

China Insurance

Raised cap for insurer's equity asset allocation could unleash max. RMB 1.7tn to stock market

The NFRA announced to raise the cap for Chinese insurers' equity asset allocation ratio corresponding to the comprehensive solvency ratio (CSR) by 5% for whose CSR ranging from (150%, 200%), (250%, 300%) and above 350% ([link](#)). The financial regulator eased equity investment upside for Chinese insurers to broaden incremental capital injection to the real economy in joint with other efforts to shore up the market sentiment, in our view. From a top-down perspective, we reckon the action could bring RMB1.66tn incremental funds to the stock market if the industry expanded the equity allocation to the upper limit of 30% of total insurance funds by end-FY24. For listed peers, we see the action could raise equity investment upside for Ping An Life, CPIC Group, Taiping Life, PICC Group, and PICC Life by 5% to 30%/40%/40%/40%/40% based on the companies' CSR in FY24. Core equities, incl. stocks and equity funds, accounted for 9%-18% of investment assets amid listed peers, of which OCI stocks significantly increased showcasing the emphasis on high-yield stock strategy. Looking ahead, we regard the key concern for insurers to level up equity investment was due to capital consumption, and expect to see continued optimization on solvency measurement, as disclosed in Sep 23 ([link](#)).

- **Three pivots to boost equity capital injection.** The notice promoted three pivots including 1) simplifying regulatory standards for insurers' equity asset allocation to five groups (prev. eight groups), and raise the upper limit of equity investment corresponding to the comprehensive solvency ratio by 5%, for those ranging from (150%, 200%), (250%, 300%) and above 350% ([Fig.2](#)); 2) allowing insurance funds to increase investment in venture capital funds and expand the concentration rate on a single paid-in size to no more than 30% (prev.20%); and 3) easing the standards for personal tax-deferred pension insurance accounts, whose investment ratio would no longer be separately calculated. In 4Q24, insurance funds amounted to RMB33.26tn, with industry CSR at 199.4%, allowing for a max. 30% equity investment (prev.25%). **We expect the raised cap to bring RMB1.66tn incremental funds to stock market, if the upper limit of 30% were to be reached.**
- **Listed peers allow for max. 30%-40% equity asset allocation.** The action will raise the upper limit of equity investment for Ping An Life, CPIC, Taiping Life, PICC Group, and PICC Life by 5% to 30%/40%/40%/40%/40% based on the CSR in FY24, whilst others' remained at 30% ([Fig.3](#)). This change can generate RMB 619bn incremental funds to the stock market if the cap was to reach, based on our estimate. **Looking ahead, we see ample room for improvement on core equities**, which made up 9%-18% of total investment assets among listed peers, **esp. in OCI stocks which surged to comprise 1%-5% by FY24.** The ranking of core equities was NCI (18.3%) > Taiping (13.7%) > Sunshine (13.3%) > PICC P&C (12.7%) > CPIC (11.3%) > China Life (10.8%) > Ping An (10.0%) > PICC Group (8.9%) > Zhong An (6.0%). OCI stocks surged more than four-/three-fold for NCI and China Life ([Fig.5](#)).
- **Valuation.** The sector is trading at 0.10x-0.48x FY25E P/EV and 0.46x-1.02x FY25E P/B, with an avg. yield at 6%. We view the easing action of the NFRA to raise cap for insurers' equity asset allocations as a step-up for broadening equity capital injection into the real economy. Looking ahead, **we remain positive on insurers' increasing allocation to high-yield stocks under FVOCI amid a low interest rate environment, whilst the key for equity increase is still on capital consumption.** Maintain sector OUTPERFORM. Key risks include prolonged low interest rate; heightened equity fluctuations, etc.

OUTPERFORM
(Maintain)

China Insurance Sector

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Fig. 1 The upper limit of equity asset allocation for insurance companies, from 2020/07

Comprehensive solvency ratio (%)	The upper limit of total equity assets / total assets (%)
CSR < 100%	10.0%
100% ≤ CSR < 150%	20.0%
150% ≤ CSR < 200%	25.0%
200% ≤ CSR < 250%	30.0%
250% ≤ CSR < 300%	35.0%
300% ≤ CSR < 350%	40.0%
CSR ≥ 350%	45.0%

Source: The NFRA, CMBIGM

Fig. 2 The upper limit of equity asset allocation for insurance companies, 2025/04 onwards

Comprehensive Solvency ratio (%)	The upper limit of total equity assets / total assets (%)
< 100%	10%
100% ≤ CSR < 150%	20%
150% ≤ CSR < 250%	30.0%
250% ≤ CSR < 350%	40.0%
CSR ≥ 350%	50.0%

Source: The NFRA, CMBIGM

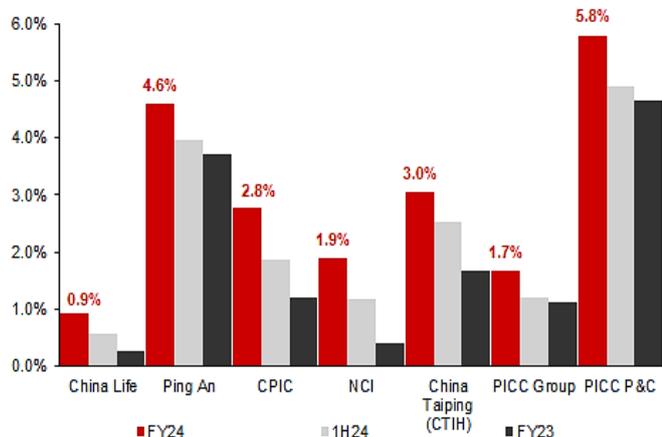
Fig. 3 The upper limit of equity asset allocation change for listed insurers, FY24

Companies	Comprehensive Solvency %	Upper limit of equity assets, Before change (%)	Upper limit of equity assets, Post-change (%)	Chg. (pct)	Potential incremental funds (RMB bn)
China Life	207.76%	30.0%	30.0%	0.00	0.0
Ping An Group	204.06%	30.0%	30.0%	0.00	0.0
Ping An Life	189.19%	25.0%	30.0%	5.00	282.7
Ping An P&C	205.30%	30.0%	30.0%	0.00	0.0
CPIC Group	255.61%	35.0%	40.0%	5.00	141.7
CPIC Life	210.28%	30.0%	30.0%	0.00	0.0
CPIC P&C	221.96%	30.0%	30.0%	0.00	0.0
New China Life	217.55%	30.0%	30.0%	0.00	0.0
China Taiping					
Taiping Life	298.14%	35.0%	40.0%	5.00	69.4
Taiping P&C	237.29%	30.0%	30.0%	0.00	0.0
PICC Group	280.79%	35.0%	40.0%	5.00	88.3
PICC Life	275.41%	35.0%	40.0%	5.00	37.0
PICC P&C	232.60%	30.0%	30.0%	0.00	0.0
ZhongAn	227.45%	30.0%	30.0%	0.00	0.0
Sunshine Group	227.18%	30.0%	30.0%	0.00	0.0
Sunshine Life	206.15%	30.0%	30.0%	0.00	0.0
Sunshine P&C	233.30%	30.0%	30.0%	0.00	0.0
Total					619.3
Industry	199.40%	25.0%	30.0%	5.00	1,662.9

Source: The NFRA, CMBIGM estimates | Note: Taiping Group did not disclose FY24 comprehensive solvency ratio.

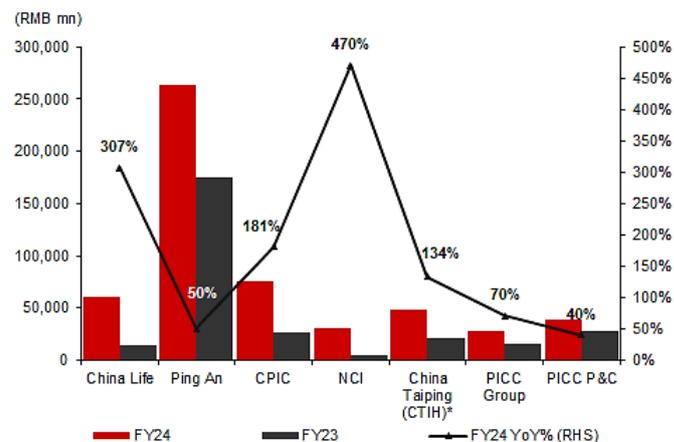
Focus Charts

Fig 4: FVOCI stocks as a % of insurance funds, FY24



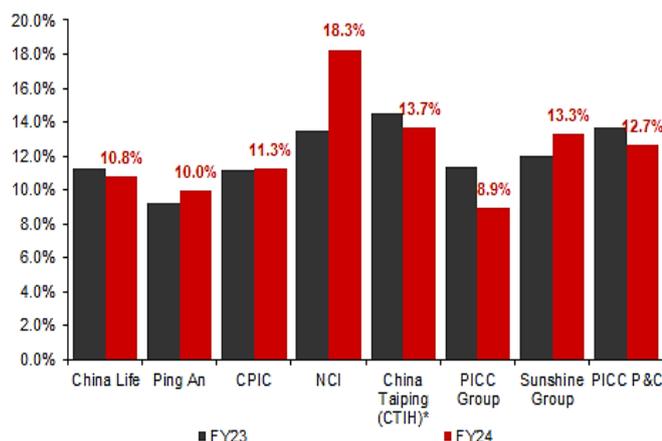
Source: Company data, CMBIGM

Fig 5: FVOCI stocks and YoY change, FY24



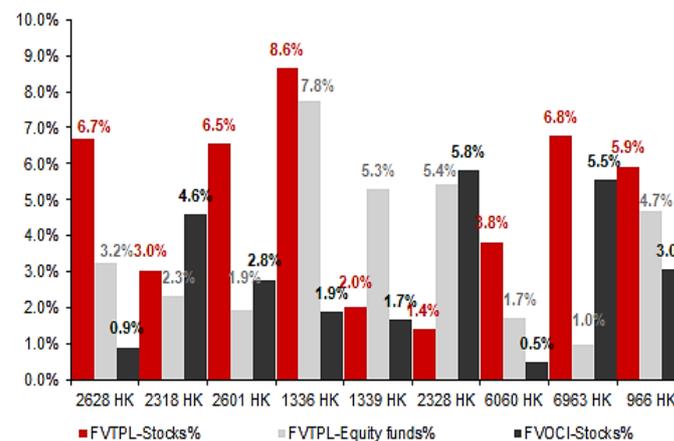
Source: Company data, CMBIGM

Fig 6: Core equities as a % of insurance funds, FY24



Source: Company data, CMBIGM

Fig 7: Stocks and equity funds as a % of insurance funds



Source: Company data, CMBIGM

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