

**CPIC (SH601601, HK02601, LSE CPIC)**
**Stock Data (ending Dec. 31, 2022)**

Total equity base (in million)	9,620
A-share	6,845
H-share	2,775
Total Cap (in RMB million)	210,492
A-share (in RMB million)	167,840
H-share (in HKD million)	48,235
6-month highest/lowest	
A-share (in RMB)	25.44/18.01
H-share (in HKD)	19.22/12.20
GDR (in USD)	17.60/12.50

**IR Calendar**
**Investor Relations Department**

Tel: 021-58767282

Fax: 021-68870791

E-MAIL: ir@cpic.com.cn

Add: 15F, 1 Zhongshan Rd. S.

Shanghai, P.R. China, 200010

Contact: GONG Zheng

Tel: 021-33968661

E-MAIL: gongzheng-001@cpic.com.cn

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**Premium Income (Unit: in RMB million)**

	Jan.- Dec.	Changes	Dec.	Changes
<b>P&amp;C</b>	170,824	11.60%	14,445	11.12%
<b>Life</b>	222,342	6.07%	7,850	-5.58%

## Regulatory Updates

### ● Discretionary pricing modifiers of commercial motor insurance further expanded

According to media reports, CBIRC recently issued The Notice on further Expanding Range of Discretionary Pricing Modifiers of Commercial Motor Insurance, which adjusted the range from the current [0.65-1.35] to [0.5-1.5], meaning more pricing flexibility for P/C insurers. Implementation of the new range shall in principle not be later than June 1, 2023.

### ● Regulator promulgates rules on information disclosure of life/health insurance products with an insurance period of over one year

The document, released on January 4, requires insurance companies to formulate Product Profiles for all life/health insurance products with an insurance period of more than 1 year. The Profile shall contain details of product brochures, level of protection, and demonstration of insurance benefits, with full disclosure of their long-term nature and various risk profiles, as well as explicit indication of premium payment mode and surrender penalties. The document requires for the first time the disclosure of Dividend Fulfillment Ratio for participating insurance, abolishes the 3 levels of crediting rates for demonstration purpose of universal and participating insurance and introduces 2 levels instead, which were also lowered so as to be more conservative. For products with an insurance period of 10 years or below, insurance companies shall demonstrate the insurance benefits as at the end of each year; and for those with an insurance period of more than 10 years, demonstration of insurance benefits shall cover each of the first 10 years.

### ● CBIRC mulls over new regulations on combined sales of insurance products and retirement communities

According to media reports on January 4, CBIRC recently issued the Exposure Draft of The Notice on Rectification of Combination of Sales of Insurance Products and Retirement Community Services, which specified 5 conditions in areas of capital position, solvency and corporate governance for insurers to conduct “insurance+retirement communities”: net assets shall not be lower than 5bn yuan; comprehensive solvency margin ratio for 4 consecutive quarters shall not be lower than 120%; Integrated Risk Rating (IRR) for 4 consecutive quarters shall be B or above; corporate governance rating shall be C or above; ALM capabilities shall not be lower than Level 3; there shall be no regulatory penalties or measures triggered by other regulatory audits or evaluations; coverage ratio for insurance contract liabilities reserve shall reach 100% for 4 consecutive quarters.

### ● Regulator contemplates cap of 40% as a share of non-pension

### **related premiums for pension firms**

According to media reports, CBIRC recently promulgated the Exposure Draft of Provisional Regulations on Supervision of Pension Insurance Companies, which set forth explicit requirements for specialised business operation, enhanced corporate governance and higher registered capital. For example, the share of non-pension related insurance premiums, such as personal accident, medical insurance and disease insurance, shall not exceed 40%.

## **Industry Info**

### **● Net of over 2,200 domestic insurance branch offices exited market**

According to media reports, as of December 28, up to 2,966 branch offices of insurance companies exited the market in 2022, while 760 insurance branch offices were established for the same period, which means a net of 2,206 branches exited the market in the year, and the number was only 448 in 2021. About 70% of the 2,966 branches were life/health insurance, pointing to formidable challenges facing the industry.

### **● Sigma report: inflation the primary concern for insurance**

In the second half of December, the research institute of Swiss Re released a Sigma report entitled Global Macro-economic and Insurance Market Outlook for 2023-2024. It indicated positive impact on insurance from hardening rates and rising interest rates, while inflation remains the key risk for the industry. Adjusted for inflation, global insurance premiums dropped slightly in 2022, by 0.2%. The report expected a recovery of premium growth between 2023 and 2024, with CAGR of 2.1% adjusted for inflation, on the back of lower inflation, hardening rates for P/C insurance and robust demand for life insurance.

## **Company News**

### **● CPIC Group subscribes for Health Care Industrial Equity Investment Fund for 1.2bn yuan**

On December 7, CPIC Group and CPIC Capital signed an LP agreement on Nanjing CPIC Health Care Industrial Equity Investment Phase II, under which the former subscribed for a share of the fund launched by the latter for 1.2bn yuan. The duration of the fund is 7+3(1st extension)+2(2nd extension) years. The fund aims to raise 1.501bn yuan, with a mandate centering on areas along the health care value chain, such as internet care, high-end care and health management, which promise to form synergy with the insurance business and represent an important part of the insurance+health ecosystem. The targets of investments will be in a stage of high growth and able to empower the insurance business in a sustainable way.