Investor's Newsletter (March 23, 2022)

vol. No.4 in 2022

CPIC（SH601601, HK02601, LSE CPIC）

Stock Data (ending Feb. 28, 2022)

Total equity base (in million)	9, 620
A-share	6, 845
H-share	2, 775
Total Cap (in RMB million)	229, 724
A-share	180, 983
H-share (in HKD million)	60, 363
6-month highest/lowest	
A-share (in RMB)	29. 84/26. 26
H-share (in HKD)	25. 80/20. 95
GDR (in USD)	21. 40/20. 30

IR Calendar

March 28, 2022
2021 Annual Results Announcement
Online Conference

Contents

Premium Income (Unit: in RMB million)

	Jan.- Feb.	Changes	Feb.	Changes
P&C	30, 954	15. 66%	9, 943	22. 53%
Life	73, 888	2. 34%	18, 004	14. 85%

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Regulatory Updates

● Expansion of Negative List of Life/Health Insurance Products in 2022

CBIRC issued The Negative List of Life/Health Insurance Products (2022), which contains 82 provisions, adding 9 to the 2021 version, mainly concerning the irregularities of passing off short-term health insurance as long-term insurance, confusion about medical insurance and mis-selling of whole-life insurance with increased sum assured.

In 2018, the regulator conducted a special review on life/health products and issued the Negative List for the first time. Regulatory scrutiny focuses on matters with direct bearing on consumer interests, such as definition of prior conditions, cash value calculation, wording of terms & clauses, and premium pricing. In Jan. 2021, CBIRC circulated a report on eight common issues with 42 life/health insurance products of 28 insurance companies. According to this report, some companies used wording of "automatic renewals" or "guaranteed renewals" in the design and marketing of short-term insurance, which may easily be confused with long-term insurance; the growth rate of SA on whole life insurance exceeded the pricing interest rate, which may seriously mislead consumers.

Industry insiders suggest that the List be expanded further to cover potential risks to minimize confusion and mis-selling.

● Regulator expands pilot program of specialized pension

The pilot program of specialized pension insurance will be expanded nationwide, and will include pension firms. Previously it was only conducted in Zhejiang Province (including Ningbo City) and Chongqing City, limited to 6 companies: PICC Life, China Life, Taiping Life, CPIC Life, Taikang Life and NCI. Now there are 10 pension firms in China, six of which belong to the same company groups of the 1st batch of insurers qualifying for the trial, and the remaining names are Ping'an Pension, Dajia Pension, Heng An Standard Pension and National Pension.

As of the end of Jan. 2022, the 6 companies for the 1st phase of the pilot programme issued cumulatively nearly 50,000 policies, with a premium income of RMB400 million, covering about 10,000 customers in new forms of employment such as delivery and ride-hailing services.

Market commentators believe this expansion will improve the accessibility of specialized pension insurance, and also help to enhance insurers' capability in product design and operation.

● CBIRC improves supervision of non-life reserving

Recently, CBIRC issued Implementation Standards (No.1-No.7) for Provisions on Management of Non-life Insurance Reserves of Insurance Companies. The document fills the gaps in regulations, especially with regard to those on reserve risk margin, discount, favourable reserve development, and reserving of branch offices. Second, it seeks to enhance internal control. In the event of major changes to reserving, such changes shall be reviewed and approved by the board or senior management collectively. This intends to minimize the risk of incompliance caused by individual arbitrary decisions. Third, it requires clearer and non-ambiguous indication of opinions concerning reserve evaluation by Chief Actuary, namely, "reasonable, insufficient, overstated or unable to express opinions". Fourth, it encourages a collaborative approach towards reserve management, with the regulator, board, senior management, Chief Actuary, external auditors and independent actuarial consulting firms each playing its due role.

Since 2005, the former CIRC promulgated a host of policies on non-life reserve supervision. CBIRC finds out that there are new issues on this front in certain market players, such as manipulating reserves of branch offices, or manipulating earnings through reserves. The Standards requires cautious and consistent treatment of reserve risk margin and discount, bans arbitrary change to the risk margin calculation methods, and clarifies the duration standards for discounting in reserve evaluation. At the same time, it strengthens reserve management of branch offices of insurance companies, requiring objective and fair evaluation and prohibiting artificial manipulation.

Company News

- **Technology subsidiary of CPIC Group makes debut**

On Feb. 22, CPIC hosted an inauguration ceremony of CPIC Technology Co. Ltd. in Shanghai. On Jan. 21, CBIRC approved the establishment of this firm as a subsidiary of CPIC Group specializing in IT services, which was among the 1st group of companies approved by the regulator after the Administration Provisions on Supervision of Insurance Group Companies entered into force.

The newly-established subsidiary will promote frontier technology research and implementation, seize opportunities and meet challenges of the new era of technology, focus on long-term capacity-building such as independent development, data service, platform collaboration, and commercialization of innovations. The company will boost innovation in key technologies including block-chain, trusted computing bases, big data risk control platforms, AI service capability, IoT solutions, and continue to make progress in key business areas of health care, big data, integrated regional operations and Metaverse.