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Research Update:

**AXA China Region Insurance Co.
(Bermuda) Ltd. And AXA China
Region Insurance Co. Ltd. Rated 'AA-';
Outlook Stable**

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AXA China Region Insurance Co. (Bermuda) Ltd. And AXA China Region Insurance Co. Ltd. Rated 'AA-'; Outlook Stable

Overview

- We classify AXA Hong Kong Life as core to the AXA group because it provides AXA a strong presence in a high-growth and profitable segment of the Asian region, and delivers strong value contribution to the group.
- We expect AXA Hong Kong Life to remain one of the largest life insurers in Hong Kong, leveraging the AXA brand and distribution. We view its capitalization as commensurate with the AXA group.
- We are assigning our 'AA-' local currency long-term financial strength and counterparty credit ratings to the two life insurers, which constitute AXA Hong Kong Life. We are also assigning our 'cnAAA' long-term Greater China regional scale rating to the insurers.
- The stable outlook reflects the outlook on AXA Hong Kong Life's parent, AXA, and our view that the insurers will remain core subsidiaries of the group.

Rating Action

On Dec. 21, 2016, S&P Global Ratings assigned its 'AA-' local currency long-term financial strength and counterparty credit ratings to AXA China Region Insurance Co. (Bermuda) Ltd. (AXA CRIB) and AXA China Region Insurance Co. Ltd. (AXA CRI), together forming AXA Hong Kong Life. The outlook is stable. We also assigned our 'cnAAA' long-term Greater China regional scale rating to the Hong Kong-based life insurers.

Rationale

The ratings reflect our view that AXA Hong Kong Life is core to the AXA group (core operating entities 'AA-' rated) because it provides AXA a strong presence in a high-growth and profitable segment of the Asian region, and delivers strong value contribution to the group. We would expect AXA to continue its long-term ownership and support of the Hong Kong life business.

We see AXA CRIB and AXI CRI as operating seamlessly under the AXA brand, distribution, and management, and expect ongoing group support to the subgroup and its operating subsidiaries. AXA CRIB is ranked sixth by in-force and new premium, while AXA CRI is ranked 10th by in-force premium but closed to new business. Together they rank fifth in the competitive but fast-growing Hong Kong life insurance market.

While AXA Hong Kong Life represents less than 5% of group capital, we recognize its materiality to the group in terms of its strong contribution to group earnings, and in the context of AXA being a large and complex global group. Additionally, we view AXA Hong Kong Life as fully integrated with the group, operating closely with the Hong Kong-based regional office, and sharing group functions of enterprise risk management (ERM) and investment management.

We expect AXA Hong Kong Life to remain integral to AXA's expansion strategy in the high-growth life and savings markets globally, where Hong Kong stands out as one of the key contributors to the group's profit and new-business value. Because of this contribution, we see continued ownership of AXA Hong Kong Life as crucial to AXA achieving its strategic plan. Additionally, this commitment to Hong Kong is emphasized by the recent major acquisition in the property and casualty (P&C) market.

While AXA actively manages capital to invest in high-growth markets away from some traditional low-growth markets, this has limited impact on AXA Hong Kong Life. The Hong Kong life insurance market delivers about 15% annually in new business growth opportunity, in part from accelerating insurance product demand from Chinese mainland visitors, which makes the market particularly attractive to local and global insurers.

Despite Hong Kong's competitive and active market, we expect AXA Hong Kong Life to remain one of the largest life insurers in Hong Kong, profitably leveraging its AXA brand, attractive product offering, and both new and old forms of distribution. We expect the insurer to generate continued solid premium growth. While the life insurance subgroup maintains a small P&C book under a composite license, the wider AXA Hong Kong business is also the largest P&C insurer in Hong Kong, delivering brand and operational leverage and further cross-sell potential.

We expect AXA Hong Kong Life to maintain its capitalization as commensurate with the AXA group, supported by solid growth in earnings and value in-force (present value of future profits) from its insurance operations. The two insurers also maintain strong buffers over regulatory capital adequacy requirements. While the growth in non-linked life insurance products may consume more capital, we expect AXA Hong Kong Life to fulfil any capital needs from internal resources, and in case of need, for the group to provide financial support to AXA Hong Kong Life readily. As a fully integrated member of the AXA group, AXA Hong Kong Life also benefits from active group risk, ERM, and governance associations, as well as reinsurance support.

Outlook

The stable outlook on the AXA Hong Kong Life insurers reflects the outlook on the company's ultimate parent, AXA, and our view that AXA Hong Kong Life will remain a core subgroup of the wider AXA group.

Downside scenario

We may downgrade the AXA Hong Kong Life insurers if we lower the ratings on AXA, which would flow through to the group's core subsidiaries. Alternatively, we may lower the ratings if we consider AXA Hong Kong Life's strategic importance in the group to have diminished, although that is unlikely over the next 24 months.

Upside scenario

We may upgrade the AXA Hong Kong Life insurer if we raise the ratings on AXA.

Related Criteria

- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, June 01, 2016
- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology, May 07, 2013
- Criteria - Insurance - General: Enterprise Risk Management, May 07, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria - Insurance - General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 07, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

AXA China Region Insurance Co. (Bermuda) Ltd.

AXA China Region Insurance Co. Ltd.

Counterparty Credit Rating

Local Currency AA-/Stable/--

Greater China Regional Scale cnAAA/--/--

Financial Strength Rating

Local Currency AA-/Stable/--

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