

China Insurance

1Q26 insurance fund: Core equities sustained mid-teens share; Life core solvency rebounded QoQ

OUTPERFORM
(Maintain)

The NFRA reported 1Q26 insurance fund investments. Total insurance funds amounted to RMB39.4tn, up 2.5% QoQ/12.9% YoY supported by resilient premium growth (1Q26: +6.3%). In 1Q26, the industry's total assets/net assets were up 2.8%/3.2% from year-start, well tracking the growth of insurance fund investments ([Fig.2](#)). Insurance funds from personal life/P&C companies totalled RMB35.6tn/RMB2.5tn (90.1%/6.3% mix), up 2.6%/2.3% from year-start. On the asset allocation front, we see key trends incl. 1) core equities sustained a mid-teens share (15.5%) in 1Q26 albeit with intensified stock market volatilities, and positions in equity funds were expanded more rapidly than in stocks; 2) bonds remained the ballast of insurance fund investment which made up over half of the exposure (50.5%); 3) long-term equity (LTE) investment grew sequentially for life insurers but flattened among P&C insurers; and 4) growth in exposure to bank deposits and other assets (mainly non-standard assets, NSA) fell 4.9pct/1.7pct from 4Q25. Life core solvency sequentially rebounded 3.1pct to 118.1% in 1Q26, which could be led by key life insurers' (e.g. China Life and Ping An Life) capital increase by reclassification of assets measured by amortized cost (AC) and the Group's capital injection to subsidiary.

- **Insurance fund investment edged up driven by robust premium growth.** Total insurance funds reached RMB39.4tn, up 2.5%/12.9% QoQ/YoY in 1Q26, supported by resilient growth in total premiums (1Q26: +6.3% YoY). Yet, the sequential increase paced down a bit from FY25 (+2.7%/15.7% QoQ/YoY), as premium growth slowed down from +7.4% YoY in FY25. The increase in total insurance funds was RMB0.96tn in 1Q26, down 5.8% QoQ, which we view as a result of enhanced liability-driven investment assets, partially offset by heightened fair value losses from 1) softening equity market returns (i.e. CSI300 -3.9%/HSI -3.3% in 1Q26), and 2) a decrease in long-term interest yield (i.e. CNGB10YR yield returned to 1.81% by end-1Q26). Life/P&C insurance fund investments were RMB35.55tn/ RMB2.47tn in 1Q26, up 2.6%/2.3% QoQ and 13.3%/8.8% YoY, led by 7.3%/2.8% YoY increase in respective premium income.
- **Core equities sustained mid-teens share along with a flattened stock mix.** Core equities amounted to RMB5.9tn, up 3.5% QoQ, comprising 15.5% of total investment assets by end-1Q26. Stocks and equity funds grew 2.7%/5.0% QoQ to RMB3.8/2.1tn in 1Q26 (10.1%/5.4% mix, flat/+0.1pct from 4Q25). We note the growth in stock investments paced down for life and P&C insurers (1Q26: +2.7%/+3.1% vs. 4Q25: +2.8%/+8.7%) possibly due to heightened stock market volatilities alongside overall easing sentiment. Growth of equity funds, by contrast, rebounded for both life and P&C, with positions rising 4.8%/6.7% QoQ in 1Q26 (vs. 4Q25: +0.3%/-4.6%). LTE grew 5.0% QoQ to RMB2.98tn, mainly driven by recovery from life insurers (+5.3% QoQ to RMB2.84tn). Gross equity exposure (incl. LTE) was 23.4% as of end-1Q26.
- **Bonds remained the ballast of insurance fund investments, making up >50% of exposure.** In 1Q26, bond investments totalled RMB19.2tn, up 2.7% QoQ, which made up 50.5% of total insurance fund investments (vs. 4Q25: 50.4%). For life and P&C insurers, bond investment grew 2.7%/3.2% QoQ to RMB18.2/1.0tn in 1Q26, indicating a mix of 51.2%/41.0%. The increase in bond investments met life insurers' demands for asset-liability duration matching, and we expect both life and P&C will seize the opportunity of periodic interest rate highs to scale up their bond holdings.
- **Slowdown in build-up of bank deposits and other assets.** Bank deposits totalled RMB3.1tn, up 1.2% QoQ (vs. 4Q25: +6.1% QoQ). The slowdown was seen across both life and P&C insurers, whose bank deposits grew 0.9%/3.6% QoQ in 1Q26 (vs. 4Q25: +6.5%/+3.9% QoQ), dragged by a continued downtrend in banks' term deposit rates (i.e. 1YR/5YR SOE banks' term deposit rates at 0.95%/1.30%). P&C insurers rely more on bank deposits (16.3% mix) than life peers, given their shorter liability duration to meet demands for liquidity. Other assets (mainly NSA) grew 0.8% QoQ (vs. 4Q25: +2.5%) to RMB6.86tn, comprising 18% of total funds. We attribute this softening growth to maturity of existing NSAs and a shortage of new high-yield NSAs.
- **Life core solvency rebounded led by key peers.** In 1Q26, life core/comprehensive solvency ratio was 118.1%/170.7%, up 3.1pct/1.4pct QoQ, marking an improvement

China Insurance Sector

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amid a limit of life core capital under the backdrop of increasing stock allocations. We believe the increase was mainly led by key life insurers' (i.e. China Life and Ping An Life) capital enhancement through a reclassification of AC bonds, and the Group's capital injection (i.e. Ping An Group injected RMB20bn to Ping An Life in Apr 2025).

- **Maintain sector OUTPERFORM.** The sector is trading at 0.3x-0.6x FY26E P/EV and 0.55x-1.07x FY26E P/B with a yield of 3%-7%. We recommend BUY on industry top-runners, including Ping An ([2318 HK, BUY, TP: HK\\$86](#)), China Life ([2628 HK, BUY, TP: HK\\$34](#)) and PICC P&C ([2328 HK, BUY, TP: HK\\$20](#)), and we remain positive on an improving insurance fund allocation structure to underpin the sector's re-rating.
- **Key risks:** 1) regulatory tightening on life insurers and financial conglomerates; 2) heightened equity market volatilities; 3) a prolonged low-interest rate environment; 4) significantly lower-than-expected new policy sales; 5) a sharp decline in agency force; 6) intensified P&C pricing competition; and 7) asset quality deterioration, etc.

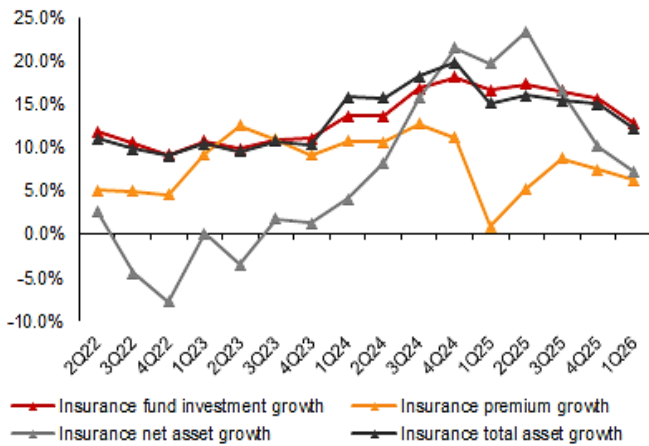
Valuation

Company	Ticker	Rating	Target price (LC)	Mkt Cap (LC bn)	P/EV(x)		P/B (x)		Yield (%)	
					FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Mainland/HK:										
Ping An	2318 HK	BUY	86.0	1,101	0.59x	0.55x	0.84x	0.77x	5.5%	5.9%
China Life	2628 HK	BUY	34.0	812	0.45x	0.41x	1.00x	0.85x	3.6%	3.8%
CPIC	2601 HK	BUY	40.0	309	0.40x	0.37x	0.76x	0.65x	4.7%	5.4%
China Taiping	966 HK	BUY	15.0	74	0.25x	0.22x	0.67x	0.60x	3.2%	3.1%
PICC P&C	2328 HK	BUY	20.0	331	n.a	n.a	0.94x	0.86x	5.6%	6.3%
ZhongAn Online	6060 HK	BUY	18.0	18	n.a	n.a	0.59x	0.56x	0.0%	0.0%
Sunshine Group	6963 HK	NR	n.a	40	0.26x	0.23x	0.55x	0.51x	6.9%	7.4%
				Average	0.40x	0.37x	0.78x	0.70x	4.5%	4.8%
Regionals:										
AIA	1299 HK	BUY	112.0	889	1.31x	1.16x	2.44x	2.25x	2.5%	2.8%
Prudential	2378 HK	BUY	137.8	302	0.95x	0.82x	1.75x	1.57x	2.0%	2.3%
				Average	1.13x	0.99x	2.10x	1.91x	2.2%	2.5%

Source: Bloomberg, CMBIGM estimates | Note: stock price data quoted by market close on May 21 2026 (Wed); earnings forecasts for Sunshine Group (6963 HK, NR) are based on the Bloomberg consensus.

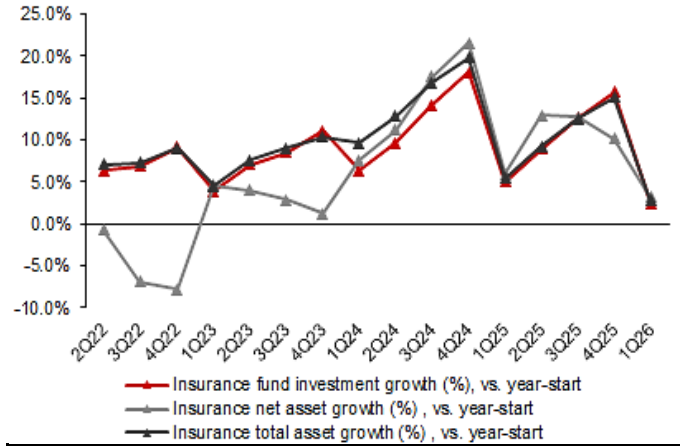
Focus Charts

Fig. 1: Insurance funds vs. Premium income vs. Total assets vs. Net assets YoY growth (%)



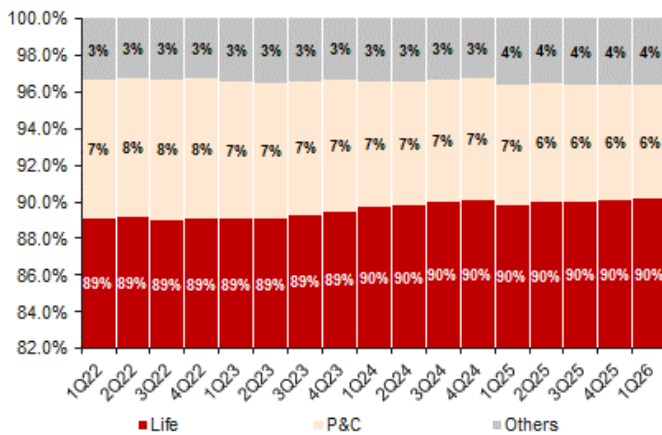
Source: The NFRA, CMBIGM

Fig. 2: Insurance funds vs. Total assets vs. Net assets growth from year-start (%)



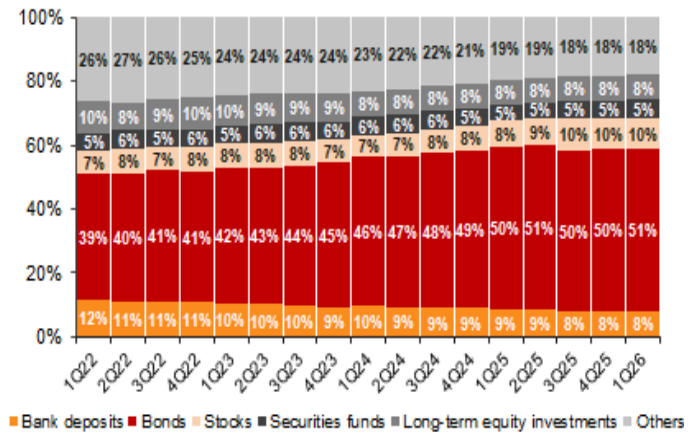
Source: The NFRA, CMBIGM

Fig. 3: Insurance fund composition by Life/P&C/Other companies (%)



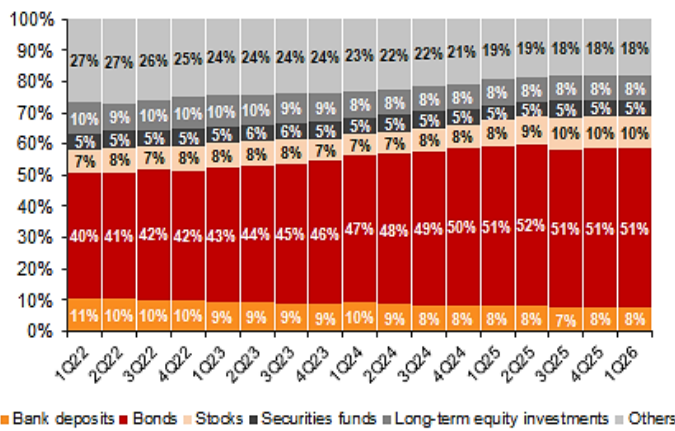
Source: The NFRA, CMBIGM

Fig. 4: Insurance funds asset allocation (incl. Life and P&C insurance companies), 1Q22-1Q26



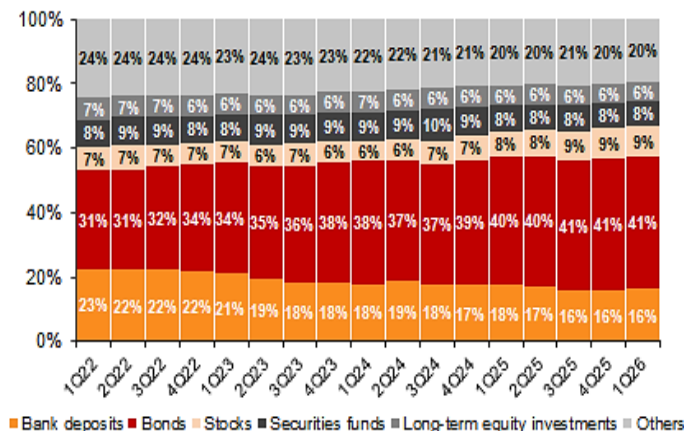
Source: The NFRA, CMBIGM

Fig. 5: Life insurance funds asset allocation (%)



Source: The NFRA, CMBIGM

Fig. 6: P&C insurance funds asset allocation (%)



Source: The NFRA, CMBIGM

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