



China Reinsurance (Group) Corporation (1508.HK)

# 2020 Interim Results Announcement

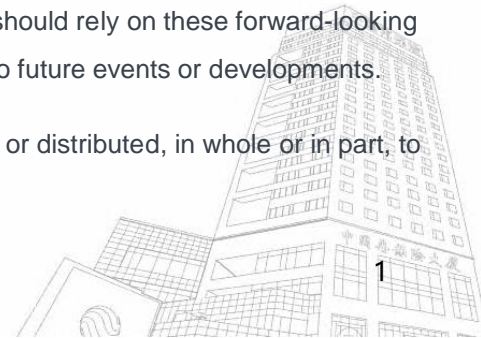
31 August 2020

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# Contents

- 01** | **Results Overview**
- 02** | **Business Analysis**
- 03** | **Outlook**

# China Re shows steady progress against COVID-19 impact



**Rapid growth in  
premiums**



**Investment result  
outperformed the market**



**Solid results excluding  
overseas COVID-19 impact**



**Accelerated implementation  
in strategic outcome**



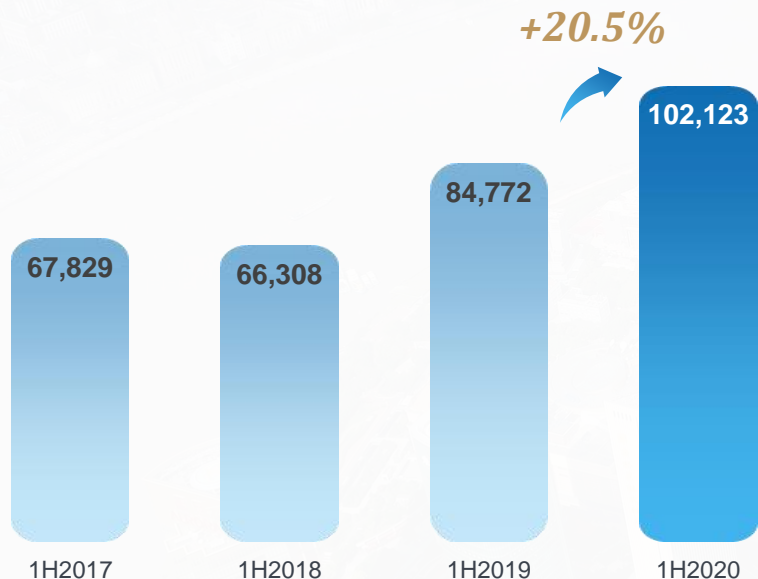
**Solid persistence  
in risk management**

# Results overview: rapid growth in premiums



## Gross written premiums of the Group consolidated

(RMB in million)



## Premiums growth from key business

**+20.8%**

Domestic  
P&C reinsurance

**+27.7%**

Of which:  
the emerging lines

**+14.9%**

Overseas  
P&C reinsurance

**+24.4%**

Domestic protection-type  
business of L&H reinsurance



# Results overview: investment result outperformed the market

With the cut of interest rates and the volatility of the capital market, the Company seized opportunities to optimize the allocation, achieving a YOY increase in the annualized total investment yield.

Annualized  
total investment yield

**5.48%**

**+0.29 ppts**

## Equity investment outperforming the market



Comprehensive return on secondary A-share equity surpassed the CSI 300 Index

**1,000+ bps**



Comprehensive return on secondary H-share equity surpassed the Hang Seng Index

**400+ bps**

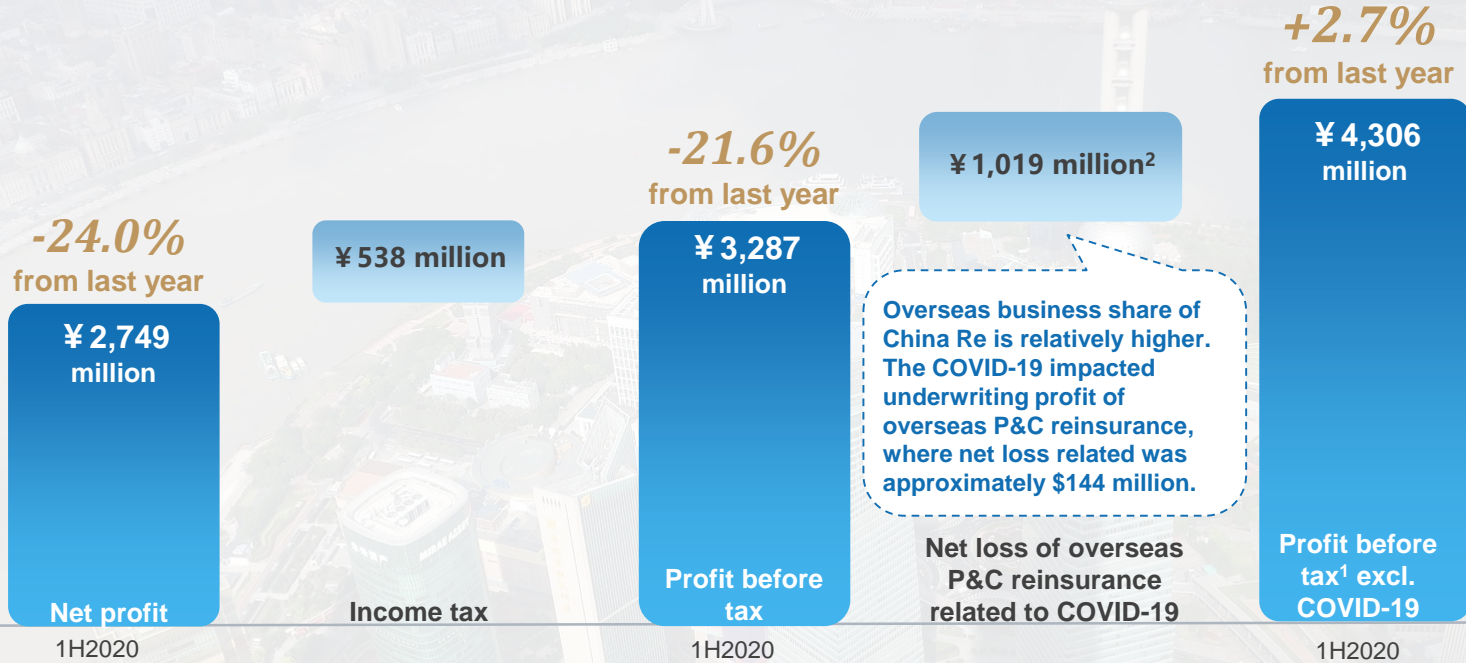
Note: 1. Comprehensive return on secondary A-share equity was calculated compared to the CSI 300 Index; Comprehensive return on secondary H-share equity was calculated compared to the Hang Seng Index.

2. Secondary equity investment excludes high dividend portfolios that aim to obtain dividends when compared with index performance.



# Results overview: solid results excluding overseas COVID-19 impact

Results of China Re remained solid excluding COVID-19 impact. Profit before tax excluding overseas COVID-19 recorded a YoY increase.



Note: 1. Profit before tax excl. COVID-19 = Profit before tax + net loss of overseas P&C reinsurance (including Chaucer) related to COVID-19

2. Central parity rate on 30 June 2020: USD/RMB=7.0795

# Results overview: accelerated implementation in strategic outcome



- China Belt and Road Reinsurance Pool (CBRRP) was established. China Re acts as the presidency of CBRRP, which will aggregate power of the industry and provide more comprehensive risk protection support for the development of the Belt and Road initiative.
- China Re P&C Malaysia Branch is about to open, achieving another breakthrough in business layout.
- The first China earthquake catastrophe model with independent intellectual property rights has been developed and applied commercially among a number of insurers.
- China Re took the lead in participating the revision of critical illness table, leading new business development under the new definition of critical illness.
- “Cancer Medical Care Lifelong” was first jointly launched and premium adjustment mechanism of long-term medical insurance has been explored.
- “Specific Drug Insurance” was first created and jointly launched, cultivating a market of “Insurance + Specific drug”. Inclusive supplementary health insurance for residents was promoted in cooperation with local social insurance system. A new model of integration between health insurance and health industry was created.
- “China Continent Super APP” platform was launched, integrating six elements of service, diversion, underwriting, interaction, claims and management into one, and realizing the transformation from traditional product operation to a technological innovation service model.

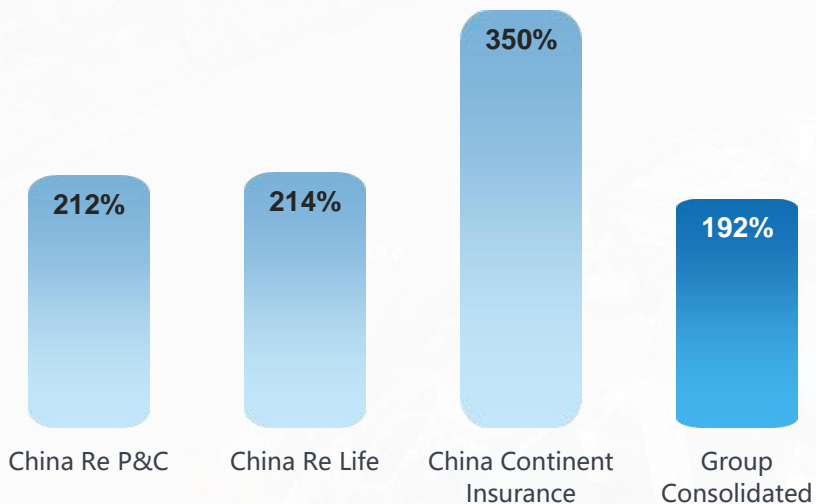


# Results overview: solid persistence in risk management



## Adequate comprehensive solvency

## Stable international ratings



**S&P Global**  
Ratings

**S&P Global “A” Rating**  
**Stable Outlook**



**A.M. Best “A (Excellent)” Rating**  
**Stable Outlook**

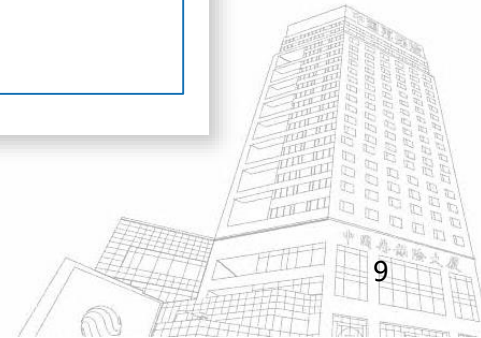


# Contents

**01** | Results Overview

**02** | Business Analysis

**03** | Outlook



# P&C reinsurance: rapid growth in premiums while underwriting profit was impacted by COVID-19



Gross written  
premiums

**¥ 27,078** million

**+17.6%**

Domestic: ¥ 18,021 million (+20.8%)

Overseas: ¥ 9,725 million (+14.9%)

Combined ratio

**102.39%**

**+5.03 ppts**

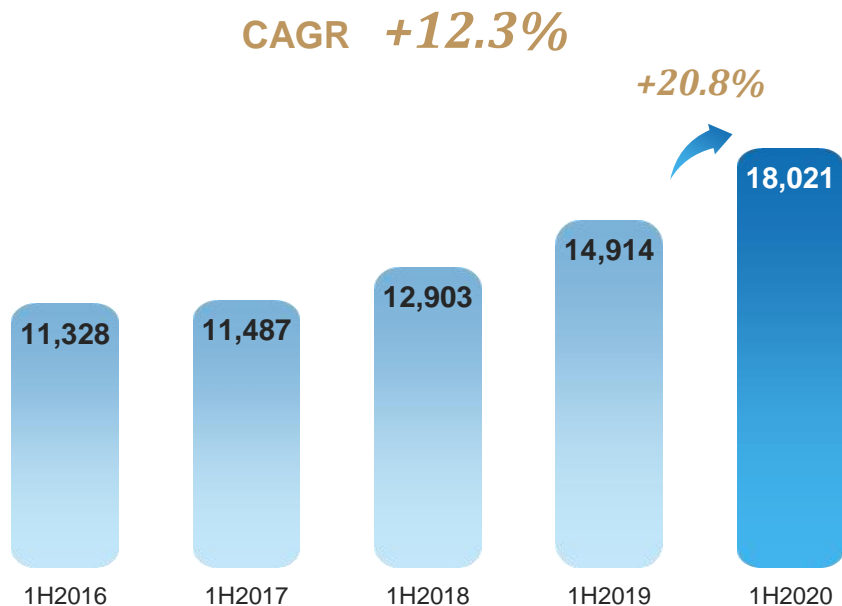
Domestic: 99.80% (+0.18 ppts)

Overseas: 110.32% (+15.15 ppts)

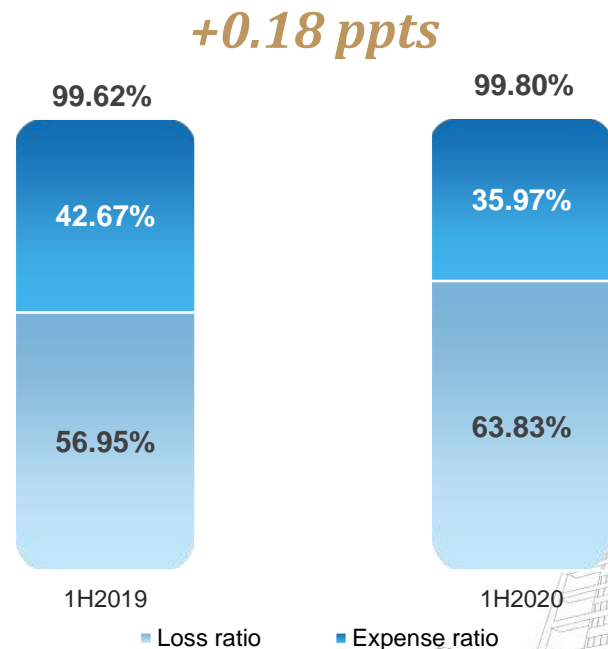


# Domestic P&C reinsurance: a new high in premiums and stable underwriting quality

## Reinsurance premiums (RMB in million)



## Combined ratio

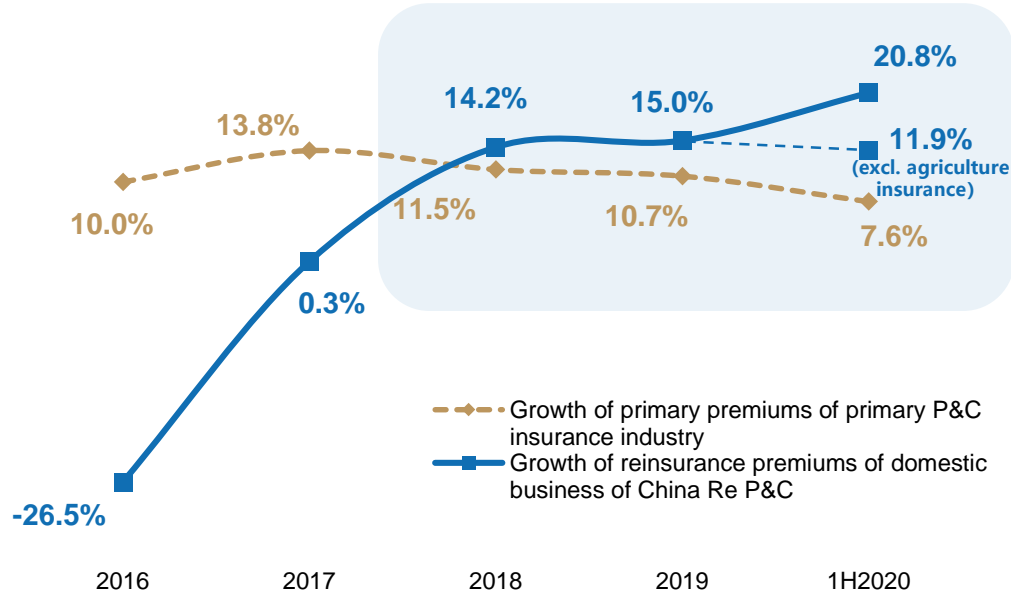


Note: 1. Domestic premiums on this page only refer to China Re P&C.



# Domestic P&C reinsurance: premiums growth continuously outperformed primary insurance industry

Compared with primary insurance industry



## Comparison of major lines

| 1H2020                            | Domestic business, China Re P&C | Primary P&C insurance industry | Growth comparison (ppts) |
|-----------------------------------|---------------------------------|--------------------------------|--------------------------|
| Motor                             | 14.2%                           | 2.9%                           | +11.3                    |
| Total non-motor                   | 24.1%                           | 14.4%                          | +9.7                     |
| Agriculture                       | 61.1%                           | 21.8%                          | +39.3                    |
| Commercial and household property | 12.5%                           | 4.8%                           | +7.7                     |
| Liability                         | 8.6%                            | 14.4%                          | -5.8                     |

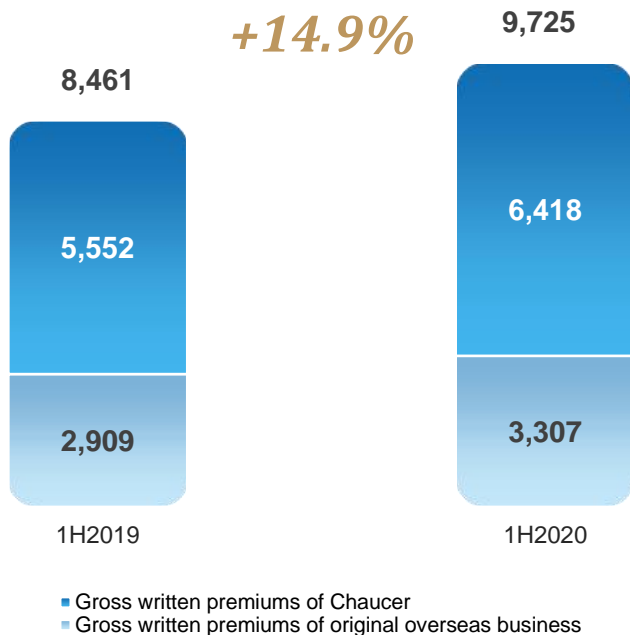
- Thanks to the accelerating transformation of growth momentum to non-motor business in P&C insurance industry, premiums growth of domestic P&C reinsurance has been outperforming that of primary P&C insurance industry, with leading position expanded in the first half of 2020.
- Excluding our fast-growing agriculture insurance business, premiums growth of domestic P&C reinsurance was 11.9%, which was better than that of primary P&C insurance industry as well.

Note: 1. Domestic premiums on this page only refer to China Re P&C.

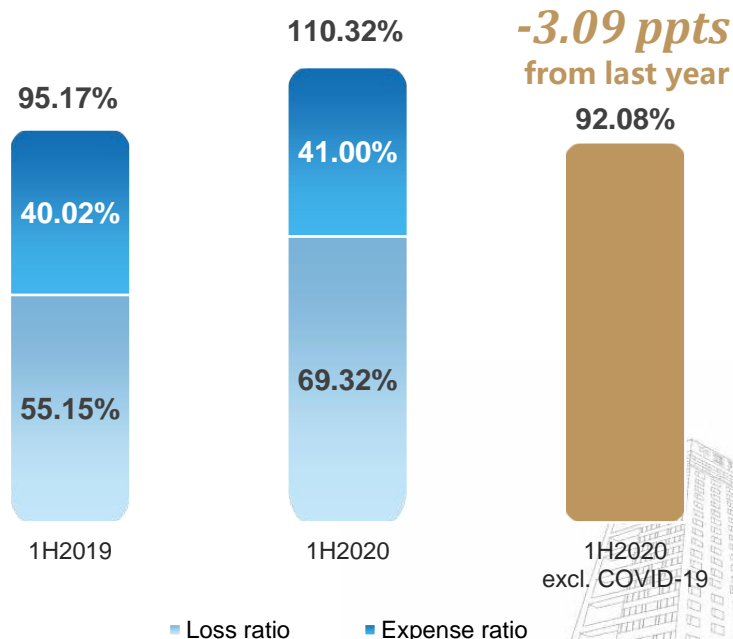
# Overseas P&C reinsurance: rapid growth in premiums and improving business quality excluding COVID-19



Gross written premiums (RMB in million)



Combined ratio



Note: 1. The original overseas P&C reinsurance business and Chaucer business are both included on this page without the elimination of connected transactions within the segment.

# L&H reinsurance: rapid growth in premiums and protection-type business strategically developed



## Reinsurance premiums

**¥ 50,286 million**

**+31.1%**

Domestic: **¥ 41,582 million (+15.7%)**

Overseas: **¥ 8,704 million (+257.5%)**

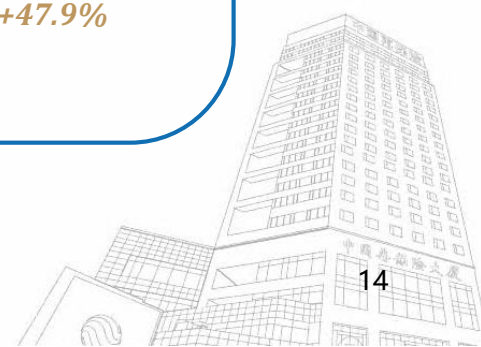
## Reinsurance premiums of domestic protection-type business

**¥ 11,559 million**

**+24.4%**

CAGR in 3 years: **+47.9%**

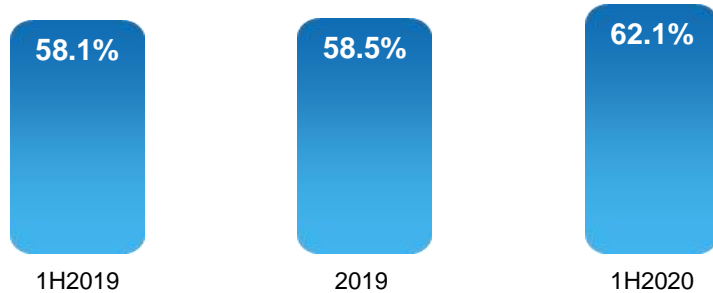
Note: 1. Data on this page only refer to China Re Life (merged with China Re HK).



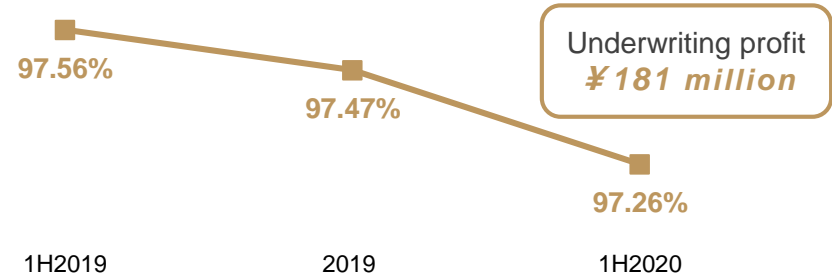


# L&H reinsurance: optimization of protection-type business mix and improvement in underwriting quality

## YRT business share



## Combined ratio of short-term protection-type business



## Business strategy: consolidation of “Product+” & “Data+” and integration with health industry

- **Taking the lead in the industry’s critical illness table revision project**, we have for the first time achieved the calculation of the incidence rate of mild illness and the regional compilation of the table in the industry, **leading new critical illness business**.
- We pushed ahead the **iteration of health insurance** leveraging our unique data advantages and develop new products as well as create new business formats **to promote the rapid development of beneficial business**.
- We continue to carry out loss prevention and reduction through data analysis, risk control models research and other means **to support the increase in underwriting profits**.

- Note: 1. Data on this page only refer to China Re Life and the protection-type business only refers to domestic business.  
2. YRT (Yearly Renewable Term) business is a kind of reinsurance arrangement entered into by ceding companies based on certain proportion of net amount at risk at an annual rate.  
3. YRT business share = reinsurance premiums from YRT business ÷ reinsurance premiums from protection-type business  
4. Combined ratio is calculated after retrocession excluding business management fee.

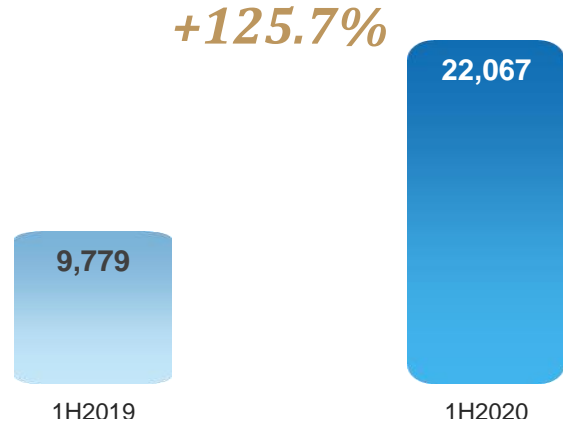




# L&H reinsurance: savings-type business and financial reinsurance tactically developed

## Total written premiums of savings-type business

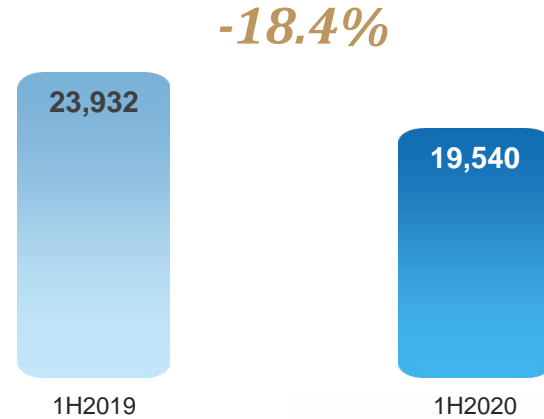
(RMB in million)



- Actively responded to the low interest rate environment and further improved the asset-liability linkage mechanism.
- Seized business opportunities under the premise of controllable costs with total written premiums significantly increasing.
- China Re HK has opened up and foreign currency savings-type business achieved steady progress.

## Reinsurance premiums of financial reinsurance

(RMB in million)



- Strengthened analyzing credit risks of our counterparts, selected our clients and expanded new business actively.
- Optimized capital management to enhance capital efficiency.

Note: 1. Data on this page only refer to China Re Life (merged with China Re HK).

2. Total written premiums from savings-type business on this page include those from savings-type non-insurance premiums as well as domestic and overseas savings-type business.

# Primary P&C insurance: steady growth in premiums while underwriting profit was impacted by COVID-19



## Primary premiums

**¥ 25,469** million

**+5.4%**

Motor: ¥ 14,238 million (+2.3%)

Non-motor: ¥ 11,231 million (+9.7%)

## Combined ratio

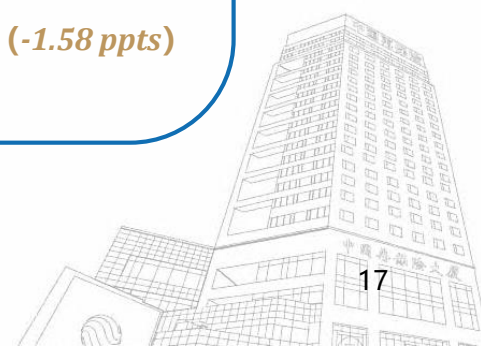
**101.93%**

**+2.07 ppts**

Loss ratio: 57.84% (+3.65 ppts)

Expense ratio: 44.09% (-1.58 ppts)

Note: 1. Calculation of the expense ratio includes the effect of government grants.





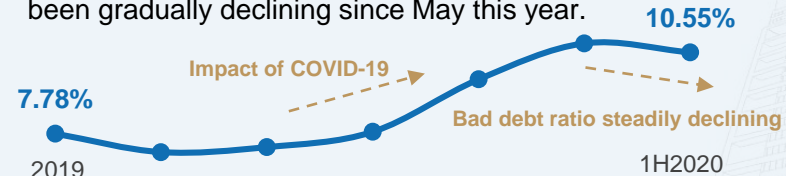
# Primary P&C insurance: optimization of business structure and improvement of business quality

## Amount and growth of primary premiums of major lines

| RMB in million  | Primary premiums | YoY growth |
|-----------------|------------------|------------|
| Motor           | 14,238           | 2.3%       |
| Total non-motor | 11,231           | 9.7%       |
| Surety          | 3,252            | 15.1%      |
| A&H             | 3,980            | 5.4%       |
| Liability       | 1,234            | 8.1%       |
| Cargo           | 786              | 48.6%      |

- Quality of motor business was significantly improved by increasing the coverage of private cars business (**share of which accounted for more than 70%**) and other profitable lines and controlling the proportion of high-risk business including specialty vehicles and trucks.

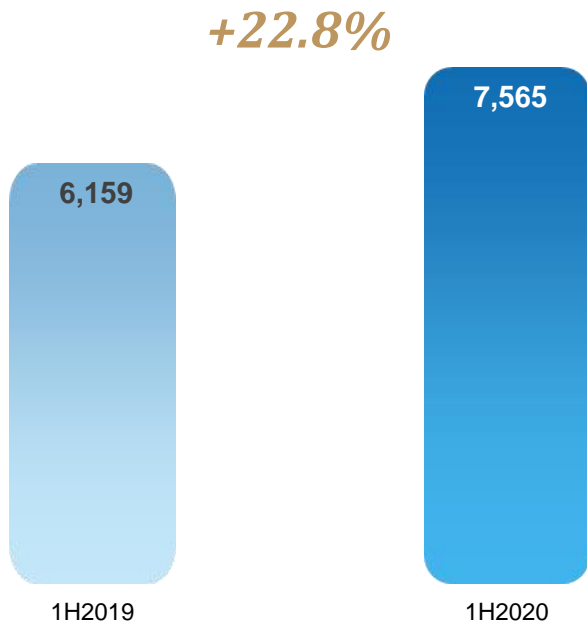
- Client group was actively adjusted in surety insurance with a sharp decline in the high-risk client group and a rapid growth in the medium- and low-risk client group, **which accounted for more than 85%**.
- Risk exposure was actively controlled: bad debt ratio has been gradually declining since May this year.



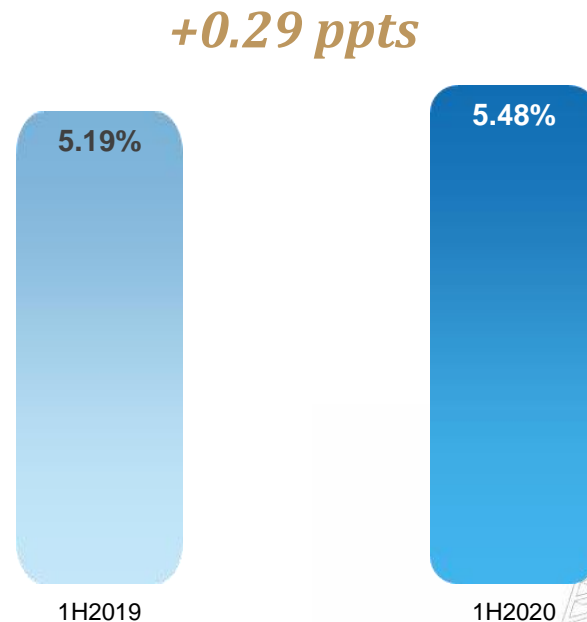


# Asset management: actively seizing market opportunities to achieve sound investment performance

Total investment income (RMB in million)



Annualized total investment yield

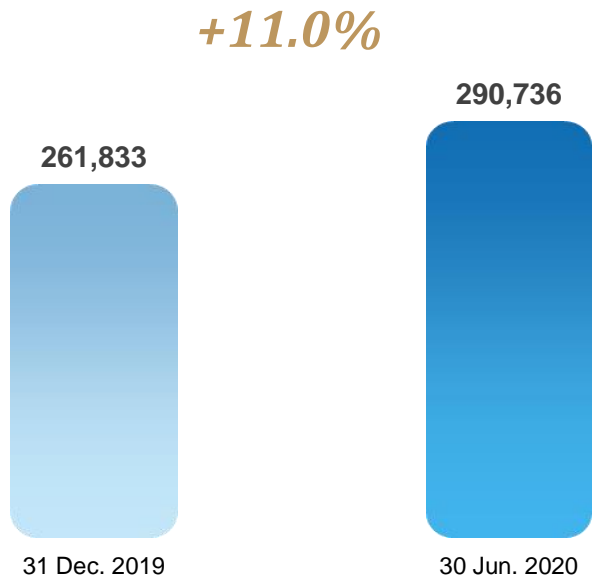


Note: 1. Annualized total investment yield = total investment income ÷ average of total investment assets as at the beginning and end of the period × 2

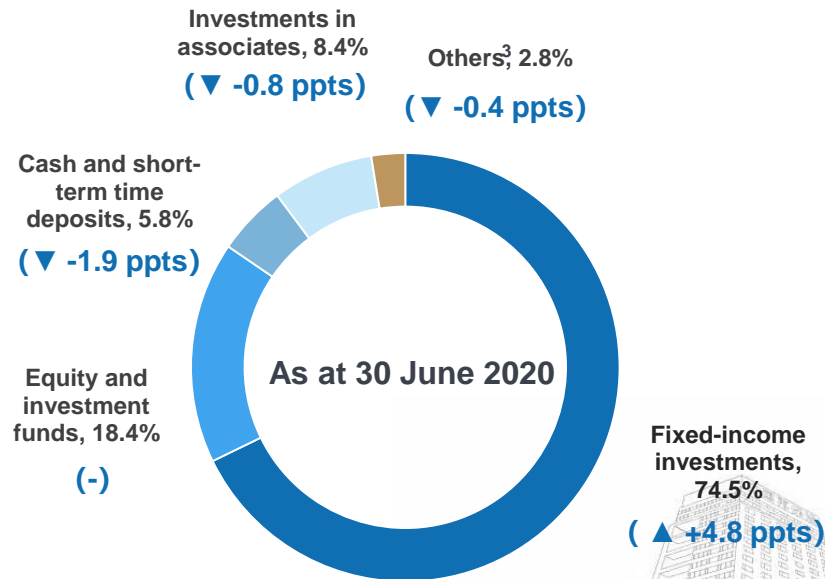
# Asset management: rapid increase in total investment assets with stable asset allocation structure



## Total investment assets<sup>1</sup> (RMB in million)



## Asset allocation structure<sup>2</sup>

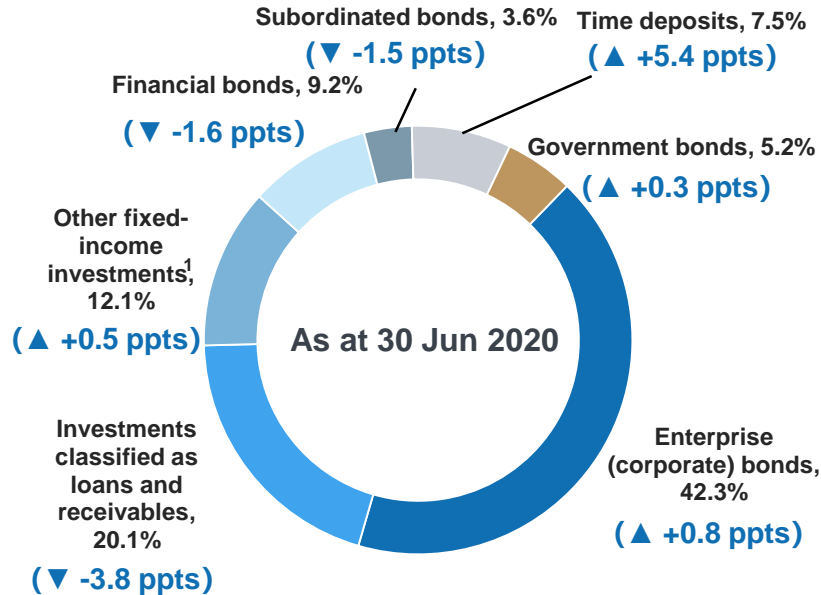


- Note: 1. Investment assets = cash and short-term time deposits + financial assets at fair value through profit or loss + financial assets held under resale agreements + time deposits + available-for-sale financial assets + held-to-maturity investments + investments classified as loans and receivables + reinsurers' share of policy loans + investments in associates + statutory deposits + derivative financial instruments + investment properties – securities sold under agreements to repurchase
2. Sum of percentages of all asset classes amounts to over 100% due to the subtraction of securities sold under agreements to repurchase from total investment assets. Percentage points in the label are the comparison with data as at 31 December 2019.
3. Other investments include investment properties, currency swaps, etc.

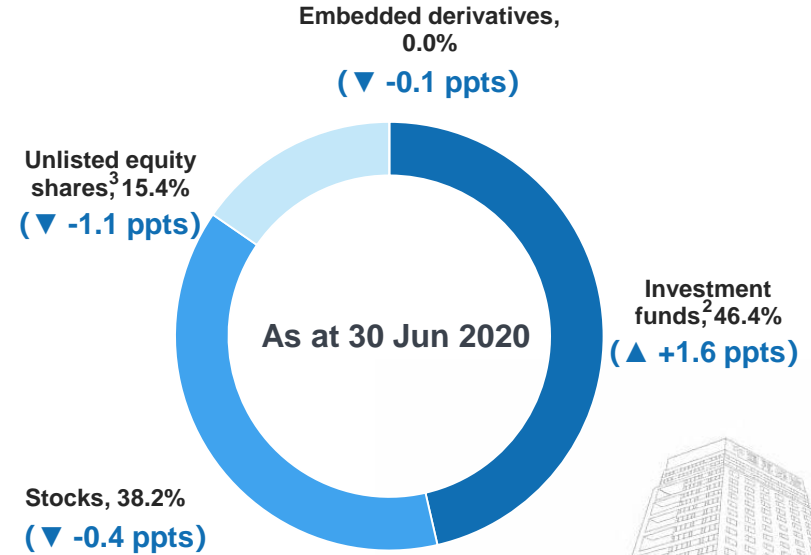


# Asset management: seizing allocation opportunities in fixed-income investments and optimizing the portfolio in equity investments

## Breakdown of fixed-income investments



## Breakdown of equity and investment funds



- Note:
1. Other fixed-income investments primarily includes financial assets held under resale agreements, statutory deposits and reinsurers' share of policy loans and others.
  2. Investment funds include monetary funds and the senior tranche of structured index funds.
  3. Unlisted equity shares include assets management products, unlisted equity investments and equity investment schemes.
  4. Percentage points in the label are the comparison with data as at 31 December 2019.



# Contents

**01** | Results Overview

**02** | Business Analysis

**03** | Outlook



# Market trend

The COVID-19 pandemic posed limited impact on the domestic insurance industry in the short run but the long-term impact will be profound.

Insurance market reforms in the post-COVID-19 era

Reinsurance market development opportunities

## Sharp increase in insurance needs

- COVID-19 further stimulates the need for protection among residents.
- The modernization of national governance system and capacity, and major public health incidents trigger demand for catastrophe insurance, business interruption insurance, etc.

## Race track reshaped by technology

- Technological innovation will reshape the insurance value chain and change the way the industry operates.
- Technology will accelerate motor insurance to reduce the dependence of intermediary.

## Adjustment in business model

- The industry will be pushed to transform from “channel-driven” to a “product-driven” business model.
- The industry will be forced to change from traditional marketing to an “online” marketing model.

## Increase in ceding demand

- With main focus on changing to risk management, the domestic insurers will seek for more ceding demands from reinsurers.
- The global reinsurance market starts to harden and the pricing uptrend is expected to continue until 2021.

## Rising reinsurance threshold

- Reinsurance company must build its cutting edges in terms of data, technology, products, and services.
- The importance of technological application and innovation capability of the reinsurance company has been rising unprecedentedly.

## Prominent leading effect

- Leading reinsurer with outstanding innovation capabilities has first-mover advantages in emerging business areas such as catastrophe and specialty insurance, etc.
- L&H reinsurer with ample data resources and experience analysis will be benefited significantly.





**Adhere to our business strategy of  
“stabilizing growth, optimizing structure, controlling risk, and improving profitability”**

**Continue to seek for stable business growth and profit increase**

**Strive to achieve our annual business goals**

**Fully promote China Re to attain a new level of high-quality development**

**CHINA RE**



# Questions & Answers

# Appendix: Key financial and operating indicators



| RMB in million (unless otherwise stated)                             | 1H2020  | 1H2019 | Change     |
|--|---------|--------|------------|
| <b>Gross premium income</b>  | 102,123 | 84,772 | 20.5%      |
| P&C reinsurance  | 27,078  | 23,033 | 17.6%      |
| L&H reinsurance  | 50,500  | 38,427 | 31.4%      |
| Primary P&C insurance  | 25,763  | 24,379 | 5.7%       |
| <b>Net profit</b>  | 2,749   | 3,616  | -24.0%     |
| <b>Net profit attributable to shareholders of the parent company</b> | 2,467   | 3,320  | -25.7%     |
| <b>EPS (RMB)</b>   | 0.06    | 0.08   | -25.7%     |
| <b>Annualized weighted average return on equity</b>                  | 5.63%   | 8.20%  | -2.57 ppts |
| <b>Annualized total investment yield</b>                             | 5.48%   | 5.19%  | 0.29 ppts  |

Note: 1. Annualized weighted average return on equity = net profit attributable to shareholders of the parent company ÷ balance of weighted average net assets × 2

2. Annualized total investment yield = total investment income ÷ average of total investment assets as at the beginning and end of the period × 2

## Appendix: Key financial and operating indicators (cont'd)



| RMB in million (unless otherwise stated)                        | 30 June 2020 | 31 December 2019 | Change  |
|---|--------------|------------------|---------|
| <b>Total assets</b>   | 477,407      | 396,638          | 20.4%   |
| <b>Total liabilities</b>  | 379,245      | 299,660          | 26.6%   |
| <b>Total equity</b>   | 98,162       | 96,978           | 1.2%    |
| <b>Net assets per share (RMB)</b>                               | 2.07         | 2.05             | 1.1%    |
| <b>Core solvency adequacy ratio</b>                             | 175%         | 190%             | -15 pts |
| <b>Comprehensive solvency adequacy ratio</b>                    | 192%         | 209%             | -17 pts |
| <b>Embedded value of L&amp;H reinsurance</b>                    | 31,438       | 27,721           | 13.4%   |
| <b>Value of one year's new business for L&amp;H reinsurance</b> | 1,975        | 2,219            | -11.0%  |
| <b>Total investment assets</b>                                  | 290,736      | 261,833          | 11.0%   |

- Note: 1. Net assets per share are calculated based on the figure attributable to shareholders of the parent company.
2. Risk discount rate was assumed to be 10.5% for embedded value and new business value, which is based on EV standards under CAA C-ROSS regime issued in Nov 2016 as well as industry practice for publicly listed companies in Hong Kong.
3. Given that business of China Re Life (merged with China Re HK) accounts for more than 99.5% of the L&H reinsurance segment, data currently stated here are those of China Re Life (merged with China Re HK).