

CPIC (SH601601, HK02601, LSE CPIC)
Stock Data (ending Jan. 31, 2023)

Total equity base (in million)	9,620
A-share	6,845
H-share	2,775
Total Cap (in RMB million)	228,025
A-share (in RMB million)	176,602
H-share (in HKD million)	59,669
6-month highest/lowest	
A-share (in RMB)	26.29/18.01
H-share (in HKD)	23.05/12.20
GDR (in USD)	19.20/12.50

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Premium Income (Unit: in RMB million)

	Jan.- Jan	Changes	Jan.	Changes
P&C	23,311	10.95%	23,311	10.95%
Life	52,685	-5.72%	52,685	-5.72%

Regulatory Updates

● New version of life/health insurance negative list released

On January 13, the Life/Health Insurance Division of CBIRC issued a new version of Negative List of Life/Health Insurance Products. The document highlighted 3 major issues with whole life insurance products with increasing SA: rules on SA reduction being unclear, design of reduction proportion “unreasonable”, design of SA increase actually bypassing caps on pricing interest rates; expense loading being much lower than actual sales expenses; investment return assumptions for profit testing deviating considerably from the actual experience. The List added a new problem with pension products, namely, deliberately lowering death benefits in early years to compensate for higher survival benefits in later years, and advertisement of guaranteed long-term high returns higher than pricing interest rates. It also highlighted the risk of under-pricing, particularly deviation of investment return assumptions for profit testing from insurers’ investment capabilities or market interest rates, and expense loading being higher than regulatory caps, or returns higher than pricing interest rates at certain age. Another addition is change at will of the insured as specified in insurance terms and clauses, which “violates insurance principles and the rights and interests of insurance policy stakeholders”.

● Regulator contemplates differentiated supervision for life/health insurance companies

On February 2, CBIRC released the Exposure Draft of Regulations on Differentiated Supervision of Life and Health Insurance Companies, which classifies life and health insurance firms into five categories, each with explicit definitions of their respective business scope, business geographies and scope of asset management, as well as restrictions. Category I insurance firms, in addition to basic business and expanded business, have regulatory support to conduct innovative insurance business, such as specialised pension products and long-term medical insurance products with adjustable rates; insurance firms in Category II, III, and IV and V may carry out basic business except universal insurance, with differentiated restrictions on universal insurance and expanded business: Category II and III firms may conduct innovative business as allowed by the regulator while Category IV and V firms are strictly prohibited from such innovative business.

Industry Info

● Crediting rates on specialised commercial pension insurance products all surpass 4% in 2022

According to media reports on January 11, a review of the crediting rates on 13 specialised commercial pension insurance products by 12 insurance companies indicates that, the rates on “Prudent Accounts” ranged between 4.0% and 5.15%, while those on “Progressive Accounts” between 4.5% and 5.7%, both lower than the levels in 2022.

- **Rates for Insurance Security Fund adjusted: benchmark 0.8% for P/C insurance and 0.3% for life insurance**

In early February, CBIRC issued The Notice on Contributions into the Insurance Security Fund, which adjusted the rates for fund contributions. The standard rate for P/C insurance, short-term health insurance and personal accident insurance was 0.8% of premium income, while that for life, long-term health and annuity insurance was 0.3% of premium income, and of this, the rate for unit-linked insurance was 0.05% of premium income. Risk Adjustment Rates is based on IRR results, being -0.02%, 0%, 0.02% and 0.04% for Category A, B, C and D firms respectively.

Company News

- **CPIC hosts Capital Market Reception Dinner**

On January 18th, CPIC hosted a Capital Market Reception Dinner. President Fu Fan expressed thanks to the capital market for its support and then briefly reviewed the company’s business performance in 2022: the past year was extremely challenging and unusual. CPIC adhered to a prudent business philosophy, enhanced resilience and delivered progress amid stable business performance.

Life insurance deepened transformation under the Changhang Action Programme in the face of great uncertainties of the market environment. To transform the business model, CPIC Life amended the Basic Law to promote sales force restructuring centering on career-based development, professionalism and digital empowerment, rolled out NBS, launched an integrated agent recruitment and retention system, with improvement in both agent income and productivity; implemented value-oriented bancassurance strategy and delivered higher market share in terms of NBV and premiums.

P/C insurance proactively coordinated pandemic control and business operation, explored emerging opportunities of insurance business arising from social and economic development, and reported steady premium growth and continued improvement in combined ratio.

Asset management is committed to sustainable ALM, follows the philosophy of value investing, long-term investing, prudent investing and responsible investing, and enhances asset allocation across economic cycles which

currently focuses on a “dumb-bell shaped” allocation strategy. In recent years, asset under management continued to grow and achieved leading investment returns. At the same time, deployment in health care and retirement communities proceeded in an orderly manner.

In 2023, the company will stay committed to value growth, with special effort to improve value-creating capabilities of all business segments and drive breakthroughs in key business areas.

Over 40 guests participated in the event, coming from stock exchanges, domestic and overseas investors, sell-side analysts, business partners and financial media. They all expressed satisfaction with the communication.