



## RATING ACTION COMMENTARY

# Fitch Affirms China Taiping Insurance Group's IDR at 'A'; Outlook Stable

Thu 10 Mar, 2022 - 3:24 AM ET

### Related Fitch Ratings Content:

[China Taiping Insurance Group Ltd. and Subsidiaries](#)

Fitch Ratings - Hong Kong - 10 Mar 2022: Fitch Ratings has affirmed the Long-Term Issuer Default Ratings (IDR) on China Taiping Insurance Group Ltd. (TPG), China Taiping Insurance Group (HK) Company Limited (TPG (HK)) and China Taiping Insurance Holdings Company Limited (CTIH) at 'A'.

The agency has also affirmed Taiping Life Insurance Company Limited's (TPL) Insurer Financial Strength (IFS) Rating at 'A+' (Strong) and the IFS Rating on Taiping Reinsurance Company Limited (TPRe) at 'A' ('Strong'). The Outlook on all the ratings is Stable.

### KEY RATING DRIVERS

The rating on TPG benefits from a two-notch uplift from the Standalone Credit Profile (SACP) because Fitch believes China's (A+/Stable) Ministry of Finance (MoF), which owns 90% of TPG, is likely to extend support to the group in times of stress. Fitch considers TPL and TPRe as 'Core' and 'Very Important' to TPG, respectively, under its group rating methodology. TPL's rating is based on the agency's assessment of TPG's consolidated credit profile, and TPRe's rating reflects its own SACP.

The rating affirmations reflect TPG's 'Most Favourable' company profile, 'Good' capitalisation and 'Strong' financial performance.

TPG's company profile reflects its 'Most Favourable' business profile and 'Moderate/Favourable' corporate governance compared with that of other insurers in China, considering its strong brand recognition, and its diversified business lines and geographies through its operating subsidiaries in mainland China, Hong Kong and other parts of the world. The diversity of its premium sources mitigates event risk in a single market segment. The group has presence in the life, non-life, reinsurance and pension markets. Fitch scores TPG's company profile at 'a+' under the agency's credit-factor scoring guidelines.

Fitch assesses TPG's capital position as 'Good' and expects the group's position to have remained so by end-2021. TPG's capitalisation score, as measured by Fitch Prism Model, stayed in the 'Adequate' category as of end-1H21. An increasing exposure to risky assets, mainly equity-type investments by TPL, weighs on TPG's consolidated risk-based capitalisation. Fitch expects TPL's high risky asset exposure, with adjustment for loss sharing of the participating life business, to have been sustained at above 2x of its capitalisation at end-2021 after increasing from 1H21, which was far in excess of the guideline for an IFS 'A' rated life insurer. This could translate into higher volatility in TPL's earnings and capital if its risky asset exposure continues to rise.

The comprehensive solvency ratios of TPG and TPL under the China Risk-Oriented Solvency System (C-ROSS) were 211% as of end-June 2021 (end-2020: 215%) and 202% as of end-September 2021 (end-2020: 213%), respectively. On 6 December 2021 and 18 January 2022, TPL completed the issuance of two tranches of capital supplementary bonds, totalling CNY15 billion. This may reduce pressure on its solvency position under the C-ROSS phase 2 framework, which was implemented in 2022 and has tighter capital requirements on high-risk assets.

TPG's consolidated financial leverage ratio was 24% at end-1H21. Fitch estimates the ratio to have remained commensurate with the rating at end-2021, following the CNY10 billion subordinated debt issued by TPL in December 2021.

Fitch views TPG's financial performance as 'Strong' despite lingering challenges in the economy and insurance market due to the coronavirus. The group's return on equity (ROE) was 5.9% in 1H21, up from 3.4% in 1H20, largely because it benefitted from gains in the A-share market, which provided an earnings buffer against a challenging industry backdrop in 2021.

Fitch expects TPL's profitability to have remained commensurate with its rating by end-2021. New business value (NBV) rose by 29.1% and NBV margin increased by 4.2pp to 17.6% yoy in 1H21. While the share of premiums generated from the individual agency

channel reduced, TPL sold more regular-premium policies with higher value and payment terms of 10 years or more via bancassurance, which helped to sustain margins.

The affirmation of TPRE's IFS rating reflects its robust capitalisation, strong brand recognition in the industry and underwriting performance, which has been weakened by higher claims in the past two years.

Fitch expects TPRE's risk-based capitalisation, as measured by the Fitch Prism Model, to have remained strong at end-2021, but its capital buffer narrowed largely because of an increase in asset risk. Its regulatory solvency ratio stood at 316% at end-June 2021, down from 354% at end-2020.

TPRe returned to a net profit in 1H21, after a net loss a year earlier that was due to higher claims and asset-impairment losses driven by increased credit risk amid the pandemic. The combined ratio of its non-life portfolio remained stable at 95% in 1H21, averaging 99% during 2018-2020. However, Fitch estimates the combined ratio to have risen to above 100% by end-2021 (2020: 103%), considering severe weather-related claims in 2H21, including heavy rainfall in Henan in July 2021. TPRE's underwriting result has been undermined by a deterioration in the loss ratio. Fitch estimates the average combined ratio during 2019-2021 remains commensurate with an IFS 'A' rated reinsurer.

TPRe has an established brand, a diversified product mix and remains focused on its core markets in APAC, mainly Greater China. The strategic investor, Ageas Insurance International N.V. (IDR: A+/Stable), may share underwriting expertise with TPRE, which supports its long-term business expansion in Europe and other Asian markets.

## **RATING SENSITIVITIES**

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- A significant change in shareholding that results in the Ministry of Finance losing its controlling interest in TPG and CTIH, or a downgrade of China's Long-Term Local-Currency IDR (A+/Stable).
- Fitch's perception that the significance of TPG in China's insurance sector has diminished.

Factors that could, individually or collectively, lead to lowering of the SACP:

- TPG fails to improve the Fitch Prism Model score to marginally 'Strong' on a sustained basis.

- The group's consolidated financial-leverage ratio above 35% consistently.
- A continued deterioration in the risky-asset ratio.
- Sustained weakening in financial performance, including TPG's ROE falling below 7% and a sharp decline in TPL's NBV.

For TPre:

- TPre's Fitch Prism Model score consistently at the lower end of the 'Strong' level.
- Combined ratio above 101%, for a sustained period.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- An upgrade of China's Long-Term Local-Currency IDR

Factors that could, individually or collectively, lead to a raise in the SACP:

- TPG's Fitch Prism Model score improves to a level well into 'Strong' and the consolidated financial leverage ratio below 24% on a sustained basis.
- The group's ROE consistently exceeding 11%.

For TPre:

- TPre's Fitch Prism Model score sustained well into the 'Very Strong' level;
- The combined ratio below 98% consistently.

## **BEST/WORST CASE RATING SCENARIO**

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit

<https://www.fitchratings.com/site/re/10111579>

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg)

## RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕		PRIOR ↕
China Taiping Insurance Group Ltd.	LT IDR	A Rating Outlook Stable	A Rating Outlook Stable
	Affirmed		
China Taiping New Horizon Limited			
senior unsecured	LT	A- Affirmed	A-
Taiping Life Insurance Company Limited	Ins Fin Str	A+ Rating Outlook Stable	A+ Rating Outlook Stable
	Affirmed		
China Taiping Insurance Holdings Company Limited	LT IDR	A Rating Outlook Stable	A Rating Outlook Stable
	Affirmed		
China Taiping Insurance Group (HK) Company Limited	LT IDR	A Rating Outlook Stable	A Rating Outlook Stable
	Affirmed		

[VIEW ADDITIONAL RATING DETAILS](#)**FITCH RATINGS ANALYSTS****Stella Ng**

Director

Primary Rating Analyst

+852 2263 9615

stella.ng@fitchratings.com

Fitch (Hong Kong) Limited

19/F Man Yee Building 60-68 Des Voeux Road Central Hong Kong

**Terrence Wong**

Senior Director

Secondary Rating Analyst

+852 2263 9920

terrence.wong@fitchratings.com

**Jeffrey Liew**

Senior Director

Committee Chairperson

+852 2263 9939

jeffrey.liew@fitchratings.com

**MEDIA CONTACTS****Alanis Ko**

Hong Kong

+852 2263 9953

alanis.ko@thefitchgroup.com

**Wai Lun Wan**

Hong Kong

+852 2263 9935

wailun.wan@thefitchgroup.com

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)**PARTICIPATION STATUS**

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following

issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

## APPLICABLE CRITERIA

[Insurance Rating Criteria \(pub. 26 Nov 2021\) \(including rating assumption sensitivity\)](#)

## APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Factor-Based Capital Model, v1.7.2 (1)

## ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

## ENDORSEMENT STATUS

China Taiping Capital Limited	EU Endorsed, UK Endorsed
China Taiping Insurance Group (HK) Company Limited	EU Endorsed, UK Endorsed
China Taiping Insurance Group Ltd.	EU Endorsed, UK Endorsed
China Taiping Insurance Holdings Company Limited	EU Endorsed, UK Endorsed
China Taiping New Horizon Limited	EU Endorsed, UK Endorsed
Taiping Life Insurance Company Limited	EU Endorsed, UK Endorsed
Taiping Reinsurance Company Limited	EU Endorsed, UK Endorsed

## DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers.

Please read these limitations and disclaimers by following this link:

<https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders<sup>1</sup>™ relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties.

Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk,

unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Copyright © 2022 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax:

(212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

[READ LESS](#)

## SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

## ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be.

Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

---

Insurance   Asia-Pacific   Hong Kong, China   China

---