Ascot, Aspen, AXIS, China Re, Convex, Everest, Fairfax, Fidelis, Hannover Re, Hiscox, Lancashire, Lloyd's, Markel, Munich Re, RenaissanceRe, SCOR, Sirius, and Swiss Re.

Appendix: Snapshot Of 15 Asia-Pacific Reinsurers

Ranking*	Companies	Jurisdictions	Ratings/Outlook	NPW (mil. US\$)			Net Income (mil. US\$)			NCOR (%)			ROE (%)		
				2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
1	China Reinsurance (Group) Corp.	China	A/Stable/--	23,196	22,193	22,755	1003.1	219.1	835.8	103.7	100.9	98.7	6.2	1.6	6.0
2	Korean Reinsurance Co.	Korea	A/Stable/--	5,244	5,605	4,983	155.5	136.1	215.2	101.5	100.7	99.1	7.1	6.4	9.0
3	General Insurance Corp. of India	India	N.R.	5,252	4,206	4,125	320.3	860.7	807.7	108.1	107.9	111.7	4.2	10.8	8.7
4	Toa Reinsurance Co.	Japan	A/Stable/--	2,690	2,374	1,946	-11.1	18.1	107.8	108.5	106.3	96.6	-0.6	1.2	6.4
5	Taiping Reinsurance Co. Ltd.	Hongkong	A/Stable/--	2,050	2,034	1,848	1.3	7.8	34.1	104.5	103.2	101.6	0.1	0.5	2.4
6	PICC Reinsurance Co. Ltd.	China	A-/Stable/--	979	1,128	1,393	24.0	23.9	26.5	104.6	103.4	101.8	3.9	4.1	3.7
7	Peak Reinsurance Co. Ltd.§	Hongkong	N.R.	1,726	1,777	1,363	59.9	-94.3	187.1	106.0	114.0	87.3	4.0	-7.1	19.7
8	Qianhai Reinsurance Co. Ltd.	China	N.R.	1,148	732	761	32.5	22.0	16.2	107.7	101.2	100.0	6.5	4.6	3.3
9	Central Reinsurance Corp.	Taiwan	A/Stable/--	696	620	674	73.9	8.5	67.1	92.3	115.6	95.9	13.8	1.5	11.6
10	Malaysia Reinsurance Bhd.§	Malaysia	N.R.	370	403	480	15.2	18.5	85.2	102.6	102.3	80.7	3.5	4.4	18.4
11	PT Reasuransi Indonesia Utama	Indonesia	N.R.	275	287	210	-36.2	-14.7	3.7	117.5	105.9	106.1	-16.8	-8.2	2.1
12	Singapore Reinsurance Corp. Ltd.	Singapore	N.R.	67	81	150	11.6	18.3	30	102.9	85.7	87.9	5.6	8.9	13.5
13	Thai Reinsurance Public Co	Thailand	N.R.	126	110	134	-11.1	-5.5	6.6	115.1	108.3	96.5	-10.3	-6.1	6.7
14	National Reinsurance Corp.of the Philippines	Philippines	N.R.	58	54	86	2.9	1.0	9.6	107.0	104.0	96.3	2.5	1.0	9.0
15	Vietnam National Reinsurance Corp.	Vietnam	N.R.	55	55	58	15.0	16.3	17.8	97.1	90.6	98.0	10.8	11.2	11.8

*Ranking is based on 2023's NPW. NPW--Net premiums written. NCOR--Net combined ratio. ROE--Return on equity. N.R.--Not rated. N.A.--Not applicable. N/A--Not available. Sources: Company Annual Reports, S&P Global Ratings.
 §Peak Reinsurance Co. and Malaysia Reinsurance Bhd.: 2023 data is based on IFRS 17, 2023 net premiums written are an estimate by S&P Global Ratings, based on 2022 net premiums written and adjusted by the growth rate of gross premiums written.

Rated Asia-Pacific Reinsurers

Credit Ratings Summary

Central Reinsurance Corp.

Financial Strength Rating: A/Stable/--
Issuer Credit Rating: A/Stable/--

Contacts: Judy Chen (judy.chen@spglobal.com) and Serene Hsieh (serene.hsieh@spglobal.com)

Central Re has a strong foothold in Taiwan's reinsurance market as the only domestic reinsurance company. Relationships with local life and nonlife insurers remain tight, as demonstrated through its solid market share and ability to secure quality business. It remained the reinsurer's strategy to diversify its portfolio by exploring the international reinsurance market, but its risk appetite for high growth and catastrophe risks overseas have moderated. Central Re is likely to maintain a stable portfolio both domestically and overseas over the coming one to two years with emphasis on underwriting profits.

We anticipate Central Re will maintain very strong capital and earnings with a solid buffer over the coming two years. The reinsurer's capital adequacy is sensitive to its investment allocation amid increasing equity stock allocation to enhance investment yields. The reinsurer's equity stock investment allocation ratio increased to 15% as of June 2024 from 13% at the end of 2013. We believe Central Re will not be overly aggressive with the investment strategy and we anticipate the company will actively adjust its exposure in ways that would not materially weaken its capital adequacy.

We believe Central will retain its credit profile over the coming two years through satisfactory underwriting profits, proactive capital planning and prudent control over investment risk exposure. Impacts from a 4.3-magnitude earthquake in late October resulted in a slight increase of combined ratio, but this has been manageable. The reinsurer posted combined ratio of about 97.7% for the first half of 2024, from 95.9% in 2023. We expect that Central Re will report satisfactory underwriting result for full year 2024, driven by its profitable core reinsurance business with heavier weighting on retail businesses. Except for the underwriting losses in 2022 due to the COVID-related losses, Central Re's combined ratio has consistently been slightly better than that of similarly rated reinsurers in Asia-Pacific. Central Re has maintained satisfactory combined ratio averaging 95.1% over the past five years ending 2023, excluding 2022.

China Reinsurance (Group) Corp.

Financial Strength Rating: A/Stable/--

Issuer Credit Rating: A/Stable/--

Contacts: Judy Chen (judy.chen@spglobal.com) and WenWen Chen (wenwen.chen@spglobal.com)

As the longest established and largest reinsurance group in China, China Re Group's strong ties to primary insurers, comprehensive product offerings, and established infrastructure (including data systems and risk management framework) underpin its dominant market position in China's reinsurance market. This, together with its expanding international footprint through Chaucer Group, supports its overall competitive advantage.

China Re Group's continuous effort in portfolio overhaul and review of terms and condition will likely gradually ease underwriting pressure. However, large losses – such as increased frequency and severity of extreme weather could increase underwriting volatility. We estimate China Re Group's combined ratio will stand at 99%-101%* over the next two years (compared with a five-year historical average of 102.1%).

Further to its ongoing portfolio overhaul, moderating growth in the domestic primary insurance market amid an economic slowdown could extend to China Re Group's domestic portfolio. However, we anticipate the state-owned reinsurer will continue to play an important role in contributing to agricultural and catastrophe risk assessment and reinsurance coverage in China. We also expect the business momentum for the reinsurer's life reinsurance book to stabilize over the next two years, after the deliberate contraction in savings-type policies in preparation for Hong Kong regulatory updates.

China Re Group is more susceptible to credit and market risks than its international peers due to its large holdings of high-risk assets. Volatile underwriting results and its previous expanded life reinsurance portfolio prompt continuous dependence on investment return. Ongoing capital market volatility and still-low interest rates in China will constrain the reinsurance group's investment return, denting capital and earnings. Meanwhile, China Re Group's improved capital buffer under our revised capital model could help it weather headwinds from capital market challenges and extreme weather.

*On IFRS 4 basis. All data on IFRS 4 basis.

Korean Reinsurance Co.

Financial Strength Rating: A/Positive/--
Issuer Credit Rating: A/Positive/--

Contact: Emily Yi (emily.yi@spglobal.com)

Korean Re has a dominant market position in Korea with a long operating history and strong relationships with local primary insurers. This will likely underpin stable revenue growth in its domestic reinsurance portfolio over the next two years. The reinsurer had a market share of approximately 50% in Korea's P/C reinsurance market in terms of gross premiums written in the past several years.

Korean Re will likely maintain largely stable underwriting performance over the next two years. This is backed by the reinsurer's tightened underwriting guidelines and reduction of underperforming insurance policies. We expect the reinsurer's combined ratio to be 93%-95%* over the next two years.

Korean Re has low capital and earnings volatility, given its high reinsurance utilization on commercial lines and catastrophe exposures. The reinsurer's commission arrangement associated with loss experience with local cedants also support its earnings stability. That said, its exposure to natural catastrophe events could increase owing to its growing international presence. The overseas business accounted for about 32% of gross premiums written in 2023.

*Combined ratio on IFRS 17 basis.

PICC Reinsurance Co. Ltd.

Financial Strength Rating: A-/Stable/--
Issuer Credit Rating: A-/Stable/--

Contact: WenWen Chen (wenwen.chen@spglobal.com)

PICC Re plays a very important role in the internationalization strategy of the People's Insurance Co. (Group) of China Ltd. In particular, the group's initiative in serving Chinese corporates' insurance needs in overseas markets. We also expect the China-based reinsurer to play an increasing role in the parent group's risk management strategy and gradually introduce industry insights to the parent group and to the Chinese insurance market. We believe PICC Group will provide support to fund PICC Re's growth initiatives and ensure it maintains sufficient regulatory solvency at all times. In 2023, both shareholders injected Chinese renminbi (RMB) 2.0 billion of capital into PICC Re.

The reinsurer benefits from business referrals from parent group affiliates. Group-related business, which represents over 50% of PICC Re's non-life premium, will remain the dominant contributor to PICC Re's underwriting results over the next two years. We expect PICC Re to grow premiums at 8%-10% over the next two years. Its P/C and life reinsurance business contributes to this balanced growth. This also reflects the reinsurer's more selective growth appetite along with continuous portfolio optimization.

PICC Re will continue to depend on investment return to offset still-subdued underwriting results. In addition to a more selective growth appetite, PICC Re will also actively review its risk aggregation, particularly catastrophe-related exposure, in our view. Evolving risk selection practices along with continuous portfolio optimization should narrow underwriting losses for PICC Re. As of year-end 2023, the reinsurer reported a combined ratio of 101.8%*, compared with 103.0% in 2022.

Strained underwriting results and lower investment return could squeeze PICC Re's earnings. However, we believe the parent group will provide necessary support, if needed, under a stress scenario when the reinsurer fulfills its debt obligations. The reinsurer had RMB 2.0 billion of subordinated debt outstanding as of June 30, 2024.

*On IFRS 4 basis. All data on IFRS 4 basis.

Taiping Reinsurance Co. Ltd.

Financial Strength Rating: A/Stable/--
Issuer Credit Rating: A/Stable/--

Contacts: Judy Chen (judy.chen@spglobal.com) and WenWen Chen (wenwen.chen@spglobal.com)

Hong Kong-based Taiping Re plays a key role in the internationalization strategy of its ultimate parent, China Taiping Insurance Group. The reinsurer also provides reinsurance support and regional insurance market insights to China Taiping Insurance Group's affiliates. The support and insights facilitate the parent group's expansion in the Greater Bay Area (Hong Kong, Macau, and Guangdong) and international markets. The reinsurer will also likely increase its collaboration with Belgium-based Ageas, its strategic minority investor.

Volatility of underwriting results is likely to increase for Taiping Re, particularly amid increase in risk retention. This is despite a more selective growth strategy could help ease underwriting pressure. Taiping Re's reported combined ratio* was 96.7% in the first half of 2024, from 95.6% in full year 2023.

Continuous portfolio overhaul and tightening risk selection for new business could lead to moderate growth appetite over the next two years. In the life reinsurance segment, Taiping Re will likely gain growth opportunities from financial reinsurance. This reflects potential demand for primary life insurers to supplement their regulatory capital positions for implementation of risk-based capital regime in Hong Kong. We also anticipate Taiping Re will seek growth from protection-type policies, given its shift in focus to insurance margins. The implementation of risk-based capital regime in Hong Kong further tame the reinsurer's development of savings-type reinsurance policies.

We believe the parent group will provide ready capital support and ensure it maintains sufficient regulatory solvency at all times, particularly as it implements Hong Kong risk-based regime (effective July 1, 2024). Particularly, in consideration of its business development and prospective earnings volatility. The reinsurer is susceptible to credit and market risks due to its large holdings of high-risk assets. Potential asset impairment loss amid rising counterparty risk on legacy investments could also weigh on its capital position. We believe Taiping Re will continue to follow its parent group's tightened investment risk control.

*On IFRS 17 basis. All data on IFRS 17 basis.

Toa Reinsurance Co.

Financial Strength Rating: A/Stable/--
Issuer Credit Rating: A/Stable/--

Contact: Kentaro Mukoyama (kentaro.mukoyama@spglobal.com)

Toa Re's strong foothold in the Japan reinsurance market and excellent capital position support its overall credit profile. Toa Re is the only reinsurance group in Japan that serves both the non-life and life sectors in domestic and overseas markets, and it has maintained direct relationships with Japanese clients since its establishment in 1940. Toa Re had expanded its business portfolio overseas to diversify its earning source and risk, although the performance of overseas business has not been fully successful, in our view.

The group's operating performance had deteriorated during fiscal 2018 to 2022 (year ending March 31) with over 100% combined ratio. This was caused by a series of unforeseen industry-wide events such as the pandemic, additional reserve accumulation in its U.S. non-life reinsurance business because of social inflation, and several natural catastrophes. In response to this, the group has sought to improve its profitability. As a result, the group's underwriting performance improved with around 97% combined ratio in fiscal 2023.

In addition, we expect Toa Re's strong capital commitment to work and to take measures to secure its capital level commensurate with the '99.99%' confidence level in our model. The group has publicly set such numerical targets for capital in its medium-term management plan.

Related Research

- [Insurers Focus On Underwriting To Tackle Climate Risk](#), Sept. 10, 2024
- [Global Reinsurance Highlights 2024 - Global Reinsurance Highlights 2024 \(spglobal.com\)](#), Sept. 3, 2024
- [Global Reinsurers Must Maintain Discipline To Cement Strong Performance Amid Casualty Risks](#), Sept. 3, 2024
- [Asia-Pacific Insurance Sector Trends Indicate A Return To Fundamentals](#) , March 5, 2024

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