

China Insurance

Easing solvency risk factors to steer insurance funds into long-term stockholdings

The NFRA eased the solvency risk factors for insurance companies' stockholdings in the CSI 300 index (from 0.3 to 0.27), the CSI Dividend Low Volatility 100 index (from 0.3 to 0.27) and the STAR Market (from 0.4 to 0.36) by 10%, on the premises that the insurer's shareholding periods for the CSI 300 index and the CSI Div. Low Vol 100 index by over three years and for the STAR Market by more than two years. The [Notice](#) issued on 5 Dec (Fri) marks the regulators' sustained efforts since May to guide insurance funds into the stock market, which we estimate that the easing rule could release RMB102.6bn incremental funds into the CSI 300 market, if total minimum capital release were to be fully invested. By 3Q25, total balance of stock investment amounted to RMB 3,621bn, rising 49% from year-start. We assume that the industry average allocation to the CSI 300, the CSI Div. Low Vol, and the STAR Market to be 50%/10%/5%. If prior to including the risk diversification effect, we derive the minimum capital release amounting to RMB 30.8bn. **We believe the Notice is more about fuelling the insurance funds towards long-term equity investments than simply boosting the industry comprehensive solvency**, for which we estimate could be modestly improved by 1.14pct to 187.4% by end 9M25.

- **Expect the new rule to release RMB 102.6bn incremental funds into the CSI 300 or 1.14pct improvement on the comprehensive solvency ratio.** In 3Q25, the balance of insurance fund investments in stocks amounted to RMB 3,621bn, rising 49% from year-start. We assume the industry average allocation to the CSI 300, the CSI Div. Low Vol, and the STAR Market to be 50%/10%/5%, and the fulfilment rates for the respective holding periods of more than 3yrs/3yrs/2yrs to be 50%/20%/20% ([Table 1](#)). We assume lower rates for stock investments in the CSI Div. Low Vol and STAR Market, given the industry rebalancing on the high-dividend stocks since 2023 and the growth stocks in STAR Market in recent two years, shorter than the required holding periods of over 3yrs/2yrs respectively. We estimate that the targeted reduction of risk factors could release minimum capital of RMB 30.8bn (pre-risk diversification effect, [Table 1](#)). And if assuming the capital to be invested in the CSI 300 stocks, the incremental funds could be RMB 102.6bn ([Table 1](#)). Alternatively, the free-up capital could improve industry comprehensive solvency by 1.14pct to 187.4% in 9M25 based on our estimates.
- **Highlight in guiding a long holding period for the blue-chip, high-yield and growth stocks.** The *Notice* addresses the regulatory support for insurance fund investments in the CSI 300, CSI Div. Low Vol 100, and the STAR Market, which represents the blue-chip, high-yield and growth stocks in A-share market. Beyond the incremental funds and improved comprehensive solvency ratio, **we think the highlight stands in guiding the long stockholding period of the trillion-sized insurance funds into A-share markets.** The *Notice* adds on the holding period for the CSI 300 and the CSI Div. Low Vol indices to be determined based on the weighted average holding period in the past six years, and for the STAR Market based on the weighted average holding period in the past four years. We expect the capital efficiency for insurance fund investment into A-shares to outweigh that of H-shares post the adjustment, given the risk factor for holdings of the CSI 300 stocks lowered to 0.27, vs. unchanged for H-shares through the Stock Connect. We believe the emphasis on long stockholding periods in the blue-chip, high-yield and growth stocks aligns to the strategic asset allocation (SAA) of most insurance companies to achieve a stable net investment income amid a prolonged low rate.
- **Expect Ping An & China Life to be key beneficiaries of the new rule.** The top five sectors by weight in the CSI 300 and CSI Div. Low Vol indices are Banking, Food & Beverage, Transportation, Utilities and Electronics. Ping An-A (601318 CH) remains the top 10 heavyweight stock in the CSI 300 index being capable of capturing the significant share of capital inflows on this benchmark, in our view. Ping An Life held stakes in eight CSI 300 constituents as the top ten shareholders incl. the SOE banks as PSBC-A (1.98%) and ABC-A (1.40%) by 9M25. According to the solvency reports in 3Q25, we see that China Life had the highest proportion

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China Insurance Sector

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of minimum capital for equity price risk as a % of total quantitative risk minimum capital at 83.6%, followed by PICC Life's 72.7%, NCI's 71.7%, CPIC Life's 57.4%, Ping An Life's 56.7%, Taiping Life's 53.8% and Sunshine Life's 46% ([Table 2](#)). Given this, the risk factor downward adjustment on stock investments could potentially unleash high-than-peers upside for China Life's minimum capital use.

- **Maintain sector rating at OUTPERFORM.** China's insurance sector is trading at 0.2x-0.6x FY26E P/EV and 0.6x-1.2x FY26E P/B with an average yield of 4.1% ([Table](#)). We remain optimistic on the sector's outlook in FY26E with the support of policy-guided overhaul on asset allocation to drive a sustainable path of the sector's valuation recalibration. **Recommend BUY on Ping An (2318 HK, BUY, TP: HK\$75), China Life (2628 HK, BUY, TP: HK\$31), PICC P&C (2328 HK, BUY, TP: HK\$23.6), and AIA (1299 HK, BUY, TP: HK\$89).**
- **Downside risks:** significant interest rate shock; intensified stock market volatility; weaker-than-expected 2026 jumpstart sales and scale-down in agency force, etc.

Valuation

Company	Ticker	Rating	12M TP (LC)	Price (LC)	Upside/Downside	Mkt Cap (LC bn)	P/EV(x)		P/B (x)		Yield (%)	
							FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
China/HK:												
Ping An	2318 HK	BUY	71.00	60.45	17.5%	1,177	0.65x	0.59x	0.93x	0.85x	5.0%	5.1%
China Life	2628 HK	BUY	29.00	28.22	2.8%	1,250	0.46x	0.42x	1.12x	1.01x	4.2%	4.3%
CPIC	2601 HK	BUY	40.00	33.42	19.7%	376	0.48x	0.44x	0.99x	0.91x	4.0%	4.6%
NCI	1336 HK	BUY	54.00	49.20	9.8%	205	0.50x	0.46x	1.33x	1.17x	5.9%	4.9%
China Taiping	966 HK	BUY	15.00	18.71	n.a	67	0.18x	0.16x	0.86x	0.77x	2.0%	2.1%
PICC Group	1339 HK	BUY	8.00	7.01	14.1%	403	0.47x	0.43x	0.91x	0.82x	3.7%	4.3%
PICC P&C	2328 HK	BUY	21.60	17.43	23.9%	388	n.a	n.a	1.25x	1.17x	4.7%	4.9%
ZhongAn Online	6060 HK	BUY	23.00	15.05	52.8%	25	n.a	n.a	0.95x	0.93x	0.0%	0.0%
Sunshine Group	6963 HK	NR	n.a	3.63	n.a	42	0.30x	0.27x	0.60x	0.57x	6.1%	6.6%
Average							0.43x	0.40x	0.99x	0.91x	4.0%	4.1%
Regionals:												
AIA	1299 HK	BUY	89.0	78.30	13.7%	823	1.39x	1.22x	2.38 x	2.14 x	2.5%	2.7%
Prudential	2378 HK	BUY	137.8	115.00	19.8%	294	1.01x	0.90x	2.02 x	1.86 x	1.8%	2.0%
Average							1.20x	1.06x	2.20x	2.00x	2.1%	2.4%

Source: Bloomberg, CMBIGM estimates

Note: stock price data quoted by market close on 5 Dec 2025; earnings forecast on Sunshine Group (6963 HK, NR) is based on the Bloomberg consensus.

Table 1. Estimates on the risk factor adjustment to minimum capital release and the sector's comprehensive solvency ratio improvement

Equity investment in insurance funds (RMB bn):	9M25		
Stocks	3,621		
Securities investment funds	1,972		
Stock investments into the three major indices:	Percentage	Amount (RMB bn)	
CSI 300 index	50.0%	1,811	
CSI Dividend Low Volatility 100 Index	10.0%	362	
STAR Market	5.0%	181	
Risk factor adjustment:	Before	New	Change
CSI 300 index	0.30	0.27	-0.03
CSI Dividend Low Volatility 100 Index	0.30	0.27	-0.03
STAR Market	0.40	0.36	-0.04
Fulfillment rate on the holding period requirement:	CMBI assumption		
CSI 300 index	50%		
CSI Dividend Low Volatility 100 Index	20%		
STAR Market	20%		
Minimum capital release (pre-diversification effect):	30.78		
CSI 300 index	27.16		
CSI Dividend Low Volatility 100 Index	2.17		
STAR Market	1.45		
Incremental funds allocation to the CSI 300 index (RMB bn)	102.60		
<i>If not investing in the CSI 300 components, the industry comprehensive solvency ratio will change:</i>			
Minimum capital release (pre-diversification effect)	30.78		
Risk diversification effect	50%		
Minimum capital release (post-diversification effect)	15.39		
Industry comprehensive solvency ratio, 9M25 (pre-adjustment)	186.30%		
Corresponding equity investment cap (%)	30.00%		
Minimum capital (RMB bn)	2,538.8		
Industry comprehensive solvency ratio, 9M25 (post-adjustment)	187.44%		
Corresponding equity investment cap (%)	30.00%		
Change in comprehensive solvency ratio (pct)	1.14		

Source: NFRA, Wind, CMBIGM estimates

Note: the ratios marked in RED implies CMBIGM estimates.

Table 2. Equity price risk required minimum capital as a % of total minimum capital

(RMB mn)	3Q25						
	China Life	Ping An Life	CPIC Life	NCI	PICC Life	Taiping Life	Sunshine Life
Equity price risk-required minimum capital	508,995	326,905	107,001	100,341	49,306	60,601	23,967
Minimum capital for quantitative risks	609,159	576,548	186,531	139,852	67,781	112,543	52,141
%	83.6%	56.7%	57.4%	71.7%	72.7%	53.8%	46.0%

(RMB mn)	2Q25						
	China Life	Ping An Life	CPIC Life	NCI	PICC Life	Taiping Life	Sunshine Life
Equity price risk-required minimum capital	448,544	254,134	95,830	90,457	44,021	50,190	21,614
Minimum capital for quantitative risks	545,388	475,100	173,005	130,916	61,494	103,988	50,426
%	82.2%	53.5%	55.4%	69.1%	71.6%	48.3%	42.9%

	QoQ Change (pct)						
	China Life	Ping An Life	CPIC Life	NCI	PICC Life	Taiping Life	Sunshine Life
QoQ Change (pct)	1.31pct	3.21pct	1.97pct	2.65pct	1.16pct	5.58pct	3.10pct

Source: IAC, Company data, CMBIGM

Table 3. Comprehensive solvency ratio of listed insurers and equity investment upside

	China Life	Ping An Life	CPIC Life	NCI	PICC Life	Taiping Life	Sunshine Life
9M25 Comprehensive solvency %	183.9%	185.7%	196.9%	234.1%	235.5%	247.7%	194.0%
Cap on equity investment	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Insurance funds portfolio:							
1H25 Stocks + Equity funds%	12.2%	10.0%	11.3%	18.8%	8.9%	13.0%	13.3%
1H25 Stocks + Equity funds + LTV%	16.8%	13.4%	12.1%	20.7%	19.2%	14.9%	15.2%
Remaining upside (%)	13.2%	16.6%	17.9%	9.3%	10.8%	15.1%	14.8%

Source: Company data, CMBIGM

Table 4. Ping An Life's stakes in eight CSI 300 constituents as the Top 10 shareholders

Ticker	Company	Shareholding %	Date of disclosure
000001.SZ	Ping An Bank	6.11%	30/9/2025
600900.SH	China Yangtze Power	4.04%	30/9/2025
601816.SH	Beijing-Shanghai High Speed Railway	3.94%	30/9/2025
601658.SH	Postal Savings Bank of China	1.98%	30/9/2025
600886.SH	SDIC Power Holdings	1.57%	30/9/2025
601288.SH	Agricultural Bank of China	1.40%	30/9/2025
000338.SZ	WEICHAi POWER	0.80%	30/9/2025
000708.SZ	Citic Pacific Special Steel Group	0.34%	30/9/2025

Source: Wind, CMBIGM

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