



China Reinsurance Market Overview

CAS Spring Meeting
May 15th – May 18th, Seattle, WA
Weishu Fan, FCAS, MAAA



Agenda



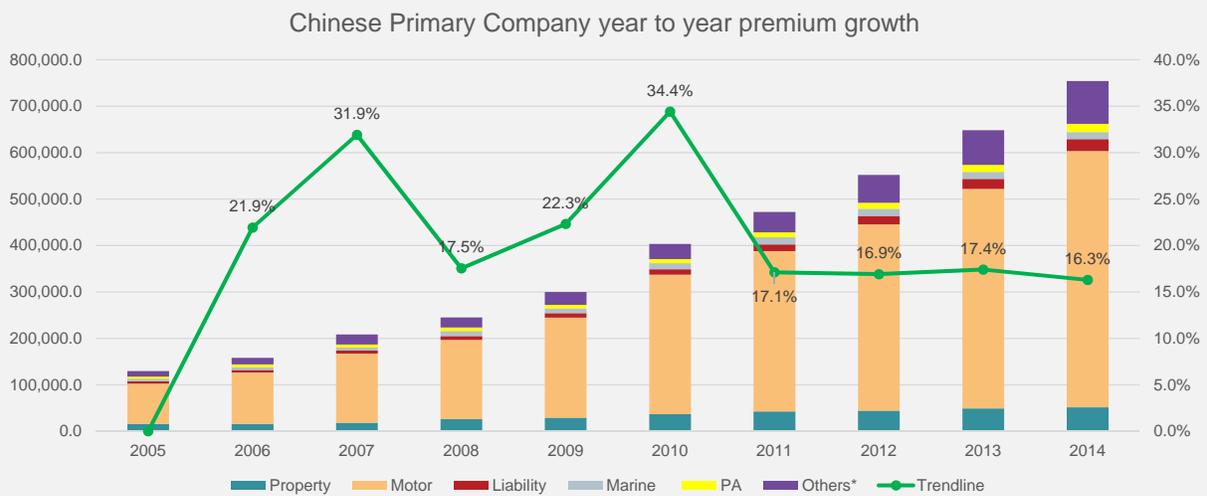
1. Brief History of Chinese Reinsurance Market
2. The function of reinsurance
3. Current market situation
4. Regulatory impact
5. Future outlook
6. Q & A

Major Milestones of Chinese Reinsurance Industry



1. Prior to 1986, no professional domestic reinsurance company as independent legal entity
2. 1986, reinsurance department was founded within PICC (then the only state owned insurance company)
3. 1996, PICC Group formed its first reinsurance subsidiary, PICC Reinsurance limited (not confused with PICC Re)
4. 1999, China Re incorporated (separated from PICC), the first domestic reinsurer in China
5. 2003 Munich Re Beijing Branch became the first licensed foreign reinsurer in China
6. Now, all the major worldwide reinsurers have established their footprints in China

Chinese Primary Insurance Market – The Growth Story



The function of reinsurance



1. Risk sharing
2. Retention management
3. Risk protection
4. Accumulation control
5. Solvency management
6. Customized solutions
7. Value added services

Regulatory Influences on the Development of Chinese Reinsurance Industry



1. 1996 – 2006 (Government nurturing the newly established domestic reinsurer – China Re) stipulated the mandatory cession for China Re;
2. Post 2006, due to WTO concession, Chinese reinsurance market opened up to foreign competitors.
3. 2008, Solvency I – min capital requirement implemented
4. Insurance law regulation
 - Premium/surplus ratio requirement
 - One tenth risk retention ratio rule
5. 2016 the implementation of C-ROSS
 - Introduction of counter-party default risk
 - Reinsurance registry requirements
6. Insurance law revision (abolish the premium/surplus ratio requirement)

China is a highly competitive reinsurance market



Top 10 Registered Reinsurers Domiciled Regions	
1 Lloyd's	92
2 United Kingdom	42
3 Bermuda	34
4 China	34
5 United States	31
6 Switzerland	27
7 Hong Kong	22
8 Singapore	22
9 Germany	13
10 Korea, Republic of	10
Other	80
Total	407

Licensed Reinsurance Entities

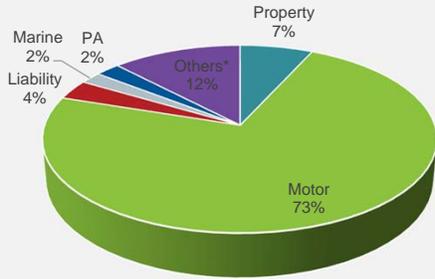


Licensed Reinsurers	Domestic/Foreign
China Re Group	Domestic
Munich Re	Foreign
Swiss Re	Foreign
China Taiping Re	Domestic
Hanover Re	Foreign
PICC Re	Domestic
General Re	Foreign
Scor Re	Foreign
RGA	Foreign
Qianhai Re	Domestic
Lloyd's	Foreign

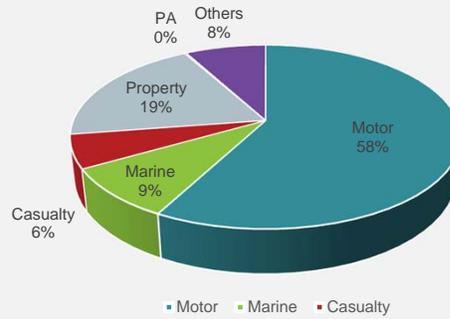
Market Portfolio Composition



Primary Insurer Premium by LOB



Reinsurer Premium by LOB



Major Reinsurance Types



Traditional

Proportional Reinsurance dominant (over 90%)

- Regular QS
- Surplus Treaty

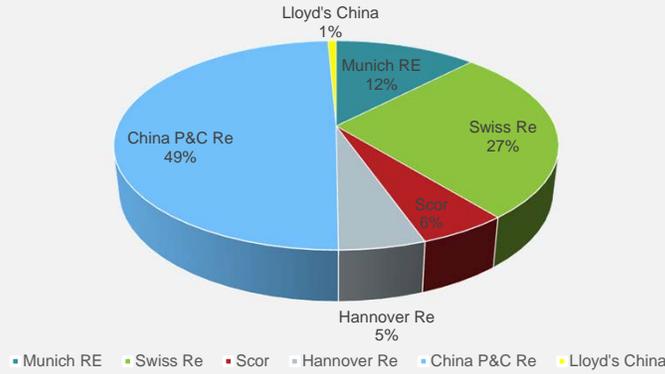
Excess of Loss gradually picking up

- ❖ Cat XL
- ❖ Per Risk XL
- ❖ Aggregate XL

Non Traditional

- ❑ Parametric Cover
- ❑ Cat Bond

Market Share for Onshore Reinsurers – Property & Casualty

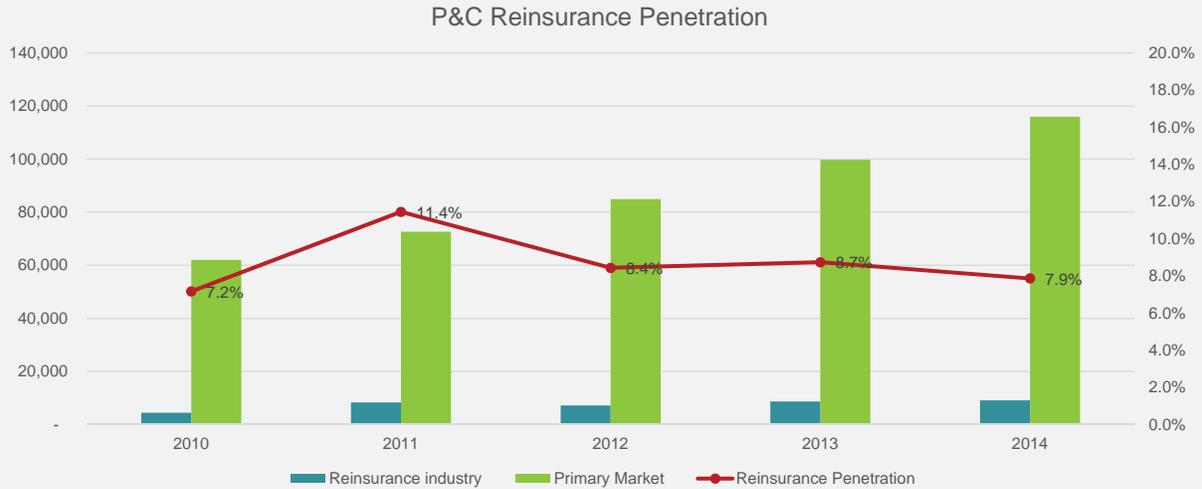


The Influences of Brokers are increasing



Major Reinsurance Brokers
Guy Carpenter & Company Limited
Aon Hong Kong Limited
Willis Hong Kong Limited
JLT Reinsurance Brokers Limited
江泰再保险经纪有限公司
太平再保险顾问有限公司
FP Reinsurance Brokers Limited

Comparing booming primary market – Reinsurers less Cheerful



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The Outlook for Chinese Reinsurance Industry



1. Solvency driven reinsurance demand gradually tempered
2. Expanded onshore reinsurers' list
3. Buffet wannabes are lining up
4. Competition is heating up
5. Warren Buffet on Reinsurance
 - Low to negative interest rates on the reinsurance industry
 - Amplified reinsurance capacity

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What's the future for Chinese reinsurance industry?



Innovation

Telematics, E-car insurance, weather index, insurance pooling schemes, package policies, Internet of Things, Cyber, etc.