China Insurance

3Q26 insurance funds: Continued to add exposure into weakness

OUTPERFORM (Maintain)

The NFRA reported 3Q26 insurance funds allocation. Total insurance investment funds reached RMB41.6tn, up 2.0% QoQ/11.1% YoY, sustaining the double-digit rising streak for thirteen quarters. The industry's total/net assets grew 8.0%/11.2% from year-start, or flat QoQ (+1.7% /+0.1%) with net assets likely suffering from rising equity market headwinds in 3Q26 (i.e. CSI300/SHCOMP: -12.5%/-6.2% in 3Q26, vs. +17.9%/+12.7% in 3Q25) partially offset by FVOCI bonds' fair value gains (3Q26 China's 10yr govt bond yield down 4.8bps). Insurance funds from personal life/P&C insurers reached RMB37.7tn/RMB2.6tn in 3Q26 (90.5%/6.1% mix), up 8.6%/5.8% from year-start. On the asset allocation front, we see key highlights of 1) **personal life and P&C insurers added positions on stock despite rising market headwinds in 3Q26, with the stock mix of each edging up to 10.60%/9.95%; 2) increase in equity fund paced down,** with the mix of that for life/P&C insurers flattened at 5.5%/9.0% (2Q26: 5.6%/8.9%); **3) bond exposure continued to increase and remained the ballast of insurance funds**, making up 52.3%/41.1% of Life/P&C insurers' asset portfolios; **4) bank deposit and long-term equity investment slowed in 3Q26** due to a prolonged low-interest rate environment and shortage of quality investment projects with attractive returns. The industry's core/comprehensive solvency ratio slid to 131.5%/177.8% in 3Q26, -2.0pct/-2.8pct QoQ, affected by an easing trend in Life and P&C segments. The data showed that insurers continued to add equity exposure during market weakness, easing earlier market concerns over trimming their positions in 3Q. Yet, **we cannot rule out a lower equity position and sector rebalancing in 4Q26 amid continued market pullbacks. We expect high-dividend stock to remain top choice for insurers' equity allocation going forward.** Maintain the sector at "OUTPERFORM".

- **Insurance funds sustained double-digit growth into 3Q26.** Total insurance funds reached RMB41.6tn in 9M26, up 2.0%/11.1% QoQ/YoY, sustaining the double-digit increasing streak for thirteen consecutive quarters despite a slowdown in insurance premium growth in 9M26 (+0.9% YoY). In 3Q26, industry total premium/net asset/total asset rose 0.9%/8.7%/10.4% YoY (vs. 2Q26: +3.2%/+8.4%/ +11.8% YoY). Total/net asset grew 1.7%/0.1% QoQ to RMB44.6tn/RMB4.08tn in 3Q26, with net asset growth pacing down due to rising fair value volatilities amid market downturns.
- **Life and P&C insurers continued to add exposure into weakness.** Core equities amounted to RMB6.5tn in 3Q26, up 2.2% QoQ making up 16.3% of investment assets (vs. 2Q26: 16.2%). Both life and P&C insurers added on stock exposure in 3Q despite rising market headwinds, reaching a scale of stock holdings of RMB4.2tn (10.6% mix). The stock holdings for life and P&C insurers amounted to RMB4.0tn (+3.5% QoQ)/ RMB 254bn (+5.4% QoQ) representing a portfolio mix of 10.60%/9.95%, up 0.1pct/ 0.4pct QoQ. Positions in equity fund slowed in 3Q26, with the mix for life/P&C insurers flattening at 5.5%/9.0% (vs. 2Q26: 5.6%/8.9%). Given a prolonged low-interest rate environment, we expect high-dividend stock to remain a top choice for insurers' equity allocation going forward.
- **Bonds remained the ballast of portfolios further rising in 3Q26.** In 9M26, bond investments amounted to RMB20.7tn, up 4.1% QoQ, further accelerating from 2Q26. For life and P&C insurers bond investments grew 4.2%/2.2% QoQ to RMB19.7tn/RMB 1.0tn, making up 52.2%/41.1% of investment assets in 3Q26 (2Q26: 51.2%/40.5%). We expect long-term government bonds will remain the core asset in insurance funds allocation to meet life peers' demands for asset-liability management.
- **Core/comprehensive solvency ratio slid QoQ.** The industry's core/comprehensive solvency ratios dropped 2.0pct/2.8pct QoQ to 131.5%/177.8% in 3Q26. Life insurers' core/comprehensive solvency ratio was 118.1%/167.2%, -1.5pct/-2.5pct QoQ and that of P&C insurers recorded at 206.7%/239.9%, -7.7pct/-7.1pct QoQ in 3Q26. The easing trends could be due to the increase in stock positions during 3Q26 in our view.
- **Maintain sector OUTPERFORM.** The sector is trading at 0.19x-0.48x FY26E P/EV and 0.44x-1.07x FY26E P/B with a yield of 5%-8%. We recommend BUY on industry top-runners including Ping An (2318 HK, BUY, TP: HK$81), AIA (1299 HK, BUY, TP:

China Insurance Sector

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HK$112), and PICC P&C (2328 HK, BUY, TP: HK$21), and expect sector re-rating in 1Q27E on improving insurance funds allocation to meet the industry ALM standards.

- **Key risks:** 1) regulatory tightening on life and P&C companies; 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 competitions; and 7) asset quality deterioration, etc.

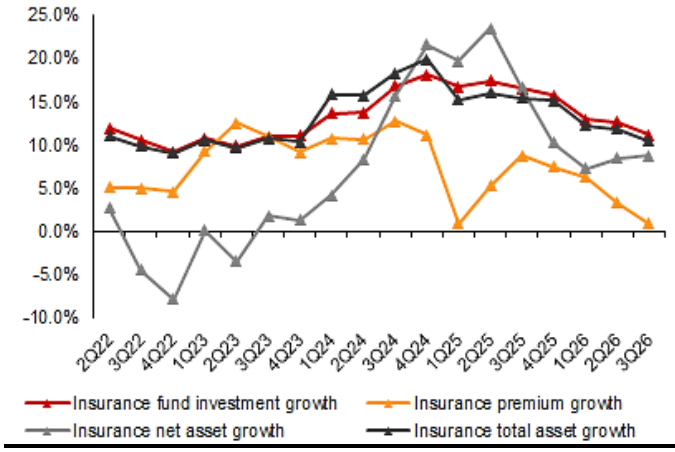
Valuation

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	81.0	900	0.48x	0.44x	0.73x	0.68x	6.8%	7.2%
China Life	2628 HK	BUY	39.0	610	0.32x	0.30x	0.78x	0.65x	4.6%	4.7%
CPIC	2601 HK	BUY	44.0	249	0.34x	0.32x	0.64x	0.57x	5.7%	6.3%
New China Life	1336 HK	NR	n.a	108	0.29x	0.27x	0.75x	0.65x	8.4%	8.5%
China Taiping	966 HK	BUY	15.0	60	0.19x	0.16x	0.51x	0.46x	7.0%	7.1%
PICC Group	1339 HK	NR	n.a	218	0.43x	0.40x	0.55x	0.50x	5.5%	6.1%
PICC P&C	2328 HK	BUY	21.0	375	n.a	n.a	1.07x	1.01x	5.2%	5.6%
ZhongAn Online	6060 HK	BUY	18.0	14	n.a	n.a	0.44x	0.42x	0.0%	0.0%
Sunshine Group	6963 HK	NR	n.a	39	0.25x	0.22x	0.55x	0.51x	7.2%	7.6%
				Average	**0.33x**	**0.30x**	**0.67x**	**0.60x**	**5.6%**	**5.9%**
Regionals:										
AIA	1299 HK	BUY	112.0	766	1.14x	1.03x	2.25x	2.21x	2.9%	3.2%
Prudential	2378 HK	BUY	137.8	235	0.76x	0.67x	1.46x	1.31x	2.5%	2.8%
				Average	**0.95x**	**0.85x**	**1.85x**	**1.76x**	**2.7%**	**3.0%**

Source: Bloomberg, CMBIGM estimates | Note: stock price data quoted by market close on Nov 23 2026 (Mon); earnings forecasts for Sunshine Group (6963 HK, NR) are based on the Bloomberg consensus.

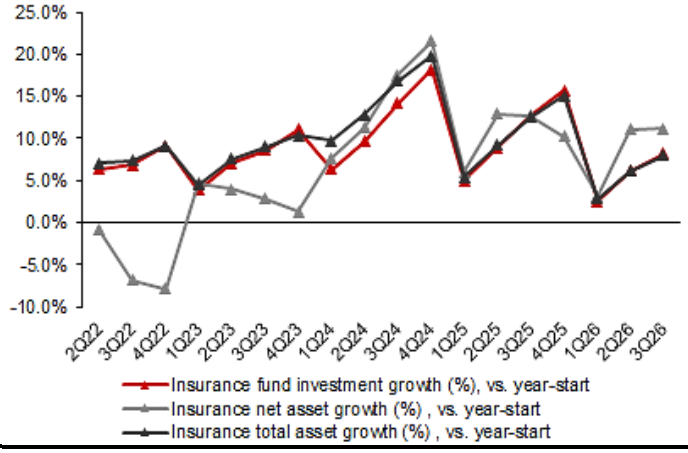
Focus Charts

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



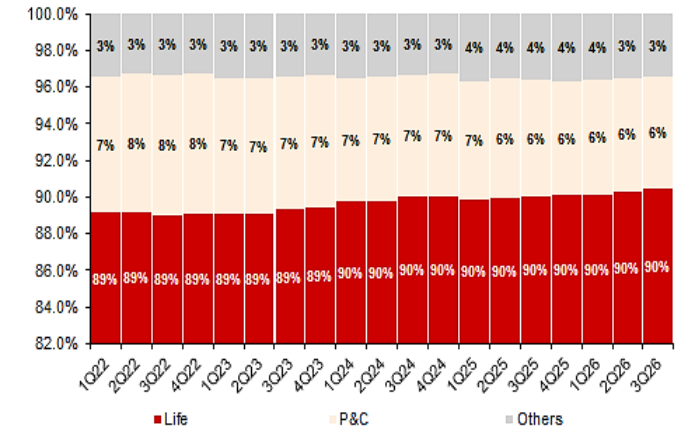
Source: The NFRA, CMBIGM

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



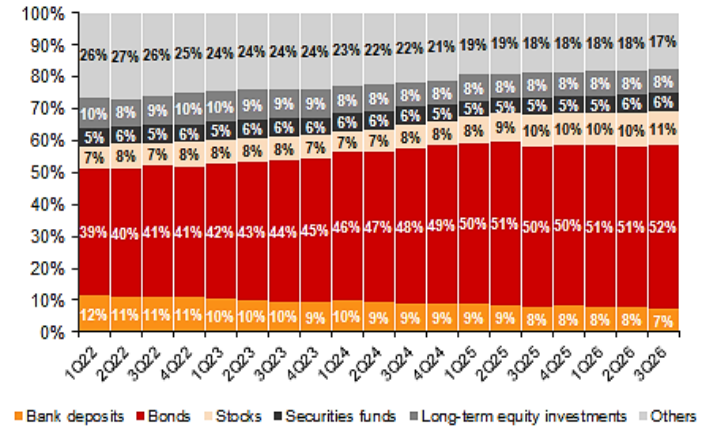
Source: The NFRA, CMBIGM

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



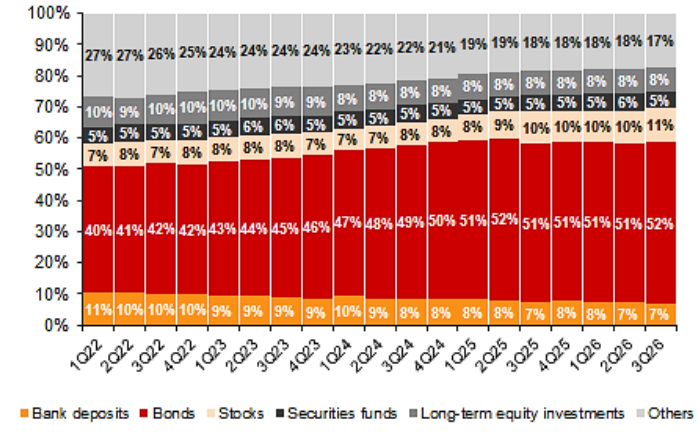
Source: The NFRA, CMBIGM

Figure 4: Insurance funds asset allocation (incl. Life and P&C insurance companies), 1Q22-3Q26



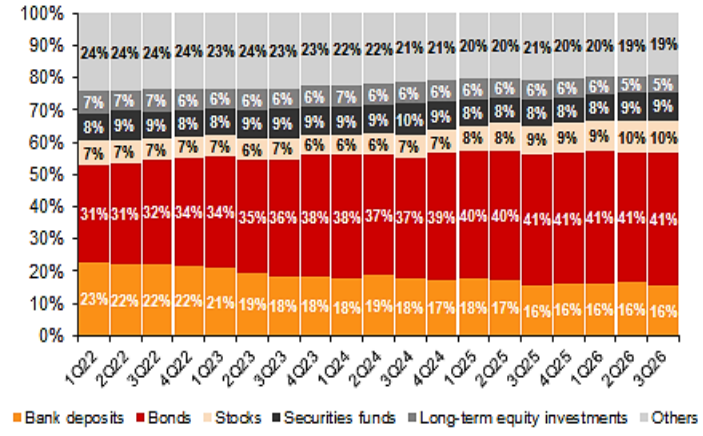
Source: The NFRA, CMBIGM

Fig 5: Life insurance funds asset allocation (%), 1Q22-3Q26



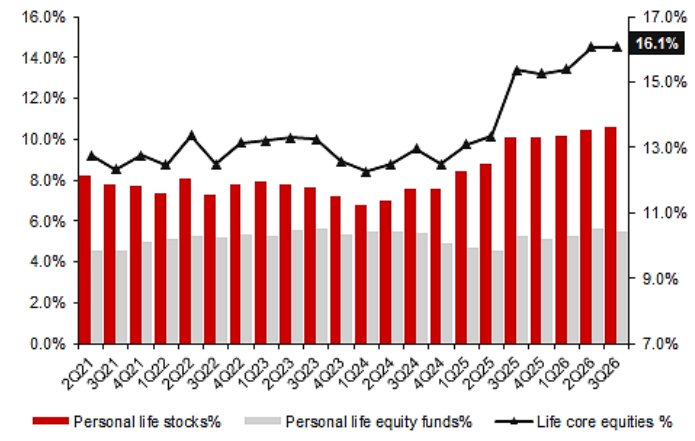
Source: The NFRA, CMBIGM

Fig 6: P&C insurance funds asset allocation (%), 1Q22-3Q26



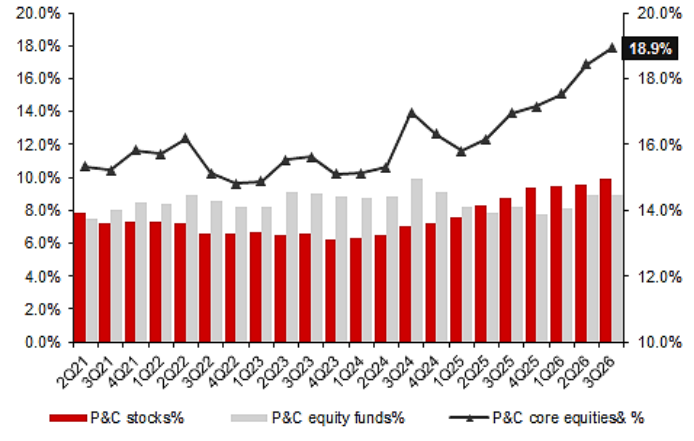
Source: The NFRA, CMBIGM

Fig. 7: Core equities (incl. stocks & equity funds) mix in Personal life companies



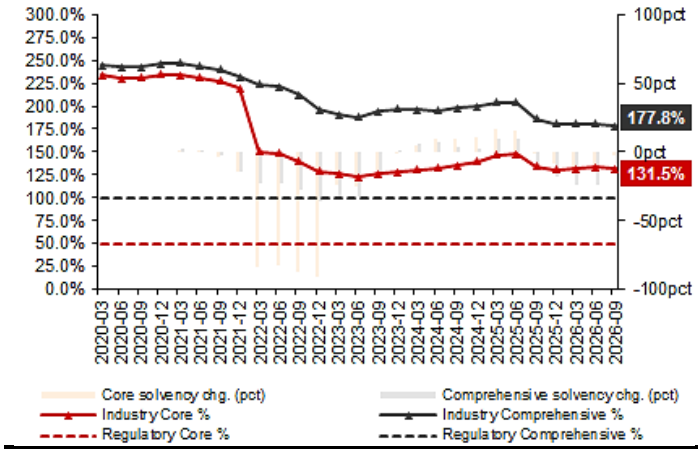
Source: The NFRA, CMBIGM

Fig. 8: Core equities (incl. stocks & equity funds) mix in P&C companies



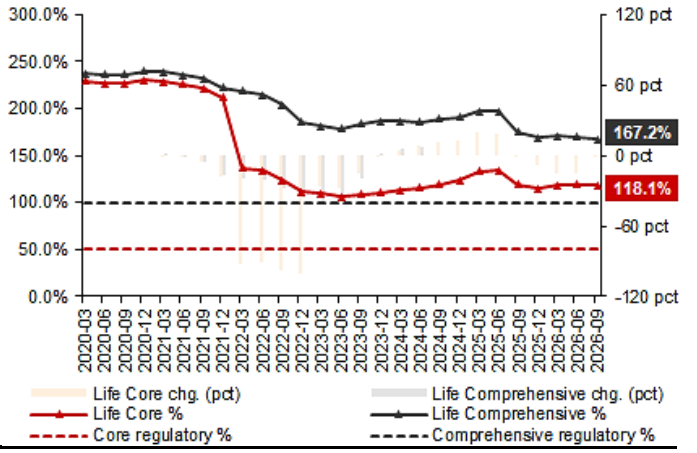
Source: The NFRA, CMBIGM

Fig 9: Industry core & comprehensive solvency



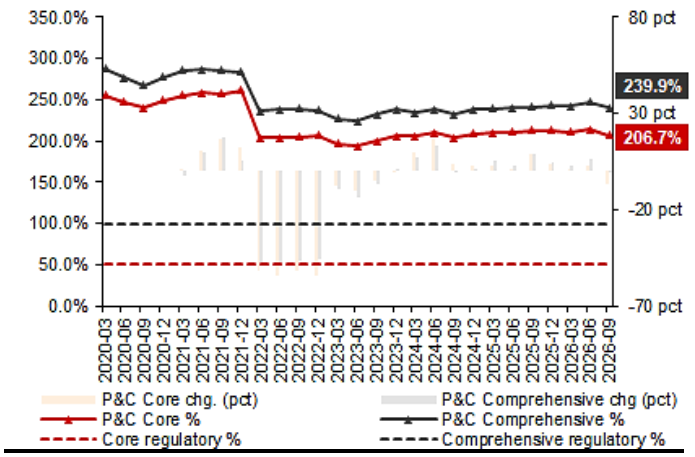
Source: The NFRA, CMBIGM

Figure 10: Personal life core &comprehensive solvency



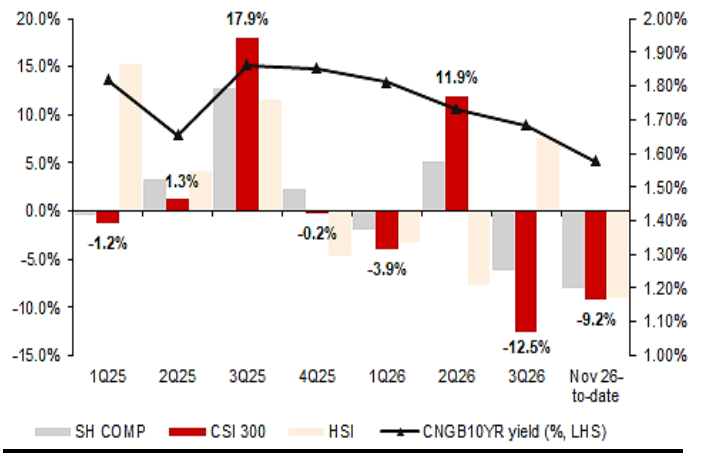
Source: The NFRA, CMBIGM

Fig 11: P&C insurance core & comprehensive solvency



Source: The NFRA, CMBIGM

Fig 12: Major stock index return & CN10YR bond yield%



Source: Wind, Bloomberg, CMBIGM | Note: stock price and govt. bond yield data quoted by market close on Nov 20 (Fri), 2026.

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