

China Reinsurance (Group) Corporation(1508.HK)

# 2019 Results Announcement

31 March 2020



# Disclaimer

By attending the meeting that includes this presentation, or by reading the presentation materials, you agree to be subject to the following restrictions:

- The information involved in this presentation has been prepared by China Reinsurance (Group) Corporation (the “Company”). No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information contained herein. The Company shall not accept any obligation or liability for any loss caused by this presentation or its content or any content related to this presentation (whether by the negligence of the party or otherwise). The information contained in these presentation materials may be updated, improved, modified, verified, and amended, and may be subject to significant change.
- This presentation is based on current economic, legal, market and other conditions in force. It should be understood that subsequent developments may affect the information contained in this presentation, and the Company is not under any obligation to update, revise or affirm.
- Certain information conveyed in this presentation contains statements that are or may be forward-looking. These statements usually include words like “will”, “expect”, “foresee”, and terms of similar meaning. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. In light of these uncertainties, no one should rely on these forward-looking statements. The Company assumes no responsibility for updating forward-looking statements or adapting them to future events or developments.
- This presentation and the materials contained herein are provided for your reference only and may not be copied or distributed, in whole or in part, to anyone else.





中国再保险(集团)股份有限公司

CHINA REINSURANCE (GROUP) CORPORATION

# 01 Results Overview

Yuan Linjiang

Chairman, China Re



# Overview: rapid growth in premiums and improvement in profitability

Rapid growth in premiums

RMB 144,973 million  
Gross written premiums of Group consolidated

↑ +18.6%

RMB 115,187 million

Core written premiums<sup>1</sup>

↑ +25.5%

Ranked the world's 7<sup>th</sup> largest reinsurer<sup>2</sup>

Substantial improvement in profitability

RMB 6,049 million  
Net profit attributable to equity shareholders of the parent company

↑ +62.2%

7.32%

Return on equity

↑ +2.42ppts

RMB 0.044  
Dividend per share<sup>3</sup>

↑ +41.9%

- Note : 1. Core written premiums = gross written premiums of China Re Group - reinsurance premiums from financial reinsurance business  
2. Calculation is based on gross written premiums from reinsurance business.  
3. Subject to the approval of shareholders of the Company at the 2019 general meeting

# Overview: constant optimization of business mix and sound risk management

Constant optimization of business mix

33.9%

Share of overseas P&C reinsurance business

↑ +19.6ppts

70.9%  
Share of non-motor business in domestic P&C reinsurance

↑ +5.8ppts

33.5%  
Share of protection-type business in domestic L&H reinsurance

↑ +7.4ppts

42.2%  
Share of non-motor business in P&C primary insurance

↑ +6.5ppts

Continuously sound risk management

Average SARMRA scores of **81.30** for the Group and reinsurance subsidiaries in the latest regulator evaluation

Higher than the reinsurance industry average by **2.06**

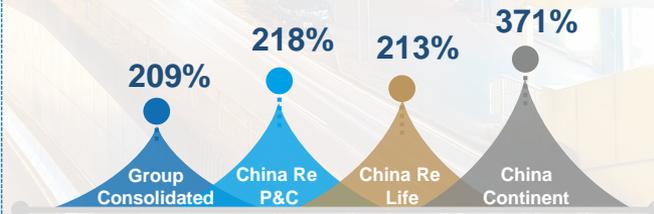
S&P Global Ratings

S&P Global "A" rating



A.M. Best "A (Excellent)" rating

Comprehensive solvency adequacy ratio of every entities is higher than 200%





# Strategy implementation: platform

## 1 Platform of serving national strategy



### Enhanced the competitiveness in catastrophe insurance

- Released **China's first** commercially available earthquake and catastrophe model with independent intellectual property rights **certified by Seismological Society of China**
- Acted as the sole or lead reinsurer in **over 90%** of the local catastrophe insurance pilot programs, with a share of over **78%**
- Undertook research projects of the Ministry of Science and Technology on earthquake insurance loss as well as the monitory and early warning of flood and drought disasters in the forest and fruit industry



### Served Belt and Road Initiative

- Launched China's **first political violence insurance product**
- Offered comprehensive medical and risk solutions for Chinese "going-out" companies and medical aid team



### Served modernization of the national governance system

- Improved the Nuclear insurance pool, and launched emergency response platform for nuclear damage claims
- Comprehensively participated in the test run of environmental pollution liability insurance

## 2 Platform of business innovation



### Developed IDI's "Ten Billion Blue Ocean" market

- Achieved revenue of **RMB 505 million, with a growth of 113%**
- Built IDI platforms in Shanghai and Beijing, establishing the leading edge



### Laid out the medical and health insurance market

- Cooperated with WeSure and Alipay to launch specific medicine insurance with over **4 million policies**
- Realized data fusion and cooperation with Ant Financial and CBIT, helping reduce claims and increase efficiency

## 3 Platform of industry synergy



### Participated in infrastructure construction of the industry

- Undertook the preparation of the main body of **the second set of Chinese life insurance experienced critical illness table**



### Deepened strategic partnership with customers

- Signed new strategic partnership agreements with **12** governments and large SOEs
- Implemented 24 collaborative projects, achieving premiums of **RMB 1,950 million** for the year



# Strategy implementation: technology

## Strategy Insight

### "Digital China Re" Strategy



Resources + Platform + Ecosystem

## Technical Positioning



Upgrade internal infrastructure



Build open innovation platforms



## Technical Achievements

### Improved digital and intelligent management expertise internally

Launched core business system for reinsurance and primary insurance

- Core business systems of China Re P&C and China Re Life were launched.
- "Data+Business", dual middleground of China Re P&C, was launched.
- "Somersault Cloud", the core business system of China Continent Insurance was launched nationwide

### Empowered industry development and maintained our strategic leadership

Industrial platform construction

- Catastrophe "Re-series" platform upgrade
- Industrial Internet platforms: eIDI, eMAS, eF2, "Re-Medicine" and "Re-Link"
- Super APP, intelligent client service and online claim of China Continent Insurance

Export of innovative technology

- Reinsurer-Insurer business platform based on blockchain
- Nuclear Star III, a blockchain-based business platform of Nuclear Insurance Pool
- Improvement of AI underwriting platform of China Re Life
- Intelligent calculation platform for bancassurance data integration of China Re Life and the clients

Note 1: The eIDI platform stands for the insurance platform for Inherent Defect Insurance; the eMAS platform stands for the technology platform for modern agricultural service system; the eF2 platform stands for the livestock and poultry manure pollution management and resource platform.



# Strategy implementation: globalization

## Smooth integration of Chaucer

### Stability in Chaucer's business, staff and operation

- Brought positive effect of performance and solidified foundation of reinsurance talents of the Group
- Brought border-crossing synergy with Chaucer in political risk insurance and political violence insurance
- Created synergy in enlarging underwriting capability, business expansion and risk portfolio optimization

### Optimization of international business management

- Transferred the management responsibilities of Syndicate 2088 to Chaucer and completed business integration

## Continuous breakthrough in global layout

### Commencement of business of China Re HK

- The first approved overseas insurance institution after the merger of CBRC and CIRC
- Exploit the advantages of both domestic and overseas markets, fulfill the positioning of dual platform of insurance and investment, and quickly reach full capacity

### Further progress of layout in other districts

- New L&H reinsurance license of China Re Singapore Branch
- CBIRC's approval on the establishment of China Re P&C Malaysia Branch

## Comprehensive development of International synergy

### Insurance Business

- Signed 31 overseas MOUs and provided localized services for Chinese Interests Abroad in 135 countries and regions

### Investment Business

- Completion of management system of China Re Asset HK and improvement of investing ability
- Enhancement of synergy and match between overseas asset and liability
- Risk diversification of Investment in domestic and overseas markets

# 02 Results Analysis

Li Ming

Business Director, China Re

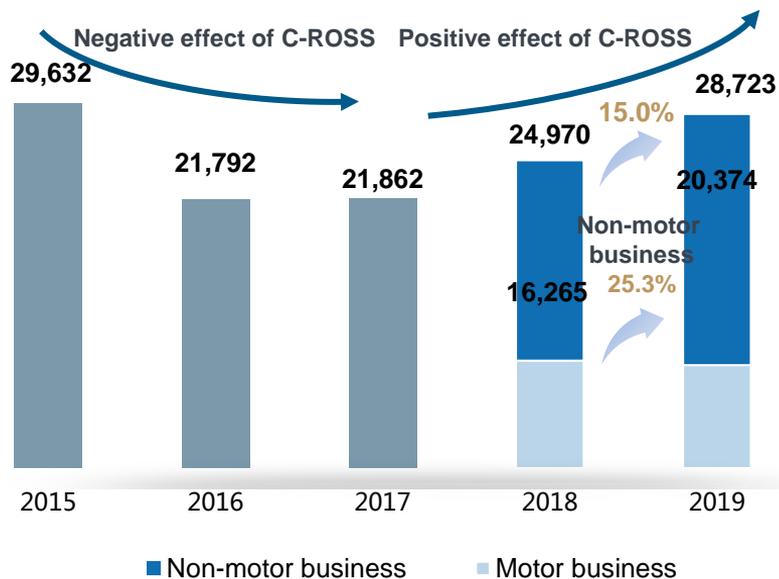




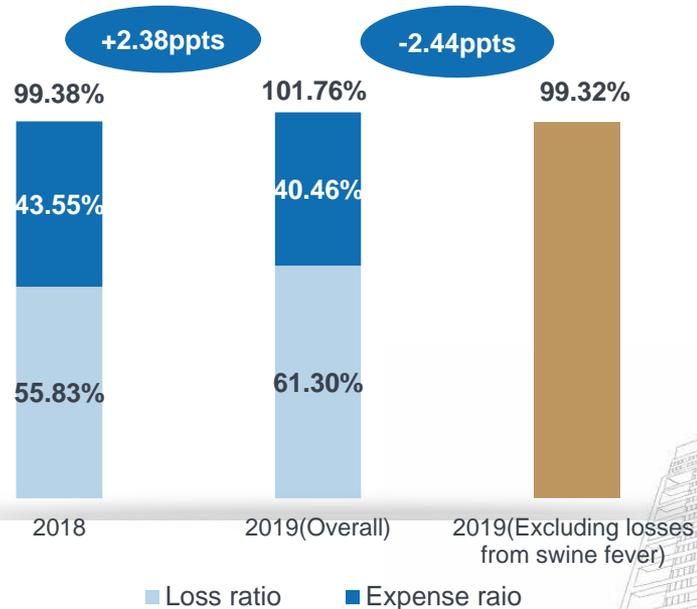
# Domestic P&C reinsurance : rapid growth in premiums and an increase in combined ratio as impacted by African swine fever

## Reinsurance premiums

( RMB in million )



## Combined ratio



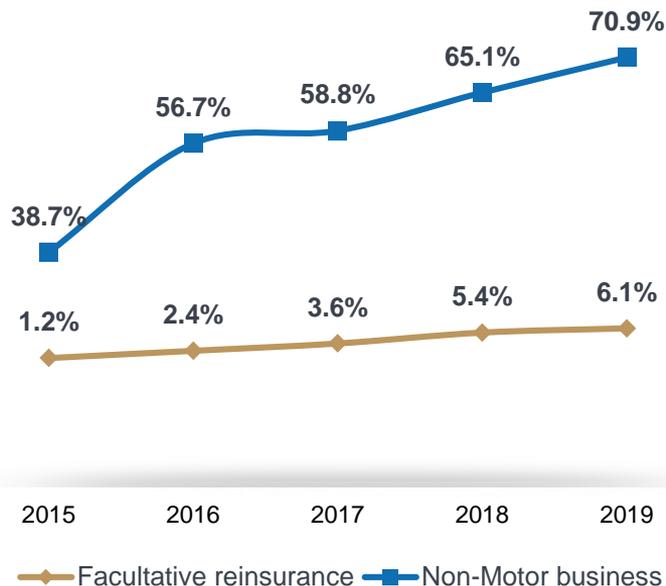
Note: 1. Domestic business premiums data on this page only refer to China Re P&C

2. C-ROSS: China Risk-Oriented Solvency System, that is, China's second-generation insurance solvency supervision system



# Domestic P&C reinsurance: continuous optimization of business mix and prominent strategic edge on strong growth in emerging lines

## Continuous optimization of business mix



**+56.1%**  
**RMB**  
**1,254**  
**million**

Premiums of  
emerging lines

## Strong growth in emerging lines

Lines of business	YoY Growth
Construct Inherent Defects Insurance (IDI)	+115.7%
Construction surety bond insurance and customs bond insurance	+290.5%
Catastrophe insurance	+219.0%
Insurance of Chinese Interest Abroad projects	+123.6%

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

2. The calculation of gross premiums of emerging lines includes the elimination among those.

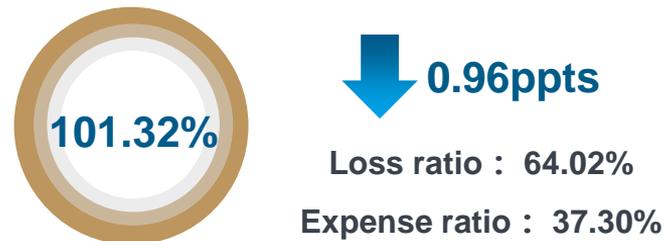


# Overseas P&C reinsurance: significant growth in business share and a more diversified business portfolio

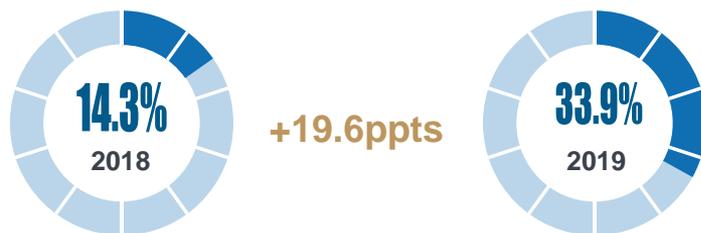
## Gross written premiums



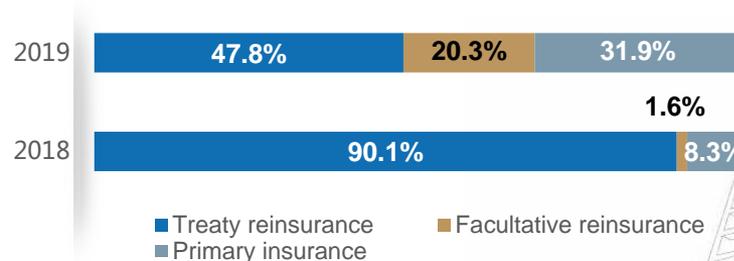
## Combined ratio



## Significant growth in overseas business share



## More balanced business portfolio



- 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.  
2. Business share = gross written premiums of overseas P&C reinsurance and Chaucer business ÷ gross written premiums of P&C reinsurance business before offsetting the elimination.



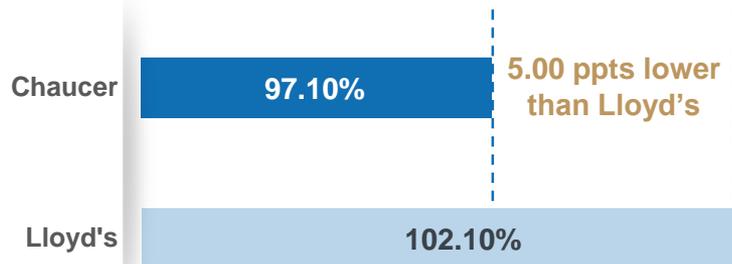
# Overseas P&C reinsurance: sound performance of Chaucer maintaining leading position at Lloyd's

## Gross written premiums

 **RMB 9,614 million**

**Becoming £1bn+ capacity syndicate**

## Combined ratio<sup>1</sup>



## Efficient synergy effect

- As a leader in political risk insurance and nuclear insurance, Chaucer has brought China Re talent and expertise in the sector, enhancing the underwriting capabilities in specialty lines.
- The first political violence insurance in Chinese was promoted in 2019, supported by strong expertise of Chaucer.
- Established Political Violence Insurance Pool in Singapore, and positively promoted to establish Belt and Road Insurance Pool in UK, supported by Chaucer.



Note : 1. Combined ratio of Chaucer was 99.25% under International Accounting Standards, whose difference from 97.10% under British Accounting Standards is mainly attributed to different treatment of reserves discounting and risk margins.

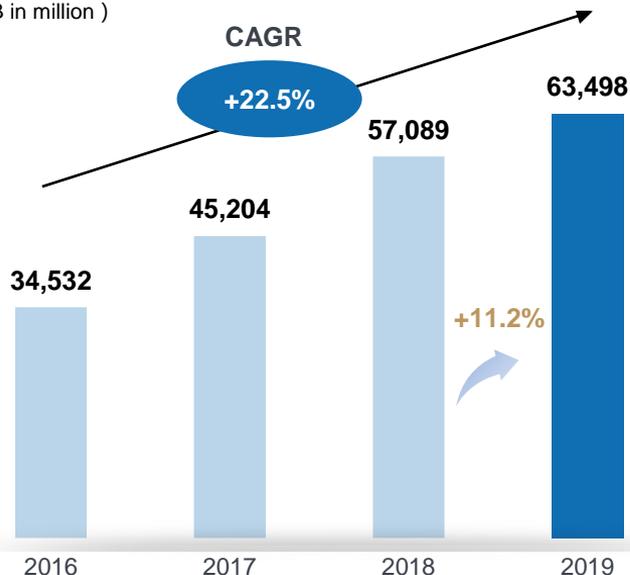
2. Source of the combined ratio of Lloyd's: Lloyd's 2019 Annual Report



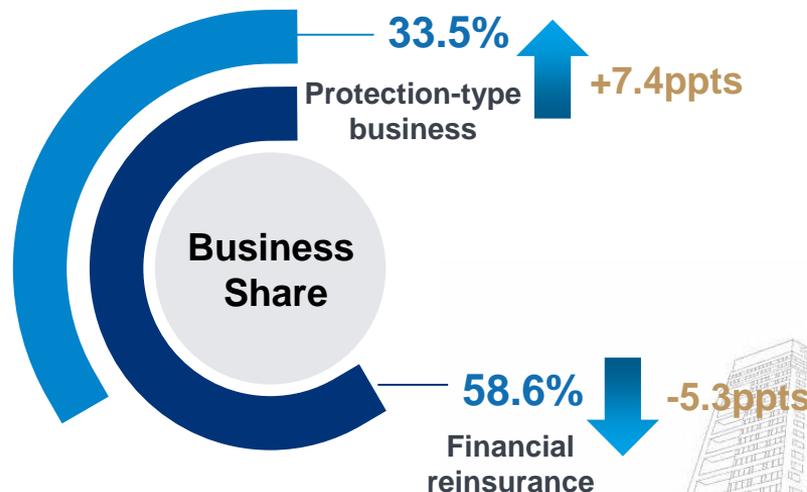
# L&H reinsurance: “Four leaps in four years” for total written premiums and continuous optimization of business mix

## “Four leaps in four years” for total written premiums

( RMB in million )



## Significant optimization of domestic business mix



Note : 1. Data on this page only refer to China Re Life. Total written premiums include those from savings-type non-insurance business.

2. Protection-type business share = reinsurance premiums from domestic protection-type business ÷ reinsurance premiums from domestic L&H reinsurance business.

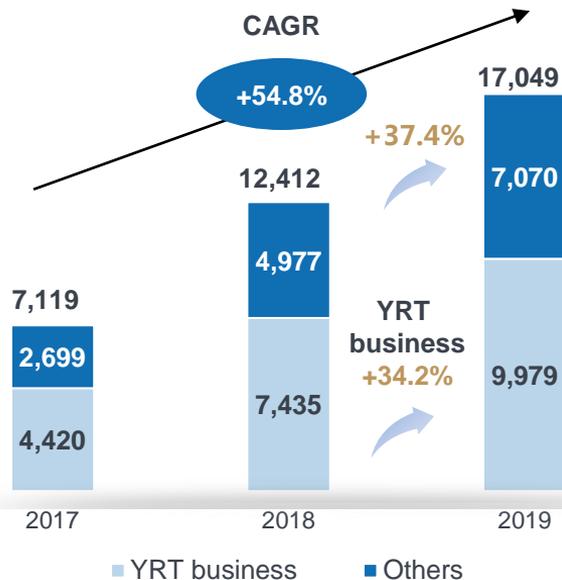
3. Financial reinsurance business share = reinsurance premiums from domestic financial reinsurance business ÷ reinsurance premiums from domestic L&H reinsurance business.



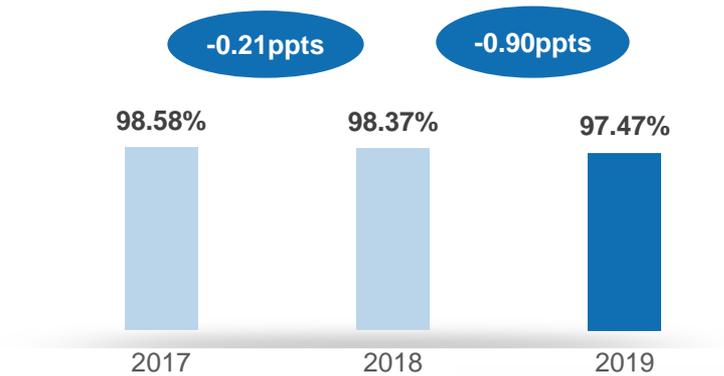
# L&H reinsurance: strong growth in domestic protection-type business and significant improvement in underwriting profits

## Reinsurance premiums from protection-type business

( RMB in million )



## Combined ratio for short-term protection-type business<sup>3</sup>

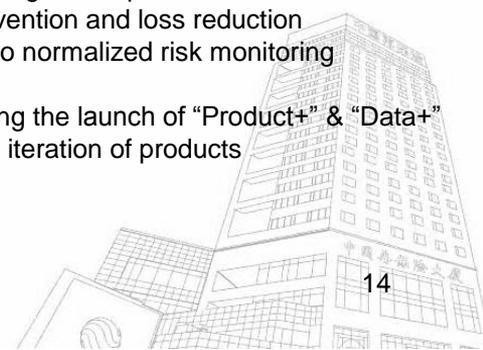


**Existing business**

**New business**

- Consolidating accomplishment of deficit prevention and loss reduction
- Adhering to normalized risk monitoring
- Accelerating the launch of “Product+” & “Data+”
- Promoting iteration of products

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. Combined ratio is calculated after retrocession excluding business management fee.



# L&H reinsurance: high-quality development driven by “Product+” & “Data+” strategy

## Product+ Expanding profitable business

### Product + Platform

Comprehensive cooperation with mutual protocols including Xianghubao and Shuidichou etc.

### Product + Service

Cooperation with insurers developing products including proton & heavy ion protection and “nursing critical illness” insurance etc.

### Product + Specific Medicine

Initiation of “Million Medical Care + Specific Medicine” model; investment in Meditrust Health for strategic partnerships to exploit the specific medicine market



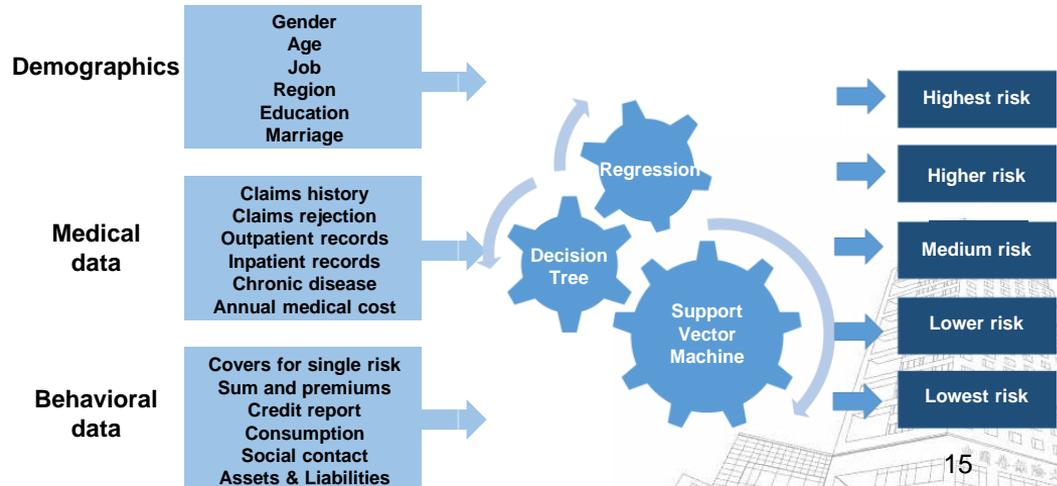
Reinsurance premiums from mid-end medical care business was **RMB 3,813 million**, recording a YoY growth of **75.3%**.

## Data+ Enhancing business quality

- Combining multivariate data and technological empowerment to prevent and mitigate risks and improve claims
- Intensifying data cooperation with external platforms to build new scenarios for data application

### Case: intelligent risk control

#### —big data modelling and precise positioning

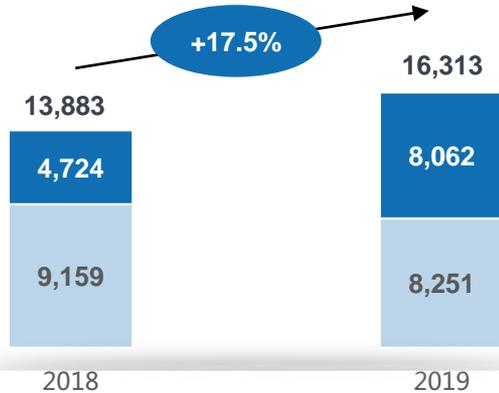




# L&H reinsurance: profitable savings-type business and stable financial reinsurance business

## Total written premiums from savings-type business

( RMB in million )

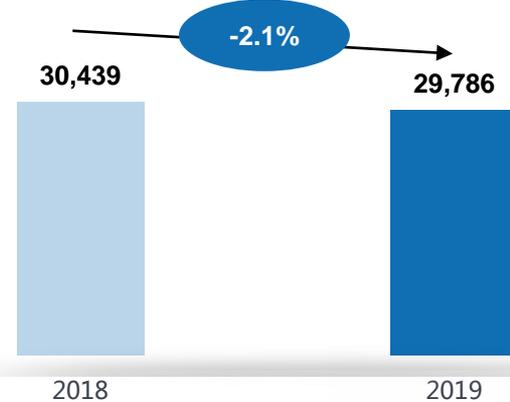


■ Savings-type non-insurance business ■ Savings-type insurance business

- Solid market position in the savings-type business in China Mainland and Hong Kong
- Effective cost control and stable spreads
- China Re HK obtaining license and launching operations

## Reinsurance premiums from financial reinsurance business

( RMB in million )



- Focusing on profit contribution and business synergy
- Holding the bottom line of risk control, optimizing customer selection and innovating solution design
- Improving capital management and efficiency

Note : 1. Data on this page only refer to China Re Life.

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.



# P&C primary insurance: rapid growth in premiums and improvement in underwriting quality

## Operating indicators



Gross written premiums  
**RMB 48,730 million**

↑ **+14.3%**

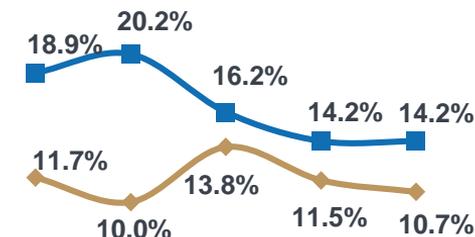


Market share  
**3.7%**

↑ **+0.1ppts**

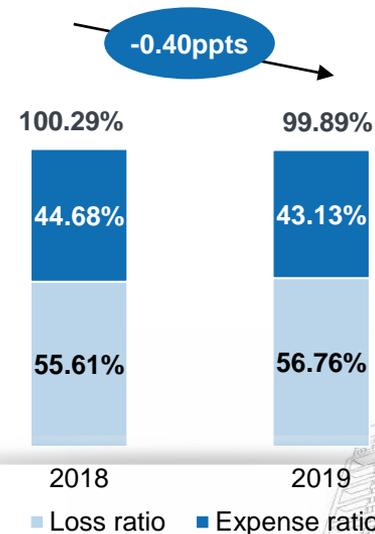
## Growth of primary premiums

Outperforming the industry for five consecutive years  
CAGR ranked first among top eight P&C insurers



— Primary P&C insurance industry  
— China Continent Insurance

## Combined ratio



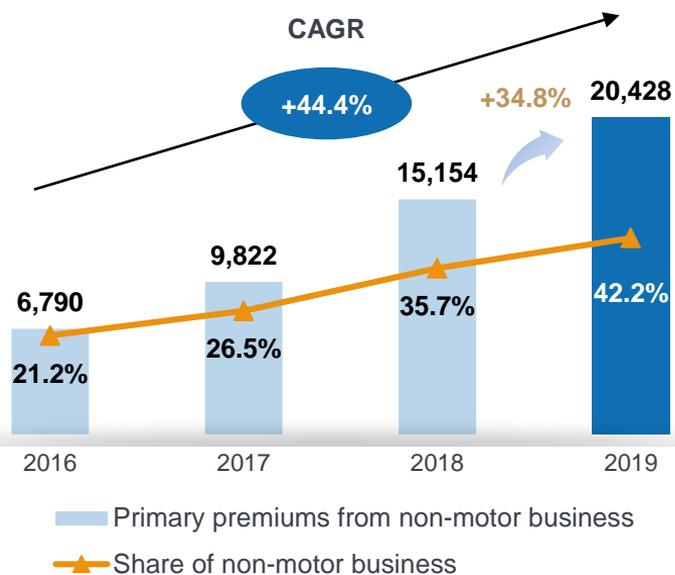
- Note: 1. Market share and the industry data are originated from premiums of P&C insurers announced by CBIRC.  
2. Calculation of the expense ratio includes the effect of government grants.



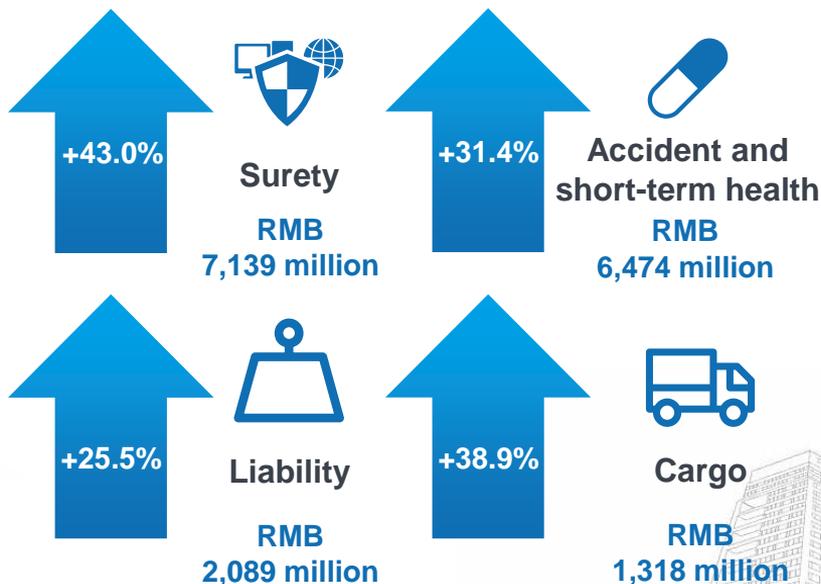
# P&C primary insurance: fast growth in non-motor business and continuous optimization of business mix

## Primary premiums & share of non-auto business

(RMB in million)



## Growth in major non-auto lines



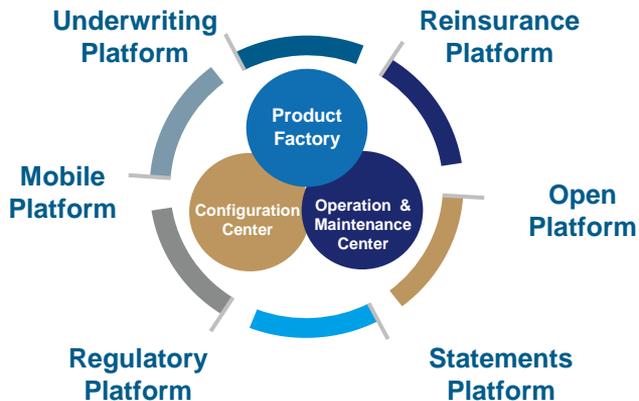
Note :1. Share of non-motor business = primary premiums from non-motor business with primary premiums from motor insurance deducted ÷ primary written premiums from P&C insurance business

2. Data on this page only refer to primary premiums data.



# P&C primary insurance: core business system “Somersault Cloud” operating with high efficiency

First "Micro service + Private Cloud" core business system in the industry



300+ members    1 billion+ data traffic

1500+ interviews    6300+ requests

13 systems replaced    43 systems renovated

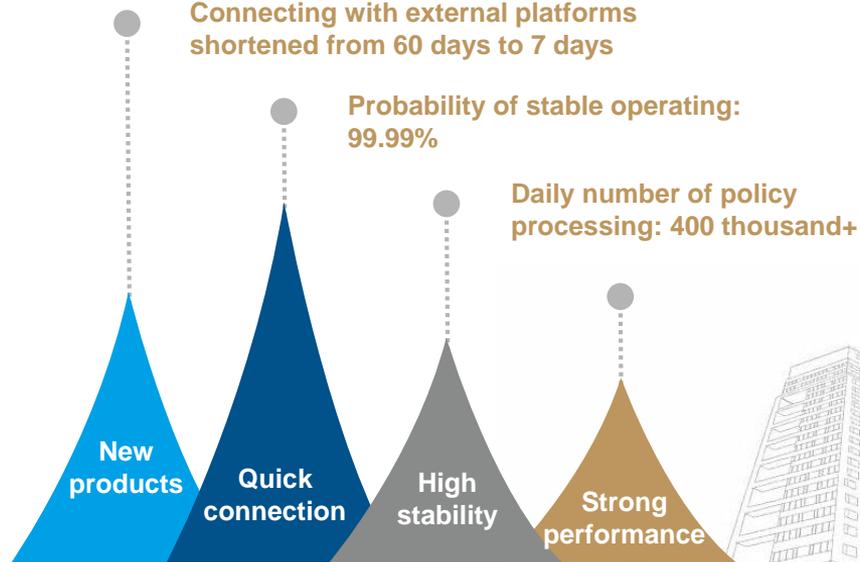
Strong support for business from “Somersault Cloud”

Launch progress of new products shortened from 15+ days to 0.5 days

Connecting with external platforms shortened from 60 days to 7 days

Probability of stable operating: 99.99%

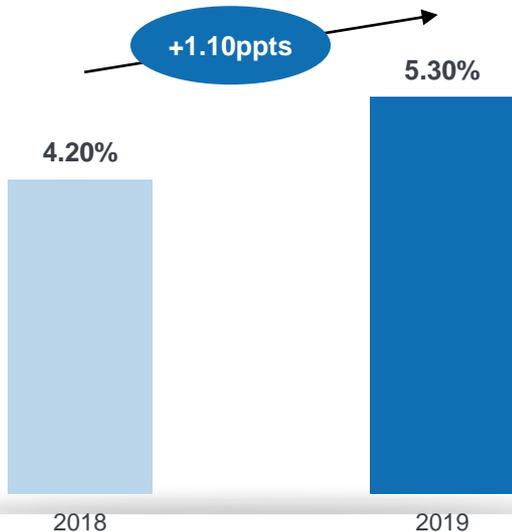
Daily number of policy processing: 400 thousand+



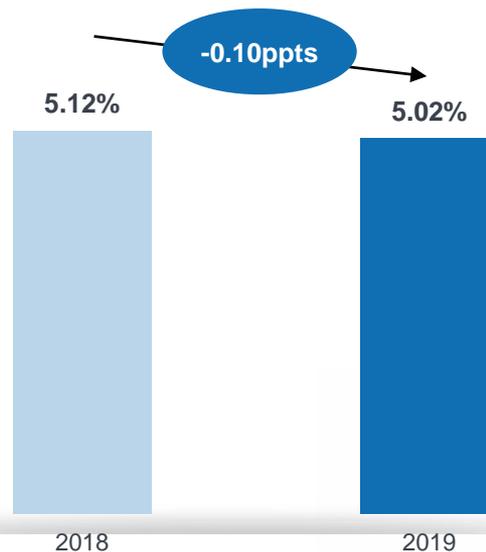
# Asset management : steady improvement in investment performance



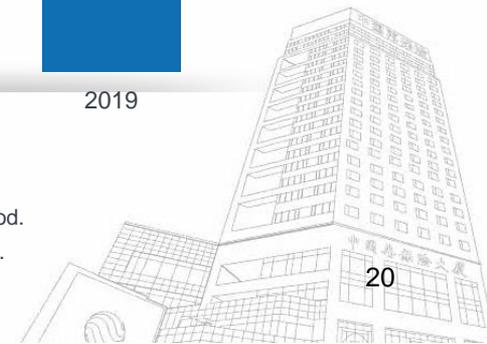
## Total investment yield



## Net investment yield



- Note : 1. Total investment yield = total investment income ÷ average of total investment assets as at the beginning and end of the period.  
2. Net investment yield = net investment income ÷ average of total investment assets as at the beginning and end of the period.

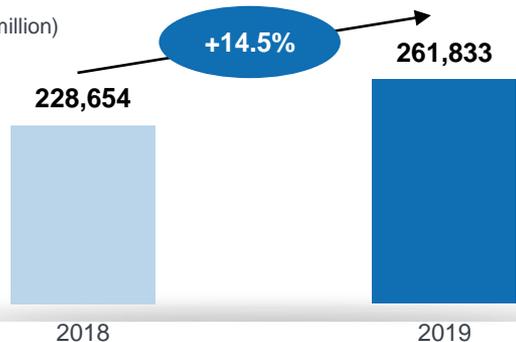




# Asset management: rapid growth in total investment assets and continuous optimization of asset allocation

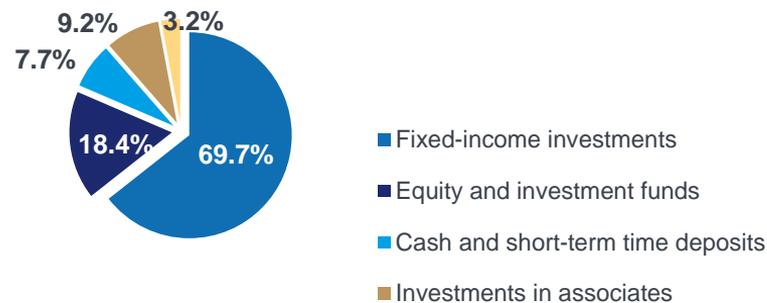
## Total investment assets<sup>1</sup>

(RMB in million)

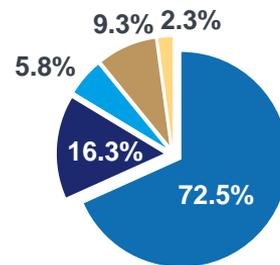


## Asset allocation structure<sup>2</sup>

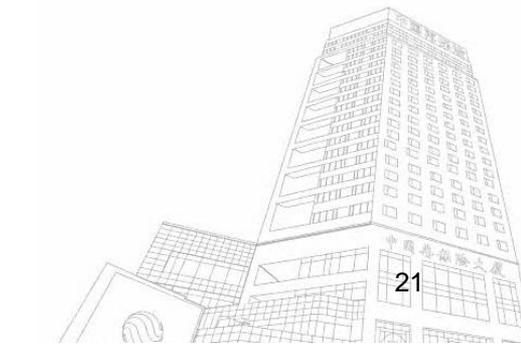
As at 31 December 2019



As at 31 December 2018<sup>4</sup>



- Note : 1. Total investment assets = cash and short-term time deposits + financial assets at fair value through profit or loss + financial assets held under resale agreement + 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.
3. Other investments include investment properties and currency swaps, etc.
4. To ensure the comparability, data in this diagram have newly included the investment assets of Chaucer, thus there is a difference in calculation basis with the data in 2018 Annual Report of China Re.

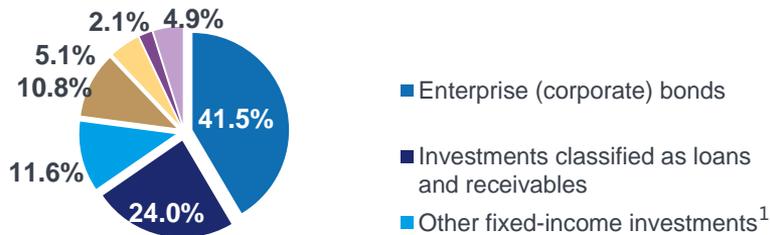




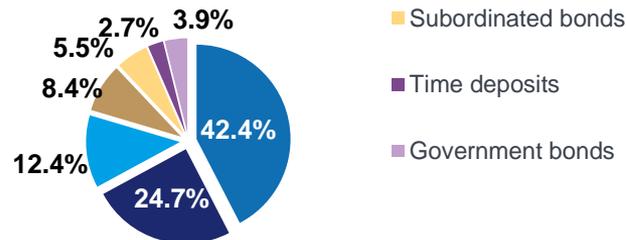
# Asset management: seizure of allocation opportunities for fixed-income investments and optimization of position structure for equity investments

## Breakdown of fixed-income investments

As at 31 December 2019

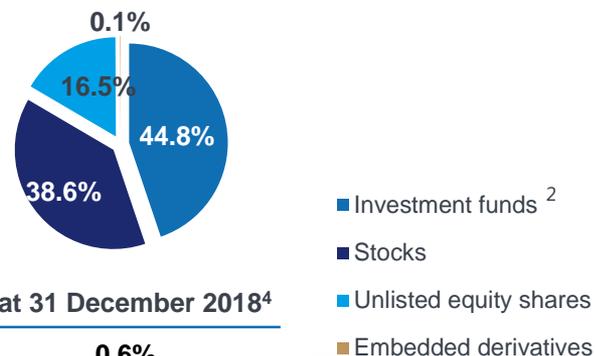


As at 31 December 2018<sup>4</sup>

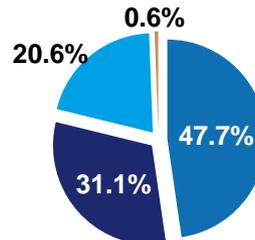


## Breakdown of equity and investment funds

As at 31 December 2019



As at 31 December 2018<sup>4</sup>



- Note :
1. Other fixed income investments mainly include financial assets held under resale agreements, statutory deposits, 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. To ensure the comparability, data in this diagram have newly included the investment assets of Chaucer<sup>1</sup>, thus there is a difference in calculation basis with the data in 2018 Annual Report of China Re.



中国再保险(集团)股份有限公司

CHINA REINSURANCE (GROUP) CORPORATION

# 03

## 2020 Outlook

Yuan Linjiang

Chairman, China Re



## Market trend

### New challenge

Increasingly fierce competition  
in the insurance industry

- Affected by the COVID-19 pandemic, downward pressure on the global economy has increased.
- With the opening up of the insurance market accelerated, the competition has become increasingly complex. International competitors are investing more capital and business in China.

### New power

Huge development potential of  
the insurance industry

- China recorded premiums of RMB 4.2 trillion in 2019, ranked the world's second largest insurance market. There lies a bright future in reinsurance industry.
- Supply-side reforms have significantly boosted insurance consumption.
- The modernization of governance capacity stimulates a strong demand for liability and catastrophe insurance.
- The COVID-19 pandemic further stimulates insurance needs.

### New situation

Sustained and intensive  
transformation of the insurance  
industry

- P&C insurance industry is returning to the origin of protection with an accelerating shift of growth to non-motor business.
- Health insurance is surpassing motor insurance to become the second largest line of business in China.
- Technological innovation reshapes the insurance value chain and changes the way the industry operates.
- Insurers shift to connotative development focusing on risk management, which stimulates the continuous growth of reinsurance needs

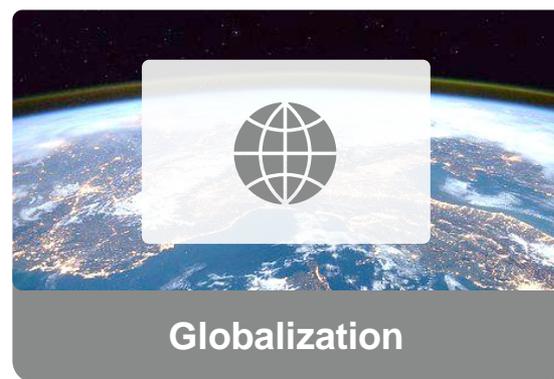
## Development outlook: adhering to the power of “platform, technology and globalization”



Spark the potential and vitality of the existing platforms, expand and consolidate new business platforms, explore for new opportunities while serving the modernization of China's governance system and the construction of the "Belt and Road", and gradually build the reinsurance ecosystem to provide the nation, industry and clients with comprehensive solutions of risk management.



Excavate historical data, collect data of loss comprehensively, promote cost reduction and efficiency enhancement with new technologies including blockchain , big data and AI, create new business growth power, accelerate the establishment of a technology ecosystem with the bond of equity, and implement the "Digital China Re" Strategy thoroughly.



Exploit opportunities from Chaucer integration, spur synergy between domestic and overseas markets, and insurance and investment businesses; diversify our global business portfolios, optimize global asset allocation, nurture domestic innovation, so as to safeguard Chinese Interests Abroad more comprehensively.

# Development outlook: implementing the operation strategy of “stabilizing growth, optimizing structure, controlling risk and improving profitability”

## Stabilizing growth

Consolidate market position, maintain a steady growth in gross written premiums and a rapid growth in core written premiums.

## Optimizing structure

Pursue value growth to ensure a continuously increasing proportion of high quality business, such as emerging business, government-leading business, and risk-protection-function business, making business portfolio more balanced.

## Controlling risk

Strengthen risk management, and under the premise of controllable risks and insurable interests, achieve reasonable growth in quantity and steady improvement in quality.

## Improving profitability

Perfect the dual driving force, focus on improving underwriting profit, strengthening cash flow management, stabilizing investment income, and promote the cost reduction and an increase in profitability by technological empowerment.

# Questions and Answers



## Appendix: Key financial and operating indicators

RMB in million ( unless otherwise stated )	2019	2018	Change
<b>Gross Written Premiums</b>	144,973	122,257	18.6%
P&C reinsurance business	42,679	28,947	47.4%
L&H reinsurance business	55,526	52,454	5.9%
P&C primary insurance business	48,730	42,622	14.3%
<b>Net profit</b>	6,645	3,899	70.4%
<b>Net profit attributable to shareholders of the parent company</b>	6,049	3,730	62.2%
<b>EPS (RMB)</b>	0.14	0.09	62.2%
<b>Weighted average return on equity (%)</b>	7.32%	4.90%	2.42pts
<b>Total investment yield (%)</b>	5.30%	4.20%	1.10pts

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

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

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

RMB in million ( unless otherwise stated )	31 December 2019	31 December 2018	Change
<b>Total assets</b>	396,638	340,907	16.3%
<b>Total liabilities</b>	299,660	253,653	18.1%
<b>Total equity</b>	96,978	87,254	11.1%
<b>Net assets per share (RMB)</b>	2.05	1.84	11.3%
<b>Core solvency adequacy ratio (%)</b>	190%	162%	28ppts
<b>Aggregated solvency adequacy ratio (%)</b>	209%	184%	25ppts
<b>Embedded value of L&amp;H reinsurance</b>	27,721	21,763	27.4%
<b>Value of one year's new business of L&amp;H reinsurance</b>	2,219	1,341	65.5%
<b>Total investment assets</b>	261,833	228,654	14.5%

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 C-ROSS regime developed by CAA and issued in Nov 2016.

3. Given that business of China Re Life accounts for more than 99.5% of the L&H reinsurance segment, data currently stated here are those of China Re Life.

4. To ensure the comparability, data in this chart have newly included the investment assets of Chaucer, thus there is a difference in calculation basis with the data in 2018 Annual Report of China Re.