太平洋保险 CPIC

中国太平洋保险(集团)股份有限公司
China Pacific Insurance (Group) Co.,Ltd.

# Investor's Newsletter（Feb 24, 2020） vol. No.2 in 2020

**CPIC（SH601601，HK02601）**

## Stock Data (ending Jan 31, 2020)

| | |
|---|---|
| Total equity base (in million) | 9, 062 |
| A-share | 6, 287 |
| H-share | 2, 775 |
| Total Cap (in RMB million) | 290, 657 |
| A-share | 226, 070 |
| H-share (in HKD million) | 72, 574 |
| 6-month highest/lowest | |
| A-share (in RMB) | 40. 02/34. 25 |
| H-share (in HKD) | 34. 30/26. 15 |

## IR Calendar

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## Premium Income (Unit: in RMB million)

| | Jan | Changes | Jan | Changes |
|---|---|---|---|---|
| **P&C** | 17, 664 | 14. 83% | 17, 664 | 14. 83% |
| **Life** | 51, 953 | 0. 60% | 51, 953 | 0. 60% |


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# Regulatory Updates

● **CBIRC：2019 industry premiums RMB4.26 trillion, up 12.17%**

Recently, CBIRC announced industry statistics for 2019. Total premiums amounted to RMB4264.5bn, a growth of 12.17%, an increase of nearly 9pt from that of 2018.

Both property & casualty and life & health insurance businesses grew steadily. Property and casualty insurance recorded RMB1164.9bn in primary insurance premiums, up 8.16%, while life and health RMB3099.5bn, up 13.76%, a big improvement from the decline in 2018.

Of life and health insurance, health insurance was the key growth driver, with primary insurance premiums of RMB706.6bn, up 29.70%; life insurance realized premiums of RMB2275.4bn, an increase of 9.8% and accident insurance RMB117.5bn, a growth of 9.2%, down by 10pt from that of 2018.

Of property and casualty insurance, automobile insurance delivered premiums of RMB818.8bn, accounting for 67.75% of total premiums of property and casualty insurance companies. Agricultural insurance reported RMB67.2bn in premiums, up 17.48%.

The industry offered a total of RMB6470.04 trillion in sum assured in 2019, down by 6.19%; paid out a total of RMB1289.4bn in insurance claims and benefits, up 4.85%. Of this, claims & benefits from property and casualty insurance reached RMB650.2bn, an increase of 10.26%; that from life insurance RMB374.3bn, down by 14.72%, mainly due to product mix shift and reduced surrender and maturity payments; that from health insurance was RMB235.1bn, up 34.81% and that from accident RMB29.8bn, up 11.19%.

As of the end of 2019, total insurance funds under management amounted to RMB18.53 trillion, rising 12.91% from the beginning of the year; total assets stood at RMB20.56 trillion, up 12.18% from the year beginning; net assets amounted to RMB2.48 trillion, up 23.09%, 16pt higher than the growth in 2018.

# Company Updates

● **Investors visited CPIC on the topic of elderly care investments**

On January 15th, a number of institutional investors visited CPIC to better understand the company's efforts in promoting transformation, and in particular, the development of its elderly care business.

Investors visited the CPIC Home Experience Centre on Yishan Road, which showcased different types of apartment models for the elderly people as well as health management equipment.

During the Q & A session, the management of CPIC Elderly Care Investment shared their thoughts on the dynamics and trends of the elderly care industry, and specifically talked about the progress CPIC had made in the sector and plans for the next step. Management also answered questions on occupation rate of retirement homes, investment returns, outlook for profits, and the support of retirement communities for insurance sales.

**Appendix: Summary of Q & A**

**1.What is your view on the support of elderly care industry for insurance premium growth? Any concrete steps or targets?**

A: The experience of both overseas and domestic markets points to the synergy between the elderly care industry and life insurance business. The model of "insurance products + retirement services" can not only meet customer's diverse needs, but also enhance our core competitiveness. During the Jumpstart of 2019, CPIC Life was using this strategy and achieved some initial success, especially in central urban areas. We will continue to promote this model for the Jumpstart of 2020.

**2.What products are linked to the retirement communities? Do you differentiate between new and existing customers in terms of minimum requirements for entitlement?**

A: All long-term insurance products, with the exception of universal life, are eligible. Our plan has something different from that of our peers, in that the entitlements would apply to all the immediate relatives of the insured. For example, the basic plan (which requires a total premium payment of at least RMB2.2mn) provides guaranteed 1+1 entitlements for the insured couple + 2 immediate relatives. In 2019, when we first offered the plan, premiums contribution on previous contracts were also included in the calculation of the minimum required premiums for existing customers. However, in 2020 it is no longer the case. Of course, we still offer discounts to existing customers, with minimum required premiums of 2mn, 3mn and 5mn, depending on types of plans, versus 2.2mn, 3.3mn and 5.5mn for new customers.

**3.There are multiple projects underway. What is the plan for the future, say, by 2025?**

A: There are 3 projects underway, with those in Xia'men and Nanjing in the pipeline. Locations of Beijing, Qingdao, Guangzhou, Zhuhai and Wuhan have also been considered, since they fit the principle of "evenly spread out across China". Of course, in the selection of sites, we also take into consideration location, space size, transport conditions, natural environment and prices. We are confident that the investment in the sector can proceed as planned.

**4.How do you differentiate from generic property developers in the development of retirement properties?**

A: Insurance companies have unique advantages in the development of the elderly care business. Insurance fund is long-term money, and insurance companies are usually strong in funds, customers, services, brands and network of branch offices. Our focus is not about selling the property one-off to customers. It is more about providing professional elderly care services to support the development of the core insurance business.

**5.Some people argue that investments in retirement communities do not make money. What is your projected investment return? What is the share of your retirement investments as a percentage of total investment assets?**

A: Our own analysis indicates that on a EBITDA basis, an occupation rate of 65% and 70% could break even. As occupation rate rises, the return will further improve. Of course, this is an initial projection, and may not be the actual result. The investment in retirement communities is only a small fraction of our total investment assets, and therefore its impact on the total investment return is almost negligible. We will remain prudent. If earlier projects run successfully, we will consider to attract third-party money to participate in future projects.

**6.What is the status of co-operation with ORPEA?**

A: We formed a JV with ORPEA in November 2019, in a bid to localize and duplicate its standard operational procedures (SOP). With the completion of retirement communities, we will establish local operation & service companies which will work in collaboration with the JV. The JV will be responsible for the business management, technical support, training and international exchanges of all our retirement homes. Now the two sides are working closely, with the foreign partner deeply involved in the full process retirement community development from land acquisition, construction & engineering to operation.