Introduction to China Insurance/Reinsurance Market and China Re Group

China Re Group | September 2018
Part 1 : China P&C Insurance/Reinsurance Market Information

Part 2 : Introduction to China Re Group
Introduction to Domestic Insurance Regulation and P&C Insurance Companies

Insurance Regulation

- China insurance market regulatory authority, China Banking and Insurance Regulatory Commission (CBIRC), supervises insurance market in accordance with laws and regulations, and safeguards the legal and steady operation of insurance industry.

P&C Insurance Companies Information

- There were 85 P&C insurance companies in domestic market by the end of 2017, including several large comprehensive insurers (PICC, PINGAN, CPIC etc.), captive & mutual benefit insurers, internet focused insurers, and foreign insurers and so on.
The regulatory guideline for insurance industry is “strict regulation, risk prevention”. Market participants which are compliant and have stable operations will benefit from this and become stronger.

Regulatory authorities promote the industry to return to its protection function, which will bring new market opportunities to reinsurers.

The traditional business model faces greater challenges, and technological innovation creates new competitiveness.

Convergence of new technology applications and new types of business will bring new changes to the insurance industry.

China’s macro-economy will maintain the status of seeking progress while ensuring stability. Insurance industry is still in a golden period.

Competition in insurance market will be further intensified, and competitive landscape will go through accelerated process of restructuring.

The insurance demand in the new era is rapidly upgrading which requires the industry to accelerate supply-side reforms.

As the supply-side structural reforms continue to deepen, there is still a large need in the pension and health insurance, liability insurance, agricultural insurance, and catastrophe insurance.

New opportunities

New landscape

Strict regulation

New technology
During 2013-2017, China P&C Insurance Market kept double-digit growth. Liability, agriculture, health, accident and credit insurance are the major sources of growth.
China P&C Insurance Market Information

2017 original premium income and year-on-year growth for China P&C insurance market (Line of business)

Million RMB

2017 Original premium income  Year-on-year growth
Premium Income Proportion of China P&C Insurance Market in 2017

- Motor accounts for 71.3% of the market, which is the primary source of premium income.
- Agriculture and liability insurance rank 2nd and 3rd in line of business.
The overall profit ratio is relatively low. Credit insurance, hull insurance and short-term health insurance has a relatively high volatility in profit.
Reinsurance premium increase slightly, but the ceded ratio continues to decline.

P&C reinsurance premium in China domestic market in 2017 (not include Lloyds’ China):

- 2014: 929 million RMB
- 2015: 945 million RMB
- 2016: 889 million RMB
- 2017: 937 million RMB

Reinsurance Premium Growth:

- 2014: 7.7%
- 2015: 1.7%
- 2016: 5.4%
- 2017: -5.9%

Ceded Ratio:

- 2014: 12.3%
- 2015: 11.5%
- 2016: 9.6%
- 2017: 8.9%
Business structure continues to change: the scale and proportion of motor business decreases, while the scale and proportion of non-motor business is on the rise.

- **Motor**
  - **Ceded ratio decrease by 7.7%**
  - Direct business increase by 10%

- **Non-motor**
  - **Ceded ratio increase by 11.8%**
  - Direct business increase by 24%

### Premium (100 Million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Motor</th>
<th>Non-motor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td>392</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td>295</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td>273</td>
</tr>
</tbody>
</table>

- **Ceded ratio**
  - 2015: 6.4%
  - 2016: 4.3%
  - 2017: 3.6%

- **Premium**
  - 2015: 553 M
  - 2016: 594 M
  - 2017: 665 M

- **Ceded ratio**
  - 2015: 25.8%
  - 2016: 24.4%
  - 2017: 22.0%

*If replaced by commercial motor business, then the ceded ratio will be 4.8%.*
Contents

Part 1: China P&C Insurance/Reinsurance Market Information

Part 2: Introduction to China Re Group
Background Information of China Re

- **Rank 1st** in Asia and **8th** in the world.
- As the only domestic reinsurance group in China, the reinsurance main channel status is stable. Complete insurance industry chain covering reinsurance, direct P&C insurance, asset management and insurance broking.
- **1st** listed reinsurance group on the Hong Kong Exchanges.
Company History

In 2007, China Reinsurance (Group) Company was restructured into China Reinsurance (Group) Corporation Limited, which held controlling stakes in China Property and Casualty Reinsurance Company Ltd.


In 2014, China Reinsurance (Group) Corporation Limited increased its stakes in China Property and Casualty Reinsurance Company Ltd to 100%.

In 2016, China Reinsurance (Group) Corporation established its first Branch outside of China in Singapore.
Overview: a stable performance with good momentum for growth and further optimization of business structure

01 GWP exceeded RMB100 billion
- GWP exceeded RMB100 billion for the first time to reach RMB 105,336 million
- Premium income was up 21.5% year-on-year, a new high in recent years
- Net profit attributable to equity shareholders of the parent company was up 2.1% year-on-year to RMB 5,256 million
- Weighted Average ROE maintained stable at 7.22%
- Total investment yield reached 6.01%, up 0.53 ppts year-on-year

02 Operating performance steadily improved
- No.1 ranking sustained in the domestic reinsurance market for both P&C and life
- Continued to rank No.6 in the primary P&C insurance market with a market share of 3.52%
- Overseas business of P&C reinsurance up 22.9% year-on-year
- Domestic facultative business of P&C reinsurance up 50.8% year-on-year
- Domestic protection-type business of life and health reinsurance up 35.9% year-on-year
- Non-motor business of P&C primary insurance up 44.7% year-on-year
- The Group’s consolidated aggregated solvency adequacy ratio was 197%
- Aggregated solvency adequacy ratios were 218%, 234% and 267%, respectively for China Re P&C, China Re Life and China Continent Insurance
- Credit ratings of "A (Excellent)" and "A" were given respectively by A.M. Best and Standard & Poor’s in 2017

03 Industry position further consolidated
- Business structure further optimized
- Sufficient solvency maintained

Note: Premium data for life and health insurance refers to China Re Life specifically
GWP grew quickly and exceeded RMB100 billion

(RMB in millions)

Growth: 21.5%

 Norwich 2016 2017
GWP 86,677 105,336

% GWPs of each business segment

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>P&amp;C reinsurance</td>
<td>36.5%</td>
<td>41.5%</td>
</tr>
<tr>
<td>Life and health reinsurance</td>
<td>27.8%</td>
<td>23.6%</td>
</tr>
</tbody>
</table>

Note: Percentage of GWPs is calculated as segment GWPs/ the Group’s consolidated GWP before elimination
2017 Financial Performance (2/2)

Net profit attributable to equity shareholders of the parent company increased

(RMB in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>5,146</td>
</tr>
<tr>
<td>2017</td>
<td>5,256</td>
</tr>
</tbody>
</table>

Growth: 2.1%

Net assets increased

(RMB in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2016</td>
<td>72,140</td>
</tr>
<tr>
<td>31 December 2017</td>
<td>75,370</td>
</tr>
</tbody>
</table>

Growth: 4.5%

Weighted Average ROE maintained stable

(RMB)

<table>
<thead>
<tr>
<th>Year</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>7.28%</td>
</tr>
<tr>
<td>2017</td>
<td>7.22%</td>
</tr>
</tbody>
</table>

Earnings per share maintained stable

(RMB)

<table>
<thead>
<tr>
<th>Year</th>
<th>EPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0.12</td>
</tr>
<tr>
<td>2017</td>
<td>0.12</td>
</tr>
</tbody>
</table>
P&C Reinsurance (1/4)
Reinsurance premium income recovered and remained stable

Reinsurance premium income
(Amount in RMB in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinsurance premium income</td>
<td>31,924</td>
<td>24,457</td>
<td>25,239</td>
</tr>
</tbody>
</table>

Growth: -23.4%
Growth: 3.2%

Combined ratio increased

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss ratio</td>
<td>62.0%</td>
<td>61.4%</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>99.2%</td>
<td>103.1%</td>
</tr>
</tbody>
</table>

Growth: 3.9pps
Growth: -23.4%
P&C Reinsurance (2/4)

Business structure further optimized, with percentage of premium income from overseas, domestic non-motor and facultative reinsurance business increased

<table>
<thead>
<tr>
<th>% of premium income from overseas business continued to increase (RMB in millions)</th>
<th>% of premium income from domestic non-motor business continued to increase (RMB in millions)</th>
<th>% of premium income from domestic facultative reinsurance continued to increase (RMB in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas business</td>
<td>Non-motor business</td>
<td>Facultative reinsurance business</td>
</tr>
<tr>
<td>CAGR: 19.7%</td>
<td>CAGR: 5.8%</td>
<td>CAGR: 47.0%</td>
</tr>
<tr>
<td>2015</td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>2,356</td>
<td>2,746</td>
<td>3,374</td>
</tr>
<tr>
<td>7.4%</td>
<td>11.2%</td>
<td>13.4%</td>
</tr>
<tr>
<td>2015</td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>11,481</td>
<td>12,365</td>
<td>12,859</td>
</tr>
<tr>
<td>38.7%</td>
<td>56.7%</td>
<td>58.8%</td>
</tr>
<tr>
<td>2015</td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>367</td>
<td>526</td>
<td>793</td>
</tr>
<tr>
<td>1.2%</td>
<td>2.4%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

Non-motor business CAGR: 5.8%
Facultative reinsurance business CAGR: 47.0%

Note:
1. Domestic premium data on this page refers to P&C Reinsurance specifically
2. Percentage of premium income from overseas business is calculated as segment overseas business premium income / the P&C Reinsurance’s consolidated premium income after elimination
There were 85 P&C insurance companies in domestic market by the end of 2017, among which there were 78 companies having business cooperation with China Re P&C.

- **Large comprehensive insurer**: 8 x
- **Special insurer**: 45 x
- **Foreign insurer**: 19 x
- **Other insurer**: 13 x

**Special shareholder**
- PICC, PINGAN, CPIC, CHINA LIFE P&C, CHINA UNITED, CHINA CONTINENT, SUNSHINE, TAIPING
- Local capital background x 14, Captive & mutual benefit insurance x 6, Specialty insurance x 7, Internet focused x 5
- European and American x 10, Japanese x 5, Korean x 3, Taiwan x 1
- Financial capital background x 7, Small and medium sized company x 6

**Foreign insurer**
- CHUBB (fronting business)
- MSI, SOMPO JAPAN, AIOI
- SAMSUNG, LIG

**Other insurer**
- Asia-Pacific, Funde
- Huatai, Dubon
Non-motor and facultative reinsurance business brought new momentum to the development of domestic business

**Incremental contribution analysis: by lines of reinsurance**

- **Motor insurance**: -424
- **Agriculture insurance**: -50
- **Liability insurance**: 457
- **Engineering insurance**: 193
- **Others**: 112

**Incremental contribution analysis: by reinsurance arrangement**

- **Facultative reinsurance**: 267
- **Treaty reinsurance**: -197

**Premium income from facultative reinsurance**

- **2016**: 526
- **2017**: 793

**Growth**: 50.8%

**Liability insurance**

As a result of strengthened marketing of liability insurance and rapid growth of primary insurance market, we recorded premium income from liability insurance of RMB2,207 million, representing a year-on-year increase of 26.1%.

**Engineering insurance**

As a result of well seizing business opportunities brought by “The Belt and Road Initiative” and other domestic large scale projects, we recorded premium income from engineering insurance of RMB1,182 million, representing a year-on-year increase of 19.6%.

Note: Domestic premium data on this page refers to P&C Reinsurance specifically.
In 2017, we provide reinsurance services to over 320 ceding companies in 53 countries across 6 continents. The GWP for international business reached RMB 3,374 million (including RPT), representing a year-on-year growth rate of 22.9%.

We operate our overseas P&C reinsurance business through Beijing Platform, Singapore Branch and China Re Syndicate 2088. In 2017, we further optimized the insurance product structure and diversified the business portfolio.
Overseas business recorded rapid growth

Overseas P&C reinsurance premium income

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>Growth: 22.9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>310</td>
<td>1,187</td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>50</td>
<td>1,100</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>11</td>
<td>954</td>
<td></td>
</tr>
</tbody>
</table>

Overseas P&C reinsurance combined ratio

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>Increased 33.6 ppts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss ratio</td>
<td>33.0%</td>
<td>57.1%</td>
<td></td>
</tr>
<tr>
<td>Expense ratio</td>
<td>90.1%</td>
<td>37.8%</td>
<td></td>
</tr>
</tbody>
</table>

Note:
1. The expected total net loss due to three hurricanes and the earthquake in Mexico is approximately USD100 million. Such losses have been reflected in the financial year of 2017.
2. Data on this page is before inter-elimination of related transactions
Strategies Implementation(1/6)
– New progress in core reinsurance business

Develop “the Belt and Road” business

- Entrusted by the China Insurance Regulatory Commission (CIRC) to complete research on building “the Belt and Road” international insurance and reinsurance pool
- Accepted the invitation of Monetary Authority of Singapore to serve as the administration institution for “the Belt and Road Insurance Consortium” of Singapore
- Signed 26 memorandums of cooperation with external partners with cooperation network covering 118 countries and regions
- Provided risk coverage for landmark projects of “the Belt and Road Initiative”, such as China-Laos railway project and Pakistan photovoltaic project

Lead industry development based on insurance pools

China Agriculture Reinsurance Pool:
- Strengthened the risk management function of agricultural catastrophes, and promoted the improvements on CARP’s operation mechanism
- Developed new products to expand the insurance coverage for agriculture-related catastrophic risks

China Nuclear Insurance Pool:
- Participated in drafting the “Nuclear Safety Law” and designing catastrophe reserves system for nuclear insurance
- Joined the “go-out” alliance related to the nuclear power equipment
- Launched new insurance products, including liability insurance for radiation source pollution
Strategies Implementation(2/6)
– New growth momentum in business synergies

- **Internal synergy**
  - Established the strategic clients department, made top-level design to enhance internal synergy, through organization structure, performance appraisal, and talent exchange
    - Resources sharing in data, technology and talents between China Re P&C and China Re Life
    - Enhanced asset-liability management to develop savings-type business
    - Our Huatai Insurance agency created strong synergies with reinsurance, primary insurance and asset management sectors

- **External synergy**
  - Signed strategic cooperation agreements with a number of regional governments including Inner Mongolia, Tibet and Chongqing governments
  - Signed strategic cooperation agreements with a number of companies, including New China Life Insurance, China Pacific Insurance, Taikang Insurance and China Railway Construction Corporation
  - China Continent Insurance and New China Life Insurance achieved win-win results from their cooperation in terms of cross-selling and business interaction
Strategies Implementation (3/6)
– New highlights from innovative business

**Business model**
- China Re P&C launched its customer manager system to enhance development of its reinsurance business and improve customer services
- China Re Life made key progress in its “Data+” strategy, with wider applications of data mining technologies, such as GLM and NLP
- China Continent Insurance launched CICS, its core strategic program, moving forward with transformation of its business model toward integrated customer-oriented operation system

**Service innovation**
- Released the first set of risk curves for marine insurance for the Chinese insurance industry
- Assisted local governments in building inherent defects insurance (IDI) risk management platforms and created a role model for national promotion
- Cooperated with the Ministry of Environmental Protection and CIRC to promote the environmental pollution liability insurance and build its pricing model
- Established the health management service platform, and set up the first core data base for accident insurance
- New products including the mid-end medical insurance, the Return of Premium rental car insurance as well as the critical illnesses and cancer insurance generated over RMB1 billion revenues for the protection-type reinsurance business
- Innovative products including return shipping insurance and the “Million Medical Care” medical insurance received premiums of RMB300 million
Established China Reinsurance Catastrophe Insurance Risk Research Center, and cooperated with China Meteorological Administration, China Earthquake Administration and the Chinese Academy of Agricultural Sciences to establish China earthquake, flood and agricultural risk and insurance laboratory.

Actively expanded our catastrophe insurance business, and acted as sole or lead reinsurer for 90% of local catastrophe insurance pilot projects.

Launched the China Re catastrophe insurance platform “Zai Kan” with functions including risk identification, disaster early warning and cumulative risk control.

Launched the China Re catastrophic risk consultation platform “Zai Shang”.

Catastrophe insurance platform 1.0 “Zai Kan (China Re - Monitoring)”

- 6 core functions
- 9 major catastrophes
- Disaster data for 2,284 typhoons, over 6,000 earthquakes, and more than 100,000 landslides and mudslides
- 68 insurance companies (branches), brokerage companies, and 6 government agencies, universities, and institutions have applied to use the platform

Catastrophe insurance platform 1.0 “Zai Shang (China Re - Consultation)”

- Provided consultation and guidance on disaster prevention and damage control with respect to typhoons, floods, earthquakes and other natural disasters in the forms of expert discussion, consultation and Q&A sessions, and has organized 4 events to provide consulting services for more than 20 insurance companies (branches)
Strategies Implementation(5/6) – New blueprint for “Digital China Re”

Launched IT-based strategic consulting projects and developed a new strategic blueprint for “Digital China Re”

Fully implemented the NCR system (reinsurance core business system)

Furthered our efforts in establishing the cross-industry blockchain alliance and in implementing the applications of AI, cloud computing and other new technologies; established business platforms including catastrophe reinsurance and IDI to better serve customers
We have achieved sound corporate governance, established “list-approach” authorization system, and have been assigned an “excellent” rating by CIRC in the 2017 corporate governance evaluation.

We have strengthened capital management and asset-liability management, enriching the financing channel via flexible capital operation means.

We have continued to improve our risk prevention and control system, and established a risk monitoring and early warning system centered on 23 core risk monitoring indicators.

We have continued to build up our talent pool, completed the reform of the market-based compensation management system, achieved remarkable results in the “Double Hundred Talents” Program for the reinsurance segment and the “Thousand Talents” Program for the primary insurance segment, and re-launched the postdoctoral workstation.

We have continued to strengthen the corporate culture and achieved remarkable results in the “1+N” targeted poverty alleviation program.
Business outlook

- Take product innovation, model innovation and mechanism innovation as breakthrough
- Focus on the constructions of top mechanism, information system and data infrastructure
- Incubate kinds of new business and enhance its leading position in industry
- Speed up the layouts of domestic professional platforms, regional platforms as well as the international platforms.
- Promote the technological innovation strategies, extend the industry chain and create an ecosystem

2018 will be a key year for China Re to win the “One-Three-Five” Strategy, and we will continue to seek high-quality development with risk controlled

- Improve the assessment mechanism, strengthen project management and build a cooperation culture
- Comprehensively promote the in-depth synergy among business sectors
- Build an open, flexible and diverse network with regard to internal and external cooperation
- “Control front and back-ends and loosen intermediate process", optimize the Group’s control mechanism
- Improve the Group’s comprehensive risk control system
- Focus on “Digital China Re” to further implement the IT strategy
- Strengthen the construction of talent pool
- Strengthen the corporate culture and take social responsibility
Thank You