

15 APR 2024

Fitch Revises Outlooks on 6 Chinese Insurers to Negative After Sovereign Rating Action

Fitch Ratings - Hong Kong - 15 Apr 2024: Fitch Ratings has affirmed the ratings of seven Chinese insurers, and revised the Outlooks for six of these seven to Negative while the Outlook on the seventh remains Stable. The rating actions followed Fitch's revision of the Outlook on China's Long-Term Foreign-Currency Issuer Default Rating (IDR) to Negative from Stable and affirmation of the IDR at 'A+'.

For the sovereign rating action, please refer to Fitch's [rating action commentary](#) published on 9 April 2024.

The rating actions are as follow:

Affirmed China Export & Credit Insurance Corporation's (SINOSURE) IFS rating at 'A+', and revised the Outlook to Negative from Stable;

Affirmed China Life Insurance Company Limited's IFS rating at 'A+' with Stable Outlook;

Affirmed China Taiping Insurance Group Ltd.'s Long-Term IDR at 'A', and revised the Outlook to Negative from Stable;

Affirmed China Taiping Insurance Group (HK) Company Limited's Long-Term IDR at 'A', and revised the Outlook to Negative from Stable;

Affirmed China Taiping Insurance Holdings Company Limited's Long-Term IDR at 'A', and revised the Outlook to Negative from Stable;

Affirmed Taiping Life Insurance Company Limited's Insurer Financial Strength (IFS) rating at 'A+', and revised the Outlook to Negative from Stable;

Affirmed PICC Life Insurance Company Limited's IFS rating at 'A+', and revised the Outlook to Negative from Stable.

A full list of rating actions is at the end of this rating action commentary.

Key Rating Drivers

The Outlook on the six insurers is Negative, mirroring the Outlook on China's sovereign rating, as these ratings incorporate government ownership support to different degrees. The Negative Outlook reflects a potential decline in the willingness and ability of the government to support insurers with weaker standalone credit quality, during times of financial stress.

However, we expect China Life's rating, which reflects its stronger standalone credit quality and no government ownership uplift, to be in a better position to withstand any adverse effects from deterioration in the sovereign's credit profile, and thus we affirmed its ratings and Outlook.

Fitch's assessments on investment and asset risk for the insurers, which considers their sovereign investment concentration risks, are incorporated in their standalone credit quality. Our current investment and asset risk scores are well below the sovereign rating, reflecting the insurers' sizeable exposure to equity-type risky investments. Thus, a deterioration in the sovereign rating may not cause an immediate change to the scores.

SINOSURE

The rating affirmation reflects SINOSURE's ownership ties with China's MoF and Central Huijin Investment Ltd, a wholly owned subsidiary of the sovereign wealth fund, China Investment Corporation. The rating recognises SINOSURE's important role in supporting China's export trading activities. Fitch adopts a top-down approach in evaluating the insurer's credit profile, and the rating is in line with the sovereign rating.

China Life Insurance Company Ltd

The rating affirmation reflects the insurer's strong solvency position and quality growth in 2023. Its large policyholder base and Fitch's perception of China Life's significance in the domestic life insurance sector remain intact. The ratings do not incorporate uplift to reflect the explicit support from the Chinese government, but take into consideration China Life's standalone credit quality. China Life has limited policy obligations denominated in foreign currencies and the rating is not currently subject to the Country Ceiling.

China Taiping Insurance Group Ltd. (TPG) and subsidiaries

The rating affirmation reflects its resilient financial performance and solid solvency buffer in 2023. The ratings benefit from a two-notch uplift from their standalone credit quality in a consideration of a 90.7% stake in TPG held by China's Ministry of Finance (MoF) and the support to the group. The MoF injected CNY2.5 billion into TPG in May 2023 to support the group's deleveraging plan and stable growth. We view Taiping Life as 'Core' to the insurance group under Fitch's group rating methodology. Taiping Reinsurance Company Limited is not considered for this rating action because its IFS rating of 'A'/Stable reflects its standalone credit quality without any uplift provided.

PICC Life Insurance Company Limited

The rating affirmation reflects PICC Life's stable solvency buffer, ongoing new business value growth, 'Favourable' company profile and ownership linkage with China's MoF. We have added a three-notch uplift to its standalone credit quality, recognising that it is ultimately owned by the Chinese government. PICC Life is the only life insurer of The People's Insurance Company (Group) of China Limited (PICC Group), which is majority and directly owned by the MoF.

RATING SENSITIVITIES

SINOSURE

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

- A negative change in Fitch's view of the creditworthiness of China would be mirrored in the insurer's rating;
- Fitch's perception of reduced government support due to a material change in SINOSURE's shareholding structure, with the central government losing its controlling stake in the insurer.

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

- A positive change in Fitch's view of the creditworthiness of China would be mirrored in the insurer's rating.

China Life Insurance Company Ltd

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

- A significant change in shareholding structure that results in the MoF losing its controlling stake in China Life's majority shareholder or a significant deterioration in China's sovereign ratings;
- Fitch's perception that the Chinese government is reducing its willingness to support China Life or the insurer has diminishing significance in the domestic life insurance sector.

Factors that could, individually or collectively, lead to lower standalone credit quality:

- Continued rise in the Fitch-calculated risky asset ratio;
- Substantial decline in China Life's capital strength, as measured by the Fitch Prism model score;
- Deterioration in financial performance for a sustained period.

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

- Sustained improvement in the Fitch Prism model score;
- A significant improvement in the company profile, in terms of greater geographical diversification in overseas markets while maintaining strong financial performance.

China Taiping Insurance Group Ltd. (TPG) and subsidiaries

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

- A significant change in shareholding that results in the MoF losing its controlling interest in TPG and China Taiping Insurance Holdings Company Limited, or a downgrade of China's Long-Term IDR.

Factors that could, individually or collectively, lead to lowering of the standalone credit quality:

- TPG's Fitch Prism Model score weakens significantly on a sustained basis;
- A sharp rise in Taiping Life's risky-asset ratio;
- Prolonged weakening in financial performance and earnings, including a sharp decline in Taiping Life's new business value.

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

- A positive change in Fitch's view of the creditworthiness of China would be mirrored in the insurer's rating.

Factors that could, individually or collectively, lead to raising of the standalone credit quality:

- A significant improvement in TPG's Fitch Prism Model score and a persistent decrease in its consolidated financial leverage ratio;
- The group's profitability improves for a prolonged period.

PICC Life Insurance Company Limited

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

- Change in the ownership structure that results in the MoF losing its controlling stake in PICC Life or a downgrade of China's Long-Term IDR;
- Fitch's perception that PICC Life has diminishing significance in China's life insurance sector

Factors that could, individually or collectively, lead to lower standalone credit quality:

- Sustained decline in capital strength, with the capital score, computed by Fitch's Prism model, at below 'Adequate' for a prolonged period;
- Material increase in PICC Group's consolidated financial leverage to above 30% on a sustained basis.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- A positive change in Fitch's view of the creditworthiness of China would be mirrored in the insurer's rating.

Factors that could, individually or collectively, lead to higher standalone credit quality:

- Stronger capitalisation, with the Fitch Prism model score improving to 'Strong' or above;
- Improved operating stability and profitability with a higher new business value margin due to better business quality;
- Expansion of distribution capability, such as broader agency force coverage.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entities, either due to their nature or the way in which they are being managed by the entities. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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.

Public Ratings with Credit Linkage to other ratings

China Export & Credit Insurance's IFS Rating is tied to China's sovereign rating.

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
China Export & Credit Insurance Corporation	LT IFS	A+ 	Affirmed	A+ 
China Life Insurance Company Limited	LT IFS	A+ 	Affirmed	A+ 
	LT IDR	A 	Affirmed	A 
China Taiping Insurance Group Ltd.	LT IDR	A 	Affirmed	A 
China Taiping Insurance Group (HK) Company Limited	LT IDR	A 	Affirmed	A 
China	LT IDR	A 	Affirmed	A 

ENTITY/DEBT	RATING	RECOVERY	PRIOR	
Taiping Insurance Holdings Company Limited	• subordinated	BBB+	Affirmed	BBB+
Taiping Life Insurance Company Limited	LT IFS	A+ 	Affirmed	A+ 
PICC Life Insurance Company Limited	LT IFS	A+ 	Affirmed	A+ 

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

[Insurance Rating Criteria \(pub.04 Mar 2024\) \(including rating assumption sensitivity\)](#)

Applicable Models

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

Prism Factor-Based Capital Model, v1.8.0 [\(1\)](#)

Additional Disclosures

Solicitation Status

Endorsement Status

China Export & Credit Insurance Corporation	EU Endorsed, UK Endorsed
China Life Insurance Company 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
PICC Life Insurance Company Limited	EU Endorsed, UK Endorsed
Taiping Life Insurance Company Limited	EU Endorsed, UK Endorsed

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