

AM Best Assigns Credit Ratings to Chaucer Insurance Company DAC; Affirms Ratings of China Reinsurance (Group) Corp and Subs

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AM Best has assigned a Financial Strength Rating (FSR) of A (Excellent) and a Long-Term Issuer Credit Rating (Long-Term ICR) of “a” to Chaucer Insurance Company Designated Activity Company (CIC) (Ireland). The outlook assigned to these Credit Ratings (ratings) is stable. Concurrently, AM Best has affirmed the FSR of A (Excellent) and the Long-Term ICRs of “a” of China Reinsurance (Group) Corporation (China Re) (China) and its subsidiaries, China Property & Casualty Reinsurance Company Ltd. (China Re P&C) (China), China Life Reinsurance Company Ltd. (China Re Life) (China) and China Continent Property & Casualty Insurance Company Ltd (China Continent Insurance) (China). The outlook of these ratings is stable. CIC is a newly added member of China Re, of which China Re P&C, China Re Life and China Continent Insurance are the other members.

The ratings reflect China Re’s balance sheet strength, which AM Best categorizes as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.

The ratings also recognize China Re as the sole state-owned reinsurance group in China, through the 11.45% stake owned directly by the Ministry of Finance of the People’s Republic of China (PRC) and the 71.56% stake owned by Central Hujin Investment Ltd., which is a wholly owned subsidiary of the PRC’s sovereign wealth fund, the China Investment Corporation.

China Re’s consolidated risk-adjusted capitalization, as measured by Best’s Capital Adequacy Ratio (BCAR), remained at the strongest level as of year-end 2018. As a publicly listed company, China Re has favorable financial flexibility from the equity market and debt market. The group issued two senior notes, totaling USD 1.5 billion in 2017. In August and November 2018, China Re P&C and China Re Life also issued RMB 4 billion (USD 580 million) and RMB 5 billion (USD 720 million) capital supplementary bonds, respectively. Furthermore, in April 2018, the group introduced strategic investors to China Continent Insurance, which raised capital of RMB 10.7 billion (USD 1.5 billion).

China Re completed the closing of the acquisition of 100% equity interest of Chaucer, the collective franchise comprising China Re International Holdings Limited (CRIH) (formerly The Hanover

Insurance International Holdings Limited), CIC and China Re Australia HoldCo Pty Ltd (CRAH) (formerly Hanover Australia HoldCo Pty Ltd) on Dec. 28, 2018, Feb. 14, 2019, and April 10, 2019, respectively. AM Best expects China Re's consolidated adjusted financial leverage ratio will remain at a moderate level in 2019.

The group has a track record of profitable operating results, mainly attributed to favorable investment return from fixed income investments, while underwriting margins across the group's key business segments remain subdued due to the continued intense market competition.

China Re maintains the leading position in domestic property/casualty (P/C), and domestic life reinsurance markets, while it also is one of the top players in the country's primary P/C segment. AM Best does not expect the overall strategic competitiveness to be challenged over the short to intermediate term. In addition, the recent acquisition of Chaucer has boosted the group's overseas P/C reinsurance revenue significantly, accounting for 37% of total P/C reinsurance premiums in the first half of 2019, compared with 16% in the same period last year. Going forward, AM Best expects the group to continue to expand its international footprint in the P/C and life reinsurance segments.

Positive rating actions could occur if China Re's global footprint can demonstrate a strengthening trend through successfully integrating with Chaucer, or if the company demonstrates sustained improvement in its underwriting profitability.

Negative rating actions could occur if China Re's consolidated risk-adjusted capitalization decreases significantly, its leverage ratio increases significantly or if the company exhibits a sustained deteriorating trend in its operating performance.

The ratings of CIC reflect China Re's rating building blocks, while also benefiting from implicit and explicit support provided by its parent, including intra-group reinsurance and a net worth maintenance agreement. CIC is set to be a key engine for China Re's overseas growth, namely in the European Economic Area market (including the United Kingdom) and the United States.

AM Best remains the leading rating agency of alternative risk transfer entities, with more than 200 such vehicles rated throughout the world. For current Best's Credit Ratings and independent data on the captive and alternative risk transfer insurance market, please visit www.ambest.com/captive.

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 [Understanding Best's Credit Ratings](#). For information on the proper media use of Best's Credit Ratings and AM Best press releases, please view [Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases](#).

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