

**CPIC (SH601601, HK02601)**
**Stock Data ( ending April. 30, 2016)**

Total equity base(in million)	9,062
A-share	6,287
H-share	2,775
Total Cap (in RMB million)	236,892
A-share	173,584
H-share (in HK dollar million)	76,035
4months highest/lowest (inRMB)	
A-share	27.97/22.48
H-share (in HK dollar)	30.05/24.15

**Investor Relation Calendar**

May 9 to11, 2016  
 CLSA China Forum 2016  
 Chengdu

May 16 to 17,2016  
 HSBC China Conference 2016  
 Shenzhen

May 24 to 26,2016  
 Morgan Stanley Second Annual China  
 Summit  
 Beijing

June 13 to 15,2016  
 J.P. Morgan 12th Annual Global China  
 Summit  
 Beijing

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**Premium Income (Unit: in RMB million)**

	January to April	Changes	April	Changes
<b>Premium Income</b>				
<b>-P&amp;C</b>	33,970	4.3%	8,165	(0.9%)
<b>-Life</b>	59,181	35.0%	6,831	15.2%

## Briefing

Earlier this year, the CIRC issued The Circular on the Implementation of China Risk-oriented Solvency System, marking the full implementation of the 17 regulatory standards under C-ROSS. In compliance with the regulations, CPIC Group, starting from 2016, discloses the solvency reports of its insurance subsidiaries. Below is the summary of the Q1 Solvency Reports of CPIC Life and CPIC P&C.

## CPIC Life

Main Indicators Items	Unit: in RMB ten thousand yuan	
	For the 3 months ended 31 March 2016/ 31 March 2016	For the 3 months ended 31 December 2015 / 31 December 2015
Core solvency margin	257%	256%
Core solvency margin surplus	12,508,891	11,752,951
Comprehensive solvency margin ratio	262%	262%
Comprehensive solvency margin surplus	12,968,891	12,212,951
The latest comprehensive risks assessment	-	A
Gross written premium	5,235,035	1,903,712
Net profit	164,909	145,251
Net asset	6,889,793	7,084,454

Actual Capital Items	Unit: in RMB ten thousand yuan	
	31 March 2016	31 December 2015
Admitted assets	77,374,656	75,645,014
Admitted liabilities	56,421,999	55,902,581
Actual capital	20,952,657	19,742,434
Tier 1 core capital	20,492,657	19,282,434
Tier 2 core capital	0	0
Tier 1 supplementary capital	46,000	46,000
Tier 2 supplementary capital	0	0

Required Capital Items	Unit: in RMB ten thousand yuan	
	31 March 2016	31 December 2015
Required capital	7,983,766	7,529,483
Required capital for quantitative risks	7,983,766	7,529,483
1)Required capital for insurance risk	1,910,891	1,770,113
2)Required capital for market risk	9,076,819	8,622,196
3)Required capital for credit risk	972,618	866,334
Required capital for control risk	-	-
Additional capital	-	-
1)Counter-cyclical additional capital	-	-
2)Additional capital of D-SIIs	-	-
3)Additional capital of G-SIIs	-	-
4)Other additional capital	-	-

### Comprehensive risk assessment

CIRC is yet to carry out the comprehensive risk rating under C-ROSS. Under the previous solvency regulation system, we received a rating of A for both the third and fourth quarter of 2015, the 2 latest regulatory evaluations.

## CPIC P&C

Main Indicators Items	Unit: in RMB ten thousand yuan	
	For the 3 months ended 31 March 2016/ 31 March 2016	For the 3 months ended 31 December 2015 / 31 December 2015
Core solvency margin	253.5%	254.6%
Core solvency margin surplus	2,041,934	2,012,510
Comprehensive solvency margin ratio	283.6%	285.4%
Comprehensive solvency margin surplus	2,441,934	2,412,510
The latest	-	A

comprehensive risks assessment		
Gross written premium	2,583,045	2,382,265
Net profit	106,158	120,431
Net asset	3,411,985	3,358,676

<b>Actual Capital</b>		<b>Unit: in RMB ten thousand yuan</b>	
<b>Items</b>	<b>31 March 2016</b>	<b>31 December 2015</b>	
Admitted assets	12,801,604	12,440,950	
Admitted liabilities	9,029,539	8,726,881	
Actual capital	3,772,064	3,714,069	
Tier 1 core capital	3,372,064	3,314,069	
Tier 2 core capital	-	-	
Tier 1 supplementary capital	400,000	400,000	
Tier 2 supplementary capital	-	-	

<b>Required Capital</b>		<b>Unit: in RMB ten thousand yuan</b>	
<b>Items</b>	<b>31 March 2016</b>	<b>31 December 2015</b>	
Required capital	1,330,130	1,301,559	
Required capital for quantitative risks	1,330,130	1,301,559	
1)Required capital for insurance risk	1,110,124	1,075,519	
2)Required capital for market risk	184,692	199,507	
3)Required capital for credit risk	382,161	374,505	
Required capital for control risk	-	-	
Additional capital	-	-	
1)Counter-cyclical additional capital	-	-	
2)Additional capital of D-SIIs	-	-	
3)Additional capital of G-SIIs	-	-	
4)Other additional capital	-	-	

### **Comprehensive risk assessment**

The company received an A rating in comprehensive risk assessment for Q3 and Q4 of 2015.

## Company Updates

- **CPIC celebrates its 25<sup>th</sup> anniversary**

CPIC held a series of celebrations to mark its 25<sup>th</sup> anniversary, which falls on May 13, 2016. A company sports meeting was held in Shanghai, with nearly 4000 employees participating. CPIC Life convened its 20<sup>th</sup> Elite Agents Forum, while CPIC P/C launched a programme to provide extra services to its customers. Besides, on the eve of the anniversary, new posters were released in Shanghai's airports as well as on the city's landmark buildings to express the company's gratitude to its employees and customers.

- **CPIC Life rated A1 by Moody's**

Recently, Moody's finished its credit-rating of CPIC Life. The A1 rating (negative outlook) is based on an evaluation of a wide range of aspects of the company's business and financial strength such as market stature, distribution network, products, asset quality, solvency position, profitability and liquidity as well as ALM, financial resilience and the support from both the parent company and the government. The rating reflects positively on the company, which, as the rating agency's report points out, enjoys a leading nationwide franchise and strong branding, with the focus on the agency channel and much reduced dependence on bancassurance. It pursues long-term value growth underpinned by suitable product portfolios and at the same time shows strong financial resilience. This rating is higher than most of its domestic peers and only next to China Life. The negative outlook is in line with the downward revision of the outlook of the Chinese Government from stable to negative, given the support the company receives from the government.

- **CPIC P/C He'nan Branch issues China's first weather index insurance policy for tea**

The policy provides low temperature & frost cover for teas grown in the Xinyang Prefecture of He'nan Province, as the biggest risk for tea growing is the sudden drop of temperatures in springtime. The product compensates for output losses sustained by tea farmers when the temperature falls below 0 during a period of one month before the harvesting.

## Regulatory Updates

- **CIRC releases new rules on information disclosure for major investments in unlisted equities and real estate**

The rule, fully known as Information Disclosure Standard No. 4 for Fund Utilisation of Insurance Companies: Major Investments in Unlisted Equities and Real Estate, consists of 16 articles and clearly defines the scope and applicability of information disclosure on insurance companies' unlisted equity and property investments. The new regulation requires both phased and

follow-up disclosure, i.e, when investment agreements are signed and when funds are transferred. In the event of material changes to the transaction, follow-up disclosure is also required. The regulation seeks to strengthen the alignment with listing rules, providing for waivers for information already disclosed under listing rules. The rule also steps up regulation of concerted parties. Information disclosure is required when insurance companies co-invest with their associates or concerted parties and when the invested amounts exceed the thresholds.

The new standard is another move of the regulator to improve its market-based supervisory mechanisms and to prevent and mitigate insurance companies' investment risks. Additional reporting requirements will help with the effectiveness and timeliness of regulation. It also improves the transparency surrounding insurance companies' investments, which can serve as an external constraint for insurers' investment activities.

#### ● **Commercial automobile insurance deregulation launched in Gansu Province**

In accordance with the plan of the 2016 National Insurance Regulation Work Meeting, Beijing, Shanghai, Jiangsu and the other 15 provinces and municipalities have launched their pilot programme recently. On top of that, on April 29th, Gansu Province became the first of the 3<sup>rd</sup> batch of provinces where the pilot is launched.

Since the beginning of the year, the reform of the terms & clauses and pricing mechanism of commercial automobile insurance has been proceeding steadily. The 1<sup>st</sup> phase of the pilot covered 6 regions, and the 2<sup>nd</sup> phase 12, both showing positive results. First, most of the insurance consumers benefited from this reform. In the 1<sup>st</sup> phase areas, the number of written policies increased by 20.20%, with premium per policy falling by 7.69%. The figures were 19.47% and 6.64% respectively for the 2<sup>nd</sup> phase. Second, the automobile insurance market remains stable, with certain signs of improvement. In Q1 of 2016, the 1<sup>st</sup> phase areas recorded a premium income of 25.866 billion yuan, up 11.3%, with a combine ratio of 94.18%, down by 1.32 percentage points quarter-on-quarter and by 2.09 percentage points versus the level before the pilot. Premiums of the 2<sup>nd</sup> phase provinces were 59.090 billion yuan, up 12.12%, with a combine ratio of 94.37%, down by 1.66 percentage points quarter-on-quarter and by 2.26 percentage points versus the level before the pilot.

Next, the regulator will ensure that insurance companies implement the reform in an all-around way, and take effective steps to improve their business management and customer services.

#### ● **A big step forward for China's catastrophe insurance system**

Recently, CIRC and MOF jointly promulgated The Implementation Regulations on the Establishment of Earthquake Insurance System for China's Rural and Urban Residential Buildings, which marks a milestone step

forward in the country's catastrophe insurance system.

The document sets forth the principles on which China's earthquake insurance system will work, i.e, government sponsorship, market-based operation and improved protection of the Chinese people. The system covers residential buildings in rural and urban areas against quakes and related secondary hazards such as tsunami, fires, explosions and mudslides. In the beginning, the minimum sum assured varies between cities and the countryside, namely, 50000 yuan for urban buildings and 20000 for rural ones. The final level of protection can be determined through consultation between the insured and insurance companies, and is capped at 1 million for now. The policy terms & clauses, for a start, will be based on the standard version released by the Insurance Association of China, which can either serve as a standalone product or riders bundled with homeowners' insurance. The tariffs will be differentiated depending on geographies and building structures.

To ensure effective risk transfer, the system adopts a multi-tiered structure for loss-sharing. The top 4 tiers consist of the insured, insurance companies, reinsurers and special reserves. When the 5<sup>th</sup> tier, i.e, fiscal money or other emergency funds are not available, the claims pay-out will be on a proportional basis up to a certain limit. To ensure smooth implementation, for the start, 45 property and casualty insurers will form an insurance consortium to consolidate underwriting capacity, build business platforms and formulate uniform underwriting and claims management standards.