ANNUAL REPORT

2023

Peak Re

About Peak Re

Purpose

To modernise reinsurance to support the needs of communities and the emerging middle class by meeting reinsurance needs in Asia and around the globe.

Peak Reinsurance Company Limited ("Peak Re" or the "Company") is a Hong Kong-based global reinsurance company. Since commencing operations in 2012, the Company has grown steadily to rank 27th among global reinsurance groups in terms of net reinsurance premiums written.[1] For the year ended 31 December 2023, Peak Re reported a reinsurance revenue of USD1.56 billion and a net profit of USD200 million. With net assets of USD1.28 billion as of 31 December 2023, Peak Re is rated A- by AM Best.

Peak Re is authorised by the Insurance Authority of Hong Kong under the Insurance Ordinance (Cap. 41). The Company offers both Property & Casualty ("P&C") and Life & Health ("L&H") reinsurance. It provides innovative and tailored reinsurance, risk management and capital management solutions to clients around the world.

Fosun International Limited (00656.HK) and Prudential Financial, Inc. own approximately 87% and 13% of Peak Re, respectively, through Peak Reinsurance Holdings Limited.

1. "S&P Global Ratings Top 40 Global Reinsurers and Reinsurers By Country: 2023", S&P Global, 2023

At a Glance

Peak Re continues to deliver on its mission to help close the protection gaps of middle-class communities in emerging Asia and beyond. In 2023, the Company reported a record net profit. From this strong financial fundamental and with a clear strategic outlook centered on sustainability and an agile, client-centric approach, we are firmly positioned and excited to step up to the challenges of the next decade.[1]

USD1.76 B
(2022: USD2.29 B)

Gross Written Premiums[2]

We strategically realigned our underwriting portfolio in line with our risk appetite and the dynamic environment in which we operate.

USD1.56 B
(2022: USD1.82 B)

Reinsurance Revenue

We reduced our reinsurance revenue as we realigned our underwriting portfolio.

USD200 M
(2022: -USD261 M)

Net Profit

A record net profit for Peak Re, driven by disciplined underwriting, healthy investment returns and strict expense management.

3.8%
(2022: -4.9%)

Investment Yields

Higher interest rates and our astute, timely shift to higher-quality and shorter-duration assets supported strong investment returns.

1 All financial figures in this report for the year ended 31 December 2023 are based on IFRS 9 and IFRS 17, unless stated otherwise. Comparative figures for the year ended 31 December 2022 have been restated to the same accounting standards
2 Gross written premiums are based on the accounting standard IFRS 4 and are provided as a reference

USD3.12 B

(2022: USD2.94 B)

Assets Under Management

Assets under management increased by 6%, mainly as gains in the fair value of investments offset the impact of our revenue reduction.

USD1.28 B

(2022: USD1.12 B)

Net Assets

Net assets rose robustly by 14%, driven by retained earnings and the market value rebound of fixed-income investments.

305%

(2022: 209%)

Solvency Ratio[3]

This impressive year-on-year increase reflects retained profits and the realignment of our underwriting and investment portfolios.

87.3%

(2022: 110.1%)

P&C Combined Ratio[4]

This healthy ratio reflects robust underwriting, astute risk selection and a competitive cost structure.

A-

(Excellent)

Rating by AM Best

Peak Re maintains a very strong balance sheet and capital and liquidity positions.

86%

settled within 10 days[5]

Claims Service

Clients value our excellent claims service.

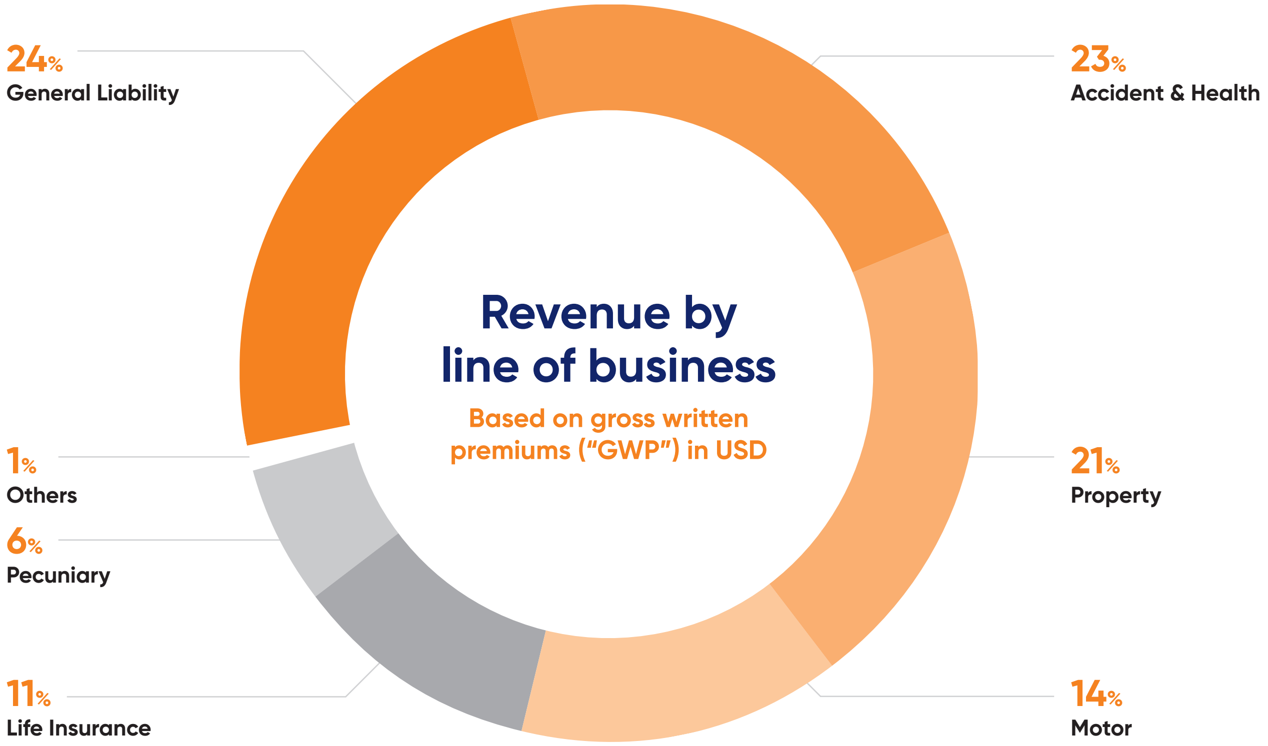
3 Statutory solvency ratio of Peak Reinsurance Company Limited based on the requirements under the Hong Kong Insurance Ordinance (Cap.41) as of 31 December 2022 and 31 December 2023

4 The P&C combined ratio is calculated as 1-("reinsurance service results/reinsurance revenue after retrocession premium paid")

5 On average 2021 – 2023, undisputed cases

A strong, balanced portfolio

Through 2023, we reduced our property and motor reinsurance exposure and grew our life, general liability and accident and health business portfolio.



77% Proportional **23%** Non-proportional

P&C portfolio, based on GWP in USD

In 2023, we applied the same underwriting reasoning and rigor to both our proportional and non-proportional P&C reinsurance business.

70% Broker **30%** Direct

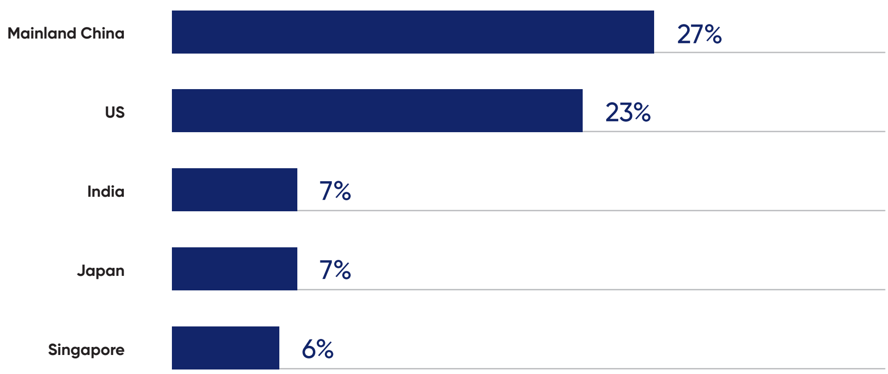
Total portfolio, based on GWP in USD

We maintain strong relationships across our entire client base.

Top 5 markets

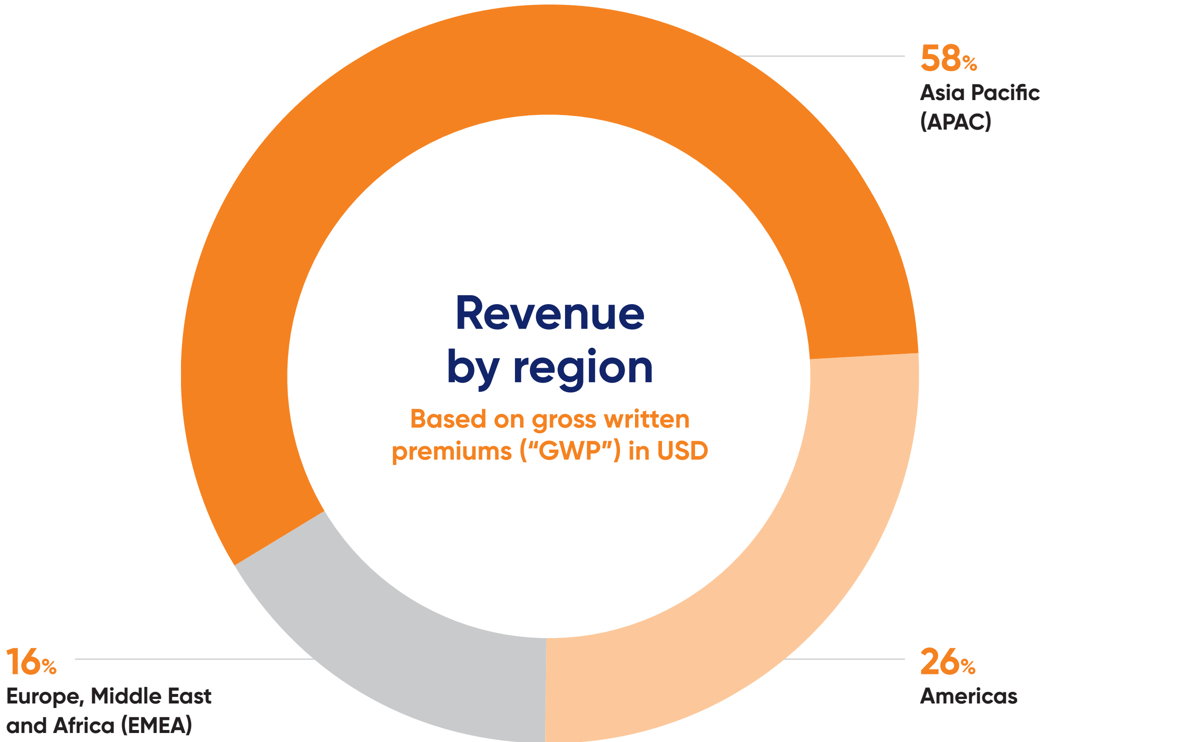
Based on GWP in USD

Peak Re has a strong reinsurance business franchise in key Asian growth markets, including in Mainland China and India.



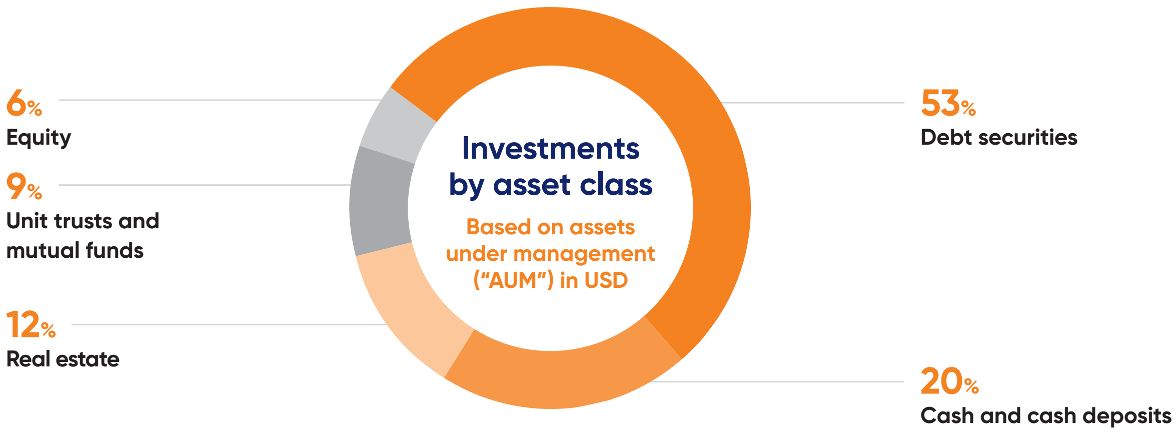
Firm foothold in Asia, globally diversified

With an unwavering commitment to emerging Asia's growing middle class, Peak Re provides a uniquely geographically diversified portfolio.



A quality investment portfolio

The agile and successful realignment of our investment portfolio through 2023 contributed to Peak Re's record 2023 result.



3.8%
Investment Yields

USD3.12 B
Assets under management

Peak Re was founded with the purpose to strengthen the resilience of societies across emerging Asia and beyond by improving access to the security that insurance provides – in particular for emerging Asia´s rising middle class – and by contributing to the modernisation of the reinsurance industry.

LI Tao
Chairman

Message from Chairman

In 2023, Peak Re delivered an astounding turnaround and record result, rising to a net profit of USD200 million after the Company's first-ever reported loss in 2022. This result fills us with pride and humility, as it was only made possible by the relentless support and expertise of our Board, the Executive Committee and our employees, as well as by the trust and confidence vested in us by our clients in one of the re/insurance industry´s most turbulent years in recent history.

Peak Re was founded with the purpose to strengthen the resilience of societies across emerging Asia and beyond by improving access to the security that insurance provides – in particular for emerging Asia´s rising middle class – and by contributing to the modernisation of the reinsurance industry. Our commitment to this mission is unwavering, supported by demonstrated resilience and governance, a strong financial fundamental and a clear strategic objective.

In 2023, we once again delivered on this promise. In the prior year we had already applied the brakes to manage the unprecedented confluence of financial market volatility and continuously high losses from natural catastrophes that were causing havoc in Asia, Europe and the Americas. Our executive team in combination with the Board´s oversight had swiftly, and ultimately successfully, realigned our underwriting portfolio to the changed risk landscape.

2023 portfolio realignment contributed to record result

The year 2023 proved challenging for the industry as insurers´ demand to cover their rising risks and reinsurers´ tight supply of risk capacity moved further apart. Natural catastrophe risks affected by rising frequency and severity had the greatest difficulty in finding protection. Peak Re stood firm by its conviction of maintaining the insurability of catastrophe risks and fulfilling its role as the "risk manager" of the societies in which we operate.

Importantly, as our Chief Executive Officer describes in his message in this report, Peak Re took great efforts to facilitate the transition for cedants through this difficult phase and was rewarded by high levels of client retention. The key priority was to ensure that our clients understood the need to adjust reinsurance programmes and that we cushioned the effects of the changes on cedants. Peak Re´s client-centric approach has always been based on a firm belief that insurers and reinsurers are partners and that a common understanding is paramount.

Financial market acumen

While we adjusted our insurance book of business to the new reality, we also repositioned our investment portfolio to capitalise on the return of rising interest rates, a change that the financial markets have not seen in twenty years. We shortened the duration of our fixed-income assets, and – as they matured – reinvested them into higher running yields and better quality bonds. As a result of our managements´ actions, Peak Re saw a strong investment return in 2023.

A solid foundation for sustainable growth

Volatility and high demand for risk capacity will be persistent themes for 2024, extending the hard market and bringing new opportunities for Peak Re's business development based on a deep understanding of our clients' needs and an open, agile and entrepreneurial culture. Importantly, Peak Re is also continuing to make substantial investments in modelling and analytics to increase the insurability of climate risk.

We look forward to the year ahead with confidence, energy and a mind for innovation. We stand with our clients, ready to deploy our capacity and expertise to support them in their objectives and close protection gaps, whilst also delivering attractive returns that enable sustainable growth and long-term partnerships.

None of this would be possible without our esteemed clients, employees, management, Board of Directors and shareholders. I want to express my deep gratitude for your loyalty and support, past, present and future.

LI Tao
Chairman

Peak Re demonstrated its strength and resilience in 2023. Thanks to the courage of our team and with a strong client-centric approach, we realigned our reinsurance underwriting portfolio to a dramatically changed risk landscape and achieved a record net profit of USD200 million – an impressive turnaround from a challenging 2022.

Franz-Josef HAHN
Chief Executive Officer

Message from CEO

Despite this being one of the most challenging periods in recent history for the global re/insurance industry, Peak Re saw unwavering client support in 2023, with over 90% of our 2023 gross written premiums ("GWP")[1] coming from our existing client base. These strong client relationships supported us in delivering a stunning turnaround in 2023 to reporting our highest ever net profit of USD200 million.

The prior year had shown how external shocks have the power to impact results, but the value and resilience of the global re/insurance industry never ceases to impress. As risk experts, managing volatility and turning risk into opportunity is Peak Re's business. The complex, interconnected world of risk continues to evolve. We continue to show resilience and provide robust, sustainable capacity to help societies and businesses to prosper.

Most importantly, we take pride in having supported our cedants from across 56 countries worldwide. While the 2023 renewals saw substantially hardened reinsurance market conditions and contracted reinsurance capacity, we were committed to ensuring that our clients understood the motivations of the market transformation and that we helped them to restructure their reinsurance programmes to find the protection that they needed.

Before we now immerse ourselves in the details of our results, I would like to thank Peak Re's clients, employees, shareholders, Chairman and Board of Directors for your dedication, and for accompanying Peak Re on its journey from strength to strength in support of communities in emerging Asia and beyond.

Managing risk in a new epoch of heightened uncertainty

High inflation and monetary tightening characterised 2022 and continued through 2023 as both structural and cyclical factors, including geopolitical uncertainty, climate change and tight labour markets, persisted. Global headline consumer price inflation eased to an estimated 6.8% in 2023 from 8.7% in 2022, but mostly remained above target in advanced economies.[2] Fears of recession likewise persisted in advanced economies, partly reflecting the ripple effect of tight monetary regimes. The tense geopolitical landscape of 2022 was sadly amplified in 2023 as flashpoints in the Middle East erupted into open hostilities, and as strategic competition between the US and China deepened, strengthening the expectation of ongoing heightened uncertainty in 2024.

2023, the warmest year on record[3], was also a year of devastating natural catastrophes, and – buoyed by climate change and factors including increasing value concentrations and inflation – was the fourth consecutive year in which total global natural catastrophe insured losses exceeded USD100 billion.[4] With estimated insured losses of USD71 billion, severe convective storm, a secondary peril, accounted for 58% of the total loss.[5]

1. Gross written premiums are based on the accounting standard IFRS 4 and are provided as a reference
2. "World Economic Outlook – Moderating Inflation and Steady Growth Open Path to Soft Landing", IMF, January 2024
3. "Copernicus: 2023 is the hottest year on record, with global temperatures close to the 1.5°C limit", Copernicus Climate Change Service, 2023
4. "2023 Natural Catastrophe and Climate Report", Gallagher Re, 2024
5. Ibid.

Client-centricity, our most important guiding principle

Peak Re has always operated for and together with its clients, irrespective of how challenging a year may be. 2023 was a case in point – despite the many market challenges and limited capacity, we continued to support our clients and provide superior client services.

Only by meeting our clients' needs can we succeed. This foremost guiding principle of client-centricity at Peak Re is not waning, it is strengthening.

Peak Re stands out for client-centricity. This means that our clients know us for and can always expect:

- Regular, timely and transparent discussions.
- A solutions-based reinsurance partner. While we strive to meet our clients' needs within our risk management parameters, we also work hard to offer and suggest alternatives when necessary, such as different reinsurance structures.
- Visionary thought leadership for innovative product and solution development. In 2023, for example, we continued to provide insights for the risk protection of emerging Asia's middle class through our bespoke consumer survey.
- A partner recognised as having deep, local risk and market knowledge, and therefore a partner that understands clients' challenges.
- Exceptional service levels, including 86% of claims being settled on average within just 10 days.[8]

In 2022, total dedicated reinsurance capital declined for the first time since the financial crisis of 2007-08, falling to USD530 billion from USD571 billion in 2021.[6] At the same time, the retrocession market contracted as investors became more cautious in light of high natural catastrophe losses. As a result, reinsurance pricing increased substantially and terms and conditions tightened. The reinsurance industry closely scrutinised the structures and coverage terms of property reinsurance contracts, leading to higher cedant retentions, reduced frequency reinsurance covers and a pull-back from writing aggregate or lower excess of loss reinsurance layers.[7]

2023 confirmed that the global re/insurance industry is managing volatility within a new epoch of elevated inflation and interest rates, slower economic growth, higher macroeconomic and financial market uncertainty and heightened climate risk. While cost of capital increased and the retrocession market remained tight, tailwinds, including tightening terms and conditions and the continuing hard reinsurance market, dominated 2023 reinsurance renewals, contributing to Peak Re's record net profit.

Providing sustainable reinsurance capacity in such an environment requires insights-based, agile risk management across underwriting and investment portfolios, and a solid financial foundation. This is exactly what Peak Re strategically achieved in 2023, collectively across all our operations and in partnership with our clients.

Excellent 2023 underwriting and investment results[9]

Our unwavering focus on our clients' needs, the realignment of our P&C underwriting portfolio, reduced financial market volatility and the hard reinsurance market led to Peak Re reporting a record net profit for 2023 of USD200 million, a solid rebound from a loss of USD261 million in 2022.

6. "January 1, 2024 Reinsurance Review: Strengthening market sees improved capital deployment appetite", Guy Carpenter, 2024
7. Ibid.
8. Average claims settlement performance for 2021 – 2023 (undisputed cases)
9. All financial figures in this report for the year ended 31 December 2023 are based on IFRS 9 and IFRS 17, unless stated otherwise. Comparative figures for the year ended 31 December 2022 have been restated to the same accounting standards

The strategic reduction of our exposure to natural catastrophe risk contributed to a reduction in our top line. We reported a GWP for 2023 of USD1.76 billion, compared to USD2.29 billion for 2022.[10] Our total reinsurance revenue likewise reduced to USD1.56 billion in 2023, from USD1.82 billion in 2022. Meanwhile, our reinsurance service result ("RSR"), a measure of underwriting profitability, improved substantially to a surplus of USD189 million in 2023, from a loss of USD132 million in the prior year.

As of 31 December 2023, Peak Re reported an investment return of USD114 million, representing an investment yield of 3.8%, compared to -4.9% in 2022. Assets under management ("AUM") increased by 6.1% to USD3.12 billion. Our net asset value ("NAV") benefitted from retained earnings, increasing to USD1.28 billion as of 31 December 2023, from USD1.12 billion at year end 2022, supporting a significant rebound in the solvency ratio[11] to 305% at year end 2023, from 209% at year end 2022.

Our economic value, a broad measure of financial strength calculated by adding NAV and CSM, stood at USD1.45 billion at year end 2023, compared to USD1.28 billion at year end 2022. Please see pages 18-23 for more details and a full breakdown of our 2023 financial results.

We have strategically built our foundation such that we are not reliant on tailwinds, but rather on the differentiating strategies of sustainable risk management, diversification, unique knowledge of emerging Asia middle-class customers and markets, targeted products, innovation and exceptional client service.

P&C realignment ensures long-term capacity provision

In response to high global natural catastrophe losses, financial market volatility and the dislocation of the retrocession markets, we initiated the realignment of our P&C reinsurance business in 2022 to reduce our exposure to natural catastrophe risk. In 2023, we continued with the adjustments that we had begun in 2022, further reducing our exposure to vulnerable segments including US property catastrophe and deploying capacity to risks with attractive pricing and which were in line with our risk management criteria. Strategic growth in non-catastrophe lines also enhanced our P&C reinsurance portfolio's risk diversification.

We stepped away from soft-market P&C reinsurance structures, such as quota share reinsurance with wide loss corridors and multi-risk aggregates. Along with the market, we also moved to excess of loss P&C reinsurance layers with higher attachment points, reducing our exposure to frequency risks. At the same time, we further built our non-proportional P&C reinsurance business and applied the same underwriting reasoning and rigor to both our proportional and non-proportional reinsurance business.

Importantly, as mentioned above, as we implemented this realignment, dialogue with our clients was timely and transparent, particularly as regards any price hike rationales. As necessary, we also helped our clients to restructure their reinsurance programmes, including through improved clarity of coverage at the primary level, and consistently brought alternatives to the table.

Combined with the ongoing hard market tailwind and Peak Re's stringent expense management, this realignment led to our P&C reinsurance business achieving a very competitive combined ratio[12] of 87.3% in 2023, down from 110.1% in 2022. Please see pages 24-25 for more details on our 2023 P&C strategies and results.

10. Gross written premiums are based on the accounting standard IFRS 4 and are provided as a reference
11. Statutory solvency ratio of Peak Reinsurance Company Limited based on the requirements under the Hong Kong Insurance Ordinance (Cap.41) as of 31 December 2022 and 31 December 2023
12. The P&C combined ratio is calculated as 1-("reinsurance service results/reinsurance revenue after retrocession premium paid")

Commitment to L&H growth

Life & Health ("L&H") reinsurance business is a focused growth area for Peak Re and saw increased profitability in 2023. We reported a L&H GWP of USD438 million in 2023, compared to USD270 million in 2022, in line with our revenue and diversification (geographical and product) objectives.[13] Despite the uncertain business environment, particularly relating to interest rates and bond yields, we continued to strengthen our business franchise and invest in our L&H reinsurance operations.

We continue to focus on providing L&H risk protection for underserved segments and niche markets, primarily in China and now also in the Middle East, and with a strong growth outlook, supporting our clients in the development of tailored L&H reinsurance solutions. Please see pages 26-27 for more details on our 2023 L&H strategies and results.

Healthy income from a high-quality investment portfolio

Based on AUM of USD3.12 billion as of 31 December 2023, we achieved a healthy investment yield of 3.8% for the year 2023, compared to -4.9% for 2022. Notably, we continued to maintain a strong liquidity position, with cash and cash equivalents accounting for approximately 20% of our investment assets.

In 2022, assuming elevated inflation and interest rates, we began to reposition our investment portfolio, shortening the duration of our investments and upgrading the average investment quality (higher credit ratings) of our fixed-income assets. As a result, we were well-placed in 2023 to benefit from higher running yields and "flight to quality". These strategic actions, together with the progressive reversal of previous unrealised losses on fixed-income assets, ensured that our investment portfolio made a healthy contribution to Peak Re's 2023 results.

Cost-efficient operation

Peak Re is a cost-efficient operation. Through 2023, we continued to tightly control our expenses, while strategically investing in areas essential to our long-term success, including in IT systems, infrastructure, climate risk expertise and ESG implementation (see "Committed to Sustainable Insurance", pages 45-47).

Strong outlook for 2024

The new epoch discussed at the start of this message equates to a 2024 market environment *status quo*. And indeed, this played out at the January 2024 renewal. The hard P&C reinsurance market persisted. Reinsurance pricing and terms and conditions largely remained firm in hardened P&C reinsurance markets, and certain reinsurance structures, such as aggregates, found it challenging to find capacity. Notably, however, renewals took place in a far more orderly fashion, with capacity rebounding where terms and conditions met reinsurers' expectations. In fact, compared to year end 2022, total dedicated reinsurance capital is estimated to have increased to USD561 billion, almost returning to the record level of 2021.[14] Retrocession capacity also showed signs of an up-tick.

Peak Re continued on its course, expanding on the solid foundation that we had laid in 2023 and delivering a strong January 2024 renewal in line with our strategic objectives. Although the January 2024 renewal saw Peak Re confidently returning to growth, this is being done only in a highly controlled fashion.

We have the courage and dedication to support our clients worldwide. Although growth in China has slowed, emerging Asia is still the world´s most vibrant growth region and will remain so for years to come, with an underserved middle class that continues to dominate global middle class growth.[15] At the same time, Asia´s insurance penetration remains well below the world

13. Gross written premiums are based on the accounting standard IFRS 4 and are provided as a reference. L&H gross written premiums include short-term health business
14. "January 1, 2024 Reinsurance Review: Strengthening market sees improved capital deployment appetite", Guy Carpenter, 2024
15. "13 million people will join the global middle class in 2024", Visual Capitalist, 2023

average.[16] What's more, China, India, Thailand and the Philippines have been identified as being amongst the most vulnerable countries to intensifying weather hazards from climate change.[17] Peak Re has made it its mission to find the means to better protect the region´s population against disaster.

We have observed continued rising demand for reinsurance protection in emerging Asia. In China, changes to the C-ROSS Phase II solvency capital regime will encourage local insurers to engage even more closely with reinsurers. In India, we have seen a strong push to upgrade the economy and radically improve infrastructure in the subcontinent´s cities. Furthermore, we see opportunities arising from demographic change as key emerging markets in the region experience aging populations. In addition, technological change will drive demand for re/insurance in Asia, as well as increase cyber risk. For example, the proliferation of cross-border e-commerce has brought liability issues relating to product defects and consumer protection into the spotlight. Besides these growth opportunities in emerging Asia, Peak Re will further accelerate its global diversification by strengthening its foothold in developed global markets, such as in Europe and the US.

Guided by our clients, navigating tomorrow together

We believe that our success depends on our long-term, client-centric approach, which is based on the unwavering principle of mutual value creation. Peak Re is not a reinsurer for every potential cedant. Rather, we aim to build a relationship over time in which all parties profit, grow and trust in each other. In 2022 and 2023, we paid utmost attention to update our clients on our motivations and pain points, as well doing our best to understand theirs. Particularly, in the current market situation, we acknowledge that in a highly competitive environment it will take time for insurers to restructure their business towards primary buyers. We are therefore doing our best to continue to support our clients throughout this transition and are deeply grateful for the confidence that they continue to vest in us.

We remain astutely mindful of our clients' needs, insurability and the need for resilience, given that tailwinds come and go and that new headwinds are always around the corner. Capacity must remain sustainable and able to withstand volatility and shocks – i.e. return on capital must cover cost of capital over the long term. We have strategically built our foundation such that we are not reliant on tailwinds, but rather on the differentiating strategies of sustainable risk management, diversification, unique knowledge of emerging Asia middle-class customers and markets, targeted products, innovation and exceptional client service. Anticipating the next headwind, including from game-changing emerging risks such as artificial intelligence (for more on emerging risks, see pages 42-44), is also firmly on our radar.

With ambition and drive, we look forward to stepping up in 2024 to support our clients in their objectives.

Franz-Josef HAHN
Chief Executive Officer

16. "sigma 3/2023 – World insurance", Swiss Re Institute, 2024
17. "Economic losses set to increase due to climate change, with US and Philippines the hardest hit", Swiss Re Institute, 2024

Corporate Milestones

Ready for sustainable growth

2012

- Granted a license to write general reinsurance business in Hong Kong.
- Began underwriting operations on 28 December 2012.
- Obtained AM Best "A-" rating.

2013

- Premiums exceeded USD100 million.
- Delivered profit in the first full underwriting year.
- Serving 87 clients in 17 Asia-Pacific markets.

2014

- Granted a license to write long-term (class A) reinsurance business in Hong Kong.
- Began underwriting credit and surety reinsurance business.

2018

- Established a representative office in Tokyo, Japan.
- Launched Lion Rock Re Ltd., the first sidecar transaction sponsored by an Asia-based reinsurer.
- Prudential Financial, Inc. became a new Peak Re investor to support future growth.

2019

- Recognised as a Top 30 Global Reinsurer by S&P Global Ratings (by net reinsurance premiums written).[1]

2020

- First Hong Kong-based reinsurer to issue publicly-listed perpetual subordinated guaranteed capital securities.
- Completed acquisition of Bermuda-based, insurance-linked securities investment specialist Lutece Holdings Ltd. and its subsidiary and rebranded to Peak Capital Ltd.

2015

- Established a branch in Zurich, Switzerland.
- Premiums exceeded USD500 million.

2016

- Zurich subsidiary established and granted a license to write property and casualty reinsurance business.
- Acquired a 50% stake in NAGICO Holdings Limited.

2017

- Labuan, Malaysia branch established and granted a license to write Labuan general reinsurance business.
- Authorised as a life and general reinsurer in Singapore.
- Premiums exceeded USD1 billion.

2021

- Began underwriting longevity business in the UK
- Completed the third Lion Rock Re Ltd. sidecar transaction

2022

- Sponsored the first 144A catastrophe bond in Hong Kong to provide the Company with multi-year protection against typhoon risk in Japan.
- Launch of Peak Re's inaugural Emerging Asia Middle-Class Consumer Survey, highlighting significant re/insurance market opportunities.
- Peak Re Hong Kong Headquarters relocated to an award-winning[2], energy-efficient office in the WKCDA Tower in the vibrant West Kowloon Cultural District of Hong Kong, enabling Peak Re's next phase of development.

2023

- Serving 395 clients in 56 markets around the world.
- Reporting a record net profit of USD200 million for the year.
- Published the second Peak Re Emerging Asia Middle-Class Consumer Survey, focusing on consumers' needs and attitudes towards health, mental well-being and cybersecurity.
- Named "P&C Reinsurer of the Year" at the InsuranceAsia News Awards for Excellence 2023, and "Asian Reinsurer of the Year" at the Insurance Asia Awards 2023.

1. "S&P Global Ratings Top 40 Global Reinsurers and Reinsurers by Country: 2023", S&P Global Ratings, 2023
2. Our new Hong Kong headquarters was awarded the Leadership in Energy and Environmental Design ("LEED") Gold certification. LEED is the world's most widely used green building rating system. It provides a framework for healthy, efficient and cost-effective green buildings

Agile Advances

Impact Through a Readiness to Act

Financial Performance

Peak Re reports a record net profit for 2023, reflecting a healthy P&C margin and investment income, a stable L&H contribution and ongoing stringent expense management.

Expertly navigating 2023's choppy waters

Our Chairman, CEO and heads of business all comment in this annual report on the challenging market headwinds of 2023, namely elevated inflation and interest rates, as well as high natural catastrophe losses. From a financial performance perspective, these headwinds stood to negatively impact industry balance sheets by increasing the cost of new capital, claims and expenses.

However, as described in their commentaries, tailwinds were also blowing. The hardening property and casualty ("P&C") reinsurance market stood to positively impact industry revenues, while investment could progressively benefit from higher interest rates and the reversal of previous mark-to-market losses.

With business acumen at play across all areas of Peak Re and a clear strategic goal to provide exceptional services and sustainable capacity to clients, including for natural catastrophe risks, our teams expertly navigated these choppy waters to support clients and deliver a record financial result that affirms a solid foundation for Peak Re's sustainable growth.

2023 results[1] affirm a solid foundation for sustainable growth

For the year ended 31 December 2023, Peak Re reported a record net profit of USD200 million, compared to a loss of USD261 million in 2022.

We reported a healthy reinsurance service result ("RSR"), a measure of underwriting profitability, of USD189 million for the year ended 31 December 2023, based on a reinsurance revenue of USD1.56 billion, compared to a RSR of -USD132 million for the prior year. Our contractual service margin ("CSM") for the year ended 31 December 2023, a present-value measure of future profit, remained healthy at USD172 million, compared to USD158 million for 2022.

Our investment income stood at USD114 million for the year ended 31 December 2023, representing an investment yield of 3.8%.

As of 31 December 2023, Peak Re's assets under management ("AUM") stood at USD3.12 billion, an increase of 6.1% from USD2.94 billion at year end 2022. Benefitting from higher retained earnings, our net asset value ("NAV"), or total equity, increased to USD1.28 billion as of 31 December 2023, from USD1.12 billion as of 31 December 2022. This contributed to an increase in our solvency ratio[2] to 305% as of 31 December 2023, up from 209% as of 31 December 2022. For a broader measure of financial strength, our economic value (CSM + NAV) stood at USD1.45 billion at year end 2023, compared to USD1.28 billion at year end 2022.

Agility leads to positive contributions from all business functions

Hardening reinsurance rates, disciplined underwriting and the strategic realignment of our P&C reinsurance business led to a notable improvement in the P&C combined ratio to 87.3% at year end 2023, compared to 110.1% at year end 2022. We consider this realignment important for ensuring the insurability of climate risks and sustainability of property catastrophe reinsurance. At the same time, we continue to focus on supporting our clients in risk capacity and risk knowledge, as well as maintaining a high service standard for claims settlement. In 2023, for example, we supported our clients on losses such as the summer China floods, New Zealand floods, Cyclone Gabrielle and Asia Typhoons including Doksuri and Saola.

Our Life & Health ("L&H") team, which has a strong franchise in its core market of China and focuses on serving niche markets with tailored solutions, enhanced its regional and product diversification in 2023, including through continued expansion into the Middle East and other selected emerging Asian markets.

1. All financial figures in this report for the year ended 31 December 2023 are based on IFRS 9 and IFRS 17, unless stated otherwise. Comparative figures for the year ended 31 December 2022 have been restated to the same accounting standards
2. Statutory solvency ratio of Peak Reinsurance Company Limited based on the requirements under the Hong Kong Insurance Ordinance (Cap.41) as of 31 December 2022 and 31 December 2023

Our investment team continued to strategically realign our investment portfolio: exposure to equities was reduced in anticipation of a prolonged high-interest rate environment; the team implemented a shift to higher quality fixed-income investments to optimise capital charges; and the duration of the portfolio was shortened to enable faster reinvestment into higher-yielding assets. These actions, combined with the reversal of some unrealised losses on fixed-income investments, improved Peak Re's investment yields. Despite the outbreak of hostilities in the Middle East and hawkish rhetoric from central banks adding volatility and uncertainty to the global financial markets in the second half of 2023, we achieved an overall investment yield of 3.8% in 2023, compared to -4.9% 2022.

Efficiency is also a differentiating feature of Peak Re. We are a lean and agile organisation. In 2023, we made targeted investments aligned to our strategy, while maintaining stringent expense management.

Seamless transition to IFRS 9/17

IFRS 17, the new international financial reporting standard for re/insurance companies, became effective as of 1 January 2023, replacing IFRS 4.

IFRS 9, which is the accounting standard for financial instruments and replaces IAS 39, was also initially applied from 1 January 2023.

These new standards bring increased transparency and disclosure, are closer to the economic principles of accounting (for example, through the use of discounting on both sides of the balance sheet) and facilitate cross-border and cross-industry financial comparisons. In addition, internal decision-making, such as portfolio steering, is enhanced by improved data quality.

While the new standards do not materially impact net asset or solvency capital calculations, there are some notable differences in profit and loss ("P&L") and balance sheet categories.

The following "Financial Highlights" section of this report includes our 2023 and recalculated 2022 financial results under IFRS 9/17.

Stepping up in a volatile world

Demonstrated agility throughout 2023 enabled Peak Re to achieve record results despite the challenges of a volatile macroeconomic, financial market and risk environment. Peak Re has financial strength, a strong business franchise and a clear strategy for sustainable growth.

From left to right:
Reena WANG, Jack BAI, Rachel BALL, Coco FENG

Financial Highlights

Consolidated statement of profit or loss and other comprehensive income

Year ended 31 December 2023

	2023 USD	2022 (Restated) USD
Reinsurance revenue	**1,555,882,891**	1,822,279,034
Reinsurance service expenses	**(1,257,033,928)**	(1,790,494,690)
Net expenses from retrocession contracts held	**(109,832,484)**	(163,785,405)
Reinsurance service results	**189,016,479**	(132,001,061)
Net finance (expense)/income from reinsurance contracts issued	**(22,900,522)**	47,511,417
Net finance income from retrocession contracts held	**4,627,000**	247,861
Net reinsurance finance results	**(18,273,522)**	47,759,278
thereof: foreign exchange gain from reinsurance finance results	**18,385,527**	73,482,804
Net reinsurance finance results before foreign exchange gain	**(36,659,049)**	(25,723,526)
Interest revenue on financial assets		
– not measured at fair value through profit or loss	**70,728,485**	30,497,923
– measured at fair value through profit or loss	**2,576,224**	4,092,866
Other investment revenue/(loss)	**40,399,537**	(169,685,086)
Reversal of impairment loss on financial assets	**230,166**	518,997
Investment return	**113,934,412**	(134,575,300)
Other expenses	**(29,017,768)**	(466,446)
Other operating expenses	**(44,186,656)**	(34,489,202)
Other finance costs	**(2,444,084)**	(1,837,371)
Foreign exchange gain from reinsurance finance results	**18,385,527**	73,482,804
Other foreign exchange loss	**(1,899,611)**	(16,312,310)
Profit before share of profit/(loss) from associates and joint ventures	**207,129,250**	(271,922,412)
Share of loss of associates	**(30,988)**	(9,741,691)
Share of profit of joint ventures	**828,184**	4,488,833
PROFIT/(LOSS) BEFORE TAX	**207,926,446**	(277,175,270)
Income tax (expense)/credit	**(7,482,603)**	15,935,559
PROFIT/(LOSS) FOR THE YEAR	**200,443,843**	(261,239,711)
Attributable to:		
Ordinary shareholders	**187,068,843**	(274,614,711)
Holders of perpetual capital securities	**13,375,000**	13,375,000
PROFIT/(LOSS) FOR THE YEAR	**200,443,843**	(261,239,711)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods:		
Financial investments measured at fair value through other comprehensive income		
Changes in fair value	**18,230,981**	(88,244,431)
Reclassification adjustments on disposal included in the consolidated statement of profit or loss	**8,169,919**	43,937,325
Income tax effect	**(4,232,767)**	4,954,614
	22,168,133	(39,352,492)
Net finance (expense)/income from reinsurance contracts issued	**(53,209,185)**	116,963,243
Net finance income/(expense) from retrocession contracts held	**5,606,450**	(19,211,498)
	(47,602,735)	97,751,745
Related income tax effect	**2,608,538**	(7,732,842)
	(44,994,197)	90,018,903

Consolidated statement of profit or loss and other comprehensive income (continued)

Year ended 31 December 2023

	2023 USD	2022 (Restated) USD
Share of other comprehensive income/(loss) of an associate	–	(543,000)
Reclassification adjustment for an associate included in the consolidated statement of profit or loss	120,010	–
Exchange difference on translation of foreign operations	(3,743,842)	(7,102,938)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(26,449,896)**	43,020,473
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**173,993,947**	(218,219,238)
Attributable to:		
Ordinary shareholders	160,618,947	(231,594,238)
Holders of perpetual capital securities	13,375,000	13,375,000
	173,993,947	(218,219,238)

Consolidated statement of financial position

	31 December 2023 USD	31 December 2022 (Restated) USD
ASSETS		
Intangible assets	3,971,546	4,592,693
Right-of-use assets	10,556,242	12,675,610
Goodwill	357,250	357,250
Property and equipment	4,924,581	6,527,239
Investment in associates	27,952,304	54,442,142
Investment in joint ventures	60,609,262	67,544,250
Reinsurance contract assets	126,703,381	124,523,257
Retrocession contract assets	383,032,367	446,363,116
Financial investments:		
At fair value through other comprehensive income	1,650,881,075	950,930,256
At fair value through profit or loss	762,405,623	1,260,872,163
Loan to an associate	10,000,000	10,000,000
Prepayments, deposits and other receivables	55,336,280	48,215,443
Amount due from immediate holding company	6,095,902	3,975,851
Current tax assets	–	5,669,854
Deferred tax assets	11,899,261	21,469,353
Cash and cash equivalents	616,042,371	604,620,825
TOTAL ASSETS	**3,730,767,445**	3,622,779,302
LIABILITIES		
Reinsurance contracts liabilities	2,342,037,622	2,333,837,009
Retrocession contract liabilities	41,567,209	91,336,605
Derivatives	–	–
Other payables and accrued liabilities	53,363,761	63,391,270
Lease liabilities	11,411,289	12,493,169
Payables	47,368	–
TOTAL LIABILITIES	**2,448,427,249**	2,501,058,053
NET ASSETS	**1,282,340,196**	1,121,721,249
EQUITY		
Share capital	786,720,714	786,720,714
Reserves	244,862,360	84,243,413
Total shareholders' fund	1,031,583,074	870,964,127
Perpetual capital securities	250,757,122	250,757,122
TOTAL EQUITY	**1,282,340,196**	1,121,721,249

Consolidated statement of cash flows

Year ended 31 December 2023

	2023 USD	2022 (Restated) USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	**207,926,446**	(277,175,270)
Adjustments for:		
Depreciation of property and equipment	**1,233,693**	639,078
Amortisation of intangible assets	**1,126,510**	986,745
Depreciation of right-of-use assets	**2,450,465**	5,809,628
Share of loss of associates	**30,988**	9,741,691
Share of profit of joint ventures	**(828,184)**	(4,488,833)
Interest income	**(73,304,709)**	(34,590,789)
Finance costs	**2,444,084**	1,837,371
Other expense/(income)	**926,221**	(1,514,832)
Dividend income from investments in securities	**(31,968,204)**	(41,311,475)
Fair value (gain)/loss on investments at fair value through profit or loss	**(136,936,836)**	125,862,993
Loss on disposal of investments at fair value through profit or loss	**124,029,928**	15,358,979
Loss on disposal of investments at fair value through other comprehensive income	**8,640,916**	47,728,995
Reversal of impairment loss on financial assets	**(230,166)**	(518,997)
Deemed disposal losses from investment in associates	**2,888,860**	–
Impairment loss on investment in an associate	**23,690,000**	–
Change in net reinsurance/retrocession contracts	**(33,603,147)**	506,083,342
Change in amount due from ultimate holding company	**(2,120,051)**	(682,010)
Change in prepayments, deposits and other receivables	**(36,728,465)**	(20,700,800)
Change in other payables and accrued liabilities	**1,288,208**	39,417,769
Cash flows from operations	**60,956,557**	372,483,585
Finance costs of lease payments	**(755,132)**	(790,963)
Tax refunded/(paid)	**6,180,482**	(11,716,781)
Net cash flows generated from operating activities	**66,381,907**	359,975,841

Consolidated statement of cash flows (continued)

Year ended 31 December 2023

	2023 USD	2022 (Restated) USD
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property and equipment	**(557,256)**	(5,584,398)
Purchase of items of intangible assets	**(505,363)**	(1,009,331)
Interest received	**67,453,356**	35,267,121
Change in cash collaterals	**(112,001,413)**	(1,279,149)
Dividends received from investments in securities	**32,416,567**	44,678,865
Dividends received from joint venture	**4,019,329**	–
Purchases of investments at fair value through other comprehensive income	**(1,298,252,201)**	(541,130,766)
Purchases of investments at fair value through profit or loss	**(209,941,145)**	(279,163,351)
Proceeds from disposal of investments at fair value through other comprehensive income	**626,905,327**	439,377,949
Proceeds from disposal of investments at fair value through profit or loss	**740,014,520**	191,303,260
Prepayment for the addition of right-of-use assets	**–**	(265,888)
Net cash flows used in investing activities	**(150,448,279)**	(117,805,688)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(1,688,952)**	(1,046,408)
Distribution for perpetual capital securities	**(13,375,000)**	(13,375,000)
Principal portion of lease payments	**(1,371,597)**	(3,685,214)
Net (settlement)/proceed from repurchase agreement	**(1,453,480)**	21,805,707
Net cash flows (used in)/generated from financing activities	**(17,889,029)**	3,699,085
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(101,955,401)**	245,869,238
Cash and cash equivalents at beginning of year	**543,341,676**	304,899,804
Net (decrease)/increase in cash and cash equivalents	**(101,955,401)**	245,869,238
Effect of foreign exchange rate change	**1,375,534**	(7,427,366)
Cash and cash equivalents at end of year	**442,761,809**	543,341,676
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents and cash collaterals	**616,042,371**	604,620,825
Cash collaterals	**(173,280,562)**	(61,279,149)
Cash and cash equivalents	**442,761,809**	543,341,676

Property & Casualty

In the global property and casualty ("P&C") reinsurance market, 2023 was a year of continuity as regards natural catastrophe losses and adjustment as regards the many reinsurance treaties/ programmes that had to adapt to tightening capacity and risk appetites. It was a year that highlighted the value of sustainable market development.

Looking to the future with confidence and based on a high-quality P&C reinsurance portfolio, we are committed to providing our clients with first-class products and services, and to continuing to build long-term relationships based on trust, excellence and shared success.

Markets continue adjusting to persisting uncertainty

Global inflation eased to an estimated 6.8% in 2023, down from 8.7% in 2022, but still above the trend value of 4%.[1] This, coupled with persistent signs of labour market tightness, convinced policymakers to keep rates elevated. Monetary tightening filtered into higher capital and borrowing costs, sapping economic growth. The same dynamic played out in Asia, but to a lesser extent due to milder inflationary pressures.[2]

These trends impacted reinsurers – high inflation adds to claim costs, while monetary tightening drives up the cost of capital and contributes to adjustments in pricing and margin expectations. This macroeconomic environment therefore focused minds on adequate pricing, managing claims and expenses, and finding new risk transfer solutions.

Natural catastrophe losses also continued to strongly impact the market in 2023. For the fourth year running, total insured losses exceeded USD100 billion and were once again above long-term averages.[3] Two thirds of the total insured loss derived from the US, while a staggering 58% related to severe convective storms, a secondary peril.[4] The year saw a record 37 natural catastrophes with insured losses exceeding USD1 billion.[5] Insured losses in the Asia-Pacific ("APAC") region were relatively mild but also featured large loss events including Typhoons Doksuri and Saola.

These events ensured robust demand for P&C reinsurance capacity, despite slowing economic growth in some markets. They also highlighted the growing importance of secondary perils, perils which can be challenging to model are underpriced. Last but by no means least, combined with the rising cost of capital in the financial markets, sustained above-average losses reduced capital providers' willingness to invest in reinsurance and raised expectations for modelling and exposure data.

The result was one of the hardest property reinsurance markets in recent memory, albeit with limited price movements in some Asian markets. 2023 brought a much-needed shift to sustainable market development. The insurability of natural catastrophe risks, including "known unknown" secondary perils, calls for the sustainable supply of reinsurance capacity, which in turn requires sustainable returns to cover the cost of capital. This can only happen if claims volatility is under control and exposures are properly priced.

Portfolio realignment lays the foundation for sustainable growth

In 2023, Peak Re continued to strategically realign its portfolio to deliver solid financial fundamentals and build a strong foundation from which to achieve sustainable growth. Following regular, transparent discussions with our business partners and based on stringent underwriting discipline, we further reduced our natural catastrophe exposure, primarily in the US, Europe and Japan, adjustments which also allowed for greater risk diversification into non-natural catastrophe lines of business.

Largely as a result of this realignment, Peak Re's P&C gross written premiums ("GWP") reduced from USD2.02 billion in 2022 to 1.32 billion in 2023.[6] The share of motor reinsurance in our P&C reinsurance portfolio also reduced from 23% in 2022 to 18% in 2023. In comparison, general liability reinsurance business saw its share rise in 2023 to 31% from 18% in 2022.

These portfolio rebalancing efforts cumulated in a healthy P&C reinsurance combined ratio of 87.3%, compared to 110.1% in 2022. All P&C business lines and regions contributed positively to Peak Re's 2023 record performance.

We take great pride in maintaining a carefully balanced, well-diversified and profitable P&C reinsurance portfolio. We also take great pride in safeguarding the valued long-term partnerships that we share with our clients and in continuing to forge strong relationships with new clients across all our regions.

From left to right:
Mohit MEHRA, Tony FALSO, Coco FENG

2024 market outlook – finding the right balance

January 2024 renewal discussions began early as clients sought indicative quotes and to lock into available capacity, with all parties benefitting from transparent communication and the sharing of more granular risk and loss data. Loss-affected programmes, including those impacted by the 2023 New Zealand and China floods, saw price adjustments, although the impact for many clients was less significant due to their well-diversified portfolios. As in 2023, we worked intensively with our business partners to find solutions to renew business and achieve positive outcomes for all parties. The renewal came through in line with our performance expectation and met our internal growth objective.

Targeted growth opportunities ahead

Looking to the future with confidence and based on a high-quality P&C reinsurance portfolio, we are committed to providing our clients with first-class products and services, and to continuing to build long-term relationships based on trust, excellence and shared success. Our commitment includes speed of execution and responsive decision making to maximise value for clients. We are also actively searching markets for new opportunities and translating these into innovative reinsurance solutions tailored to clients' needs.

Diversification of geographies, lines of business and business types is essential. Our property reinsurance business is a cornerstone of our portfolio, for which we have a clear goal of sustainable growth, leveraging quality data and information to effectively manage capacity deployment and exposure. In addition, we are actively pursuing targeted opportunities to further expand into non-property lines of business, including casualty, motor, accident and health, and credit and surety. With our strategic positioning in Asia, particularly in emerging Asian economies, we are poised to capitalise on the attractive opportunities in these markets.

We will continue to collaborate closely with our clients to identify business opportunities and foster societal resilience. Together, we will navigate the dynamic risk landscape, ensuring mutual prosperity and sustainable success.

1. "World Economic Outlook – Moderating Inflation and Steady Growth Open Path to Soft Landing", IMF, January 2024. The trend value refers to the average inflation rate between 2013 and 2022, based on the October 2023 version of the World Economic Outlook Database, IMF
2. "Asia continues to fuel global growth but economic momentum is slowing", IMF, 2023
3. "2023 Natural Catastrophe and Climate Report", Gallagher Re, 2024
4. Ibid.
5. "2024 Climate and Catastrophe Insight", Aon, 2024
6. All figures shown in this section for the financial years 2022 and 2023 are based on IFRS 9 and IFRS 17, except gross written premiums which are based on IFRS 4 and provided as a reference. P&C gross written premiums excludes short-term health business

Life & Health

In 2023, ongoing inflation (exclude China), monetary tightening and economic growth slowdowns presented challenges to the global life and health ("L&H") industry on multiple fronts. However, help was also on hand for the industry on multiple fronts.

The industry was challenged as the cost of claims, operations and capital increased. Adjustments in products were required to align with the new macroeconomic environment. On the plus side, changes in insurance solvency regimes across Asia, Peak Re's core market, and higher capital costs led to new opportunities for structured reinsurance solutions. At the same time, rising risk awareness post-pandemic is increasing demand for traditional protection products. What's more, tempering the negative impacts for protection providers, inflationary pressures were milder and economic growth was more robust in Asia compared to other global regions.[1]

In terms of consumer impacts, growth slowdowns and uncertain economic outlooks can lead consumers to exercise spending caution, including on L&H insurance products. The impact on Peak Re's L&H reinsurance portfolio was however limited in 2023, as our products are more focused on addressing the underserved protection, rather than savings, needs of consumers and supporting the capital management needs of insurance companies. Most notably for China in 2023, Peak Re's largest L&H reinsurance market, interest in health insurance products rose as consumer awareness of the financial impacts of health risks increased in the post-pandemic environment.

Our key strategic focus is to provide tailored solutions to clients operating in niche markets, with innovation front and centre as a means to differentiate and help our clients to grow.

Growth in line with revenue and diversification objectives

L&H is an important, growing business segment, diversifier and volatility stabiliser for Peak Re. We accordingly have a solid, unwavering strategy to grow our L&H reinsurance portfolio, but always in a measured and capital-efficient way. This means that we select business in line with our underwriting and risk management criteria, including a strong focus on portfolio diversification.

For the year ended 31 December 2023, we reported L&H gross written premiums ("GWP", including short-term health) of USD438 million, compared to USD 270 million for 2022.[2] The underlying business development trend remains in line with our targeted growth objective and, importantly, our product and regional diversification objectives. For example, in 2023 we continued to grow our client base and business franchise in China, as well as looking to enter new markets, most notably in the Middle East and Southeast Asia.

Our total L&H reinsurance portfolio represented approximately one-quarter of Peak Re's total GWP in 2023. The portfolio's contribution to Peak Re's 2023 net profit was stable compared to prior years, reflecting disciplined underwriting and the continuing return of loss experiences to pre-pandemic levels.

Standing out for client service

Our clients are at the heart of all our actions. To best serve our clients' needs, we ensure fast response times, agility and efficiency. We are fully committed to open, transparent dialogue and to working together with our clients to help them achieve their objectives through the development of tailored L&H reinsurance products, complemented by diligent actuarial support. To help our clients to optimise their capital management, we also offer reinsurance capital solutions. Furthermore, we are continuing to invest in growing our L&H team and enhancing our data analytics capabilities for efficient underwriting and to support innovative product designs.

In early 2024, Peak Re also set up a new China data management company in Shenzhen to ensure compliance with China's legal and regulatory data security requirements.

Knowledge sharing to help close protection gaps

We also regularly share risk and market insights. Our flagship Emerging Asia Middle-Class Consumer Survey is an excellent example of this. Published for the second year in a row and surveying consumers in India, Malaysia, Thailand, the Philippines and Indonesia, the 2023 survey included a wealth of insights on consumer experiences and protection needs relating to healthcare. Findings included that approximately 70% of respondents reported having experienced issues in arranging medical treatment in the last two years, including finding a suitable physician, or having had questions arising from medical diagnosis or treatment. These insights show the potential for further enhancement in medical insurance products to address the needs of consumers.

2024 outlook and growth opportunities

Supporting communities in emerging Asia and beyond by helping to close protection gaps is one of Peak Re's key goals. We see extensive growth opportunities ahead in L&H reinsurance business. Our key strategic focus is to provide tailored solutions to clients operating in niche markets, with innovation front and centre as a means to differentiate and help our clients to grow.

As regards specific regions, we continue to seek growth in China actively and further diversify our L&H reinsurance portfolio through growth in other emerging markets, where we are now partnering with clients in the development of robust, tailored product solutions.

1. "Asia continues to fuel global growth, but economic momentum is slowing", IMF, 2023
2. Gross written premiums are based on the accounting standard IFRS 4 and are provided as a reference

From left to right:
Chenwei LI, Janice YE

2023 was the hottest year on record.[1] As our planet's climate system retains more heat, extreme weather events – such as the 2023 China summer floods and 2023 Hong Kong Rainstorm and Flood Event – are becoming increasingly important loss drivers for the re/insurance industry. This, coupled with increased asset concentrations, are contributing to Asia's widening natural catastrophe protection gap (currently estimated at approximately 90%.[2])

Sustainable risk management — including risk identification, risk transfer and risk mitigation/adaptation measures — is key for resilience building against all forms of extreme weather. Peak Re is committed to supporting communities in emerging Asia and beyond with sustainable risk solutions. For this, we continue to invest heavily in natural catastrophe risk expertise, analytics and modelling, and to support a wide range of risk management initiatives, as well as taking resolute steps to reduce our own carbon footprint.

Floodlight on Extreme Weather

The 2023 Hong Kong Rainstorm and Flood event

Just days after Typhoon Saola had bypassed Hong Kong, Typhoon Haikui made landfall over southeast Taiwan on 3 September 2023, bringing heavy rainfall and strong wind gusts. On 5 September 2023, it reached China's coastal Fujian Province as a weakening tropical storm. Its remnants then tracked west over Guangdong Province, interacting with a southwesterly monsoon airstream that drew in that drew in tropical moisture and stalling over the densely populated Pearl River Delta area.

Heavy rainfall and thunderstorms began in Hong Kong on the evening of 7 September 2023, leading to widespread flooding and landslides as rains fell on already saturated ground. A quarter of Hong Kong's annual rainfall fell in less than 24 hours.[3] Properties, roads and utilities were damaged and transportation was severely disrupted. Two people tragically lost their lives and over a hundred were injured.[4] The city of Hong Kong was brought to a standstill as roads, shopping malls and subways flooded.

A black level (the highest possible) rainstorm warning was issued by the Hong Kong Observatory ("HKO") and was in place for over 12 hours.

Records of extreme rainfall for the 2023 Hong Kong Rainstorm and Flood event (7-8 September 2023) included:

- 158.1mm in one hour at the HKO headquarters, the highest ever since records began in 1884.[5]
- 632mm in 24 hours at the HKO headquarters, the second highest since May 1889.[6]
- Over 800mm in 12 hours in parts of Hong Kong Island.[7]

1. "Copernicus: 2023 is the hottest year on record, with global temperatures close to the 1.5°C limit", Copernicus Climate Change Service, 2023
2. "2023 Natural Catastrophe and Climate Report 2023", Gallagher Re, 2024
3. "Post Event Report: 2023 Hong Kong Rainstorm", Guy Carpenter, 2023
4. Ibid.
5. Ibid.
6. "2023 Hong Kong rainstorm and floods", Wikipedia
7. "Post Event Report: 2023 Hong Kong Rainstorm", Guy Carpenter, 2023

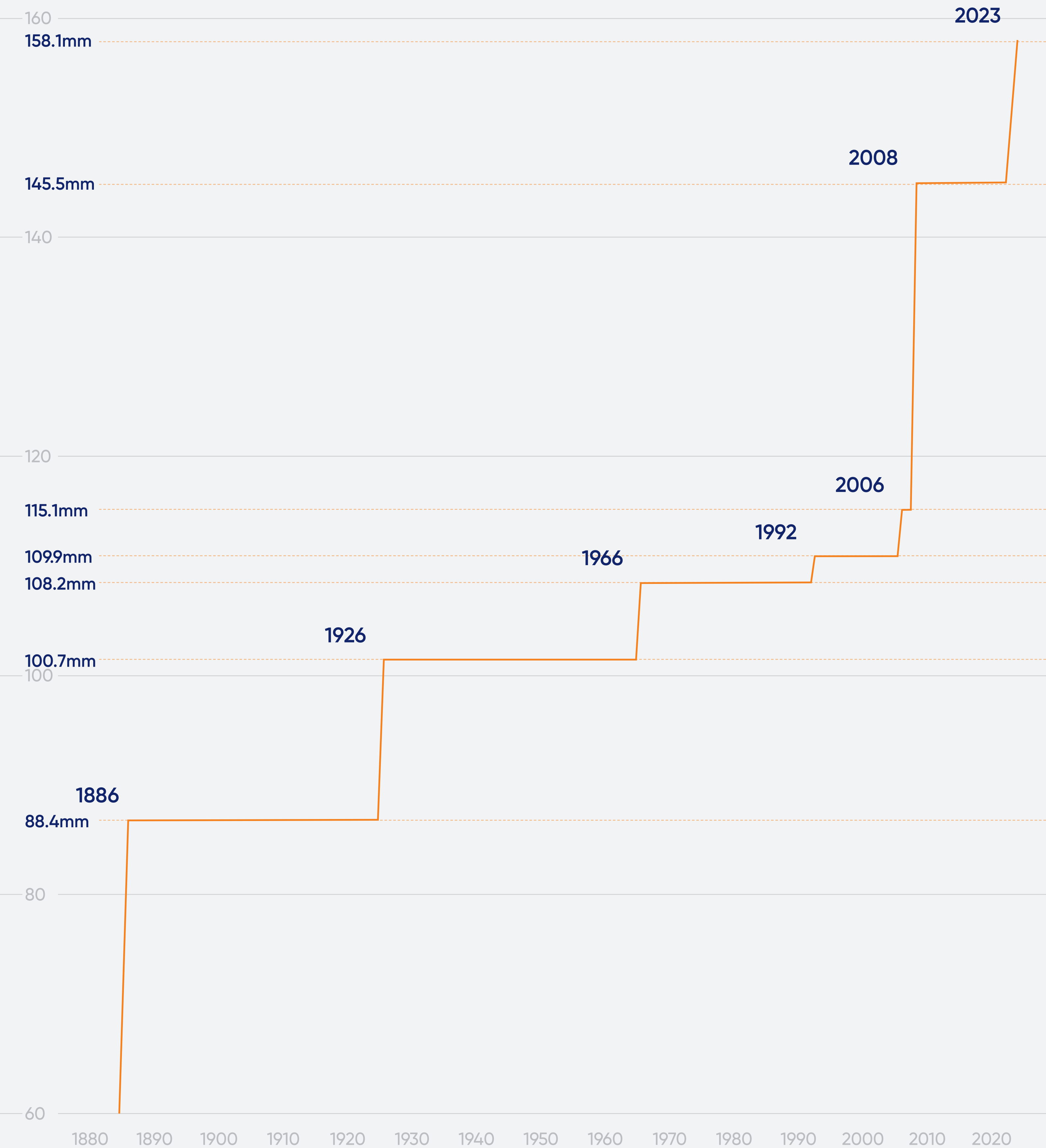


Figure 1: Highest hourly rainfall records at the HKO headquarters since 1885 (2023 value as of September 2023). Source: Climate change in Hong Kong, Extreme weather events, HKO

Although typhoons and heavy rains are usual for Hong Kong in late summer, extreme precipitation events have become more frequent under climate change

Increasing frequency of extreme precipitation events

With Typhoon Saola and the remnants of Typhoons Haikui and Koinu[8], Hong Kong experienced a series of record-breaking, severe rainstorms in September and early October 2023. Although typhoons and heavy rains are usual for Hong Kong in late summer, extreme precipitation events have become more frequent under climate change (one reason being that warmer air can absorb more water). This can be seen, for example, in the increased frequency with which the hourly rainfall record at the HKO headquarters has been broken in recent decades (figure 1). The annual number of heavy rainfall days at this location has also increased at a rate of 0.1 day per decade.[9]

Hong Kong has invested heavily in drainage systems to help mitigate flooding and, given its steep topography, landslide risk. The current systems are designed to mitigate 1-in-50-year rainfall events in rural areas and 1-in-200-year rainfall events in urban areas.[10]

The September 2023 black rain event has been referred to as a 1-in-500-year rainfall event[11], but this return period assumes a static climate. This event is a wake-up call for all parties to continue investing in resilience-building measures and warning systems to help protect communities, and to work together to reverse the growing protection gap in the region.

A deluge of losses from secondary perils

In terms of insured losses for Hong Kong, with an estimated total insured loss of HKD 1.54 billion (USD197 million), dominated by property damage and motor losses[12], this rainstorm event's flood loss exceeded that of 2017 Typhoon Hato (USD 110 million), but fell short of 2018 Super Typhoon Mangkhut (USD 400 million). With "secondary" perils in danger of overtaking "primary" perils as the major driver of insured losses for the re/insurance industry, this once again begs the question as to whether the distinction and nomenclature of primary and secondary perils are still justified. The fundamental principle remains that the industry needs to invest in new solutions for all perils, whether driven by frequency or severity.

Given their often-smaller physical size, complex local interactions and impact of human and socio-economic factors such as flood defenses and drainage, secondary perils can be more challenging to model and require a higher granularity of loss and exposure data. However, more challenging does not mean impossible. Models exist and are advancing. Investment and data quality and resolution are key.

The fundamental principle remains that the industry needs to invest in new solutions for frequency perils.

All the more reason to work harder to close Asia's protection gap

The global natural catastrophe protection gap remains significant. For Asia, this huge disparity takes on added significance given the increasing impacts of climate change on extreme weather in the region, increasing urbanisation and asset concentrations, increased asset values (particularly in coastal areas) and is only tempered by relatively low inflation rates.

Peak Re is committed to building resilience by closing natural catastrophe protection gaps in emerging Asia and beyond. In 2023, we supported our clients in our core markets of Asia with reinsurance coverage for flooding and typhoons including for the summer China floods, Typhoons Doksuri and Saola, and Storm Biparjoy. We also increased our investment in catastrophe risk modelling, analytics and expertise to better understand the implications of extreme weather, and continued to support a plethora of global risk mitigation initiatives.

In early 2024, Peak Re also became a signatory to the inaugural Hong Kong Insurance Industry Climate Charter, recognising that climate risk management is a shared responsibility. This charter aims to support responsible and sustainable insurance practices across the insurance value chain, including business operations and governance, investment, claims management, products and underwriting.

8. "Typhoons and Rainstorms Affecting Hong Kong in September and October 2023", Hong Kong Observatory, 2023
9. Climate change in Hong Kong, Rainfall, Hong Kong Observatory, 2023
10. "Post Event Report: 2023 Hong Kong Rainstorm", Guy Carpenter, 2023
11. "Monster floods push Hong Kong to confront a changing climate", Bloomberg, 2023
12. "Extreme weather events demonstrate the social role of insurance in enhancing community resilience", The Insurance Authority, 4 December, 2023. Data as of 30 September 2023

Emerging Asia Insights

Supporting emerging Asia's middle class through risk protection lies at the heart of Peak Re's purpose and value proposition. By sharing insights into the evolving risks and needs of this important segment of society, we aim to enable innovative risk protection solutions and partnerships.

Driving regional and global growth

Emerging Asia remained the world's fastest-growing region in 2023[1], with robust domestic consumption and infrastructure investment helping to mitigate the impacts of headwinds from geoeconomic fragmentation and global growth slowdowns. Although emerging and developing Asia's growth is expected to slow from 5.6% in 2023 to 5.2% in 2024, it remains above all other regions.[2]

Cybersecurity and mental health are key risks for Emerging Asia

The increasing pace of digitalisation across Asia, rapid proliferation of data-collecting devices and fast adaption of innovative technologies are adding strong momentum to emerging Asia's productivity and economic growth. Cybercrime risk is correspondingly also on the rise.

At the same time, mental health issues are a growing global concern. According to the World Health Organization, depression is now recognised as a leading cause of disability and severe mental health conditions can cut as much as two decades from life expectancy.[3]

Peak Re's comprehensive 2023 Emerging Asia Middle-class Consumer survey[4] corroborates that these risks are relevant and concerning for emerging Asia's middle-class consumers. The survey, conducted in collaboration with Intuit Research, shares a wealth of insights relating to consumers' health, mental health and cybersecurity experiences, concerns and preferences – insights that are relevant and helpful to re/insurers as they collaborate to meet consumer needs and minimise the region's protection gap.

Positive role of re/insurance

The industry has an important role to play in promoting mental wellbeing and providing access to mental health risk mitigation solutions in Asia, as well as a key role in protecting communities against cybercrime. With significant variations observed across markets in Peak Re's 2023 Emerging Asia Middle-Class Consumer survey, tailored insurance solutions will be important factors for success, alongside standardisation, coverage clarity and multi-stakeholder approaches to risk management.

Examples of key findings from Peak Re's 2023 Emerging Asia Middle-Class Consumer Survey

Improving health and financial planning for after a serious illness are top-of-mind

- Consumers continue to make lifestyle changes to improve their health, including 83% of respondents having switched to more healthy foods in the last three years.
- After diagnosis of a serious illness, consumers prioritise the need for financial planning (18%) and access to the best specialists (18%).
- 78% of respondents would consider seeking a second medical opinion after a serious diagnosis if it was covered by their insurance, with 63% of these respondents preferring another local doctor or specialist for this.

1. "World Economic Outlook – Moderating Inflation and Steady Growth Open Path to Soft Landing", IMF, January 2024. "Emerging Asia" in this statement refers to the IMF region "emerging and developing Asia"; for a list of the countries in this country group, see World Economic Outlook Database, Groups and Aggregates Information, IMF
2. World Economic Outlook Database April 2024, IMF
3. www.who.int/health-topics/mental-health
4. Survey carried out in August and September 2023; India, Malaysia, Thailand, The Philippines, Indonesia; 5,500 respondents aged 25-50 years; households with an income 2/3 to 3x (4x for India) the local median income.

Top need in case of a serious disease

18% Financial planning service

13% Information on the disease/illness, prognosis and available treatment options

12% Getting a second medical opinion

6%
- Help with household chores, childrencare, etc.
- Emotional support
- Spiritual guidance or suppport from religious community

9% Assistance in filing insurance claims

5%
- Help with arranging medical appointment and care
- Access to alternative treatment options

18% Access to the best specialists

Reasons for not taking steps to manage mental health issues

● Top 3 mentions

- **48%** Don't think my issues are serious enough to require treatment
- **35%** Don't want others to know of my conditions
- **33%** Can't afford treatment/ I am concerned that treatment will be expensive
- 27% Treatment options are not accessible to me
- 27% Don't know where to get help or treatment
- 24% Don't have time for treatment
- 18% Don't think treatment will be effective

Mental health prevalence is alarmingly high

- Self-rated stress levels varied by market, with the highest levels of self-reported mental illness in India (62%) and the lowest in Indonesia (28%), where respondents also self-reported the best mental health scores.
- 43% of respondents reported having experienced mental health issues or had a diagnosis in the last two years.
- Of those respondents who have experienced mental health issues, 88% took steps such as making lifestyle changes and taking prescribed medication. A third cited cost as a reason for not taking any steps.

Strong interest in mental health coverage and room for improvement in coverage clarity

- Mental health treatment costs are the top concern for respondents.
- Approximately 75% of respondents showed a strong interest in mental illness coverage.
- Almost half of respondents with health insurance do not know if mental health expenses are covered or believe that they are not covered.

High risk awareness of cybercrime

- 65% of respondents have faced cybersecurity issues in the past two years, with India reporting the highest rate of 78%. Experiencing an issue increases the amount that respondents are willing to pay for protection.
- Most respondents are aware that public WiFi (69%), reusing passwords (65%) and phone apps for bank accounts (58%) pose risks. Awareness is lower for antivirus software and app/software updates.
- Approximately 20% of respondents reported severe consequences following cybercrime incidents. After an incident, 30% made no financial recovery and the majority took action, such as changing log-in credentials (73%).

To view the full survey report, please go to www.peakre/insights/emerging-asia-consumer-survey-2023, or use the QR code

Types of cybersecurity issues faced

31% Hacking that gains unauthorised access to sensitive data

30% Cyberbullying that causes emotional distress in victims

30% Phishing scams that steal users' login credentials or financial information

26% Identity theft involving fraudulent use of personal data

25% Maiwave infections that disable systems or hold data to ransom

Financial Loss

Top concern for all cybersecurity issues except cyberbullying

Courage to Deliver

Building Resilience for Communities
in Emerging Asia and Beyond

Governance & Risk Management

Sound risk management is the cornerstone of Peak Re's business, ensuring high standards of management and oversight across all operations. We prioritise regulatory and legal compliance, possess a comprehensive understanding of risks and exposures, and safeguard Peak Re's financial strength to protect the interests of clients and stakeholders.

Robust enterprise risk management

Our enterprise risk management ("ERM") framework aligns risks with our strategic objectives. At Peak Re, we follow a robust three-lines-of-defense model for ERM that ensures appropriate and independent checks and balances.

Under this model, risks are identified, assessed, managed and reported effectively. We regularly review our risk appetite in tandem with the annual business planning cycle and set corresponding risk tolerances, translating them into specific risk limits for business and operational units.

From left to right:
Sandy TSOI, James LO, Massrat KHAN, Joyce FUNG

ERM Governance

Three lines of defense

Internal Audit
Validation of all controls in the 1st and 2nd lines of defence

3rd line of defence

Compliance, Legal & Risk Management
Oversight of all risk-taking and risk management activities, including limits monitoring

2nd line of defence

Business and Operational Units
Processes & internal control systems

1st line of defence

Risk Limits

Represents granular metrics which are designed to be used by front line business teams in day-to-day decision making

Risk Tolerances

Quantification of our risk appetite including as key risk indicators ("KRIs")

Risk Appetite

The types of risks Peak Re is willing to assume within its risk capacity to achieve its strategic objectives and business plant

Figure 1: Peak Re's three-lines-of-defence model of enterprise risk management

Strong and independent governance

Peak Re's Board of Directors (the "Board") upholds the highest standards of corporate governance in accordance with the regulatory requirements of the Hong Kong Insurance Authority ("HKIA"). In particular, the composition of our Board includes a higher percentage of independent non-executive directors ("INEDs") than required by the HKIA and all Board Committees (see below) are chaired by our INEDs, which further strengthens our independence and governance.

Since its inception, Peak Re has retained all earnings within the business and a ring-fencing policy has been in place for several years. The ring-fencing policy supports the Board and management, and ensures independent operations at all levels. It establishes clear measures, checks and balances for oversight. The ring-fencing policy sets out the structure of the Board, related-party transactions policy, business planning and strategy, underwriting and investment decision-making, minority shareholder rights protection, data protection and staffing autonomy.

Board of Directors

3 Independent non-executive directors ("INEDs")

3 Non-executive directors

2 Executive directors

Director appointments are subject to regulatory approval

Board and committee meetings are held quarterly;

96%

director attendence (on average, 2023)

Supported by 4 Board Committees

Chaired by INEDs, ensuring independence and appropriate checks and balances

- Risk Management & Compliance Committee
- Nomination & Renumeration Committee
- Investment Committee
- Audit Committee

Executive Committee

Figure 2: Peak Re's Board of Directors and Board Committees.

Activities in 2023

Nimble management actions

We took actions in 2023 to optimise our underwriting (both in property & casualty ("P&C") and life & health ("L&H")) and investment performance. As noted in last year's Annual Report, 2022 was particularly volatile for the capital markets due to the rapid sequence of interest rate increases passed by the central banks. On the investment side of the book, in 2023 we embarked on a process of rotating our investment portfolio heavily towards US treasuries and cash, which had the beneficial impact of locking-in higher running yields and enhancing liquidity with lower credit risk. As of 31 December 2023, approximately 60% of our total assets under management remain in sovereign bonds and cash. We expect to increase our level of investment risk in 2024, however, the combination of confident underwriting initiatives and agile investment actions in 2023 saw a strong resurgence in our statutory solvency ratio[1] from 209% at year end 2022 to 305% at year end 2023.

Rating agency update

We are pleased to note that Peak Reinsurance Company Limited ("Peak Re") and its subsidiary, Peak Reinsurance AG, received re-affirmed ratings from AM Best in October 2023.

Strengthened compliance

Unfortunately, 2023 also saw the recent trend of deglobalisation continue, as well as an uptick in armed conflicts. Given these developments, we remained vigilant in the face of heightened risk for potential money laundering, terrorist financing and sanctions. To address these concerns, our compliance programmes incorporated enhanced due diligence procedures, transaction monitoring protocols, comprehensive risk assessment and mandatory training programmes to raise awareness.

2024 and beyond

Solvency regulatory reform

The Hong Kong Legislative Council approved the HKIA's proposals in 2023 to amend the insurance legislation, paving the way for the adoption of a Risk-Based Capital ("RBC") standard. The new RBC regime is anticipated to be effective from 1 July 2024 and will align Hong Kong's solvency regulations with other major re/insurance jurisdictions. This standard will enhance risk identification, mitigation and management, improve transparency and ensure that solvency requirements are based on an economic view of risk.

Operational resilience

Aside from solvency regulations, we note that operational resilience has moved up the agenda, particularly for banks with impending regulations globally (e.g. DORA[2]). We anticipate that this direction of travel will be mirrored in the insurance sector, particularly in respect of cybersecurity, and we will look to examine and enhance our capabilities in these areas during 2024.

Emerging risks

As mentioned in the "Committed to Sustainable Insurance" section of this report, we continue to build-out our climate risk strategy to better understand the impacts of climate change and how to manage these exposures. Looking over a shorter time horizon, we recognise the risks and vulnerabilities associated with artificial intelligence ("AI") and generative AI, and believe that global cybersecurity therefore remains a top priority. For more on emerging risks and the complex interconnections that these can lead to, see the "Emerging Risk Matters" section of this report.

1 Statutory solvency ratio of Peak Reinsurance Company Limited based on the requirements under the Hong Kong Insurance Ordinance (Cap.41) as of 31 December 2022 and 31 December 2023

2. The Digital Operational Resilience Act ("DORA") is an EU regulation that was introduced on 16 January 2023 and will apply as of 17 January 2025. It aims to create a binding and comprehensive risk management framework for the EU financial sector in terms of risks related to information and communication technology

Having a finger firmly on the pulse of emerging risks is essential to the re/insurance industry as these risks can on the one hand offer growth opportunities, and on the other hand threaten the industry's sustainable operation. Tracking and transferring these risks, however, is often a challenging task. The rapid pace at which some emerging risks evolve and complex interconnectedness of risk, highlight the need for deep understanding, smart risk monitoring, agile risk management and the championing of strong risk mitigation measures.

Emerging risks alter the risk landscape for re/insurers and are associated with uncertain impacts, as well as inherently lacking claims and exposure data for risk assessment. They can be a new type of risk or an evolving form of an existing risk. Examples include artificial intelligence ("AI"), COVID-19, biodiversity loss, secondary perils and critical infrastructure. Given the high level of impact uncertainty and nature of some emerging risks, large and systemic losses are a significant threat. In addition, emerging risks can impact multiple insurance lines, as we discuss in the two examples below.

Potentially fast-evolving and/or even systemic, emerging risks can offer new business opportunities, but also need to be closely monitored, mitigated and agilely managed as part of re/insurers' risk management frameworks.

AI – New, fast-evolving, systemic, highly interconnected

AI offers significant benefits and is rapidly being incorporated into all walks of life, from business to transport, health and critical infrastructure. In critical infrastructure, for example, AI-powered security and anomaly-detection systems are proving highly valuable.

According to a survey by McKinsey, global AI adoption more than doubled between 2017 and 2022, rising from 20% to 50%.[1] The International Data Corporation notably forecasts that AI spending in Asia Pacific will increase at a compound annual growth rate of 25.5% for 2022 – 2027.[2] McKinsey has also documented the "explosive" increase in the adoption of generative AI tools, exemplified by platforms such as OpenAI's ChatGPT and Google's Gemini (formerly Bard): a third of its 2023 survey respondents reported the regular use of generative AI, and of those, 40% reported that their company is planning to further increase its investment in AI due to generative AI.[3]

Emerging Risk Matters

1. "The state of AI in 2022 – and a half decade in review", McKinsey, December 2022. Adoption rate is defined as the share of survey respondents reporting AI adoption in at least one business area of their company
2. "Asia/Pacific AI Spending Surge to Reach a Projected $78 Billion by 2027, According to IDC", International Data Corporation ("IDC"), 2023
3. "The state of AI in 2023: Generative AI's breakout year", McKinsey, 2023

However, AI also comes with new risks and vulnerabilities for individuals, businesses and governments. For example, escalating cybercrime from adversarial attacks on machine-learning ("ML") modules, the use of AI to bypass cybersecurity systems and AI-powered phishing attacks. Other risks include non-adversarial algorithmic risks, such as model bias, interpretability challenges and ethical considerations, as well as regulatory compliance and intellectual property infringement. The rapidly advancing nature of AI also poses a significant challenge.

Depending on the specific re/insurance policy terms and conditions, these risks have the potential to become new loss drivers in areas where AI is being utilised. Related exposures and losses could rapidly accumulate, given that AI is also a systemic and highly interconnected risk. To list just a few scenarios: adversarial ML attacks could target critical infrastructure and supply chains, impacting multiple business lines including on- and offshore energy and business interruption; legislative outcomes could rapidly escalate liability claims due to model biases or intellectual property infringement; what's more, the dizzying pace of AI development could have major spillover effects into other business lines, such as accelerating the advance of self-driving vehicles, with added implications for motor insurance.

Related exposures and losses could rapidly accumulate, given that AI is also a systemic and highly interconnected risk.

Concerningly, companies are in the early stages of addressing the associated risks. In McKinsey's 2022 survey, for example, respondents reported no substantial increase in mitigation measures for AI-related risks between 2019 and 2022.[4] In McKinsey's 2023 survey, only 21% of respondents reporting AI adoption in their company said that their company had policies in place for generative AI usage, while risk mitigation levels for specific risks were also notably low.[5] According to Gartner, generative AI was the second most frequently cited risk for surveyed enterprise risk executives in 2023.[6]

Smartly monitoring and understanding AI risk across all potentially impacted business lines, promoting a healthy cybersecurity ecosystem and putting into place mitigation measures are all important steps to minimise the potential adverse impacts of AI.

4. "The state of AI in 2022—and a half decade in review", McKinsey, 2023
5. "The state of AI in 2023: Generative AI's breakout year", McKinsey, 2023
6. "2023 Emerging Risks Report", Gartner, 2023

Critical infrastructure – Fast-evolving, systemic, highly interconnected

Critical infrastructure – itself highly complex and interconnected – is essential to society as its disruption can affect public safety, security, health and economic stability. Driven by geopolitical volatility, increasing connectivity, ageing structures, insufficient maintenance and climate change, critical infrastructure is increasingly under threat from (non-cyber related) physical attacks, cyberattacks and natural disasters. Multiple business lines including property catastrophe, cyber and business interruption could be impacted.

Critical infrastructure is increasingly under threat from (non-cyber related) physical attacks, cyberattacks and natural disasters.

Highlighting the fast-changing nature of this risk, as reported by Bloomberg, direct physical attacks on US power grids rose by 77% compared to the prior year, reaching an all-time high in 2022.[7] Cyberattacks on critical infrastructure have also dramatically increased in recent years as connectivity has increased; the ransomware attacks on one of the US's most vital pipelines, the Colonial Pipeline, in 2021, and on Japan's largest port (Port Nagoya) in 2023, are just two prominent examples. As examples of threats from natural disasters, the 2019 Albania earthquake caused over USD5 billion in economic damages to critical infrastructure[8], while the 2021 Western European flood event heavily impacted critical infrastructure in Germany and Belgium, including damaging power infrastructure, schools, hospitals, bridges and sewage systems.[9] The Intergovernmental Panel on Climate Change ("IPCC") recently reported with high confidence that climate change is impacting infrastructure.[10] Looking ahead, the same IPCC report includes an estimate that present value losses to global physical critical infrastructure could reach USD4.2 trillion by 2100 under a 2°C warming scenario.[11]

The global re/insurance industry's risk exposure to critical infrastructure is significant, but also limited by the fact that ownership is principally with the public sector and many risks are not insured in the open market. Nonetheless, the need to mitigate the risks and protect critical infrastructure is paramount given the potential for large and systemic losses impacting whole sections of society, and even whole nations, and also given the need for huge, ongoing investment, including in renewable energy provision. With public finances, multilateral development banks and development finance institutions facing capital constraints, private financing will be needed to help bridge investment gaps, and this demands risk-resilient pathways, timely deliverables and predictable cash flows.

Solutions include robust risk transfer mechanisms alongside effective risk mitigation, such as advanced cybersecurity measures – and indeed, critical infrastructure spending on cybersecurity is set to skyrocket, with predictions including an 83% spending increase from 2022 to 2027[12] – as well as disaster preparedness and response plans, resilient infrastructure design, supply-chain security, public-private cooperation, and continuous risk assessment and monitoring.

Re/insurers have a key role to play, acting as both risk management advisors and risk carriers, backed by sustainable risk management and underwriting expertise.

7. "Attacks on US Power Grids Rose to All-Time High in 2022", Bloomberg, February 2023
8. "Critical infrastructure must be resilient, it's critical", UNDP, 2023
9. "Brief communication: Critical infrastructure impacts of the 2021 mid-July western European flood event", Koks, E. E., et al., Nat. Hazards Earth Syst. Sci., 22, 3831–3838, 2022
10. "IPCC Sixth Assessment Report", Chapter 6, IPCC, 2022
11. Ibid.
12. "With COVID-19 behind, New Cybersecurity Spend in Critical Infrastructure to Reach US$236 Billion by 2027", ABI Research, 2023

Committed to Sustainable Insurance

Sustainability is a recurring theme throughout this report. It reflects our inherent commitment to building resilience as we seek to address coverage gaps and mitigate risks, including those related to climate change. This commitment drives our business approach, as evidenced by our adoption of ESG principles in risk management, governance, underwriting decisions and operations. Sustainability also underpins our CSR initiatives, where our employees are actively involved in supporting their local communities.

Investing in ESG

Peak Re continued to develop and strengthen its environmental, social and governance ("ESG") framework throughout 2023, including by further advancing our ESG goals, measurement and integration. We also invested in enhancing climate risk protection, raised ESG awareness and skills across our organisation, promoted sustainable lifestyles to support the low-carbon transition, and sought to enhance the health and wellbeing of our employees.

Advancing ESG strategy

We initiated a project in 2023 to advance and better integrate ESG across our workstreams, decision-making processes and operations. The first phase is a double materiality[1] assessment, collating internal and external stakeholder views on the environmental and societal impacts to and of our business. The outcomes of this phase will advance and refine our ESG goals and optimise our ESG KPIs, which we will then systematically monitor as part of our governance framework.

Improved ESG monitoring

To better measure our carbon footprint, and to better plan and monitor our ESG pathway and progress to ESG targets, we now additionally subscribe to the database of MSCI ESG Research (UK). We also continue to routinely collect ESG data relating to our business mileage and office facilities, including electricity and water consumption.

ESG capacity building

ESG integration necessitates building ESG knowledge and skills. To this end, beginning in 2022-23, we initiated ESG seminars and board-level workshops, inviting external ESG experts to share their insights on topics including sustainability trends, transitioning to net-zero, science-based targets and sustainable finance.

Increased application of ESG in underwriting

As well as meeting regulatory and legal standards and implementing the IFC's Performance Standards[2], we have incorporated additional environmental exclusions into our facultative underwriting, including for the new construction of coal power plants and coal mines and new businesses directly involved in arctic drilling or fuel extraction from tar sands.

Enhancing understanding of climate change impacts

Extreme weather events, in particular secondary perils, are increasing in frequency and severity and becoming important loss drivers for the global re/insurance industry.[3] We continue to invest in improving our understanding of the impacts of climate change, including through the addition of an experienced meteorologist to our Analytics team.

1. The double materiality concept recognises how sustainability issues might create financial risks (financial materiality) for a company as well as how a company's actions can impact people and the environment (impact materiality). See Sustainable Finance, European Commission, 26 July 2022
2. IFC's Environmental and Social Performance Standards, International Finance Corporation, 2012
3. "2023 Natural Catastrophe and Climate Report", Gallagher Re, 2024

Valuing diversity and inclusion

Diversity and inclusion are a significant source of corporate strength at Peak Re. As of the end of 2023, our staff represents 18 nationalities and 45% of our leadership roles are held by women. We have a zero-tolerance policy towards discrimination or harassment. In 2023, we also added a mandatory compliance e-learning module on "Diversity, Equality and Inclusion" for all employees.

LEEDing by example

In late 2022, we relocated our headquarters to the WKCDA[4] Tower in Hong Kong. This move increased our energy efficiency by 15%.[5] The new headquarters was awarded the Leadership in Energy and Environmental Design ("LEED") Gold Standard, an assessment based on factors including building materials, air quality and noise levels. The relocation also provides an abundance of shared and open spaces to promote and improve employee wellbeing.

Business readiness for COP28

Clarence Wong, Peak Re's Chief Economist, was a panelist in 2023 at the "Hong Kong's Business Readiness for COP28 and Climate Change" seminar[6], discussing ways to equip businesses to respond to the challenges and risks of climate change, and stressing the importance of open communication.

ESG awareness partnership with CCIL

As part of a strategic partnership with CarbonCare Innolab ("CCIL"), a Hong Kong based NGO, Peak Re employees participated in multiple events in 2023 that aimed to educate and help to integrate environmental and social responsibility into daily lives.

Focusing minds on the UN's 2030 Sustainable Development Goals[7]:

Our employees took part in a world simulation game that helped to improve understanding of the tensions and trade-offs involved in attaining the UN's 2030 Sustainable Development Goals, and the fact that we all have an important role to play right now in achieving a low-carbon, sustainable future.

Learning about organic food production:

Peak Re employees and their families spent a day at a local organic eco-farm. After an educational session on eco-farming, everyone rolled up their sleeves to help out with ploughing, planting, weeding, watering and harvesting, as well as preparing a healthy lunch from freshly picked farm produce.

Gaining nutritional insights for physical and mental wellbeing:

Combined with our "Green Monday" healthy vegetarian lunch initiative, we invited a nutritional expert to share insights into how specific foods, diets and nutrients can boost gastro-intestinal, immune system and mental health.

Raising awareness of low-carbon cooking:

Bringing attention to the environmental impacts of what we eat and how we prepare our food, an accredited dietician guided Peak Re employees through the preparation of a low-carbon, healthy and delicious meal.

4. West Kowloon Cultural District Authority ("WKCDA") Tower, in the West Kowloon Cultural District of Hong Kong
5. Adjusting for square footage
6. A CarbonCare Innolab (CCIL) seminar
7. Transforming our world, the 2030 Agenda for Sustainable Development, United Nations

Supporting local communities

Peak Re employees regularly take part in Corporate Social Responsibility ("CSR") initiatives to reduce poverty and build resilience in local communities. A few examples of our 2023 initiatives are shown below.

Helping to alleviate poverty

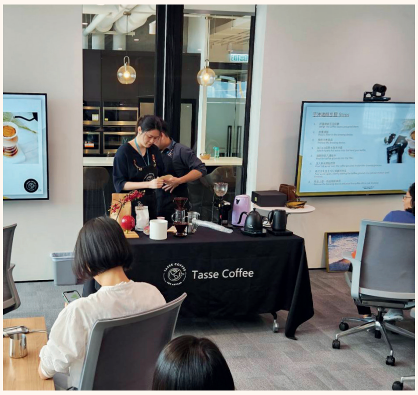
The Peak Re Tea Project, Yongping, China

With the objective to reduce poverty and sustainably support the rural community of Yongping, we set up a long-term project to buy, package and promote the area's wonderful teas, which are free of pesticides and chemicals. By visiting and annually assisting in the tea-packaging process, our employees continue to develop a personal connection with this area and its people.

Making changes for the environment

Biz-Green Dress Day, Hong Kong Office

Discovering how even small changes in the way we live and work can make a positive difference to our health and impact on the environment, our employees took part in "Biz-Dress Green Day" – air conditioning was adjusted in our offices to save energy, employees came to work in smart casual clothing with light fabrics, and healthy, organic meals were provided.



Supporting disadvantaged groups

Tasse Coffee community education project

Peak Re teamed up with a local community education project that was cofounded by an inspiring Hong Kong business woman, a project that helps disadvantaged groups to learn new business skills, build confidence and sustainably re-enter the workforce.

Maintaining an important historical site for future generations

UNESCO world heritage site clean-up, Bermuda

In partnership with the St George Foundation, Peak Capital Bermuda volunteered to clear invasive plants and debris from Fort Cunningham on Paget Island. Those taking part also learnt about the history of this unique 19th century stronghold.

Please refer to the Peak Re ESG Disclosure Report 2022 for full details of our ESG framework and initiatives.

Board of Directors

LI Tao

Chairman

Mr. LI Tao is Executive President and Co-Chief Investment Officer of Fosun International, and Chairman of the Fosun Banking and Insurance Committee. Prior to joining Fosun in 2017, Mr. LI held the role of Chief Financial Officer at China Taiping Insurance Group, as well as managing the company's corporate actuarial and investment lines and overseas insurance business. Mr. LI is a Member of the Association of Chartered Certified Accountants ("ACCA").

Franz-Josef HAHN

Vice Chairman

Mr. Franz-Josef HAHN is Chief Executive Officer of Peak Re and was one of the Company's founders. With more than 30 years of reinsurance industry experience, Mr. HAHN has successfully helped to build and shape the reinsurance business in Greater China and across the Asia Pacific region. He has held senior management positions with several leading reinsurance companies and has extensive global experience as a strategic business advisor. He is a member of the Geneva Association and sits on the International Insurance Society ("IIS") Executive Council. Mr. HAHN is a qualified lawyer.

Cathy CHEN

Executive Director

Ms. Cathy CHEN is Chief Financial Officer of Peak Re and a key person in control of the Company's finance and investment functions. She has over 20 years of insurance and reinsurance accounting, financial and regulatory experience. Prior to joining Peak Re, Ms. CHEN was Chief Representative of Lloyd's Beijing representative office and Chief Financial Officer of Swiss Re's China operations. Ms. CHEN is a Fellow of the Association of Chartered Certified Accountants (ACCA).

WANG Qunbin

Non-Executive Director

Mr. WANG Qunbin was one of the founders of Fosun Group and was appointed as its Co-Chairman in February 2020. Mr. WANG was formerly a Director of Yuyuan and Henan Lingrui Pharmaceutical Co., Ltd. and a Non-Executive Director of Fosun Pharma and Sinopharm. Mr. WANG was recognised at the Asia Pacific Outstanding Entrepreneur Awards by Enterprise Asia and was named the Best Asian Corporate Director at the Asian Excellence Recognition Awards 2014 by Corporate Governance Asia.

Andrew ZEISSINK

Non-Executive Director

Mr. Andrew ZEISSINK has extensive Financial Institutions Group ("FIG") experience, serving across insurance, banking, asset management and securities services for over 25 years with leading investment banks and advisory in Asia. He joined Fosun in 2019 and currently serves as the Senior Assistant President of Fosun and Executive President of Fosun Insurance. Mr. ZEISSINK joined Fosun after a long career at HSBC where he served as Vice Chairman of Global Banking and Chairman of FIG Advisory Asia Pacific (Hong Kong). Earlier in his career, Mr. ZEISSINK worked at PricewaterhouseCoopers as a Chartered Accountant and in a financial advisory role.

Monish Kant DUTT

Independent Non-Executive Director

Mr. Monish Kant DUTT is a seasoned investment professional and consultant on emerging markets, and serves as a director on five other boards in the Caribbean and the USA. Mr. DUTT spent 25 years with the International Finance Corporation ("IFC"), where he last served as Chief Credit Officer for Global Financial Institutions and Private Equity Funds. Mr. DUTT is a Chartered Accountant, Fellow of the Institute of Chartered Accountants in England and Wales and holds an MBA from the London Business School.

OUYANG Hui

Independent Non-Executive Director

Dr. OUYANG Hui is the Dean's Distinguished Chair Professor of Finance and a Senior Associate Dean at the Cheung Kong Graduate School of Business ("CKGSB"). Before joining CKGSB, he served as a Managing Director at UBS, where he headed Quantitative Solutions/Algo Strategies for Asia Pacific. Dr. OUYANG holds a Ph.D. in finance from UC Berkeley, a Ph.D. in chemical physics from Tulane University and held a post-doctoral position in chemical physics at the California Institute of Technology, working under Nobel laureate Rudy Marcus.

Raymond TAM

Independent Non-Executive Director

Mr. Raymond TAM is a seasoned insurance and pensions regulator. He most recently served as Executive Director, Policy and Development at the Insurance Authority (IA) of Hong Kong. Previous roles include Executive Director of the Mandatory Provident Fund Schemes Authority, Assistant Commissioner of Insurance and Assistant Director of the Mandatory Provident Fund Office. Mr. TAM has additionally held senior positions in international insurance companies and actuarial consultancies, is a member of the Hong Kong Academy of Finance, was named Actuary of the Year 2012 by China Business Network and is a Fellow of the Society of Actuaries.

From left to right:
Cathy CHEN — Chief Financial Officer
Franz-Josef HAHN — Chief Executive Officer
Piotr NOWAKOWSKI — Chief Underwriting Officer, P&C
David MENEZES — Chief Risk Officer

Executive Committee

Franz-Josef HAHN

Chief Executive Officer

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Cathy CHEN

Chief Financial Officer

Ms. Cathy CHEN is Chief Financial Officer of Peak Re and a key person in control of the Company's financial control function. She has over 20 years of insurance and reinsurance accounting, financial and regulatory experience. Prior to joining Peak Re, Ms. CHEN was Chief Representative of Lloyd's Beijing representative office and Chief Financial Officer of Swiss Re's China operations. Ms. CHEN is a Fellow of the Association of Chartered Certified Accountants (ACCA).

Piotr NOWAKOWSKI

Chief Underwriting Officer, P&C

Mr. Piotr NOWAKOWSKI is Chief Underwriting Officer of Peak Re. Mr. NOWAKOWSKI has nearly 30 years of experience in the global reinsurance industry. He joined Peak Re in 2022 from Echo Re, where he served as the Chief Underwriting Officer for nearly 10 years. Prior to joining Echo Re, he worked for SCOR for more than 16 years in different local, regional and global positions, including 9 years as General Manager of SCOR's Japan office in Tokyo. He was also Head of Strategy & Development and General Secretary of SCOR's Global P&C business in Paris.

David MENEZES

Chief Risk Officer

Mr. David MENEZES is Chief Risk Officer of Peak Re and a key person in control of the Company's risk management function, as well as overseeing the Company's compliance and legal functions. He joined Peak Re in 2016 and has over 18 years of experience in regional and international insurance and reinsurance, with roles spanning various actuarial, reserving and capital functions. Mr. MENEZES is a Fellow of the Institute and Faculty of Actuaries and has advised industry working groups on the implementation of IFRS 17 and risk-based capital solvency standards.

Credits

Published by:	Peak Reinsurance Company Limited
Content:	Faber Consulting AG
Design:	Sedgwick Richardson
Photography:	Harold de Puymorin

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Published by Peak Reinsurance Company Limited.