

CPIC (SH601601, HK02601, LSE CPIC)
Stock Data (ending Oct. 31, 2020)

Total equity base (in million)	9,620
A-share	6,845
H-share	2,775
Total Cap (in RMB million)	276,549
A-share	218,425
H-share (in HKD million)	67,023
6-month highest/lowest	
A-share (in RMB)	34.35/27.12
H-share (in HKD)	26.75/20.50
GDR(in USD)	25.25/17.60

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Premium Income (Unit: in RMB million)

	Jan. - Oct.	Changes	Oct.	Changes
P&C	125,011	14.04%	10,401	5.70%
Life	193,618	-1.87%	10,777	-5.66%

Industry Updates

● **Public release of the proposal on China's 14th five-year development plan and the long-term objectives for 2035**

On November 3, the Xinhua News Agency was authorized to release The Proposal on the Formulation of the 14th 5-Year development plan of the National Economy and Social Development and Long-term Objectives for 2035 by CPC Central Committee. The document outlines the long-term objectives by 2035 for the “near fulfillment of socialist modernisation”, guiding principles and key targets for economic and social development during the 14th 5-year period. On commercial insurance, it calls for the improvement of the rural financial service system and further development of agricultural insurance; development of a multi-tiered and multi-pillared pension insurance system; steady effort in the establishment of the long-term care insurance system and vigorous effort in the development of commercial medical insurance; enhancement of the national emergency response system, the supply chain of emergency response materials and the development of catastrophe insurance to strengthen capabilities in disaster prevention, mitigation and relief.

LIANG Tao, vice-chairman of CBIRC summarized the development of China's insurance market during the 13th 5-year period at the CCISSR Forum, and offered his insights on the 6 trends of the industry in the 14th 5-year period: China will become the largest source of incremental growth of global insurance market; China's insurance sector will play an even bigger role in the new development pattern of “dual circulation”; high-quality development will be an industry consensus; high-level opening-up will be a pronounced feature of the industry; the industry will gradually become a necessity for life and business; digitalisation of the industry will gain momentum.

● **CBIRC issues the circular to ensure steady development of annual business of life insurance companies**

On Oct. 29, CBIRC issued the Circular to all life and health insurance companies and local CBIRC branches. The document contains “heads-up” on common misconduct in the promotion of the jump-start campaign in 6 areas: deviation from the central value proposition of insurance and improper combination of insurance products in the form of bundling sales; unauthorized printing, use and dissemination of product brochures by branch offices and sales personnel of insurance companies; withholding material information from the insurance applicants relating to insurance contracts such as initiation date of insurance liabilities and policy surrender penalty upon receipt of pre-paid premiums; advertisement of account benefits based only on high and medium investment returns which is in breach of information disclosure requirements on new types of insurance products;

payment of benefits, cash or in kind, to the applicants, insured or beneficiaries that are not included in the insurance contracts; damaging the reputation of other insurance companies by fabricating or spreading false information, or “malicious poaching” of personnel of industry peers. The regulator will step up supervision, in the form of the combination of self-assessment by insurance companies, regulatory auditing and special purpose inspection.

● Official release of the new critical illness definitions and the experience incidence rate table of critical illness

Recently, CBIRC issued Norms on the Use of Critical Illness Definitions (revised in 2020) and The Critical Illness Morbidity Table of Life and Health Insurance Industry (2020).

Under the new regulations, malignancies are classified into critical and minor illnesses based on their severity, with the use of “minor illness” definitions for the first time; the previous 25 critical illnesses were expanded into 28 critical illnesses and 3 minor illnesses, with a cap of 30% on sum assured (SA) for the latter; the insurance coverage was expanded for 8 diseases such as major organ transplant, with improvement of definitions of 7 diseases such as severe chronic kidney failure. Thyroid cancer, which attracted much attention, was not removed from the definitions. Instead, it was graded based on severity, with different levels of claims payments.

It was said that the 2020 Morbidity Table is the minimum requirement for calculation of statutory reserves. Some sell-side analysts believe that assuming the same levels of protection, there will be a slight decrease in CI prices. However, given the multiple variables at play, like insurance benefits, morbidity, and expense loading, the overall prices will be subject to pricing strategies of insurance companies .

● CBIRC issues The Circular on Matters relating to Financial Equity Investment by Insurance Funds

On November 13, CBIRC issued The Circular on Matters relating to Financial Equity Investment by Insurance Funds. The document contains 10 articles, which essentially abolished restrictions on industries for financial equity investment of insurance funds. The new rules introduced the “negative list + guiding list” to boost the capabilities of insurance funds to serve the real economy. To be specific, it clarifies the definition of “financial equity investment”, removes restrictions on sectors of such investments which previously were only limited to insurance, non-insurance financial services and designated companies relating to insurance such as retirement and health care, and establishes the mechanism of “negative list” .

● CBIRC releases industry updates for the first 10 months of the

year

On November 26, CBIRC released statistics of the insurance market in the first 10 months of the year. Total primary insurance premiums amounted to RMB3.96 tn, a growth of 6.88%; claims pay-out reached RMB1.11tn, up 6.69%; business and management expenses totalled RMB452.6 bn, an increase of 7.51%; funds under management amounted to RMB20.85tn, accounting for 92.34% of industry total assets.

On November 10, CBIRC released statistics of total assets of the industry as of the end of Q3. Industry total assets amounted to RMB22.4tn, an increase of RMB1.9tn, or 9.1% from the beginning of the year. Of this, total assets of P/C insurance companies reached RMB2.4tn, an increase of 3.9%; those of L/H insurance companies amounted RMB19.1tn, up 12.6%; those of reinsurance companies reached RMB494.9bn, a growth of 16.1%; those of insurance asset management companies racked up RMB66.2bn, up 3.3%. Besides, for the first 3 quarters of 2020, industry primary premiums totalled RMB3.7tn, up 7.2% yoy, with total insurance claims and benefits payouts of RMB998.9bn, up 6.1% yoy.

Company Updates

● 3rd CIIE: CPIC held 3 signing ceremonies with organising committee of Hangzhou Asian Games and other entities, and provided insurance solutions to CIIE for the 3rd year

The 3rd China International Import Expo (CIIE) was held between Nov. 5 and Nov.10 in Shanghai National Convention Centre.

It was also the 3rd time that CPIC provided service to the event. This year, the company provided an integrated insurance coverage of property and casualty insurance, life and health insurance and risk management solutions to the event, with total SA as high as RMB884.8bn.

Apart from this, on the CIIE venue, the company hosted a signing ceremony with the organising committee of Hangzhou Asian Games, and officially becomes the insurance partner of the 19th Asian Games; signed the agreement of comprehensive strategic partnership with Bank of China; signed the Letter of Intention with Panasonic (China & North-east Asia) and Mitsubishi(China) regarding first-time purchase in health management and elderly caring sectors.

Summary of Recent Q&A

Q: According to your announcement, accounting estimate changes reduced Q3 profits before tax by RMB9.692bn. Could you elaborate on the specific changes you made, and why?

A: The aforementioned accounting estimate changes increased the reserve for life and long-term health insurance contract liabilities by RMB9.692bn, which in turn reduced the profits before tax of the Company for the first 9 months of the year by the same amount. The adjustments were mainly due to the downward movement of the 750-day moving average of T-bond yield curve, which led to the drop of the discount rate curve of traditional insurance reserve. At the same time, based on the latest experience of some of our critical illness products, we adjusted certain other assumptions.

Q: Could you give us an update on your product planning and offering since Q3?

A: We persist in a value-oriented strategy and strive to diversify the offering of long-term protection and long-term savings products. For example, at the end of August, we launched a long-term medical insurance product with adjustable premium rates and an insurance period of 15 years, the first of its kind on the market. Apart from benefits to cover medical bills, the product also provides the “green-channel” service for designated diseases and critical illnesses, “second opinion” service for critical illnesses, as part of the company’s effort to develop the model of “insurance products + health management services” and provide comprehensive protection to customers. The product was warmly received by the market, with 1.2mn customers submitting insurance applications within 7 days of its debut.

In the run-up to the November 11 Shopping Day, we launched an annuity product which supports monthly payment of premiums. The product helps acquire customers with its flexible pay mode, less strain on applicants’ cash flows and an earlier payment of benefits.

Going forward, we will continue with product innovation to diversify our product mix and meet market needs.

Q: Do you have any exposure to the recent defaults of Yongcheng Coal & Power Group, Brilliance Auto, or Baoshang Bank?

A: We have no exposure to the debt securities issued by any of these companies.