

Credit Opinion

9 July 2025

Ratings	
Category	Financial Institution
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A _g +
Outlook	Stable

Analyst Contacts

Vincent Tong +852-2860 7125
Associate Director of Credit Ratings
vincent_tong@ccxap.com

Christy Liu +852-2860 7127
Senior Credit Analyst
christy_liu@ccxap.com

Elle Hu +852-2860 7120
Executive Director of Credit Ratings
elle_hu@ccxap.com

**The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

Client Services

Hong Kong +852-2860 7111

Aviva-COFCO Life Insurance Co., Ltd.

Surveillance credit rating report

CCXAP affirms the long-term credit rating of Aviva-COFCO Life Insurance Co., Ltd. at A_g+, with a stable outlook.

Summary

The A_g+ long-term credit rating of Aviva-COFCO Life Insurance Co., Ltd. (“Aviva-COFCO” or the “Company”) is underpinned by the Company’s (1) good business presence in China’s insurance market, with rapid premium growth; (2) diversified distribution channels and product mix; (3) stable and prudent investment strategy; and (4) solid capital adequacy underpinned by its strong capital generation capability.

However, the rating is constrained by the Company’s (1) moderate market position with limited market share; (2) exposure to equity and alternative investments, which may increase the pressure on its asset quality; and (3) investment return challenged by the volatility of capital market in China.

We also consider that the Company is likely to receive support from its two ultimate shareholders, namely COFCO Group Co., Ltd. (“COFCO Group”) and Aviva Plc (“Aviva”), in times of need. Aviva-COFCO has an important strategic position for its shareholders. Over the past years, the Company has a good track record of receiving support, such as capital replenishment, product development, and management know-how.

The stable outlook on Aviva-COFCO’s rating reflects our expectation that the Company will maintain a stable operating and financial profile over the next 12 to 18 months. We also expect the Company to continue to receive support from its shareholders.

Rating Drivers

- Good business presence in China's insurance market, while market share remains relatively small
- Diversified distribution channels supporting premium growth
- Diversified product mix with a large proportion of long-term regular premium products
- Profitability challenged by the volatility of capital market
- Solid capital adequacy underpinned by its strong capital generation capability
- Track record of shareholders' support from Aviva and COFCO Group

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if the Company (1) has demonstrated a stronger market position and franchise; (2) further lowers its product risk and increases the diversification of reliable distribution channels; and (3) materially lowers the allocation on risky assets, without sacrificing its profitability.

What could downgrade the rating?

The rating could be downgraded if the Company (1) has a material deterioration in profitability, such as a drop in Return on Capital; (2) shows significant decrease in capital adequacy; or (3) has a lowering expectation of support from Aviva or COFCO Group.

Key Indicators

	2020FY	2021FY	2022FY	2023FY	2024FY
Total Assets (RMB billion)	50.1	61.0	71.8	82.2	108.3
Total Equities (RMB billion)	6.9	7.8	7.8	8.7	16.6
Total Revenue (RMB billion)	12.2	13.1	13.9	18.3	26.8
Gross Written Premiums (RMB billion)	9.9	10.8	11.3	16.2	21.0
Net Profits (RMB million)	748.7	912.5	925.1	29.5	708.6
Return on Capital (%)	8.8	9.3	9.0	0.3	4.9
Core Solvency Ratio (%)	214.0	235.0	153.5	166.9	209.7
Comprehensive Solvency Ratio (%)	253.3	276.8	254.1	273.1	289.0
Total Capitalization Ratio (%)	26.5	24.2	24.3	22.4	22.9

All ratios and figures are calculated using CCXAP's adjustments. Core Solvency Ratio and Comprehensive Solvency Ratio as of the end of 2022 and forward are calculated according to the C-ROSS phase II.

Source: Company data, CCXAP research

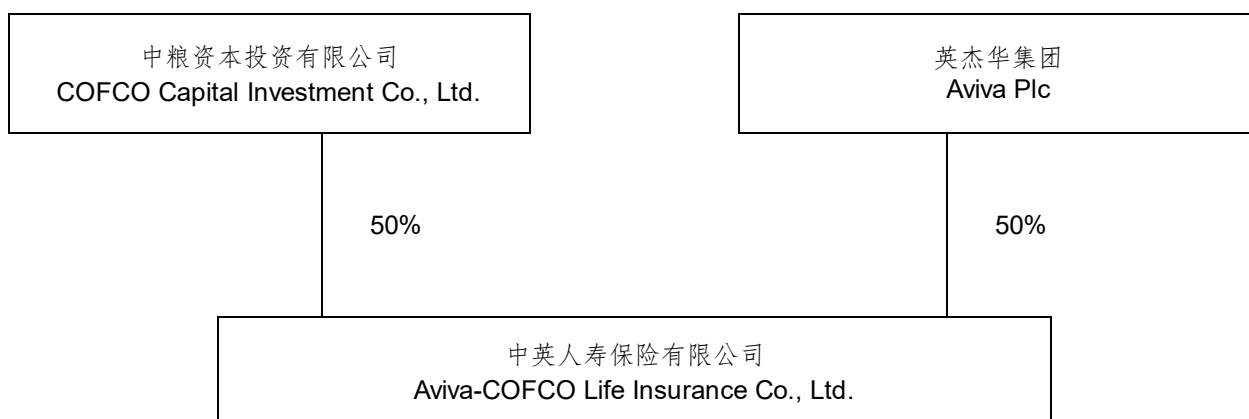
Corporate Profile

Founded in 2002, Aviva-COFCO is one of the life insurers in China and is headquartered in Beijing. Aviva-COFCO offers traditional life insurance, health and accident insurance, annuity products, participating life insurance and universal life insurance products to individuals and corporates and had operations in 18 provinces or municipalities across China as of the end of 2024. Aviva-COFCO Life is a 50:50 joint venture between Aviva Plc and COFCO Capital Investment Co., Ltd, a subsidiary of COFCO Group Co., Ltd.

COFCO Group is one of the major suppliers of agricultural and food products in China by revenue and is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of China.

Aviva is the largest insurance service supplier in the UK and is one of the leading global insurers with over 300 years of operation experience.

Exhibit 1. Shareholder chart as of 31 December 2024



Source: Company information, CCXAP research

Rating Considerations

Good business presence in China's insurance market, with rapid premium growth but relatively small market share

Aviva-COFCO is a life insurer that specializes in the Chinese market, and it has a business presence in 18 provinces or municipalities across China as of the end of 2024. China is the world's second-largest life insurance market that offers insurers with sufficient growth potential. Nevertheless, the momentum of premium growth was weakened for years because of the moderating economic growth of China. In 2024, contributed by the growth in renewal of insurance, the life insurance market of China recovered strongly and the gross premiums of the Chinese life insurers grew by 13.2% year-over-year ("YoY") to RMB4.0 trillion.

With an ongoing penetration strategy, the Company has a reputable brand name in China, particularly in the second-tier or lower-tier cities in China where the insurance market penetration is moderate and has higher growth potential. Aviva-COFCO has maintained solid premium growth over the past few years, and its brand name as a Sino-foreign joint venture appeals to devoted customers. In 2024, it had high renewal rates on policy of over 90% for both 13 months and 25 months.

However, we consider Aviva-COFCO's market position moderate owing to its relatively small market share. The Company's original premium income increased by 30.1% to RMB21.0 billion in 2024 from RMB16.2 billion in 2023, representing an absolute market share of around 0.5% in China. China's life insurance market is highly dominated by the top 5 life insurers having combined market shares over 50% in terms of original premiums, which creates barriers to entry for new insurers. Aviva-COFCO's sales are still challenged by tightening regulations and increasing market competition, and thus its franchise is expected to remain constrained. The implementation of the China Risk Oriented Solvency System ("C-ROSS") phase II is likely to benefit the top-tier insurers, adding pressure on small and medium-sized insurers in China.

Diversified distribution channels supporting premium growth

Aviva-COFCO has extensive distribution channels, which help the Company sustain steady premium growth and better seize market opportunities. Its major distribution channels include agents, insurance brokers, bancassurance, and telemarketing and internet channels. In 2024, 36.8% of Aviva-COFCO's total premiums came from insurance brokers, 29.6% from agents, 24.1% from bancassurance, and 7.7% from telemarketing and internet channels. The agents and insurance brokers also represent the major contributors to Aviva-COFCO's value of new business ("VNB").

Aviva-COFCO had more than 6,400 agents in its sales force as of 31 December 2024, which had been productive during the past years. In 2024, its agency productivity measured by first-year-premium ("FYP") per agent increased by 5.1% to RMB18,641. It has good control and influence over its agents via enhanced recruiting, team building, and training programs. The Company also has maintained a stable relationship with top-tier insurance brokers who have high-quality client bases, enabling it to perform outstanding growth in product sales.

Besides, the Company has continued to widen its sales channel in bancassurance under the backdrop of stricter regulations on commissions and expenses. Aviva-COFCO has established cooperative relationships with 10 domestic banks, the total premiums from bancassurance increased by around 137.9% in 2024, becoming one of the key drivers for Aviva-COFCO's premium growth.

Diversified product mix with a large proportion of long-term regular premium products

Aviva-COFCO offers diversified products and services, including traditional life insurance, annuity, health and accident insurance, and participating and universal products. In 2024, 57.3% of Aviva-COFCO's total premiums were generated from traditional life insurance, 18.2% from long-term health insurance, 14.3% from participating and universal products, and 8.1% from annuity.

We consider that the product risk of Aviva-COFCO is relatively low supported by its conservative approach toward product pricing and its product diversification. The average cost of liability is reasonably low that refrains Aviva-COFCO from the negative spread as seen by some of the top-tier life insurers. We also do not expect Aviva-COFCO will suffer from a single product risk given its diversified product offering. The increasing selling on participating products will enable Aviva-COFCO to share some of the investment risk with policyholders.

Aviva-COFCO's premium payment is characterized by a large portion of long-term regular premium products that generate stable premiums. In 2024, the contribution to total premiums from first-year regular premiums decreased from 32.7% in 2023 to 18.3%. The renewal premiums continued to increase and the contribution rose from 53.6% in 2023 to 57.4%. The portion of regular premium products maintained a high level while the Company also increased the supply of single premium products due to the changes in market environment. The contribution to total premiums from single premium significantly increased from 13.7% in 2023 to 24.4%.

Asset quality supported by its stable and prudent investment strategy

Aviva-COFCO has a stable and prudent investment strategy, with fixed-income investments accounting for more than 70% of its investment portfolio over the past two years. As of 31 December 2024, the Company's investment portfolio mainly comprised around 71.3% in fixed-income products, 17.8% in equity and equity-type funds, 9.7% in alternative investments (mainly including trust plans and asset management products), and 1.2% in cash and deposits. The Company's fixed-income investment portfolio is diversified, with limited single-name concentration risk.

Aviva-COFCO's high-risk assets to shareholders' equity ratio was 109.3% as of end-2024, decreasing from 218.8% as of end-2022, because of its increased capital base. It aims to seek additional investment yields during the stock market downturn in China. However, the Company's exposure to equity investments will bring pressure on its asset quality as the volatility in China's capital market remains high. The Company intends to pick blue-chip stocks with high dividend yield to lessen investment risk. Aviva-COFCO's effort to change its product structure is expected to share part of the investment risk with its policyholders.

Profitability challenged by the volatility of China's capital market

Aviva-COFCO's profitability has fluctuated in recent years. From 2020 to 2024, the five-year average ROC of the Company decreased from 9.0% over the period of 2018 to 2022 to 6.5%, while the sharp ratio remains high at over 180%. The Company's total revenue increased from RMB13.9 billion in 2022 to RMB26.8 billion in 2024, while its net income decreased from RMB925.1 million to RMB708.6 million over the same period, and the net income in 2023 was relatively low at RMB29.5 million. The sharp decrease in profitability in 2023 is mainly due to increased provision of insurance reserve and premium fees from intermediaries from rapid growth in new insurance and the accumulation of the renewals. Under the backdrop of stricter regulations on commissions and expenses, premium fees from intermediaries decreased by 20.7% from 2023 to 2024, also with the impact of relatively good investment return in 2024, the net income rose from RMB29.5 million in 2023 to RMB708.6 million in 2024.

We expect the Company's profitability will be challenged by the volatility of the capital market in China. Although Aviva-COFCO's investment performance is relatively good compared to most of its Chinese peers, its investment returns in its investment had been fluctuated over the past few years.

Solid capital adequacy underpinned by its strong capital generation capability

Aviva-COFCO's capital adequacy is solid. It has maintained relatively strong solvency ratios, despite the decreasing market trend. As of 31 December 2024, its core and comprehensive solvency ratios were 209.7% and 289.0%, respectively, increasing from 153.5% and 254.1%, respectively, as of 31 December 2022. The increase was mainly attributable to the increase in other comprehensive income, as well as the perpetual bonds issued by the Company in 2024. Aviva-COFCO's capital adequacy ratios are far higher than the domestic regulatory requirement.

Aviva-COFCO has good organic capital generation capability with a relatively high-margin product mix. It also has a good track record in obtaining capital. The Company issued two tranches of perpetual bonds in 2024, with a total amount of RMB3.0 billion. We also expect the Company to maintain a prudent dividend policy and maintain sufficient retained earnings.

Strong financial flexibility

Aviva-COFCO has strong financial flexibility with reasonable financial leverage and good asset liquidity. The financial leverage measured by the total capitalization ratio, had declined from 24.3% at end-2022 to 22.9% at end-2024, because of a higher capital base. The regulated standard LCR2 ratio was 3.5x as of 31 December 2024. Supported by the effort to decrease its exposure to alternative investments, the LCR2 ratio was improved in 2023. Besides, the Company's large proportion of regular-premium products continues to offer stable recurring cash flow and supports its overall liquidity profile.

However, like its Chinese peers, the duration mismatch is still a challenge for Aviva-COFCO. The Company's duration of liability cash outflow was around 21 years, which was much longer than the modified duration of cash inflow adjusted for scaling of around 7 years, as of the end of 2024.

We also expect Aviva-COFCO's financial flexibility will benefit from its shareholders' good financial flexibility. Its shareholders are able to provide timely support to maintain the Company's liquidity profile, in times of need. COFCO Group is a large state-owned enterprise with good access to the capital markets. Aviva is a global leading insurer with moderate financial leverage and sufficient coverage ratios.

External Support

Track record of shareholders' support from Aviva and COFCO Group

Aviva-COFCO has high strategic importance to its shareholders, namely COFCO Group and Aviva. It is positioned as the sole insurance company of COFCO Group and the sole investment of Aviva in China's insurance market. Both shareholders have provided strong support over the past years, in terms of capital replenishment, business development, product innovation, resource collaboration, and risk management. We expect that the willingness of COFCO Group and Aviva to provide support is high and their shareholdings will not be changed over a long period. The strong credit profile of COFCO Group and Aviva is also promising that they will have enough financial resources to help Aviva-COFCO in times of need.

COFCO Group is a large central state-owned conglomerate wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council. It is a leader in China's agricultural and grain industry and an international grain merchant with a global layout and an entire industry chain. COFCO Group takes agriculture and grain as its core business focusing on diversified categories such as grain, oil, sugar, cotton, meat, and dairy, as well as food, finance, and real estate sectors.

Headquartered in London, Aviva is one of the largest insurance groups in the UK, and a leading provider of life insurance and retirement products in Europe, with professional experience of more than 300 years. It offers various insurance, retirement, investment, and savings products in the UK, Ireland, Canada, and internationally.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [Insurers \(December 2023\)](#).

Copyright © 2025 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold, or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656