

# China Insurance

## 4Q24 insurance funds: industry financial rate of return extended rally in a five-quarter streak

Total insurance funds amounted to RMB 33.26tn in 4Q24, up 15.1% YoY, fuelled by the surge of insurance premium growth (+11.2% in FY24) over the year. The growth of insurance fund returns accelerated from 3Q24, given industry financial rate of return (FRR) and comprehensive rate of return (CRR) at 3.43%/7.21% in 4Q24, +1.2pct/+4.0pct YoY (vs 3Q: +0.2pct/+3.9pct). In 4Q24, FRR and CRR rose 0.31pct/0.05pct QoQ, on top of a sharp upturn driven by 3Q equity market. Life FRR extended the third-quarter rally to 3.48% (+1.2pct YoY/+0.4pct QoQ), and CRR has been above 7% for four consecutive quarters to 7.45% in 4Q24. We see the uptrend of life investment yields as a combined effect of increased allocations to bonds and stocks, which were up 26.3%/28.3% YoY to RMB15.1tn /RMB 2.3tn, making up 50.3%/7.6% of total funds in 4Q24. **For 2025, we expect the widely-concerned spread loss risk of life insurers due to the downtrend of interest rate could be offset by equity gains.** Beyond that, we see three trends on insurance funds incl. **1) increased allocations to high dividend yield stocks (HDY) under OCI; 2) build-up of gold portfolios among top players; and 3) establishment of private securities investment funds to be categorized into long-term equity (LTE).** Maintain sector OUTPERFORM.

■ **Life/P&C insurance portfolio mix:** In 4Q24, we see notable increases in bond and stock investments for both life and P&C portfolios. For life funds, bonds and stocks rose 26.3%/28.3% YoY to RMB 15.1tn/2.3tn by end-FY24, accelerating from 3Q24 at +25.5%/+17.2%. Bonds made up 50.3% (vs 3Q24: 49.2%) of life insurance funds by end-FY24, hitting a record high. Stocks recorded the highest year-over-year increase by 28.3% YoY to RMB 2.27tn, comprising 7.6% of total life portfolios. For P&C, bonds and stocks increased 14.1%/28.2% YoY to RMB 869bn/160bn, comprising 39%/7% of total portfolios in FY24. Securities funds amounted to RMB 203bn in 4Q24, up 14.5% YoY yet down 4.4% QoQ. We see the P&C portfolio allocations move from securities funds to stocks, following the equity market rally in 3Q.

■ **Both FRR and CRR extended rallies from 3Q24.** Life/P&C financial rate of return was 3.48%/3.05% in 4Q24, up 1.2pct/0.1pct YoY, improving the industry FRR to 3.43% (+1.2pct YoY/+0.3pct QoQ) by end-FY24. Life /P&C comprehensive rate of return was 7.45%/5.51%, up 4.1pct/2.6pct YoY, lifting the industry CRR to 7.21% (up 4.0pct YoY/0.1pct QoQ). Despite the stock retreats in 4Q (CSI 300/HSI: -2.1%/-5.1%), we think this opened up a window period for insurers to increase stock allocations, esp. to high yields, and helped generate a steady income contributing to the FRR growth. CRR was mostly enhanced by the fair value gains on bond investments, in our view. In 4Q24, China 10-year government bond yields slid 51bps (vs. 3Q24: -2bps).

■ **Three trends to follow in 2025: 1) Increased allocations to HDY stocks.** In 1H24, stocks under OCI took ~2% of total investment assets of eight listed peers. We expect this ratio to rise to >2.5% by end-FY24. **2) Build-up of gold portfolios for top 10 players.** Chinese regulators recently gave the nod to 10 insurers to allocate up to 1% of last-quarter total investment assets into gold ([link](#)). We expect the insurers to build up gold portfolios over time to enjoy the upside in gold prices. **3) Establishment of private securities investment funds categorized into long-term equity (LTE).** The use of PE funds for secondary equity investments could be measured by equity method, thus eliminating the impact of asset fair value fluctuations on P/L profitability.

■ **Valuation/Key risks.** The sector is trading at 0.14x-0.48x FY25E P/EV with avg. 4.7% dividend yield. **With diversified portfolio allocations, we expect the widely-concerned spread loss risk of life insurers could be offset by equity gains and proactive A/L mgmt., conducive to the sector re-rating.** Maintain sector OUTPERFORM. Key risks incl. prolonged low interest rates, equity volatilities, and underestimated geopolitical conditions, etc.

**OUTPERFORM**  
(Maintain)

### China Insurance Sector

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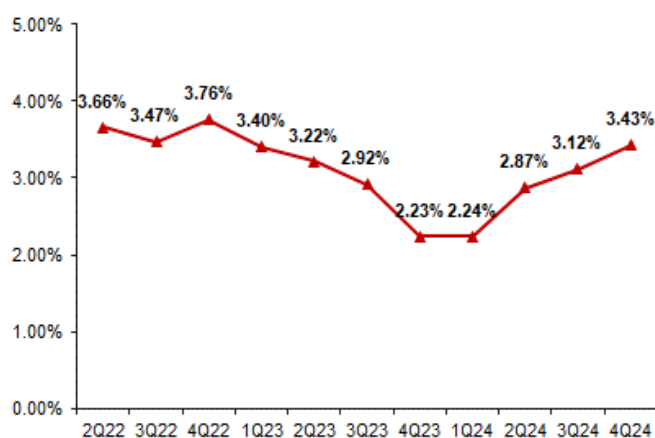
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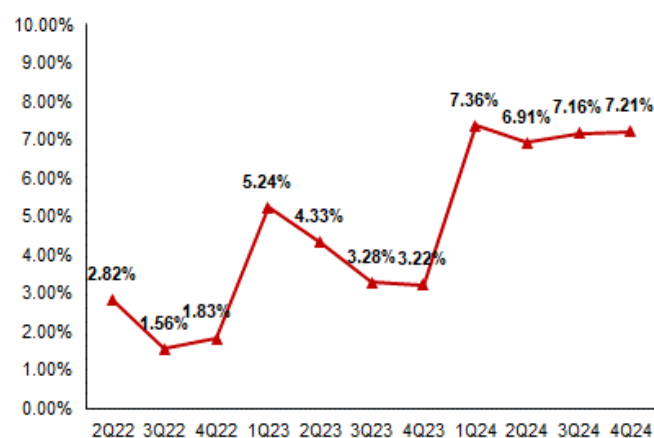
## Key Charts

**Figure 1: Industry financial rate of return, 2Q22-4Q24**



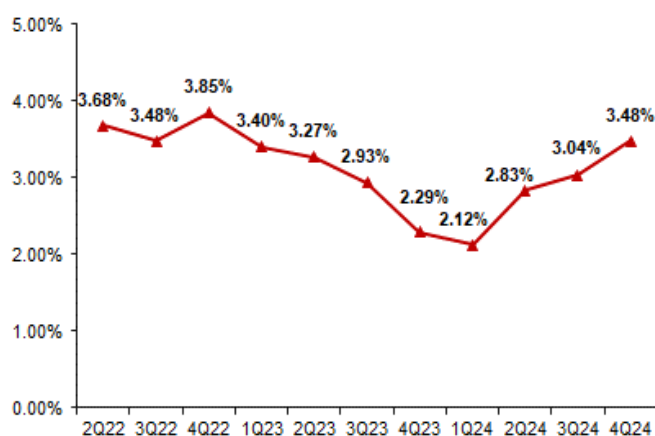
Source: The NFRA, CMBIGM | Note: data disclosed since 2Q22.

**Figure 2: Industry comprehensive yield, 2Q22-4Q24**



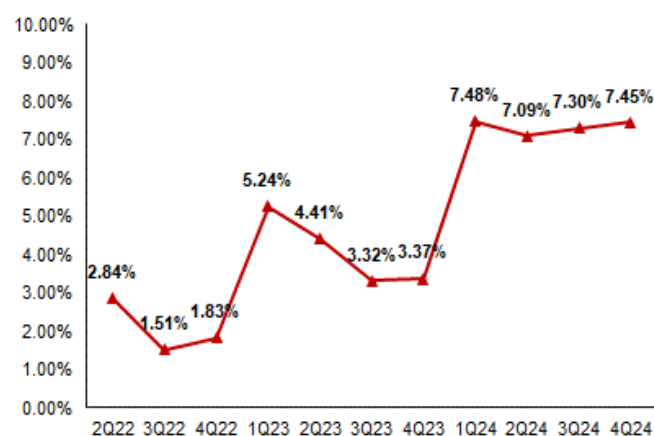
Source: The NFRA, CMBIGM | Note: data disclosed since 2Q22.

**Figure 3: Life financial rate of return (%), 2Q22-4Q24**



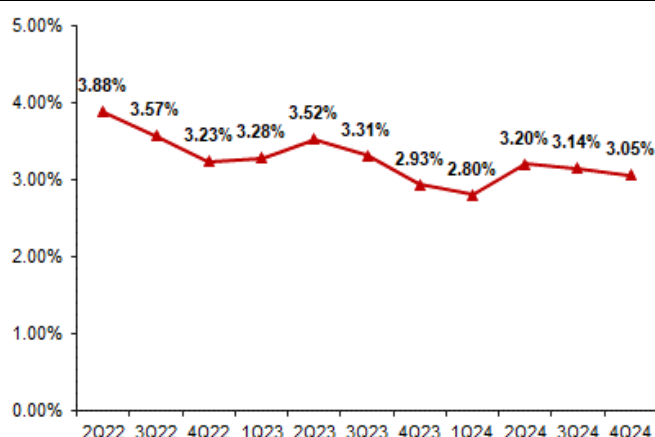
Source: The NFRA, CMBIGM | Note: data disclosed since 2Q22.

**Figure 4: Life comprehensive yield (%), 2Q22-4Q24**



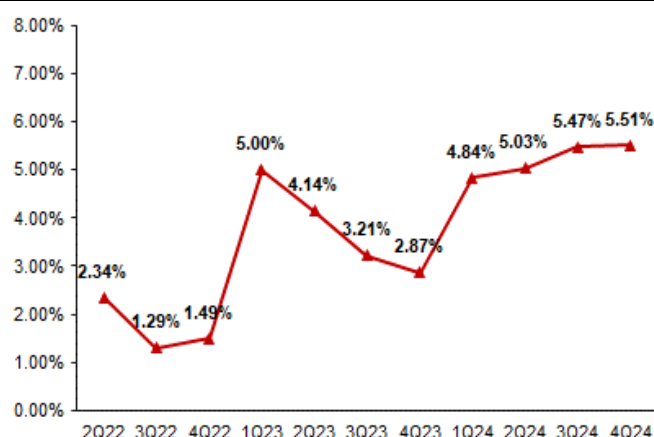
Source: The NFRA, CMBIGM | Note: data disclosed since 2Q22.

**Figure 5: P&C financial rate of return (%), 2Q22-4Q24**

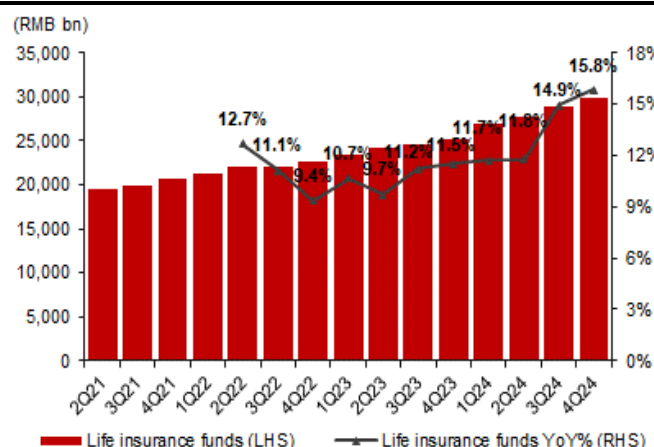


Source: The NFRA, CMBIGM | Note: data disclosed since 2Q22.

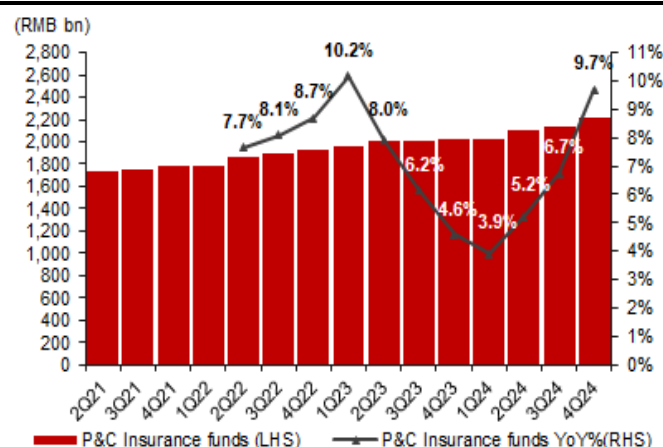
**Figure 6: P&C comprehensive yield (%), 2Q22-4Q24**



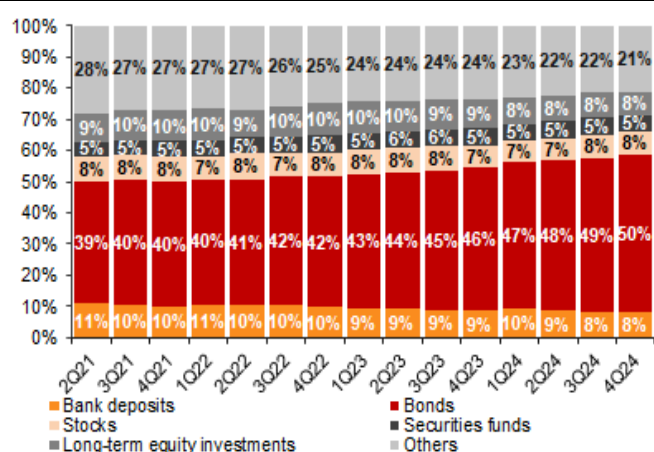
Source: The NFRA, CMBIGM | Note: data disclosed since 2Q22.

**Figure 7: Life insurance funds scale & YoY%**

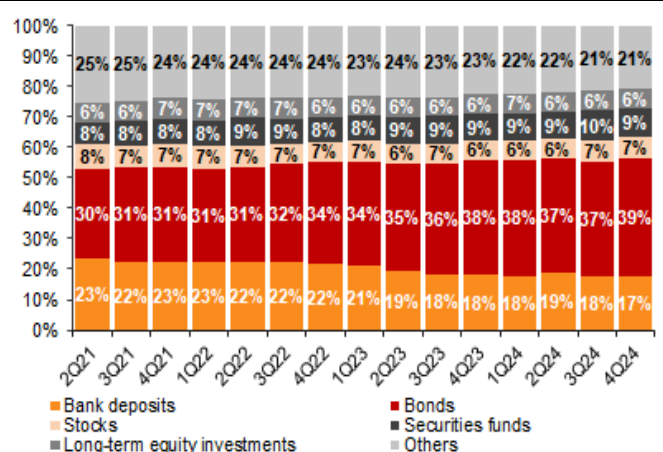
Source: The NFRA, CMBIGM | Note: data disclosed since 2Q21.

**Figure 8: P&C insurance funds scale & YoY%**

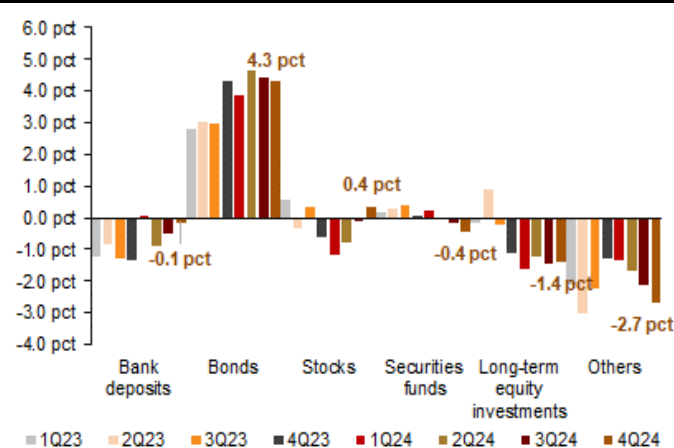
Source: The NFRA, CMBIGM | Note: data disclosed since 2Q21.

**Figure 9: Life insurance funds asset allocation (%)**

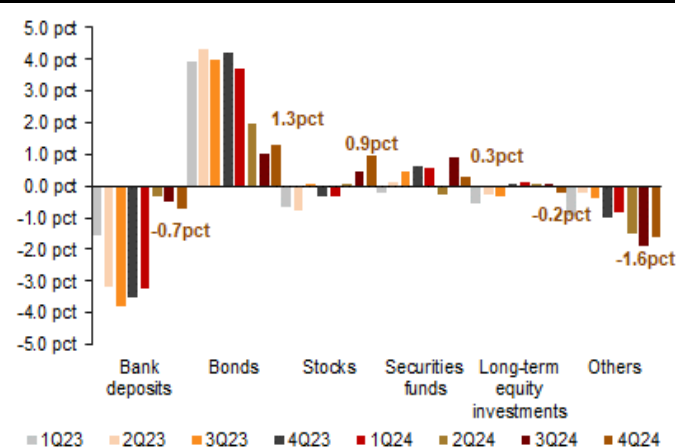
Source: The NFRA, CMBIGM | Note: data disclosed since 2Q21.

**Figure 10: P&C insurance funds asset allocation (%)**

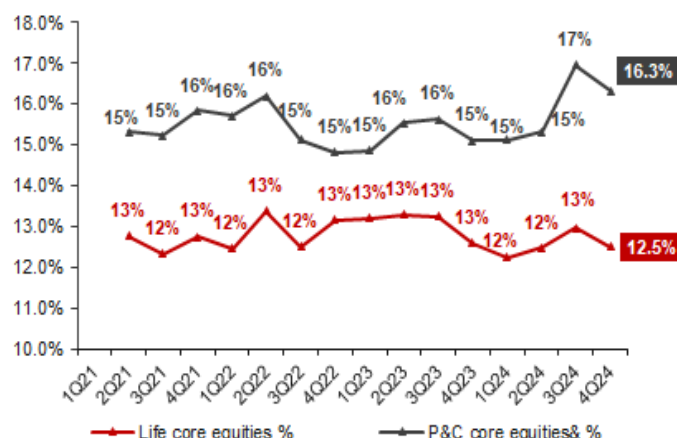
Source: The NFRA, CMBIGM | Note: data disclosed since 2Q21.

**Figure 11: Life insurance funds allocation mix chg.**

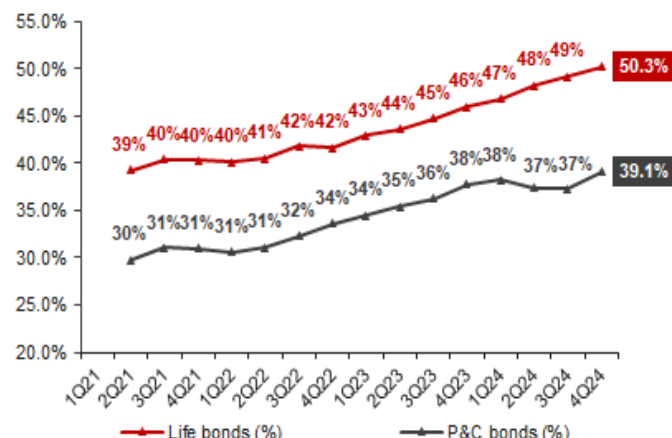
Source: The NFRA, CMBIGM

**Figure 12: P&C insurance funds allocation mix chg.**

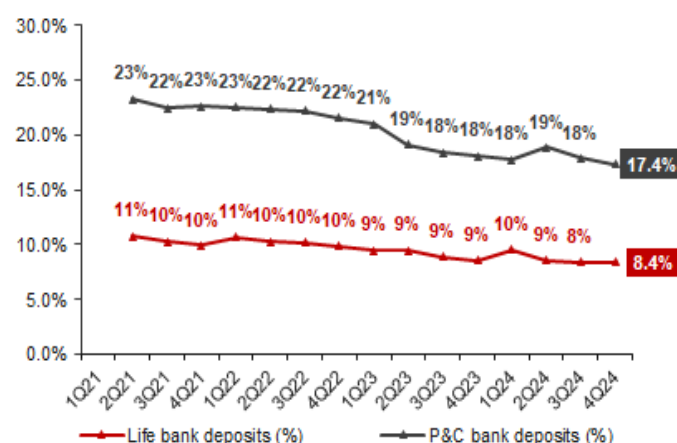
Source: The NFRA, CMBIGM

**Figure 13: Core equities mix% in Life / P&C portfolios**

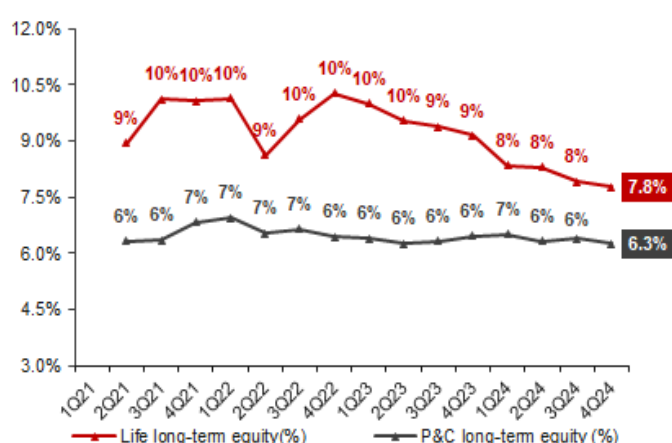
Source: NFRA, CMBIGM | Note: data disclosed since 2Q21.

**Figure 14: Bond mix% in Life / P&C portfolios**

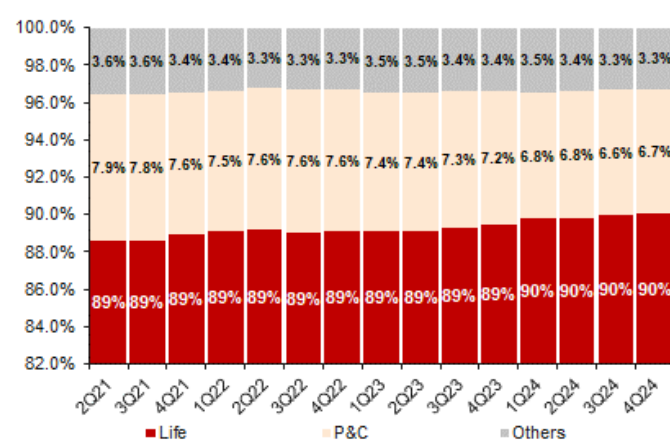
Source: NFRA, CMBIGM | Note: data disclosed since 2Q21.

**Figure 15: Bank deposit mix % in Life / P&C portfolios**

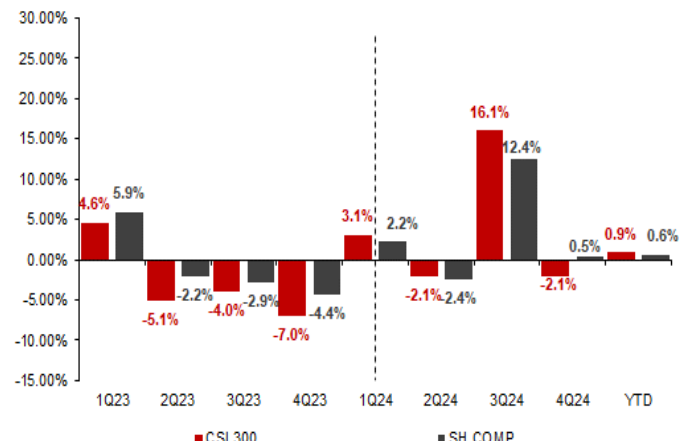
Source: NFRA, CMBIGM | Note: data disclosed since 2Q21.

**Figure 16: LTE mix% in Life / P&C portfolios**

Source: NFRA, CMBIGM | Note: data disclosed since 2Q21.

**Figure 17: Insurance funds composition (%)**

Source: NFRA, CMBIGM | Note: data disclosed since 2Q21.

**Figure 18: CSI 300 and SHCOMP Index performance**

Source: Wind, CMBIGM | YTD data by market close on 24/2/2025.



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