

China Insurance Sector

FY21 results preview

Chinese insurers are scheduled to report FY21 results in the last two weeks of March 2022. We expect PICC P&C's combined ratio to remain largely stable in FY21 compared to 9M21 at around 99%, as the insurer has fully digested impacts of the comprehensive auto insurance reform, which started in Sep 2020. For major life insurers, we expect to see over 20% VNB (Value of New Business) declines i.e. Ping An, China Life, CPIC and New China Life, owing to: 1) shrinking scales of agency force, 2) margin contractions on the back of sluggish sales on critical illness products. We cut FY22 VNB estimates and trim the TPs of covered life insurers, given weaker-than-expected new business momentum and slow sales of protection products in the jumpstart season. That said, we believe current H share prices of life insurers have already factored the worst case scenario of growth outlook. We maintain PICC P&C (2328 HK) as our top pick for the sector, and also like Ping An and CPIC given their proactive agency upgrades.

- Expect major life insurers to report around 20% VNB declines for FY21.** We think the weak FY21 results has already been priced in by the market. For life insurers, we expect to see 23% VNB decrease for Ping An, 20% decline for CPIC, 22% decrease for China Life and 26% decline for New China Life in FY21. We expect PICC P&C to deliver around 99% combined ratio.
- Cut FY22E VNB due to slower-than-expected jumpstart sales.** Major life insurers reported slow premium income momentum in January. We estimate the agency FYP of China Life/Ping An Life/CPIC Life/New China Life/Taiping Life to drop approx. 10%/20%/35%/25%/15% YoY in jumpstart season. Owing to this weaker-than-expected new business momentum YTD, we cut FY22E VNB forecasts and trim the TPs of covered life insurers. We also lower the TP of Zhong An given their weakened premium growth amid tightened regulations on online insurance business.
- Valuation:** Chinese insurers' H-share valuation is currently down to a historical trough. Life insurers' H shares are trading at 0.12x -0.5x P/EV FY22E and 0.3x-0.9x P/BV FY22E, PICC P&C is now trading at 0.6x P/BV FY22E. We maintain PICC P&C (2328 HK) as our top pick for the insurance space, and also like Ping An and CPIC given their proactive agency upgrades.

Valuation Table

Name	Ticker	Mkt Cap (LC bn)	Price (LC)	P/EV (x)		P/B (x)		ROE (%)	
				FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Ping An	2318 HK	1,064.0	54.60	0.6 x	0.5 x	1.0 x	0.9 x	13.0	13.6
China Life	2628 HK	783.1	12.08	0.2 x	0.2 x	0.6 x	0.5 x	10.9	11.5
CPIC	2601 HK	270.4	20.50	0.3 x	0.3 x	0.7 x	0.6 x	11.7	12.1
NCL	1336 HK	118.9	21.65	0.2 x	0.2 x	0.5 x	0.4 x	14.3	13.7
Taiping	966 HK	32.7	9.06	0.2 x	0.1 x	0.3 x	0.3 x	8.3	8.4
PICC Group	1339 HK	220.4	2.41	0.3 x	0.3 x	0.4 x	0.4 x	10.6	11.2
PICC P&C	2328 HK	171.0	7.66	n.a.	n.a.	0.7 x	0.7 x	11.4	12.2
Zhong An	6060 HK	37.3	23.65	n.a.	n.a.	1.6 x	1.5 x	0.1	0.1
Ping An -A	601318 CH	826.9	46.91	0.6 x	0.6 x	1.0 x	1.0 x	13.0	13.6
China Life-A	601628 CH	610.2	25.93	0.6 x	0.6 x	1.5 x	1.4 x	10.9	11.5
CPIC-A	601601 CH	208.9	24.08	0.5 x	0.4 x	1.0 x	0.9 x	11.7	12.1
NCL-A	601336 CH	90.5	35.20	0.4 x	0.4 x	0.9 x	0.9 x	14.3	13.7
PICC Grp-A	601319 CH	172.2	4.39	0.7 x	0.6 x	0.9 x	0.8 x	10.6	11.2
			Average	0.4 x	0.4 x	0.9 x	0.8 x	10.8	11.1

Source: Company data, CMBIGM estimates

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China Insurance Sector

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Chinese insurers: FY21 earnings results reporting schedule

Name	FY21 results release date
PICC Group	25-Mar after market close
PICC P&C	25-Mar after market close
Taiping	23-Mar after market close
China Life	24-Mar after market close
Zhong An	23-Mar after market close
Ping An	17-Mar after market close
NCL	29-Mar after market close
CPIC	27-Mar afternoon

Source: Company data

Chinese insurers: New Ratings and Target Prices

Ticker	Rating	TP(LC)	Upside
2318 HK	Buy	81.40	49%
601318 CH	Buy	67.56	44%
2628 HK	Buy	18.18	50%
601628 CH	Sell	18.10	-30%
2601 HK	Buy	30.49	49%
601601 CH	Buy	30.37	26%
1336 HK	Buy	32.35	49%
601336 CH	Sell	26.85	-24%
966 HK	Buy	11.48	27%
1339 HK	Buy	3.58	49%
601319 CH	Sell	3.72	-15%
2328 HK	Buy	11.54	51%
6060 HK	Buy	33.20	40%

Source: CMBIS

Recent Reports:

- China Insurance – P&C growth rebound; Life slow momentum into 1Q22; Prefer P&C over life insurance in 1H22 – 10 Dec 2021 ([link](#))
- PICC P&C (2328 HK) – Auto growth pick up; Non-auto UW to improve – 10 Dec 2021 ([link](#))
- China Financials Weekly – Manageable Impacts from Russia-Ukraine Crisis – 11 Mar 2022 ([link](#))
- China Financials Weekly – Strong P&C momentum in Jan – 19 Feb 2022 ([link](#))

Figure 1: Chinese insurers: PO and ratings changes

	Ticker	Previous Rating	Previous TP (LC)	New Rating	New TP (LC)
Ping An	2318 HK	Buy	87.02	Buy	81.40
	601318 CH	Buy	72.23	Buy	67.56
China Life	2628 HK	Buy	18.41	Buy	18.18
	601628 CH	Sell	18.34	Sell	18.10
CPIC	2601 HK	Buy	36.98	Buy	30.49
	601601 CH	Buy	36.84	Buy	30.37
NCL	1336 HK	Buy	34.04	Buy	32.35
	601336 CH	Sell	28.26	Sell	26.85
Taiping	966 HK	Hold	14.21	Buy	11.48
PICC Group	1339 HK	Buy	3.57	Buy	3.58
	601319 CH	Sell	3.70	Sell	3.72
PICC P&C	2328 HK	Buy	11.53	Buy	11.54
Zhong An	6060 HK	Buy	44.27	Buy	33.20

Source: Company data, CMBIGM

Figure 2: Chinese insurers: Valuation comparison

Ticker	Company	Price(LC)	Rating	TP(LC)	Upside	P/BV				Dividend yield			
						FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
2318 HK	Ping An	54.60	Buy	81.40	49%	1.1 x	1.0 x	0.9 x	0.9 x	5.0%	5.1%	5.6%	6.3%
2628 HK	China Life	12.08	Buy	18.18	50%	0.6 x	0.6 x	0.5 x	0.5 x	6.4%	6.3%	7.2%	7.8%
2601 HK	CPIC	20.50	Buy	30.49	49%	0.7 x	0.7 x	0.6 x	0.6 x	7.6%	7.9%	8.7%	9.8%
1336 HK	NCL	21.65	Buy	32.35	49%	0.6 x	0.5 x	0.4 x	0.4 x	7.7%	8.4%	9.0%	10.2%
966 HK	Taiping	9.06	Buy	11.48	27%	0.4 x	0.3 x	0.3 x	0.3 x	4.4%	6.1%	8.0%	9.0%
1339 HK	PICC Group	2.41	Buy	3.58	49%	0.4 x	0.4 x	0.4 x	0.3 x	7.8%	8.7%	9.9%	11.3%
2328 HK	PICC P&C	7.66	Buy	11.54	51%	0.8 x	0.7 x	0.7 x	0.6 x	5.9%	6.3%	7.2%	8.5%
6060 HK	Zhong An	23.65	Buy	33.20	40%	1.7 x	1.6 x	1.5 x	1.3 x	0.0%	0.0%	0.0%	0.0%
601318 CH	Ping An	46.91	Buy	67.56	44%	1.1 x	1.0 x	1.0 x	0.9 x	4.8%	4.9%	5.4%	6.1%
601628 CH	China Life	25.93	Sell	18.10	-30%	1.6 x	1.5 x	1.4 x	1.3 x	2.5%	2.4%	2.8%	3.0%
601601 CH	CPIC	24.08	Buy	30.37	26%	1.0 x	1.0 x	0.9 x	0.8 x	5.4%	5.6%	6.1%	6.9%
601336 CH	NCL	35.20	Sell	26.85	-24%	1.1 x	0.9 x	0.9 x	0.8 x	3.9%	4.3%	4.6%	5.2%
601319 CH	PICC Group	4.39	Sell	3.72	-15%	1.0 x	0.9 x	0.8 x	0.8 x	3.6%	4.0%	4.5%	5.2%

	Company	P/EV (Group)				New Business Multiplier				ROE(%)			
		FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
2318 HK	Ping An	0.6 x	0.6 x	0.5 x	0.5 x	(10.1) x	(15.3) x	(19.7) x	(22.1) x	19.9%	13.0%	13.6%	14.1%
2628 HK	China Life	0.3 x	0.2 x	0.2 x	0.2 x	(13.5) x	(19.5) x	(21.7) x	(23.3) x	11.8%	10.9%	11.5%	11.3%
2601 HK	CPIC	0.4 x	0.3 x	0.3 x	0.3 x	(16.1) x	(21.9) x	(27.2) x	(26.7) x	12.5%	11.7%	12.1%	12.6%
1336 HK	NCL	0.2 x	0.2 x	0.2 x	0.2 x	(20.1) x	(29.5) x	(33.8) x	(33.9) x	15.4%	14.3%	13.7%	14.0%
966 HK	Taiping	0.2 x	0.2 x	0.1 x	0.1 x	(18.0) x	(21.3) x	(23.5) x	(23.9) x	7.8%	8.3%	8.4%	8.7%
1339 HK	PICC Group	0.3 x	0.3 x	0.3 x	0.3 x	(41.3) x	(64.6) x	(71.0) x	(76.0) x	10.4%	10.6%	11.2%	11.8%
601318 CH	Ping An	0.6 x	0.6 x	0.6 x	0.5 x	(9.5) x	(14.6) x	(18.9) x	(21.4) x	19.9%	13.0%	13.6%	14.1%
601628 CH	China Life	0.7 x	0.6 x	0.6 x	0.5 x	(5.8) x	(9.6) x	(11.9) x	(13.8) x	11.8%	10.9%	11.5%	11.3%
601601 CH	CPIC	0.5 x	0.5 x	0.4 x	0.4 x	(12.4) x	(17.3) x	(22.1) x	(22.2) x	12.5%	11.7%	12.1%	12.6%
601336 CH	NCL	0.5 x	0.4 x	0.4 x	0.4 x	(14.2) x	(21.6) x	(25.4) x	(26.1) x	15.4%	14.3%	13.7%	14.0%
601319 CH	PICC Group	0.7 x	0.7 x	0.6 x	0.6 x	(17.0) x	(29.8) x	(36.6) x	(42.9) x	10.4%	10.6%	11.2%	11.8%

	Company	P&C premium growth				Combined ratio				Expense ratio			
		FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
2318 HK	Ping An	5.5%	-5.5%	10.0%	10.0%	99.1%	98.0%	98.0%	98.0%	38.6%	36.5%	36.5%	36.5%
2601 HK	CPIC	11.1%	3.4%	9.6%	9.6%	99.0%	99.7%	99.7%	99.7%	37.6%	27.0%	27.0%	27.0%
966 HK	Taiping	3.5%	-2.1%	5.0%	5.0%	103.9%	105.0%	103.0%	101.0%	48.6%	48.0%	45.0%	45.0%
2328 HK	PICC P&C	0.0%	4.0%	10.0%	10.0%	98.9%	99.0%	98.6%	98.2%	32.7%	27.0%	26.8%	26.8%
6060 HK	Zhong An	0.1%	0.2%	0.2%	0.2%	102.5%	99.2%	98.5%	97.7%	48.4%	51.0%	49.8%	49.0%

Source: Company data, CMBIGM

Figure 3: Chinese insurers: Forecast revisions

(RMB)		New forecast			Old forecast			Changes		
		FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Ping An	VNB/share	2.10	2.01	2.20	2.21	2.32	2.55	-5.1%	-13.7%	-13.7%
	EV/share	77.49	84.73	93.94	78.83	88.31	98.57	-1.7%	-4.1%	-4.7%
	EPS	5.63	6.38	7.18	6.85	7.99	8.35	-17.8%	-20.1%	-14.0%
	BVPS	45.04	48.87	53.18	46.17	51.40	56.62	-2.5%	-4.9%	-6.1%
China Life	VNB/share	1.61	1.61	1.67	1.67	1.74	1.91	-3.5%	-7.1%	-12.2%
	EV/share	41.43	45.05	48.99	40.48	43.31	46.44	2.3%	4.0%	5.5%
	EPS	1.77	1.78	2.05	1.77	1.78	2.03	0.0%	0.1%	0.8%
	BVPS	17.27	18.93	20.69	17.26	18.89	20.62	0.0%	0.2%	0.3%
CPIC	VNB/share	1.53	1.37	1.56	1.60	1.73	1.92	-4.4%	-20.8%	-18.7%
	EV/share	50.51	54.38	58.63	50.68	54.97	59.33	-0.3%	-1.1%	-1.2%
	EPS	2.75	3.04	3.44	2.96	3.44	3.82	-7.0%	-11.7%	-9.8%
	BVPS	24.15	26.20	28.46	24.36	26.71	29.14	-0.9%	-1.9%	-2.4%
NCL	VNB/share	2.18	2.05	2.19	2.45	2.49	2.68	-10.9%	-17.4%	-18.3%
	EV/share	82.43	87.32	92.27	82.68	87.97	93.38	-0.3%	-0.7%	-1.2%
	EPS	5.00	5.34	6.05	5.01	5.23	5.98	-0.1%	2.3%	1.2%
	BVPS	37.15	40.98	45.41	37.17	40.87	45.26	0.0%	0.3%	0.3%
Taiping	VNB/share	2.24	2.19	2.32	2.10	2.22	2.35	6.6%	-1.4%	-1.4%
	EV/share	56.77	60.61	64.60	56.66	60.52	64.53	0.2%	0.1%	0.1%
	EPS	2.20	2.43	2.73	2.27	2.49	2.78	-2.8%	-2.3%	-1.7%
	BVPS	27.62	30.04	32.53	27.67	30.13	32.64	-0.2%	-0.3%	-0.3%
PICC Group	VNB/share	0.07	0.07	0.07	0.07	0.08	0.08	-6.7%	-8.5%	-9.4%
	EV/share	6.44	6.93	7.49	6.44	6.92	7.46	0.0%	0.2%	0.4%
	EPS	0.51	0.57	0.66	0.52	0.59	0.69	-2.2%	-3.5%	-4.5%
	BVPS	4.94	5.35	5.82	4.95	5.37	5.86	-0.2%	-0.4%	-0.7%
PICC P&C	EPS	1.00	1.15	1.36	0.99	1.14	1.34	0.5%	0.7%	0.9%
	BVPS	9.03	9.72	10.53	9.03	9.71	10.52	0.0%	0.1%	0.1%
Zhong An	EPS	0.60	0.66	1.01	0.60	0.60	0.94	-0.7%	9.2%	7.6%
	BVPS	12.63	13.43	14.62	12.64	13.38	14.49	0.0%	0.4%	0.9%

Source: Bloomberg, CMBIGM

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