

NOVEMBER 09, 2022 08:43 AM (EST)

**AM Best Affirms Credit Ratings of ZhongAn Online P&C Insurance Co., Ltd.**

**CONTACTS:**

James Chan  
Associate Director  
+852 2827 3418  
james.chan@ambest.com

Christopher Sharkey  
Manager, Public Relations  
+1 908 439 2200, ext. 5159  
christopher.sharkey@ambest.com

Christie Lee  
Senior Director, Analytics  
+852 2827 3413  
christie.lee@ambest.com

Al Slavin  
Communications Specialist  
+1 908 439 2200, ext. 5098  
al.slavin@ambest.com

**FOR IMMEDIATE RELEASE**

HONG KONG - NOVEMBER 09, 2022 08:43 AM (EST)

**AM Best** has affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of “a-” (Excellent) of ZhongAn Online P&C Insurance Co., Ltd. (ZhongAn) (China). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect ZhongAn’s balance sheet strength, which AM Best assesses as very strong, as well as its marginal operating performance, favourable business profile and appropriate enterprise risk management.

ZhongAn’s very strong balance sheet strength is supported by risk-adjusted capitalisation at the strongest level, as measured by Best’s Capital Adequacy Ratio (BCAR). The company boosted its capital base through an initial public offering on the Hong Kong Stock Exchange in 2017; its capital and surplus reached RMB 16.8 billion (USD 2.6 billion) as of 2021. The company has also demonstrated good access to the capital market with an issuance of USD 1 billion senior unsecured notes in 2020, which supports its financial flexibility. In terms of investments, approximately half of ZhongAn’s financial assets are invested in fixed-income securities, while the remaining consists of cash and deposits, asset management products, equities, funds, and trust schemes. AM Best considers ZhongAn’s investment portfolio to be diversified with a good level of liquidity.

ZhongAn reported net losses during 2017 to 2019, but the company managed to turn its performance around in 2020; it reported net profits of RMB 757.1 million in 2021 and an adjusted return-on-equity ratio of 4.1%, compared with its five year average of -3.0% (2017-2021), as calculated by AM Best. The company’s underwriting performance was

marginal, while its bottom line was predominantly driven by investment returns. ZhongAn's combined ratio improved to below 100% in 2021 from 133.1% in 2017, primarily attributed to a downward trend in its expense ratio that resulted from a larger premium base and better control of management expense. AM Best expects that investment income will continue to be the main driver of the company's bottom line over the short to medium term.

ZhongAn has leveraged its technology capability to provide insurance solutions and business model services to its domestic and overseas clients, which has resulted in revenue growth and an expanded customer base. AM Best views ZhongAn's innovativeness as a supportive factor to its business profile, which will provide long-term financial enhancement. In addition, the company invested in a virtual banking business in Hong Kong in 2020 to achieve greater synergy with its technological capabilities. ZhongAn's banking and technology business segments remain in start-up phases, and AM Best expects that these areas will continue to exert pressure on the company's overall profitability over the short to intermediate term.

Negative rating actions could occur if there is significant adverse deviation from the company's business plan, or if there is a material decline in its risk-adjusted capitalisation due to faster-than-expected growth in underwriting or asset risks. Negative rating actions may arise if its partnerships with key shareholders weaken such that it no longer supports a favourable business profile assessment.

**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 [Guide to Best's Credit Ratings](#). For information on the proper use of Best's Credit Ratings, Best's Performance Assessments, Best's Preliminary Credit Assessments and AM Best press releases, please view [Guide to Proper Use of Best's Ratings & Assessments](#).**

**AM Best is a global credit rating agency, news publisher and data analytics provider specialising in the insurance industry. Headquartered in the United States, the company does business in over 100 countries with regional offices in London, Amsterdam, Dubai, Hong Kong, Singapore and Mexico City.**