

China Insurance

9M23 Monthly: Life reversed negative monthly Y/Y, PC uptrend continued; assets to benefit from LT yields up

The NAFR announced Life and P&C premium income of all registered insurers in Sep, showing trends that: 1) the liability side of the sector continued to improve, despite recent regulatory tightening on channels, products and agent behaviour. Personal life reversed a negative monthly YoY from -0.2% in 8M23 to +0.9% in 9M23 ([Fig 1](#)), and P&C strengthened growth to +5.9% YoY in 9M23 (vs +3.2% YoY in 8M23), driven by an upward auto growth of 6.9% YoY in 9M23; 2) total investment assets expanded to RMB27.2tn in 9M23, up 8.5% from 12M22, with allocation in bonds increased to 44.0% in 9M23 (vs 43.6% in 8M23), and in stocks and equity funds down to 12.8% (-0.1pct from 8M23, [Fig 15](#)). We believe the upward trend in long-term yields, evidenced by GCNY10 staying above 2.7% since mid Oct ([Fig 18](#)), will continue to benefit investment returns and asset performances of the sector, to serve as a shore-up for the sector's valuation.

- **Life reversed negative growth; universal and unit-linked tumbled.** The cum. personal life premiums in 1-9M23 amounted to RMB3.01tn with a narrowed growth at +12.6% (vs +13.7% in 1-8M23), while monthly premiums reversed a negative growth to +0.9% YoY in 9M23 (vs -0.2% YoY in 8M23), whereas major life insurers continued downtrends ([Fig 8](#)). Universal and unit-linked income recorded notable monthly declines in 9M23, where income from universal life +1.7% YoY (vs +30.2%/+23.1% YoY in 7M/8M23), and from unit-linked -355.2% YoY (vs -32.1% YoY in 8M23), due to volatile equity performance in 8-9M23 ([Fig 21](#)). Health growth remained sound at 5% in 1-9M23, at the same level as in 1-8M23. We expect recent regulatory tightening on life insurance may cause short-term headwinds on 2024 Jumpstart sales, yet will not affect long-term growth on life premiums, given robust domestic savings demands and lower yields from competitive WM products ([link](#)).
- **P&C growth strengthened with uptrends in auto premiums.** P&C premiums rose by 5.9% YoY in 9M23 (vs +3.2% in 8M23), driven by auto +6.9% YoY (+0.1pct from 8M) and non-auto +4.5% YoY (vs -1.9% in 8M). We see comparable trends in leading players as PICC P&C and Ping An, whose 9M23/3Q23 auto premiums +6.8%/+6.2% YoY respectively. The monthly auto premiums growth level with increases in car sales in 9M23 at 6.9% under a series of policy support. Non-auto gains resulted from turnarounds in liability and health given each +9.6%/12.1% YoY in 9M23 (vs -9.2%/-0.8% YoY in 8M23), pushing total A&H premiums up by 5.7% YoY from downturns of -18.2%/-3.1% YoY in 7M/8M. P&C claims ratio climbed to 60.8% in 9M23 (+1.2pct from 8M23), showing 3Q catastrophic seasonality and increasing accident rates on vehicles.
- **Investment assets scaled up; LT yields up to prop up sector valuation.** Total investment assets of the sector scaled to RMB27.2tn in 9M23 (91.2% of total assets). By 9M23, funds allocation to deposits/bonds/stocks & equity funds/others (incl. non-standard assets) ranked at 10.1%/44.0%/12.8%/33.1%, -0.1pct/+0.4pct/-0.1pct/-0.1pct from 8M23 ([Fig 15](#)). The rise in GCNY10 yields in mid-July signalled a trend of increasing funds into bonds, which took 43.0%/43.6%/44.0% of total insurance funds in 7M/8M/9M23. With measures proactively introduced by central govt. to promote economic growth, we believe the rise in yields and strengthened equity performance will benefit the asset side of sector and boost valuation with better sentiment.
- **Valuation:** The H shares of listed Chinese life insurers now trade at 0.1x-0.6x FY23E P/EV and 0.4x-0.8x FY23E P/B, at trough of historical bands. The pressured investment performance dragged down net profits of major listed insurers as reported in their 3Q results. We believe the rebound on asset returns to be the next round's core support for the sector's valuation recovery.

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Related Reports:

1. China Insurance - 9M23 CN Insurers Monthly: Life growth narrowed in line; P&C growth diverged in auto & non-auto, 19 Sep 2023 ([link](#))
2. China Insurance - Optimized solvency measurement opens room for insurance funds participation in equity investment, 13 Sep 2023 ([link](#))

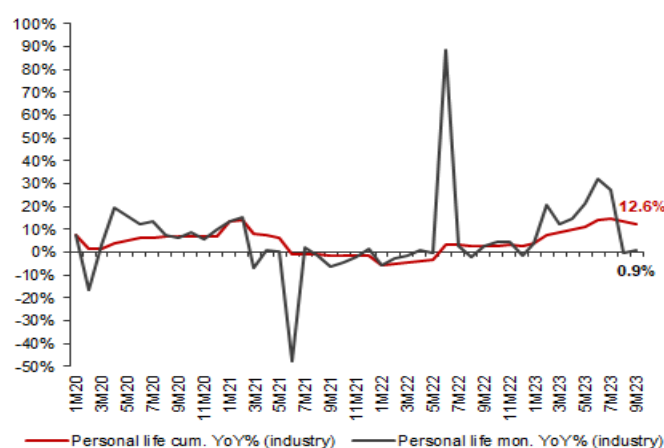
Valuation Table

Company	Ticker	Price (LC)	Mkt Cap (LC bn)	P/EV FY23E	P/EV FY24E	P/B FY23E	ROE FY23E
China Life	2628 HK	12.26	932.0	0.2x	0.2x	0.8x	11.8%
Ping An	2318 HK	42.50	862.2	0.6x	0.5x	0.6x	15.4%
CPIC	2601 HK	20.65	278.9	0.3x	0.3x	0.7x	12.5%
New China Life	1336 HK	19.78	103.2	0.2x	0.2x	0.5x	15.4%
China Taiping	966 HK	7.91	28.4	0.1x	0.1x	0.4x	12.7%
PICC P&C	2328 HK	9.72	216.2	-	-	0.8x	13.8%
Zhong An	6060 HK	22.25	32.7	-	-	1.6x	9.2%

Source: Company data, CMBIGM estimates

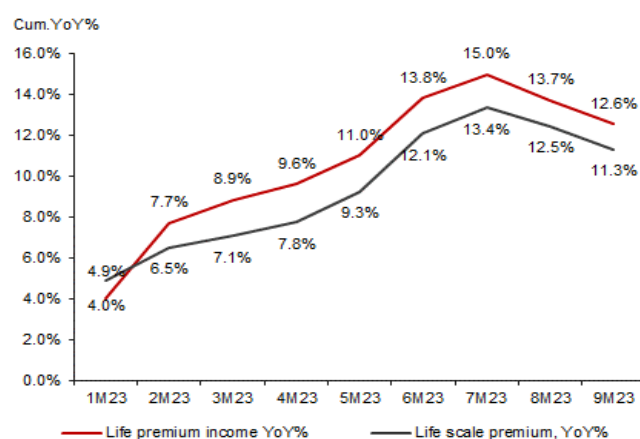
Focus Charts

Figure 1: Personal life premiums Cum. & Mon. YoY%



Source: Company data, CMBIGM

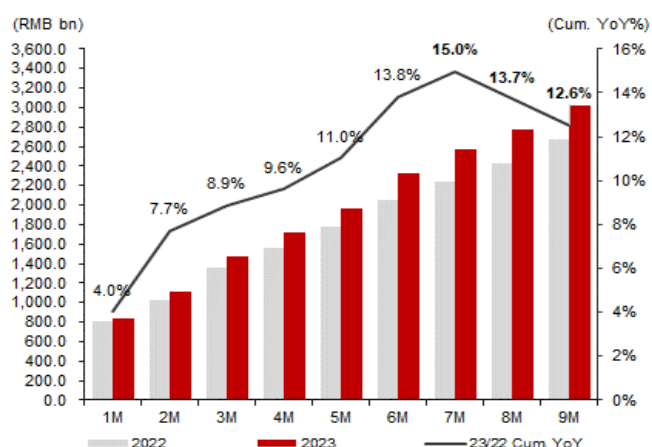
Figure 2: Life premium & scale premium Cum. YoY%



Source: Company data, CMBIGM

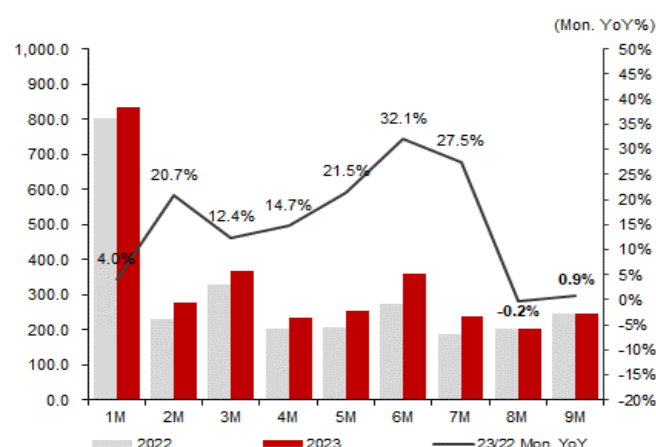
Note: scale premiums incl. personal life premiums and investment income from i.e. universal and unit-linked accounts.

Figure 3: Personal life premiums & 23/22 Cum. YoY%

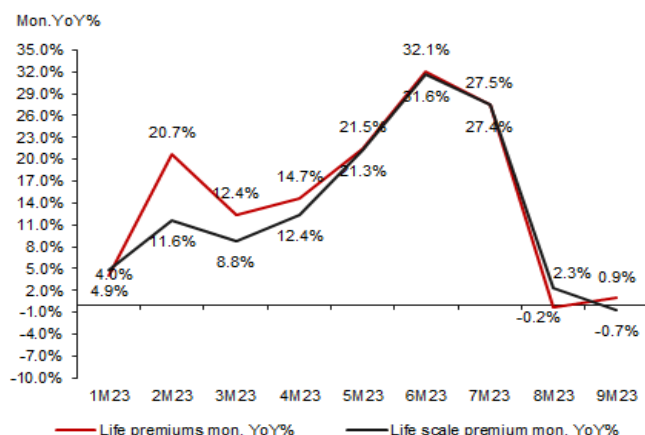


Source: Company data, CMBIGM

Figure 4: Personal life premiums & 23/22 Mon. YoY%

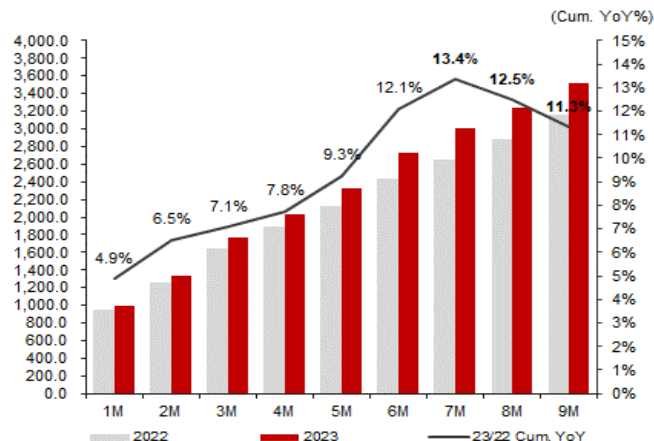


Source: Company data, CMBIGM

Figure 5: Life premium & scale premium Mon. YoY%

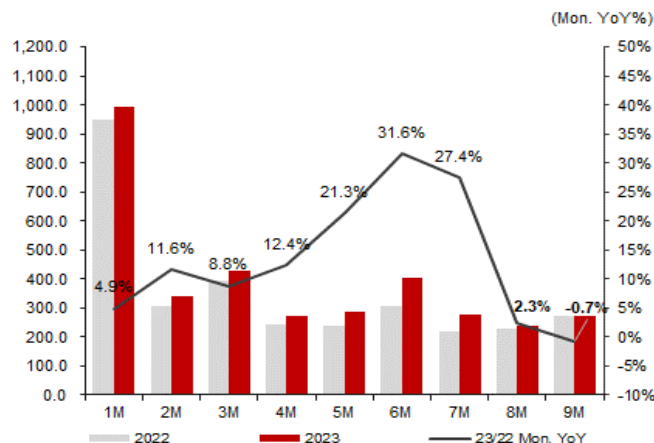
Source: Company data, CMBIGM |

Note: scale premiums incl. personal life premiums and investment income from i.e. universal and unit-linked accounts.

Figure 6: Scale premiums & 23/22 Cum. YoY%

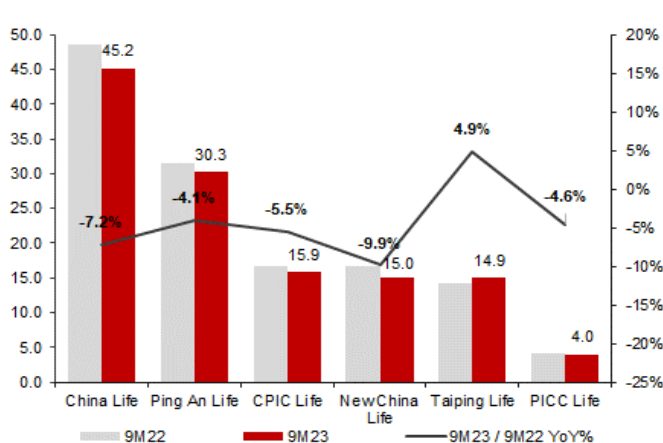
Source: Company data, CMBIGM

Note: scale premiums incl. personal life premiums and investment income from i.e. universal and unit-linked accounts.

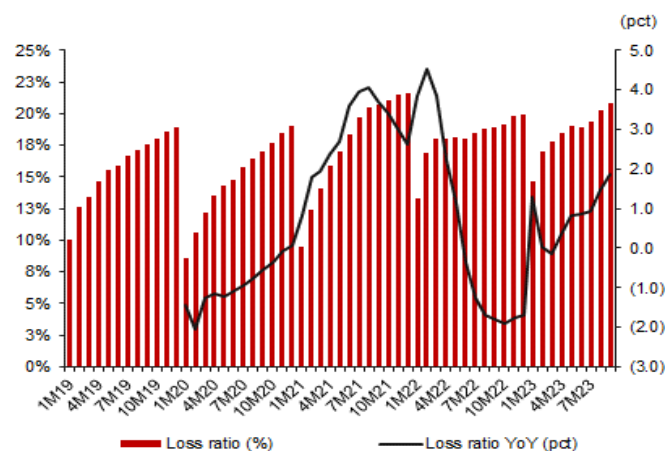
Figure 7: Scale premiums & 23/22 Mon. YoY%

Source: Company data, CMBIGM

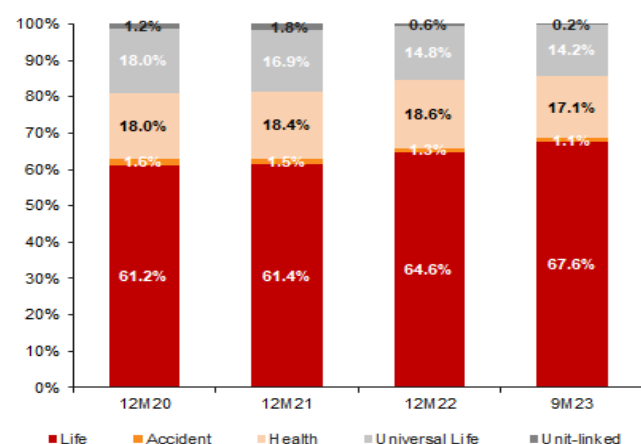
Note: scale premiums incl. personal life premiums and investment income from i.e. universal and unit-linked accounts.

Figure 8: 9M23 premium income & Mon. YoY%

Source: Company data, CMBIGM

Figure 9: Life claims ratio (%), by month

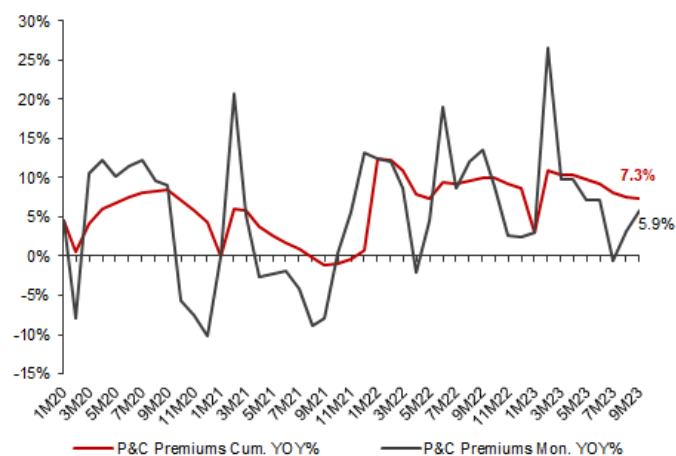
Source: Company data, CMBIGM

Figure 10: Personal life premiums mix (%)

Source: Company data, CMBIGM

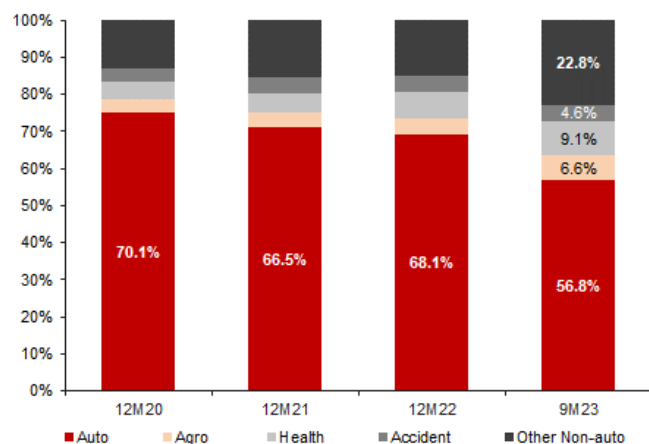
PC Industry

Figure 11: P&C premiums Cum. YoY% & Mon. YoY%



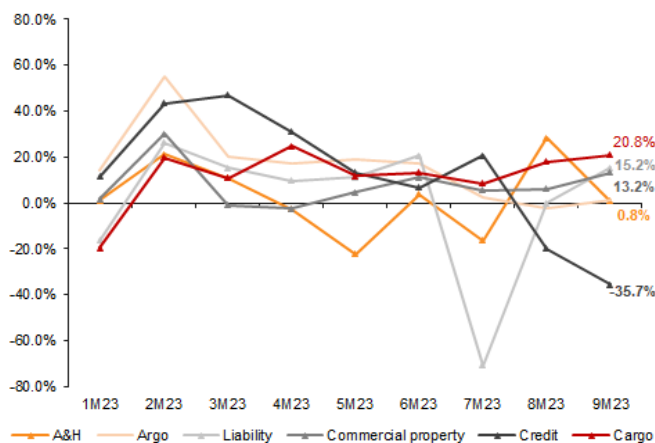
Source: Company data, CMBIGM

Figure 12: P&C premium mix by business lines, 9M23



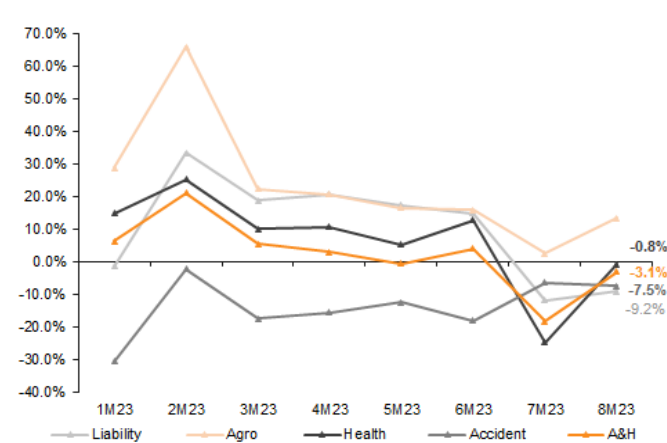
Source: Company data, CMBIGM

Figure 13: PICC PC Non-auto premiums Mon. YoY% by lines



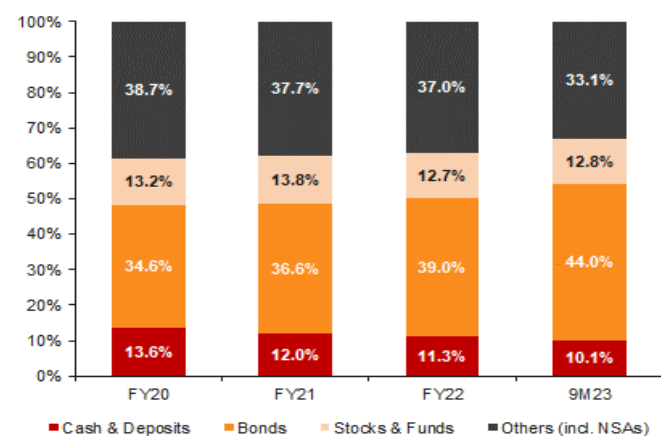
Source: Company data, CMBIGM

Figure 14: PC Industry Non-auto Mon. YoY% by lines, 8M23



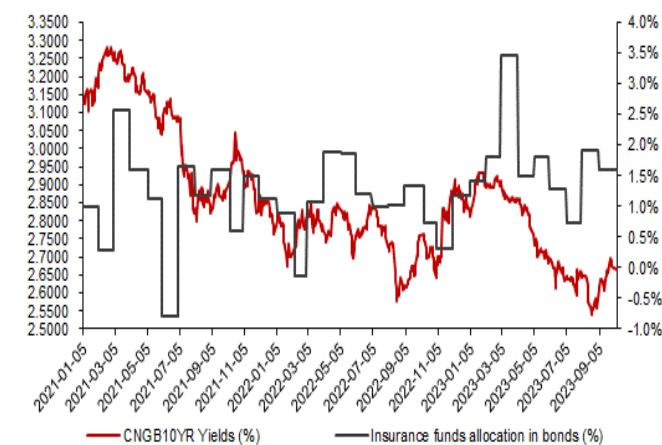
Source: Company data, CMBIGM

Figure 15: Industry investment mix, bonds up / NSA down



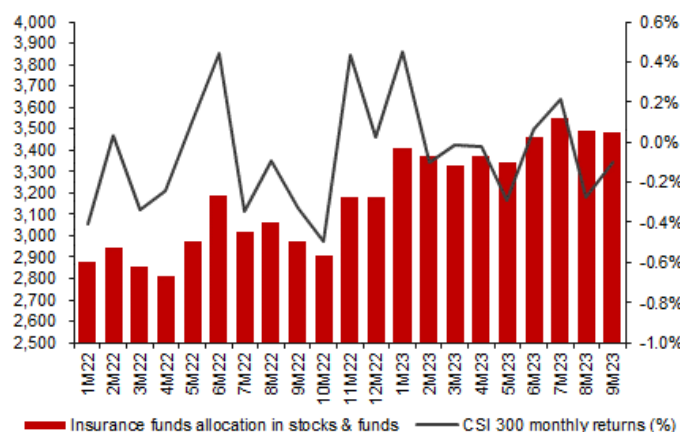
Source: Company data, CMBIGM

Figure 16: Insurance funds to bonds trace GCN10Y yields



Source: Company data, CMBIGM

Figure 17: Insurance funds to equities flows with CSI 300



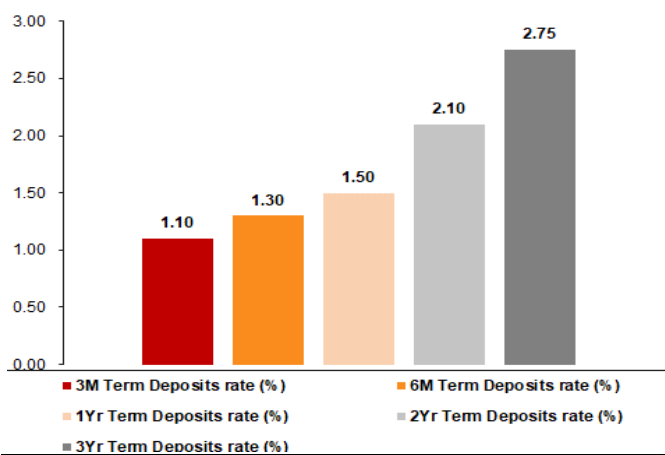
Source: Company data, CMBIGM

Figure 18: GCNY10 YTD reached above 2.7% in mid Oct 23



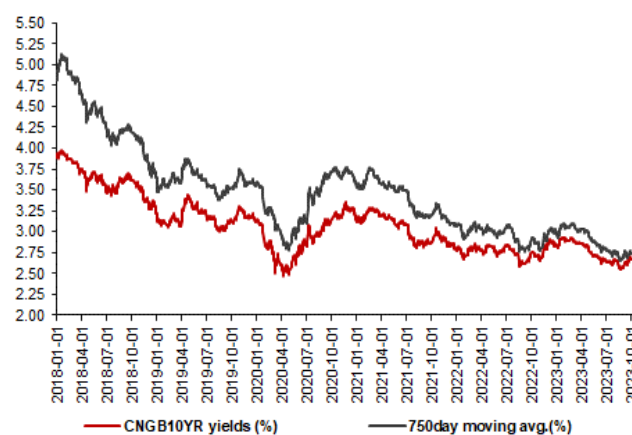
Source: Company data, CMBIGM

Figure 19: CN Term deposit rates in diff. durations, 9M23



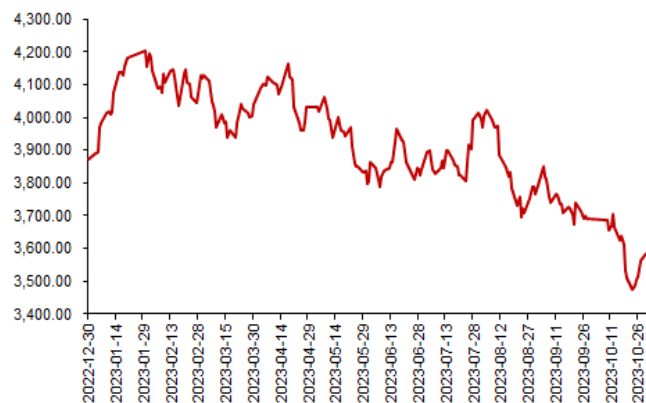
Source: Wind, CMBIGM

Figure 20: CNGB10YR yields & 750D Moving Average (%)



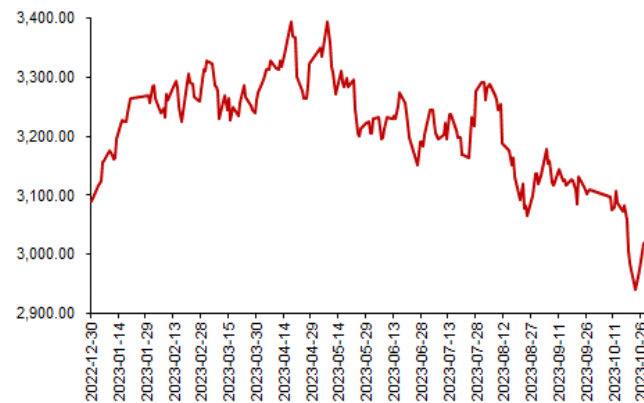
Source: Wind, CMBIGM

Figure 21: CSI 300 YTD performance: 2Q/3Q -5.15%/-3.98%



Source: Wind, CMBIGM

Figure 22: SHCOMP YTD performance: 2Q/3Q -2.16%/-2.86%



Source: Company data, CMBIGM

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