S&P Global
Ratings

RatingsDirect®

Taiping Reinsurance Co. Ltd.

May 13, 2025

Primary contact

Judy Chen
Hong Kong
852-2532-8059
judy.chen
@spglobal.com

Secondary contacts

WenWen Chen
Hong Kong
852-2533-3559
wenwen.chen
@spglobal.com

June Wang
Hong Kong
852-25333590
june.wang2
@spglobal.com

Major Rating Factor

Implicit parental support under all circumstances, if required, given the reinsurer's status as a core subsidiary of China Taiping Insurance Group (HK) Co. Ltd. and China Taiping Insurance Holdings Co. Ltd. (CTIH)--collectively the China Taiping Insurance Group.

Rationale

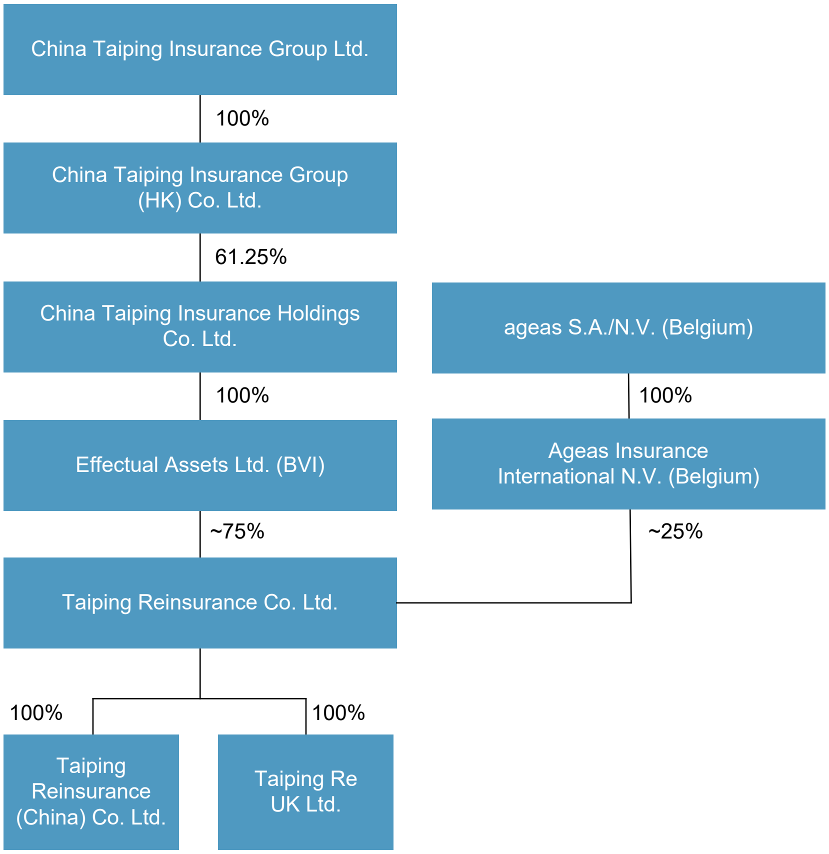
The rating on Taiping Reinsurance Co. Ltd. (Taiping Re; A/Stable/--) reflects the reinsurer's key role in supporting the internationalization strategy of its ultimate parent, China Taiping Insurance Group.

Taiping Re provides reinsurance support and regional insurance market insights that help the parent group’s expansion in the Greater Bay Area (Hong Kong, Macau, and Guangdong) and in international markets. We therefore view Taiping Re as a core subsidiary of the parent group, and equalize the ratings on the reinsurer with our 'a' assessment of the group credit profile.

We believe extraordinary support from the Chinese government to China Taiping Insurance Group would extend to Taiping Re.

We also believe China Taiping Insurance Group will remain Taiping Re's dominant shareholder over the next two years, given the reinsurer's crucial strategic role.

Taiping Re's organizational structure
As of Dec. 31, 2024



Source: Company disclosure.

Taiping Re, headquartered in Hong Kong, benefits from the parent group's branding and strong long-term commitment. This is demonstrated by the parent's record of providing assistance in asset management, capital, information technology, and risk management governance.

In addition, we believe the parent group will provide ready support to fund Taiping Re's business development when needed. As of end-2024, the reinsurer accounted for 9.9% of the total reported capital and 7.5% of net profit of CTIH (2023: 8.3% and 3.2%), on a International Financial Reporting Standard (IFRS) 17 basis.

We also expect Taiping Re to deepen its collaboration with Belgium-based Ageas Insurance International N.V., a strategic minority investor since 2020 with a 25% stake. This strategic partnership will likely provide the reinsurer with experience in Ageas' markets to support growth of its international portfolio.

Taiping Re's evolving risk selection and continuous review of in-force portfolio should enable it to sustain its underwriting profit; we project the reinsurer will have a combined ratio of 96%-99% (based on IFRS 17) for its P/C portfolio over the next two years, considering the impact of moderating reinsurance premiums amid ample capacity. Taiping Re achieved a net combined ratio of 91.5%§ (based on IFRS 17) in 2024, compared with 94.9% a year earlier. The combined ratio indicates an insurer's profitability; a ratio below 100% reflects underwriting profits.

However, large losses tied to natural disaster events and demand for reserve top-up could lead to underwriting volatility.

Tightening underwriting discipline could curb Taiping Re's business growth over the next two years. The reinsurer's property and casualty (P/C) reinsurance premium contracted 8.9% in 2024, partly due to the exit of loss-making accounts as part of a portfolio optimization exercise. In addition, a slower global economy amid tariff uncertainties could undermine insurance demand for primary insurers. This, together with moderating prices in the reinsurance market, will further trim growth in reinsurance premium.

Protection-type policies and demand from financial reinsurance will likely be the main growth drivers for Taiping Re's life reinsurance segment over the next two years. The company's life reinsurance segment grew 7.7% in 2024, with a strong 21.9% growth in financial reinsurance and 9.5% growth of protection-type policies. We attribute the strong demand from financial reinsurance to primary life insurers' need to support their regulatory capital as they transition to Hong Kong risk-based capital regime.

Meanwhile, we believe Taiping Re is committed to limiting growth in capital-intensive savings-type policies. Premiums from such policies dropped by 88.1% in 2024, compared with the 2021 level.

Taiping Re's China-based subsidiary, Taiping Reinsurance (China) Co. Ltd. (Taiping Re China; not rated), will likely resume modest growth over the next two years. This is after a 11.1% contraction in RMB terms in 2024 to manage the regulatory solvency buffer. We consider Taiping Re China's credit profile to be weaker than Taiping Re's.

Taiping Re's capital and earnings are sensitive to fluctuations in capital markets, given its large holding of high-risk assets. These assets include speculative-grade fixed-income instruments, equity, and investment property. The reinsurer achieved a notable 187.5% growth in net profit to HK$957.4 million in 2024 (under the IFRS 17), primarily driven by a recovery in investment return. We anticipate the reinsurer's return on shareholders' equity will be 1%-4% over the next two years, considering the reduction in investment returns amid a gradual decline in interest rates.

Amid persistent capital market volatility and intensifying credit strain in the backdrop of trade policy uncertainty, Taiping Re will likely continue to adhere to the parent group's stringent investment risk controls, especially following substantial asset impairments in recent years.

We expect Taiping Re to operate with a buffer over its regulatory solvency position. In our view, the company could benefit from good access to external capital and liquidity, as the flagship reinsurance subsidiary of its parent group, to back business expansion and regulatory developments. As of Dec. 31, 2024, the reinsurer reported approximately HK$ 1.5 billion in outstanding debt and borrowings, with a regulatory solvency ratio of about 180% (unaudited) under the Hong Kong risk-based regime.

Taiping Re's net retained catastrophe exposure is comparable to its regional peers'. Natural catastrophic events and non-modeled risks tied to rapid urbanization may necessitate a more proactive review of risk accumulation and effective risk mitigation. As part of its risk mitigation strategy, the reinsurer issued a US$35 million three-year catastrophe bond in Hong Kong through Silk Road Re Ltd., offering coverage for named storms in the United States and earthquakes in mainland China.

Taiping Re operates within the broader governance and risk management framework of its parent group, regularly revisiting and adjusting risk limit indicators to align with business development goals. Furthermore, the reinsurer benefits from Ageas' expertise in risk management as it continues to grow in overseas markets.

Outlook

The stable rating outlook on Taiping Re reflects the outlook on China Taiping Insurance Group (HK). The rating and outlook on Taiping Re will move in tandem with that on the holding companies of China Taiping Insurance Group. We expect Taiping Re to remain a core subsidiary of its parent group over the next two years.

Downside scenario

We may downgrade Taiping Re if we lower our assessment of China Taiping Insurance Group's group credit profile.

We may also lower the rating on Taiping Re if we consider that the reinsurer's importance to the parent group has reduced. We consider this to be unlikely over the next two years.

Upside scenario

We may raise the rating on Taiping Re of we believe the group's credit profile will improve over the next two years.

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Global Reinsurers Stand Strong Amid Investment Volatility And Natural Disasters, April 10, 2025
- Global Reinsurance Sector View 2025, Jan. 29, 2025
- China Taiping Insurance Group (HK) Co. Ltd. China Taiping Insurance Holdings Co. Ltd., And Operating Subsidiaries, Nov. 1, 2024
- China Taiping Insurance Group Entities Ratings Affirmed Following Revised Capital Model Criteria; Outlook Stable, Oct. 10, 2024

Appendix

Taiping Reinsurance Co. Ltd.--Credit Metrics History

Ratio/Metric (Mil. HK$)	2024*	2023*	2022	2021	2020
Total invested assets	40,454.0	43,964.2	44,617.3	48,204.1	41,948.2
Total shareholder equity	12,123.3	11,008.0	11,050.5	11,756.1	12,073.8
Insurance revenue/Gross premium written*	8,629.7	9,418.5	17,750.0	18,237.6	16,266.7
EBIT	1,137.4	459.3	81.5	66.5	(189.5)
Net income (attributable to all shareholders)	957.4	333.0	61.4	9.6	(169.6)
Return on revenue (%)	14.8	12.8	5.3	0.9	0.9
Return on shareholders' equity (%)	8.3	3.0	0.5	0.1	(1.6)
P/C: net combined ratio§ (%)	91.5	94.9	102.7	104.1	104.5
Net investment yield (%)	4.1	4.1	4.1	3.8	4.2
Net investment yield including investment gains/(losses) (%)	3.1	1.8	2.4	3.6	3.4

*Data from 2023 onward are based on International Financial Reporting Standards (IFRS) 17 and data prior to 2023 is based on IFRS 4. §Net combined ratio under IFRS17 is insurance service expenses net of reinsurance revenues divided by insurance revenues net of reinsurance expenses. P/C--Property/casualty.

Ratings Detail (as of April 28, 2025)*	
Operating Companies Covered By This Report	
Taiping Reinsurance Co. Ltd.	
Financial Strength Rating	
Local Currency	A/Stable/--
Issuer Credit Rating	
Local Currency	A/Stable/--
Domicile	Hong Kong

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings’ credit ratings on the global scale are comparable across countries. S&P Global Ratings’ credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.