

China Insurance

1M24 life premiums fell short of expectations

Major Chinese insurers disclosed Jan premium figures, falling short of expectations amid the long-debated 2024 jumpstart sales under tightened regulatory scrutiny announced in last Oct. Among seven H-share listed insurers, only China Life (2628 HK) and Sunshine Life (6963 HK) reported positive low-single digit growth by +2.2%/+1.5% on a like-for-like basis, whereas the others recorded year-over-year cutbacks. Ping An Life (2318 HK) fell by 3.9% YoY, in contrast to double-digit declines of CPIC Life (2601 HK) / New China Life (1336 HK) / PICC Life (1339 HK) at -14.7%/-15.0%/-18.5%, respectively, due to its more-advanced-than-peers agency capability. Given a low base on resurgence of the pandemic in 1Q23, the first-month prints showed mediocre performance, yet the divergence in growth implied edges on more balanced distribution, where agency returned to the fore when bancassurance and brokerage sagged due to regulatory overhaul.

■ **Agency topped as a pillar of strength as banca in strict oversight.** With the issuance of the “Notice on Matters Concerning Regulating the Business of Bancassurance Channels for Personal Insurance Companies” on 19 Jan, we believe the stringent scrutiny on additional expense rate, namely, the total expense level available under the regulatory cap of commission rate, reduced near-term sales momentum of the channel. The cap for products with payment period of single/3yr/5yr/10yr+ ranked at 3%/9%/14%/18% respectively, based on our channel check. Some banks decelerated in single-paid underwriting for structural optimization. China Life outgrew other peers given the edge on its stabilized agency scale at 66mn since 3Q23, contributing to 51% of first-year premiums (FYP) and 89% of new business value (NBV) in FY23, according to our estimates. Dragged by the tightened regulatory overhaul, small-to-mid-sized insurance companies, whose new business sales relied more on bancassurance and brokerage, plummeted their Jan FYP by 20%-25%, from results of channel check. We think the bancassurance may require more time, presumably till the end of the first quarter, to fully digest effects and recover into a new state. With sustained strong momentum on savings-type insurance and a high base in 2Q & 3Q23 caused by the wave of discontinued sales of 3.5% increasing sum assured whole life plans (IWLPS), we expect the insurers with strong agency delivery to be key beneficiaries in the first quarter of 2024.

■ **P&C diverged, with top 3 down to single-digit growth.** In Jan, P&C premiums trended higher for mid-sized companies, such as Zhong An (6060 HK) and Sunshine P&C +20.1%/26.8% YoY, while the top 3 as PICC P&C (2328 HK) / Ping An P&C / CPIC P&C were down to single-digit growth at +2.7%/+1.1%/+8.9%. The divergence may imply a potential lift in handling fees placed by small-and-mid-sized insurers to gain competitive edge at year beginning, according to our channel check. PICC P&C slowed on both auto and non-auto growth by +2.9%/+2.6% YoY, despite a 44% YoY increase in passenger car sales to 2.12mn in Jan, reported by the CAAM. We regard the slowdown an intention of the insurer to shift from a scale-focus to a UW profit-driven strategy on auto. For non-auto, government-related policies lagged as agriculture and A&H -2.1%/+1.6% (vs +11.9%/+3.6% in 12M23), whilst corporate-related liability/commercial property +6.7%/+10.0% YoY (vs +1.3%/7.0% in 12M23). We maintain positive on PICC P&C ([2328 HK, BUY, TP at HK\\$11.7](#)), given 1) industry-leading underwriting quality with advanced cost control to NEV breakeven in FY23; 2) optimal non-auto structure focusing on profitable individual A&H, and 3) a defensive play driven by ~40% payout and 5% dividend yield (TTM), ensured by a 13% 3-yr est. ROE.

OUTPERFORM
(Maintain)

China Insurance Sector

Nika MA

(852) 3900 0805

nikama@cmbi.com.hk

Miao ZHANG

(852) 3761 8910

zhangmiao@cmbi.com.hk

Related Reports:

1. China Insurance: Optimized solvency measurement opens room for insurance funds participation in equity investment, 13 Sep 2023 ([link](#))
2. China Insurance: 9M23 CN Insurers Monthly: Life growth narrowed in line; P&C growth diverged in auto & non-auto ([link](#))
3. China Insurance: 9M23 Monthly: Life reversed negative monthly Y/Y, PC uptrend continued, 31 Oct 2023 ([link](#))
4. China Insurance: Life premiums up by double digits for the first time in 3 years; P&C growth dragged by non-auto ([link](#))

Figure 1. CN Life insurers: 1M24 premiums and YoY% vs 1M23

Life insurance companies	Ticker	1M24 Premium income (RMB bn)	1M24 YoY% (vs 1M23)
China Life	2628 HK	206.6	2.2%
Ping An Life	2318 HK	98.9	-3.9%
CPIC Life	2601 HK	44.9	-14.7%
New China Life	1336 HK	29.9	-15.0%
PICC Life	1339 HK	32.0	-18.5%
Sunshine Life	6963 HK	18.1	1.5%
Total		430.5	-4.3%
Top 5 Life insurers		412.4	-4.6%

Source: Company data, CMBIGM

Note: Top 5 life insurers incl. China Life, Ping An Life, CPIC Life, New China Life, and PICC Life based on market share calc. by premium income. Taiping did not disclose premium since Nov 2023.

Figure 2. CN P&C insurers: 1M24 premiums and YoY% vs 1M23

PC insurance companies	Ticker	1M24 Premium income (RMB bn)	1M24 YoY% (vs 1M23)
PICC P&C	2328 HK	62.8	2.7%
Ping An P&C	2318 HK	32.4	1.1%
CPIC P&C	2601 HK	25.4	8.9%
Zhong An	6060 HK	2.4	20.1%
Sunshine P&C	6963 HK	5.1	26.8%
Total		128.2	4.5%
Top 3 insurers		120.7	3.5%

Source: Company data, CMBIGM

Note: Top 3 P&C insurers incl. PICC P&C, Ping An P&C and CPIC P&C based on market share calc. by premium income. Taiping did not disclose premium since Nov 2023.

Figure 3. Major listed insurers' FY23 earnings results calendar

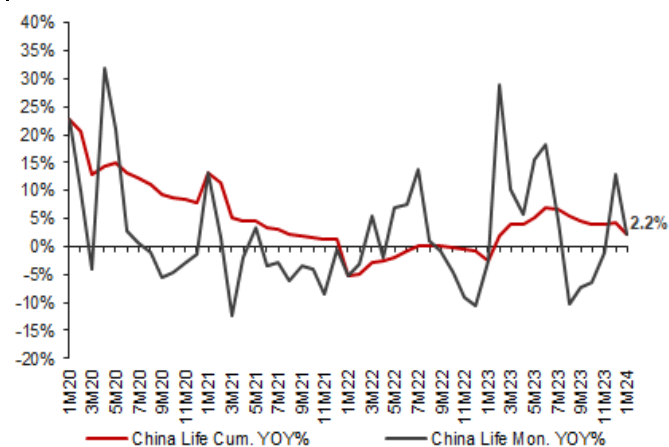
Company	Ticker	FY23 Earnings release date
China Life	2628 HK	28/3/2024 (Thu)
Ping An	2318 HK	21/3/2024 (Thu)
CPIC	2601 HK	29/3/2024 (Fri)
New China Life	1336 HK	28/3/2024 (Thu)
PICC Group / PICC P&C	1339 HK/ 2328 HK	27/3/2024 (Wed)
Taiping	966 HK	TBD
Zhong An	6060 HK	26/3/2024 (Tue)
Sunshine	6963 HK	TBD
AIA	1299 HK	14/3/2024 (Thu)
Prudential	2378 HK	20/3/2024 (Wed)

Source: HKEx, AIA / Prudential website, CMBIGM

Note: TBD implies to be disclosed.

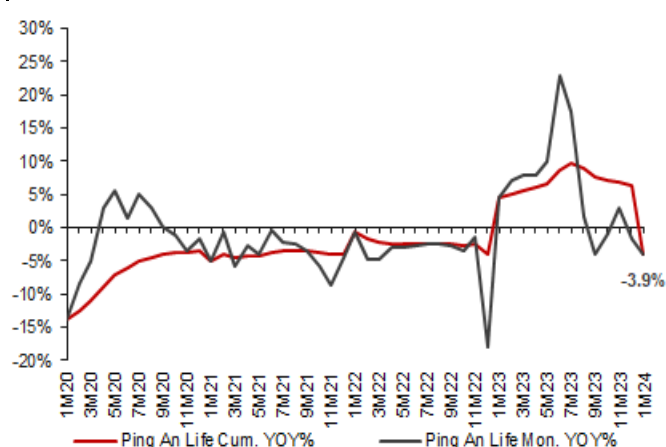
Focus charts

Fig 4: China Life Premium Cum. YoY% & Mon. YoY%



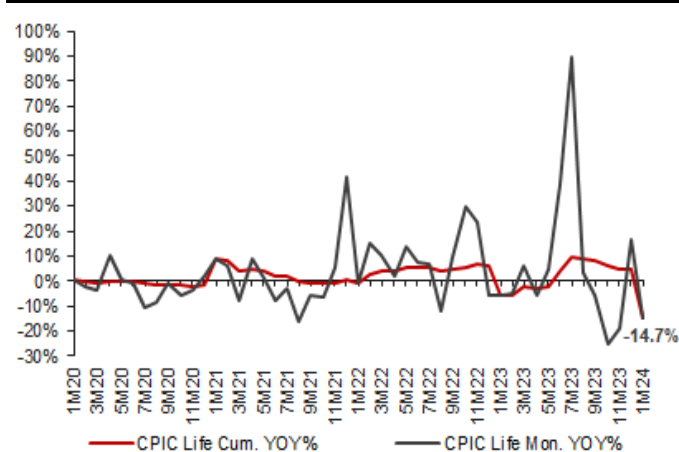
Source: Company data, HKEx CMBIGM

Fig 5: Ping An Life Premium Cum. YoY% & Mon. YoY%



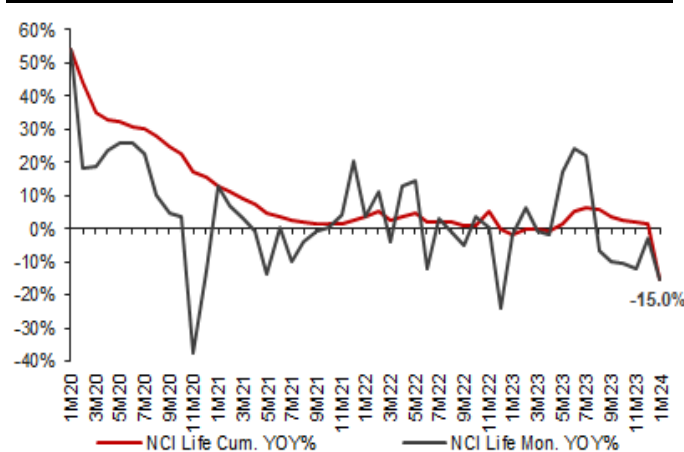
Source: Company data, HKEx CMBIGM

Fig 6: CPIC Life Premium Cum. YoY% & Mon. YoY%



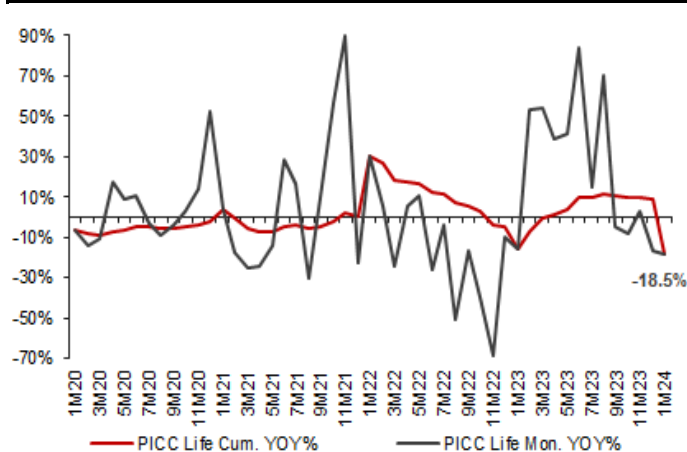
Source: Company data, HKEx CMBIGM

Fig 7: NCI Premium Cum. YoY% & Mon. YoY%



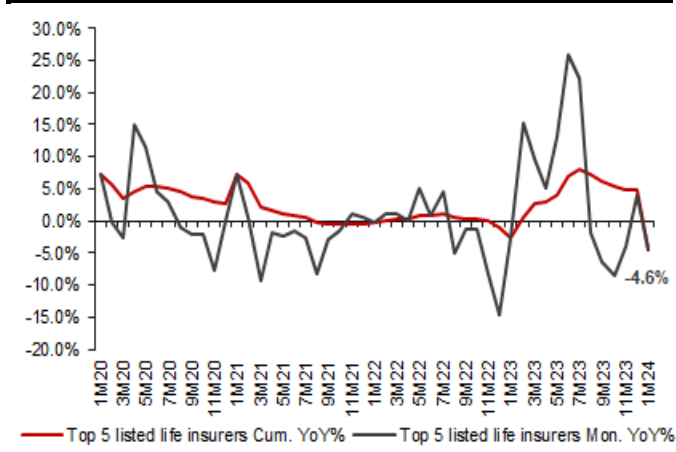
Source: Company data, HKEx CMBIGM

Fig 8: PICC Life Premium Cum. YoY% & Mon. YoY%

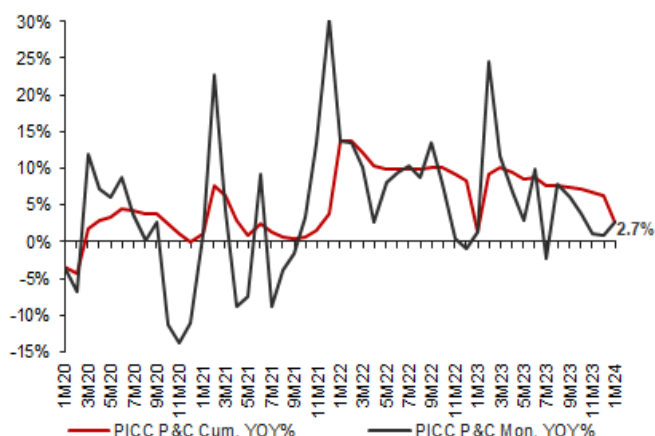


Source: Company data, HKEx CMBIGM

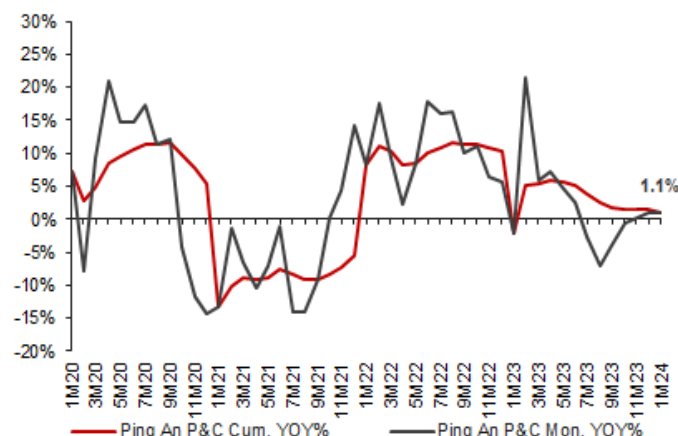
Fig 9: Top 5 Life Insurers' Premium Cum. & Mon. YoY%



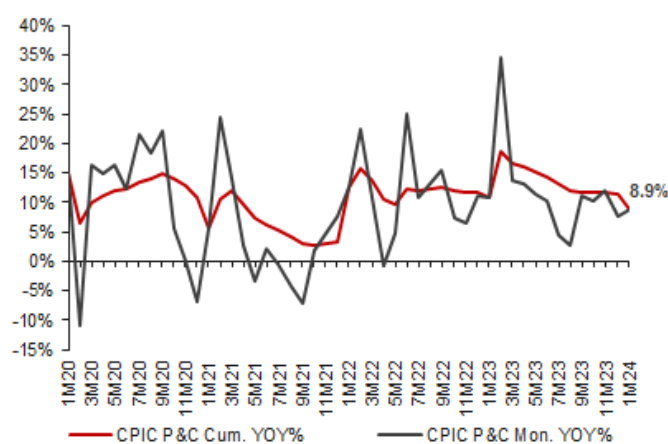
Source: Company data, HKEx CMBIGM

Fig 10: PICC P&C Premium Cum. YoY% & Mon. YoY%

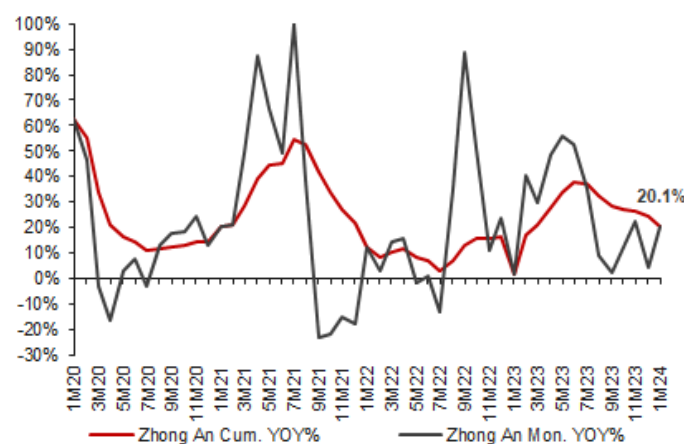
Source: Company data, HKEx CMBIGM

Fig 11: Ping An P&C Premium Cum. YoY% & Mon. YoY%

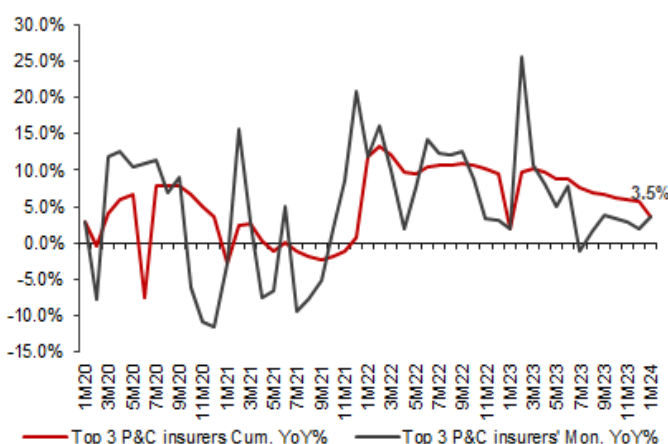
Source: Company data, HKEx CMBIGM

Fig 12: CPIC P&C Premium Cum. YoY% & Mon. YoY%

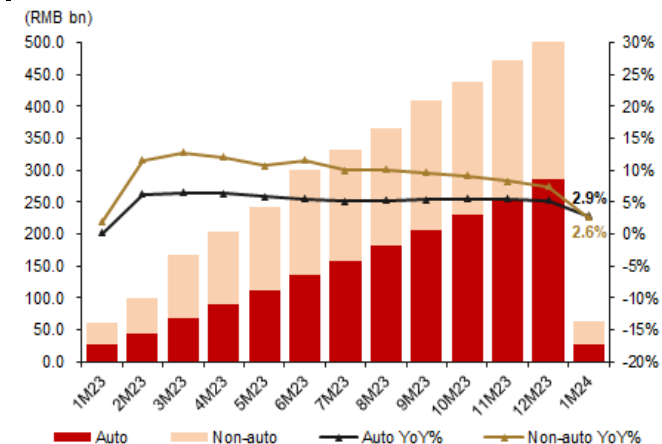
Source: Company data, HKEx CMBIGM

Fig 13: Zhong An Premium Cum. YoY% & Mon. YoY%

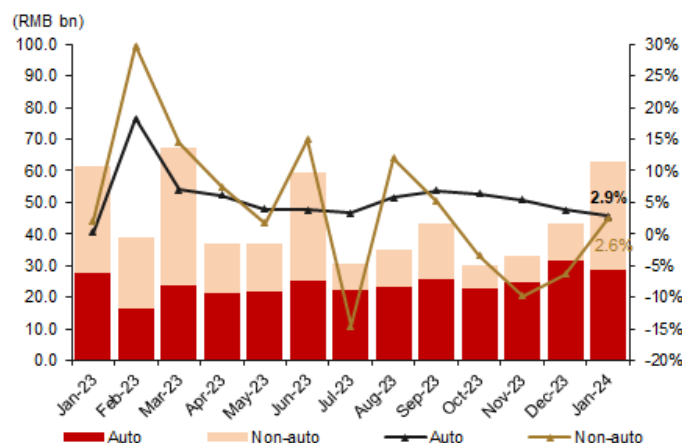
Source: Company data, HKEx CMBIGM

Fig 14: Top 3 P&C Insurers Premium Cum. & Mon. YoY%

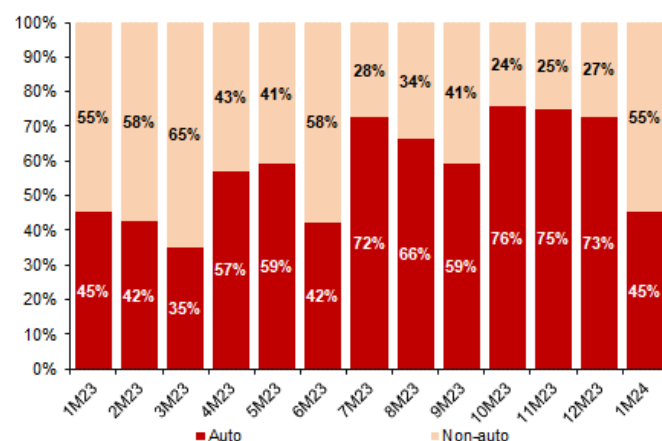
Source: Company data, HKEx CMBIGM

Fig 15: PICC P&C auto & non-auto premium breakdown

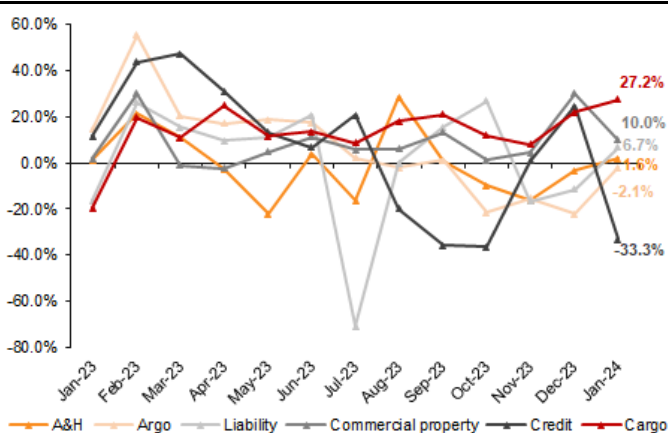
Source: Company data, HKEx CMBIGM

Fig 16: PICC P&C auto & non-auto premium, monthly

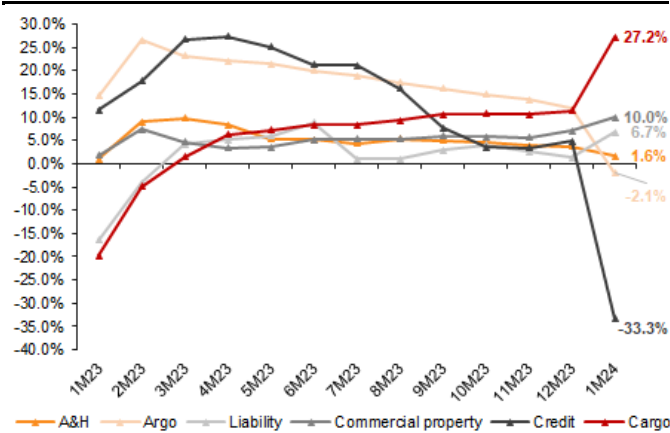
Source: Company data, HKEx CMBIGM

Fig 17: PICC P&C auto contribution <50% since 9M23

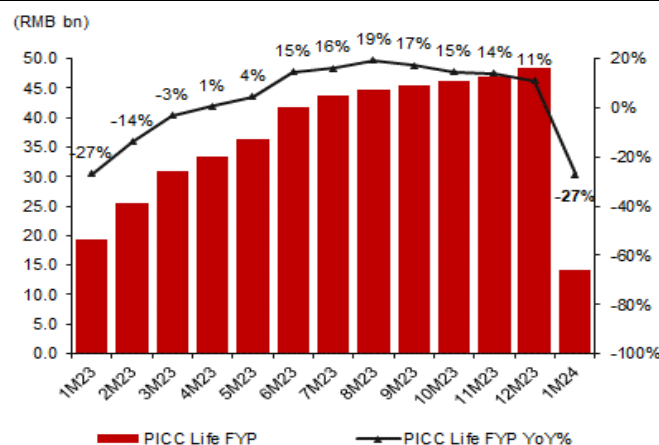
Source: Company data, HKEx CMBIGM

Fig 18: PICC P&C Non-auto premium growth, by products

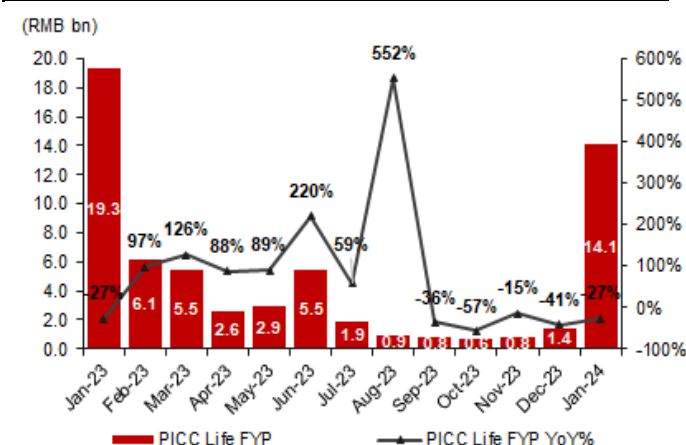
Source: Company data, HKEx CMBIGM

Fig 19: PICC P&C Non-auto premium growth, monthly

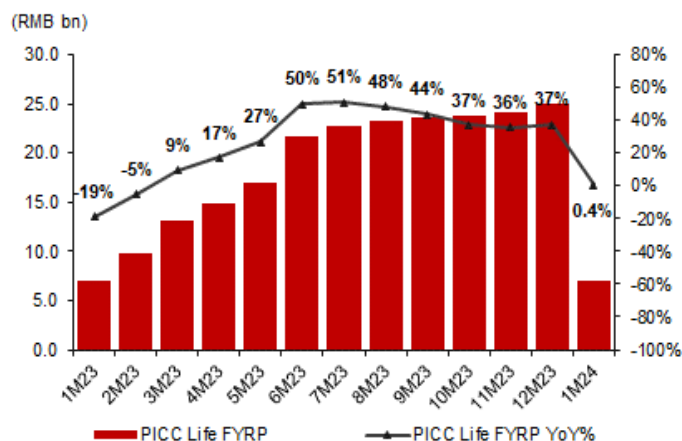
Source: Company data, HKEx CMBIGM

Fig 20: PICC Life FYP & FYP Cum. YoY%

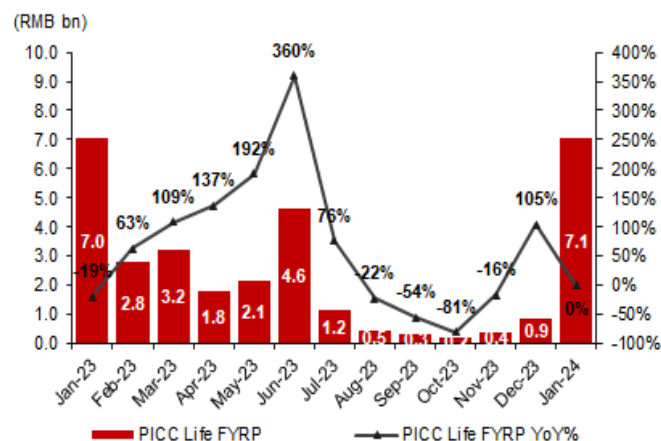
Source: Company data, HKEx CMBIGM

Fig 21: PICC Life FYP & FYP Mon. YoY%

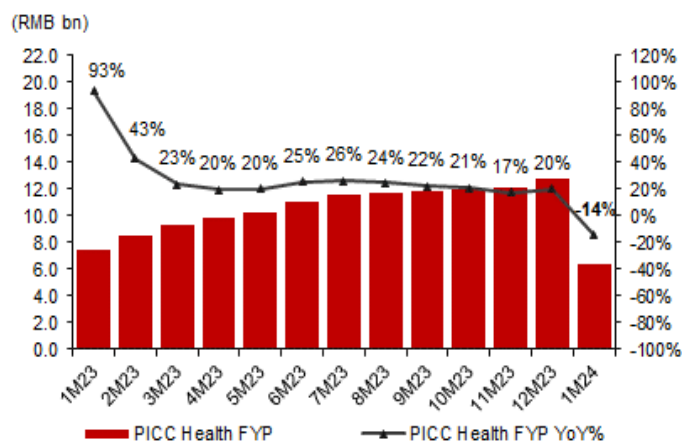
Source: Company data, HKEx CMBIGM

Fig 22: PICC Life FYRP & FYRP Cum. YoY%

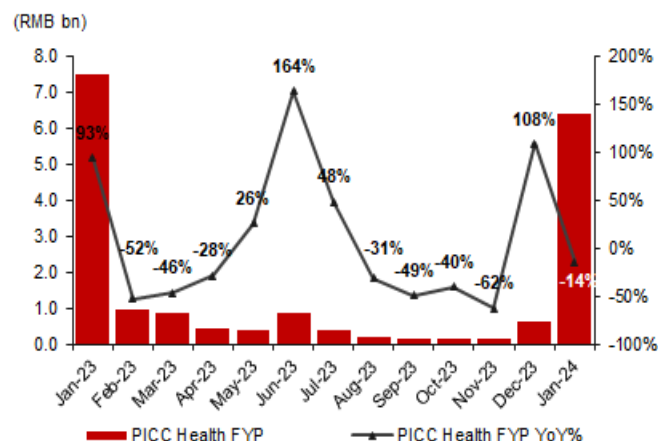
Source: Company data, HKEx CMBIGM

Fig 23: PICC Life FYRP & FYRP Mon. YoY%

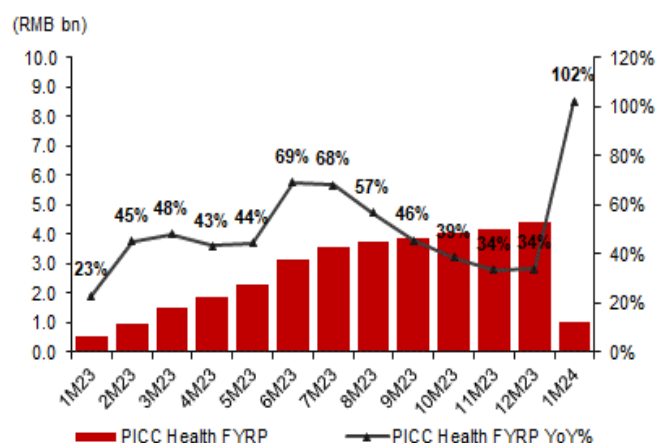
Source: Company data, HKEx CMBIGM

Fig 24: PICC Health FYP & FYP Cum. YoY%

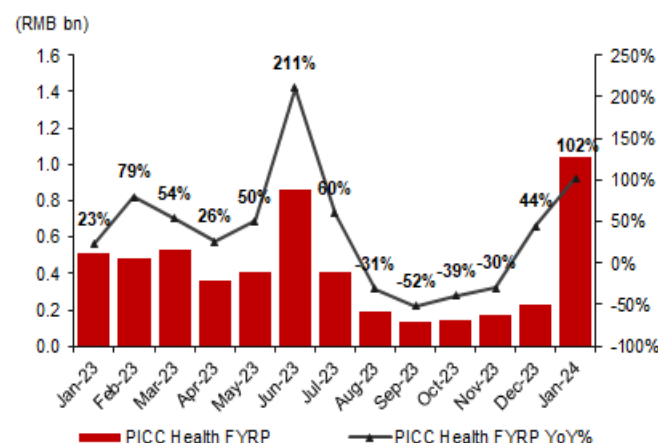
Source: Company data, HKEx CMBIGM

Fig 25: PICC Health FYP & FYP Mon. YoY%

Source: Company data, HKEx CMBIGM

Fig 26: PICC Health FYRP & FYRP Cum. YoY%

Source: Company data, HKEx CMBIGM

Fig 27: PICC Life FYP & FYP Mon. YoY%

Source: Company data, HKEx CMBIGM

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong. Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.