

CPIC (SH601601, HK02601)
Stock Data (ending May. 31, 2016)

Total equity base(in million)	9,062
A-share	6,287
H-share	2,775
Total Cap (in RMB million)	233,968
A-share	171,572
H-share (in HK dollar million)	73,676
5months 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 May	Changes	May	Changes
Premium Income				
-P&C	41,481	2.6%	7,511	(4.6%)
-Life	68,662	33.4%	9,481	24.5%

Company Updates

● CPIC Ranks Higher on Forbes Global 2000

Forbes released its Global Ranking of the World's Top 2000 Listed Companies on May 26th. CPIC was ranked 131st, up 42 notches from last year.

The ranking was based on a number of factors such as revenue, profits, total assets and market caps. In 2015, CPIC recorded an operating revenue of 247.2 billion yuan, up 12.5%, with net profits of 17.7 billion yuan, up 60.4%. As of the end of 2015, its assets totaled 923.8 billion, and Group EV amounted to 205.6 billion yuan, up 12.0% and 20.0% respectively from the end of 2014.

● CPIC and Baidu to Form Joint Online Insurance Company

China Pacific Property Insurance Co., Ltd. (CPIC P & C), a subsidiary of China Pacific Insurance (Group) Co., Ltd. (CPIC Group), and Baidu, China's leading search engine, announced their plan to establish an online insurance company to provide innovative automobile insurance services to vehicle owners. Subject to the approval from China Insurance Regulatory Commission (CIRC), the new company will focus on automobile insurance and related services, and is committed to becoming China's first technology oriented Internet automobile insurance company that is truly driven by big data.

GU Yue, Chairman and General Manager of CPIC P & C, said: "As one of the most important insurance products, auto insurance has an impact on the daily lives of the vast majority of residents. We look forward to the successful integration of technology and traditional insurance business through the cooperation, providing more innovative products and better service experiences for the new generation of digital savvy and young consumers."

"Mobile Internet is promoting the rapid development of big data and digitalization, which not only makes Internet + insurance inevitable, but also provides the endless possibilities for auto insurance innovation," said Ya-Qin Zhang, President of Baidu. "Leveraging advantages from both sides, the new company will explore new models for auto insurance products design, risk control and operations, setting a valuable benchmark for the development of Internet + insurance for the industry."

The new company will leverage Baidu's abilities in big data modeling, machine learning and deep learning, as well as the actuarial pricing capability and offline servicing networks resources of CPIC P & C.

Baidu is one of the largest Internet companies in the world, and brings unparalleled user reach and data analytics capabilities, with over 660 million monthly active users of mobile search and 14 apps with over 100 million daily active users each. Already servicing more than 300 million monthly active users, among which over 100 million are automobile owners, Baidu Maps provides a comprehensive range of services for car owners, including gas

refills, repair and maintenance, designated drivers and auto insurance, etc. With one of the largest deep neural networks in the world, Baidu will contribute its leading big data processing capabilities to provide improved risk management. Baidu's artificial intelligence-based telematics products will also provide innovative insights for the various auto insurance products to come.

- **CPIC Life's Newly-launched Niche Critical Illness Product Garner 700 million in Premiums**

“Shao'er Chaonengbao”, a customized critical illness product for children, was launched on May 20, and has met with warm reception on the market. On the day of its debut, the product garnered 230 million yuan in sales, a record in the history of CPIC Life. Between then and the end of May, total premium exceeded 700 million, with 150000 agents generating 250000 policies, 76% of which were new customers.

The niche product caters for the juvenile customer segment, and offers comprehensive protection, with a return of premiums upon policy maturity.

Regulatory Updates

- **Shanghai Insurance Exchange Inaugurated in Beijing**

The inauguration as well as the 1st Shareholders' Meeting of the Shanghai Insurance Exchange was held in Beijing. Mr. LIANG Tao, vice chairman of CIRC attended and made the key-note speech.

LIANG Tao points out that the Exchange is another move of the CIRC to implement The Opinions on Accelerating the Development of the Modern Insurance Industry by the State Council, and will serve as a boost to the supply-side reform of insurance sector and the inclusive financial system.

The Exchange seeks to set up business platforms for international reinsurance, international marine insurance, tendering for major insurance programmes and diversification of specialty risks. The establishment will follow a step-by-step approach, covering 3 stages, i.e., consolidating the foundation, improving services and putting in place a fully-fledged system.

The registered capital for the first phase was 2.235 billion yuan, contributed by 91 shareholders, 75% of which were insurance companies. At the Shareholders' Meeting, the 1st Board of Directors and Board of Supervisors were elected. The Exchange will be officially up and running when certain legal procedures are finished.

- **CIRC Tightens Regulation of Commercial Auto Insurance Products**

CIRC recently issued an ordinance, suspending the use of new rates and policy terms by 6 property and casualty insurers which include China Continental, China United, Hua'an, Anhua, Bohai and Ancheng. The move is intended to rein in irrational competitions and protect the interests of insurance consumers.

A review of the reform shows that customers have generally benefited

from the pilot and most of the insurance companies' automobile business has been operating stably with signs of improvement. But for certain players, there was a big deviation between the actual results and the expected ones on important indicators. Next, the regulator will continue to step up its supervision of automobile insurance products to safeguard the interests of consumers while ensuring the stable operation of the auto insurance market.

● **Vice Chairman of CIRC Talks about Automobile Insurance Deregulation**

At a seminar hosted by CIRC, CHEN Wenhui, vice chairman of the regulator, reviewed the pilot programme of commercial auto insurance reform and highlighted the priorities on CIRC's agenda for the next step.

According to Mr. Chen, the pilot has achieved impressive preliminary success. First, the scope of insurance coverage was expanded. The new policy terms effectively addressed earlier public complaints about the mismatch of high premiums and unfairly low claims pay-outs. Second, consumers' auto insurance expenses fell. For the first 4 months of the year, premium per vehicle dropped by 6.8% in the pilot regions. Third, the penetration of automobile insurance improved, with the number of commercial automobile policies growing by 21.7%, and 73.6% of compulsory customers would take out commercial policies, up 4.1 percentage points. Fourth, there was increased level of protection, with average Sum Assured rising from 419,000 yuan to 488,000 yuan. Fifth, top-line growth remained largely stable, with the premium growth in pilot regions growing by double digits, on a par with the rest of the country.

On the other hand, the vice chairman also warns of certain problems and challenges. Some insurance companies are "reluctant to change", pinning hopes on government intervention to ensure their market share and profitability. While the industry's loss ratio improved, the expense ratio deteriorated, pointing to intensified competitions and low efficiency of the automobile market. In the short term, the regulator will step up market supervision to guarantee market stability. At the end of the day, these problems will be solved by the deepening of market-based reforms, so that insurance companies can have more room for differentiated competition.

● **CIRC Rectifies "Channel Business" by Insurance AMCs**

CIRC recently issued The Circular on Cleaning Up and Regulating the Channel Business of Insurance Asset Management Companies. The document is intended to enhance investment management to mitigate and prevent risks of funds embezzlement and frauds which may arise from lax internal control. The "channel business" mainly refers to the arrangement between banks and insurance AMCs so that bank could move their deposits out of balance sheets to bypass regulatory limits. The "cleaning up" will last till the end of July, and until then, such channel business would be frozen. Statistics released by the China Insurance Asset Management Association

indicate that as of the end of April, 2016, insurance AMCs issued over 1.4 trillion yuan in debt/ equity/project asset backed investment schemes. Estimates put the volume of the “channel business” by insurance AMCs at over 1 trillion. .

● **CIRC Solicits Opinions for Amendment of AOA Guidelines**

The regulator is considering an amendment of The Guidelines for the Articles of Association of Insurance Companies, and is now soliciting opinions for the Exposure Draft. The amendment seeks to help with insurance companies’ business operation through improvement of their governance.

Under the Exposure Draft, insurance companies should compile the list of promoters and disclose details of their shareholding structure.

The draft also requires insurance companies to specify more details and numerical thresholds for the approval of major transactions such as investments, asset purchases and disposals.

The draft also contains specific regulations relating to the Shareholders’ Meeting, the Board of Directors and the Board of Supervisors. The insurance companies shall, in their Articles of Association, specify the voting procedures and the avoidance of Related Party Shareholders for the review of related party transactions by the Shareholders’ Meeting. The draft also encourages a board composed by 7-13 directors.