

**CPIC (SH601601, HK02601)**
**Stock Data ( ending Oct 31, 2015)**

Total equity base(in million)	9,062
A-share	6,287
H-share	2,775
Total Cap (in RMB million)	225,517
A-share	155,037
H-share (in HK dollar million)	86,025
10 month highest/lowest (in	
A-share	36.96/19.01
H-share (HK dollar)	44.1/25.55

**Investor Relation Calendar**

Nov11-12,2015  
 Goldman Sachs 2015 Greater China  
 Conference  
 Shanghai

Dec 1-2,2015  
 Credit Suisse APAC Financials Corporate  
 Day  
 Hong Kong

Dec 3-4,2015  
 Morgan Stanley A share corporate Day  
 Shenzhen

Dec 8-10,2015  
 Haitong Securities 2016 investment strategy  
 confence  
 Shanghai

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

Indicator	Jan. to October	Changes	October	Changes
<b>Premium Income</b>				
-P&C	77,720	0.6%	7,088	5.7%
-Life	97,567	10.4%	8,015	4.6%

## Briefing

**During an interview with Xinhua News Agency, Gao Guofu, chairman of CPIC talks about the company's digital strategies and roadmap. The interview was one of a series by the news media with CEOs of Shanghai's financial institutions.**

### Three Approaches to Digital CPIC

Gao Guofu indicates that in the age of mobile internet, the company will take a 3-pronged approach towards digitalisation, and is working on partnerships with China's internet firms.

One is to start with databases to achieve the digitalisation of distribution channels and services. To this end, the company has rolled out 19 projects, seeking to transform customer data into customer insights to underpin business development. CPIC has 90 million customers, and has finished customer profiling in 79 of its branch offices.

Previously, the company established an on-line services subsidiary to promote online-offline integration. To date, the company's e-commerce platform and customer service *Wechat* respectively have over 7.8 million and 4 million registered users.

Second is the digitalisation of business processes so that customer data can be transformed into products and services. The company has delivered some initial success in this area, such as the inauguration of the CPIC Lab for Mobile Apps, the first of its kind in the industry, and the electronic signatures which helped to reduce the policy issuance turnaround from up to 7 days to minimum 15 minutes.

Gao Guofu also elaborated on the company's big data strategy and its implementation. To date, 30 million CPIC customers have experienced the convenience of services underpinned by new technologies. Last month, over 50% of the company's responses to post-sales service requests were delivered via mobile apps.

Third and ultimately, the entire business model will be re-engineered using digital technology. Now the company is stepping up all-around co-operation with internet firms. Gao Guofu says: "Generations X and Y are all digital consumers. No financial services firm can afford not to adapt to this trend of digitalisation."

## Q&A for Q3 Results

### 1. Your Q3 earnings jumped by 77%, better than those of your peers. Why?

(1) On the back of strong investment performance, there has been strong earnings across the board.

(2) The big market volatility in the middle of the year may have impacted listed companies by varying degrees, due to differences amongst listed companies in asset allocation, classification of financial assets and the sale of equities.

(3) CPIC has been optimising its asset entrustment model, adhering to ALM principles, with relatively low exposure to equities. The investment results of the first 3 quarters showed a good balance of risk and reward.

(4) The change of the reserve evaluation rate led to higher liabilities, impacting listed firms' earnings by varying degrees.

### 2. What was the main driver of strong FYP growth from your individual business in Q3? How was the profit margin trending?

(1) Half year FYP growth from the individual business was 33.6%, and for the first 3 quarters the rate topped 66%, driven largely by a participating annuity product we launched in Q3.

(2) The product in question offered more attractive return of premiums and had lower profit margin.

(3) The rationale: first is to maintain some short-term flexibility in product strategies while adhering to sustainable value growth, balancing between value and volume on the back of stable overall margin. Second is to improve the agency productivity and retention.

### 3. Some of your peers adjusted reserve evaluation rate for traditional insurance. Did you do the same?

(1) We also noticed that some of our peers disclosed such accounting estimates changes.

(2) The reserve evaluation rate for traditional business has 2 components, government bond 750 moving average and risk premium. Due to declining government bond yields, the moving average had negative impact on the earnings of all listed firms.

(3) As for risk premiums, we did not make any adjustment in Q3.

### 4. Could you quantify the impact of the Tianjin blast on your combined ratio?

Our latest estimate ranges from 200 to 300 million yuan after reinsurance.

### 5. How do you cope with declining interest rates?

(1) We'll continue to enhance the ALM regime. In particular, our life and P/C operations have shouldered more responsibility in asset allocation and

entrustment management, looking at assets as well as liabilities, which will help with ALM. (2) We'll also step up the use of new technologies. We are working on an information platform to better underpin ALM efforts. (3) Prudence in the development of products to control the cost of liabilities. (4) Take further steps to improve and stabilise investment return, such as more allocation in long-dated assets, moderately increasing exposure to credit products and diversifying into overseas investment.

## Regulatory Updates

### ● CIRC to expand pilot of commercial motor insurance deregulation

The CIRC recently issued a circular setting out the schedule for the second phase of deregulation for motor insurance in 12 provinces and municipalities, i.e. Tianjin, Inner Mongolia, Jilin, Anhui, Henan, Hunan, Guangdong, Sichuan, Qinghai, Ningxia, and Xinjiang. The expanded programme will be officially kicked off January 1, 2016.

The regulator also points out that since the launch of the first phase of the programme, the market in the pilot regions has been running stably, with consumers on the whole benefitting from lower premiums.

### ● CIRC tightens regulation of non-insurance financial products

Recently the regulator amended The Circular on the Tightening of Regulation of the Sale of Non-insurance Financial Products. The amendment, intended to prevent contagion and mitigate risks, basically contains changes in five areas. First, it clarifies the scope of products that can be sold. Only products that have been explicitly approved by regulators are eligible for sale. Second, it emphasizes the requirement for qualification for the sale non-insurance products. Third, the amendment stipulates for more "legal and management responsibility" of insurance companies in the event of any violations or breaches. Fourth, it adds new rules specifically for the sale of products via the internet. Fifth, the amendment puts more supervisory responsibility on the shoulders of CIRC's local commissioners.

## Company Updates

- **CPIC actively involved in the honesty campaign for listed firms**

Regulations on the Supervision of Honesty of the Securities and Futures Markets, which entered into force Sep. 1, 2012, was the first administrative rule on honesty oversight. Over the years, CPIC has been vigorously pushing for programmes on the front, and has rolled out a series of initiatives. Honesty has been integrated into the company's core values. The company also formulated policies on inside information management and the work procedures for provisional announcements, which helps to improve its transparency. The company has well-defined dividend policy, focusing on consistency and stability.