

CPIC (SH601601, HK02601)
Stock Data (By March 31, 2015)

Total equity base(in million)	9,062
A-share	6,287
H-share	2,775
Total Cap (in RMB million)	294,238
A-share	213,129
H-share (in HK dollar million)	102,398
3 month highest/lowest (in RMB)	
A-share	36.96/30.03
H-share (HK dollar)	41.55/35.45

Investor Relation Calendar

May 5-7,2015 Haitong Security Spring Investment Forum Ningbo
May 5- 7,2015 Macquarie A share Corporate Day Shenzhen
May 11-13,2015 CLSA China Forum 2015 Chengdu
May 14 -15,2015 HSBC China Conference 2015 Shanghai
May 27-29,2015 Morgan Stanley's Inaugural China Summit Beijing
June 1-3,2015 JP Morgan Global China Summit 2015 Beijing

Investor Relation Department

Tel: 021-58767282
 Fax: 021-68870791
 Email: ir@cpic.com.cn
 Add: 40F, 190 Central Yincheng Rd.
 Shanghai, PR China, 200120
Contacts: Wendy Zhang
 Tel: 021-33961196
 Email: zyy@cpic.com.cn

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Premium Income (Unit: in RMB million)

Key Indicators	Q1	Changes	March	Changes
Premium Income				
-P&C	24,334	3.6%	8,334	(2.5%)
-Life	37,918	(1.1%)	12,329	(0.9%)

Briefing:

CPIC Held 2014 Annual Results Analysts Briefing

CPIC released its 2014 annual report on March 30th, 2015 and held an investor/analyst conference on the same day both in Shanghai and Hong Kong. Summary of questions and answers are attached below.

1. The combined ratio of CPIC in 2014 stood at 103.8%, a significant increase compared to those of other major market players, e.g. Ping An (95.3%) and China Life (96.5%). What are the reasons behind this, especially for non-motor business whose combined ratio increased by 14.2% (there was 9pt increase if stripping out reserve readjustment)?

Our P&C business did poorly in 2014 and we feel sorry for this. Generally speaking, there are gaps between us and our competitors in areas like basic management, quality control, innovation etc. We strive to close the gaps and realize innovative development.

Three main reasons for the rising combined ratio of non-motor business: (1) the impact of the readjustment of reserves, accounting for 5.2 percentage points; (2) the impact of natural disasters (typhoons and fires), which drove up the combined ratio by about 9 pts; (3) the impact of increasing competition. For some main business lines, e.g. commercial property insurance, accident & health insurance, the premium prices went down significantly. The premium rate for non-motor business dropped from 0.05% in 2012 to 0.04% in 2014. Besides, bad performance in some specific business in terms of underwriting efficiency also led to the increase of combined ratio. Going forward, in 2015, we will: (1) continue improve our business mix, enhance quality control; (2) accelerate training and teambuilding to ensure our competitive advantage in traditional areas; (3) beef up our efforts in tele-marketing development. We hope to achieve underwriting profits in 2015 by taking the above measures.

2. After P&C's restructuring in 2014, agriculture insurance has become one of the three pillars of P&C business, along with motor and non-motor insurance. But by the end of 2014, agriculture insurance was still not one of the five top business lines. What were the plan and target of its future development? Are there any specific measures to be taken?

Agriculture insurance has been developing rapidly in China. In 2014, our growth in agriculture insurance was faster than the average level of the market with a market share of 2.75%. However, the volume was still small due to the regulated license. Besides, we have heavy business exposure in the southern part of China and the coastal areas which are prone to natural disasters and this also has negative impacts on our last year's performance. In 2015, we will: (1) expand our business coverage by seizing the opportunity brought by deregulation; (2) achieve synergy with Anxin Agricultural Insurance Co. Ltd; (3) focus on technological innovation for better level of risk

management and (4) emphasize the development of agriculture related insurances and the business development in rural markets by enhancing long-term planning and product innovation.

3.What is P&C's combined ratio target for 2015?

In 2015, we face challenges from both internal management and external downward pressure of macro-economy. Moreover, new technologies have brought revolutions to the business model. The deregulation of premium rate of commercial auto business challenges our risk management, pricing and capability of innovation. Despite all the challenges, we remain committed to underwriting profitability and sustainable growth in 2015 by controlling combined ratio, enhancing risk selection, optimizing claim settlement and intensifying expense management. We will improve on the "closed-loop" management system for motor, non-motor and agricultural insurance respectively in a bid to enhance centralization and specialization and beef up our efforts in new market development in order to deliver a turnover by achieving underwriting profitability.

4.Life business has been developing well in the past 4 to 5 years with 14% increase in the sale force headcounts and 4100RMB productivity. What specific measures will you take to maintain this fast growth rate? What is the reason behind the merging of banc-assurance and group business into the current group/partnerships channel?

There has been rapid growth for life business in the past few years and this trend of sound development continued into the first quarter of this year. We will focus on three aspects of work, namely professionalism, differentiation and intensification, to maintain the current momentum of business growth. As for the strategy for sales force development, we focus on both the quality and the productivity of our sales force. (1) Professionalism: we improve(imprved or will improve?) our "basic laws" for agents by granting more autonomy to the sales teams. Going forward, we will further enhance our task-based trainings. (2) Differentiation: we will be geography specific and focus more on quality in recruiting new agents. (3) Intensification: our focus is on customer segmentation, obtaining customer insights and differentiated product strategy in order to acquire new customers and retain existing customers.

In the second half of 2014, CPIC Life restructured the traditional business segmentation (agency, banc-assurance and group) to the current organizational structure: individual business and group/partnerships. The main considerations are as follows: (1) we have different types of customers for the individual business and banc-assurance business; (2) the organizational restructure facilitates the specialization in terms of customer service; (3) the new structure enables us to seize the opportunities in pension and health insurance business, in response to the regulator's release of a raft of favorable policies.

5. There have been great changes to the environment of investment in the past few years. What will your strategies in the future? Last year, the investment yield reached 8.8%, what is the mix? What about yields on equity and alternative investment?

The investments of CPIC Group and P&C are entirely managed by CPIC AMC while the SAA is operated by trustees. When it comes to life business, it chooses AMC as the main partner for investment management but also seeks third-party partners for investment management. As for the contribution of the 8.8% of investment yield, the major contributor is equity. The surplus of yield from alternative investment also contributed a lot. Currently, the proportion of our alternative investment out of the whole investment portfolio is just slightly above the industry average. Judging from the gradual increase in the share of our alternative investment through the past few years, we can see that we have adopted a prudent strategy. In the future, we will take advantage of our competitive edges, such as our 84 million customers and distribution net work.

6. Are there any changes in the actuarial assumptions in terms of EV and NBV?

In 2014, the impacts of changes in NBV/EV assumptions are 187 million and 1.194 billion respectively. The main changes are expense rate, lapse ratio and mortality assumption.

7. As we enter the downswing cycle of interest rate, what is the management's plan on the capital allocation of fixed income category?

We have the long term nature of our liabilities and should take into consideration the cost of our liabilities. When it comes to SAA, it is important to ensure good matching between assets and liabilities. We have been increasing the share of fixed income assets over the years. In particular, given the favorable conditions in 2014, we further stepped up in our fixed income assets. In the future, we will adjust our allocation according to the changing environment to make sure the return of assets could be higher than the cost of liabilities.

In spite of the interest cut, we believe there are other opportunities and projects, such as preferred stocks or infrastructure projects.

8. CPIC has become the majority stakeholder of Changjiang Pension Company and Anxin Agricultural Insurance Company. Last year, CPIC established a health insurance company in collaboration with Allianz, what is the thinking? Going forward, what is the business plan for CPIC group?

As State Council released the *10 Opinions on Accelerating the Development of Modern Insurance Industry* and the *Opinions on Accelerating the Development of Commercial Health Insurance* last year, health insurance and aging industry will become new areas of business growth. In terms of

commercial health business, CPIC Life has been selling some insurance products. CPIC Allianz Health Insurance focuses not only on the detailed design and selling of these products but also on the expansion of health management and medical care management business. We notice that the authorities are committed to establishing a nationwide health and medical care information platform. We will seek access to this platform for better service to our customers. As for the elderly care business, we hope Changjiang Pension Company can do not only the corporate annuity business but also take on some basic elderly provisions business in response to authorities' deregulation.

In terms of CPIC's strategic planning, we need to emphasize: (1) the strategy of "walking on two legs", meaning balanced development of both underwriting business and investment business; (2) the strategy of accelerating internet insurance business, making use of internet and mobile technologies to better serve our customers (7days, 24 hours) and increase our input-output ratio.

Regulatory Updates

- **C-Ross regulation rules officially issued (20150303)**

CIRC recently issued 17 C- Ross regulations, which marked the beginning of transition period for the new solvency regulation system. The regulator also indicates that there will be flexibility in the timetable for the official switch.

- **CIRC deregulates the guaranteed rate of universal life. (20150303)**

CIRC deregulated the guaranteed rate of universal life product on Feb. 16th, 2015 in order to comprehensively deepen the pricing reform of life insurance. According to the reform roadmap, the deregulation of participating insurance will be the next step. All of these measures are intended to realize an all-around liberalization of life insurance products in China.

- **CIRC, Ministry of Finance and Ministry of Agriculture jointly issued a document to encourage agricultural product to support and benefit the development of agriculture.(20150324)**

CIRC, Ministry of Finance and Ministry of Agriculture jointly issued a notice about further improving the terms and claused of the central government subsidized agricultural insurance products. This document is aimed to protect the legal interests of rural households, pave the way for an expanded role and sustainable development of agricultural insurance. The notice features several innovations in terms of agricultural insurance mechanism: (1) expansion of insurance coverage; (2) higher levels of protection; (3) cancellation of absolute deductibles in claim settlement; (4) increase of the limit of indemnity (minimum 40% of the total sum insured in

the case of total loss for 3 staple food crops); (5) clear definition of “total loss” .

Company Updates

- **CPIC Life launched “Mobile Claim Settlement” to improve customer experience. (20150325)**

CPIC Life launched a new APP for mobile claim settlement on its “Shenxing Taobao” platform in January this year.

- **CPIC Life launched the first cancer insurance product for the elderly population nationwide. (20150401)**

On April 1, “YinFa Ankang”, a cancer insurance product which was developed by CPIC Life started to be sold nationwide. It is the first insurance product of this kind which can be renewed by the policy holders up to 100 years old. The age limit of the applicants is 75 years old with a high coverage limit (200,000-300,000), reasonable price and is free of physical checks.

- **CPIC P&C enhanced cooperation with Anxin Agricultural insurance through reinsurance arrangements.(20150402)**

CPIC P&C recently became a new reinsurer for part of Anxin’s non-marine business in a bid to enhance business cooperation with Anxin.