

A Practical View of China P&C Insurance Market

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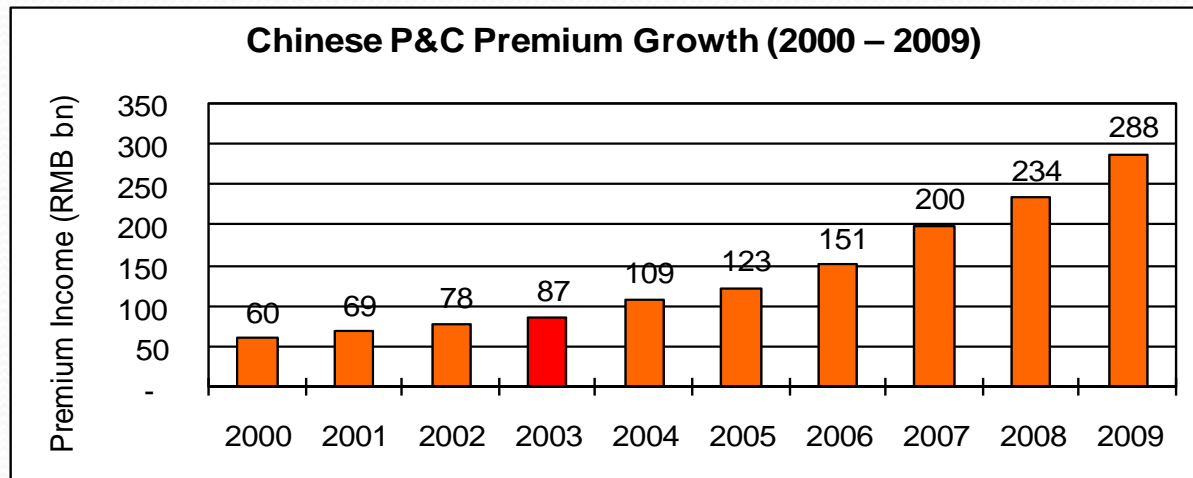
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- P&C Actuary in China
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An Overview of the Market

Outline of P&C insurance market in China

- Premium income increased rapidly, with an average growth rate at 19% per year from 2000 to 2009
- Market has become more efficient
- Continuously expanding the cover of insurance to wider areas
- Steadily expanded opening up to foreign insurers
- Regulatory strengthening and reforming



An Overview of the Market

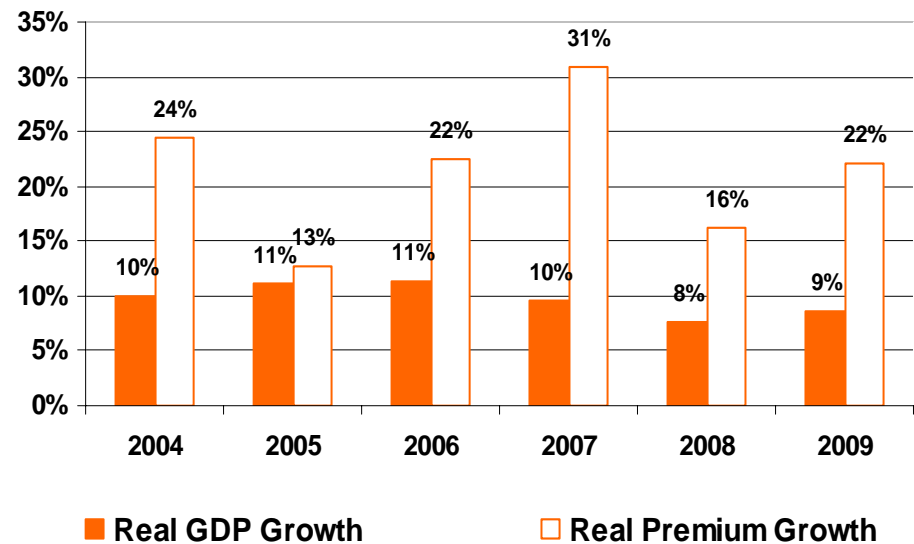
China Market Portfolio Mix

- The business structure was gradually optimized, with motor insurance still dominated in the market
- Agriculture insurance expanded tremendously with the stimulation from the government

Year	2003	2004	2005	2006	2007	2008
Total P&C Premiums (RMB bn)	87	109	123	151	200	234
% Share by LOB						
Motor	63%	68%	67%	70%	71%	69%
Enterprise Property	15%	13%	12%	10%	9%	9%
Cargo	5%	4%	4%	4%	3%	3%
Liability	4%	3%	4%	4%	3%	3%
Agriculture	1%	0%	1%	1%	2%	4%
A&H	0%	3%	4%	4%	4%	4%
Others	13%	9%	8%	8%	7%	7%

An Overview of the Market

- Premium growth has outstripped economic growth consistently
- The development of the economy will cause:
 - The improvement of financial and risk management
 - The increase in asset values
 - The insurable assets to be more complex and risky



The net effect is an **increased demand**

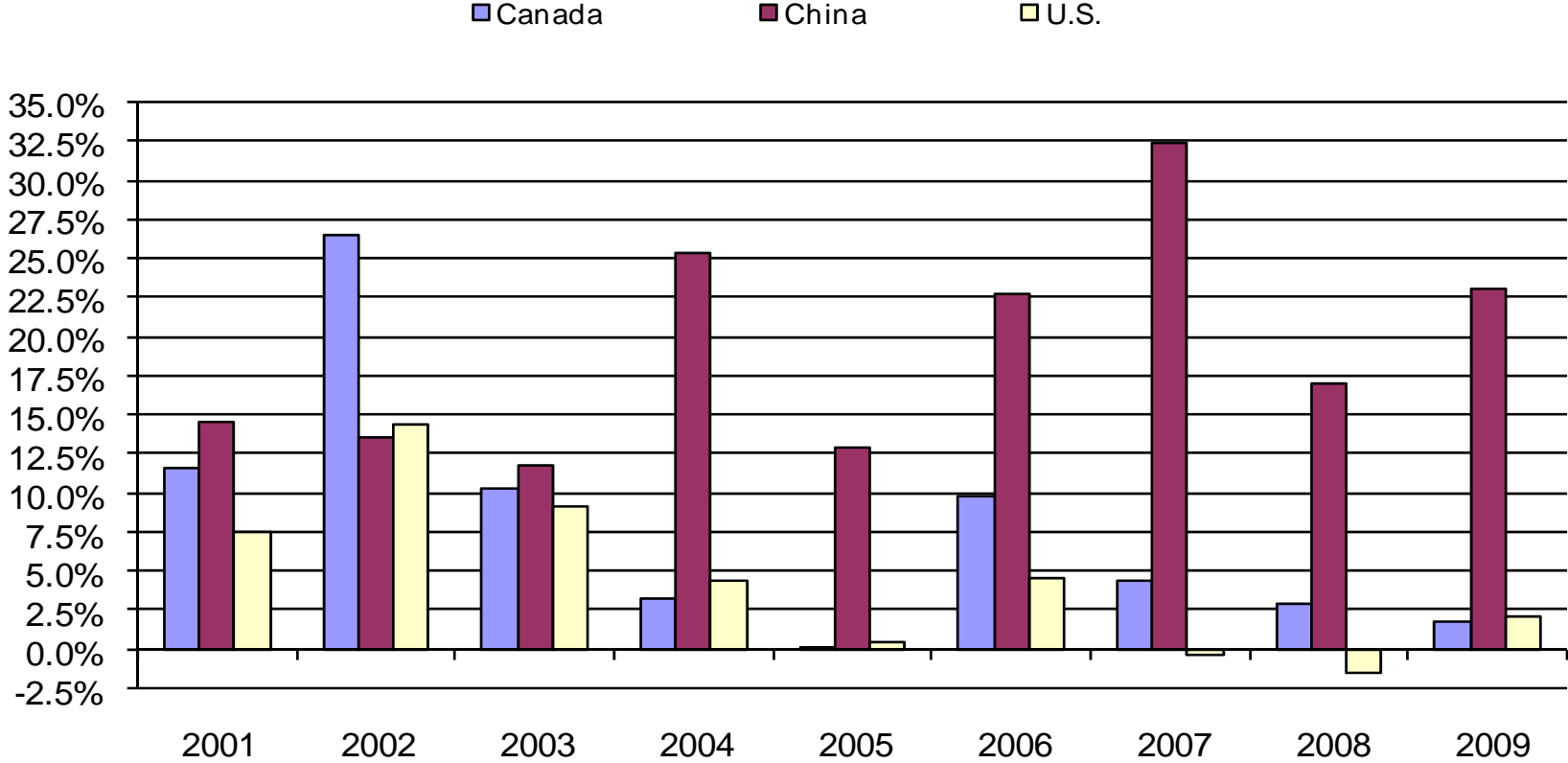


An Overview of the Market

- The growth of China P&C insurance market has surpassed U.S. And Canada markets
- The introduction of compulsory Third Party Automobile Coverage (CTP) has contributed to the 2007 growth
- The penetration rate is still low, which indicates great potential
- The per Capita spending is not comparable

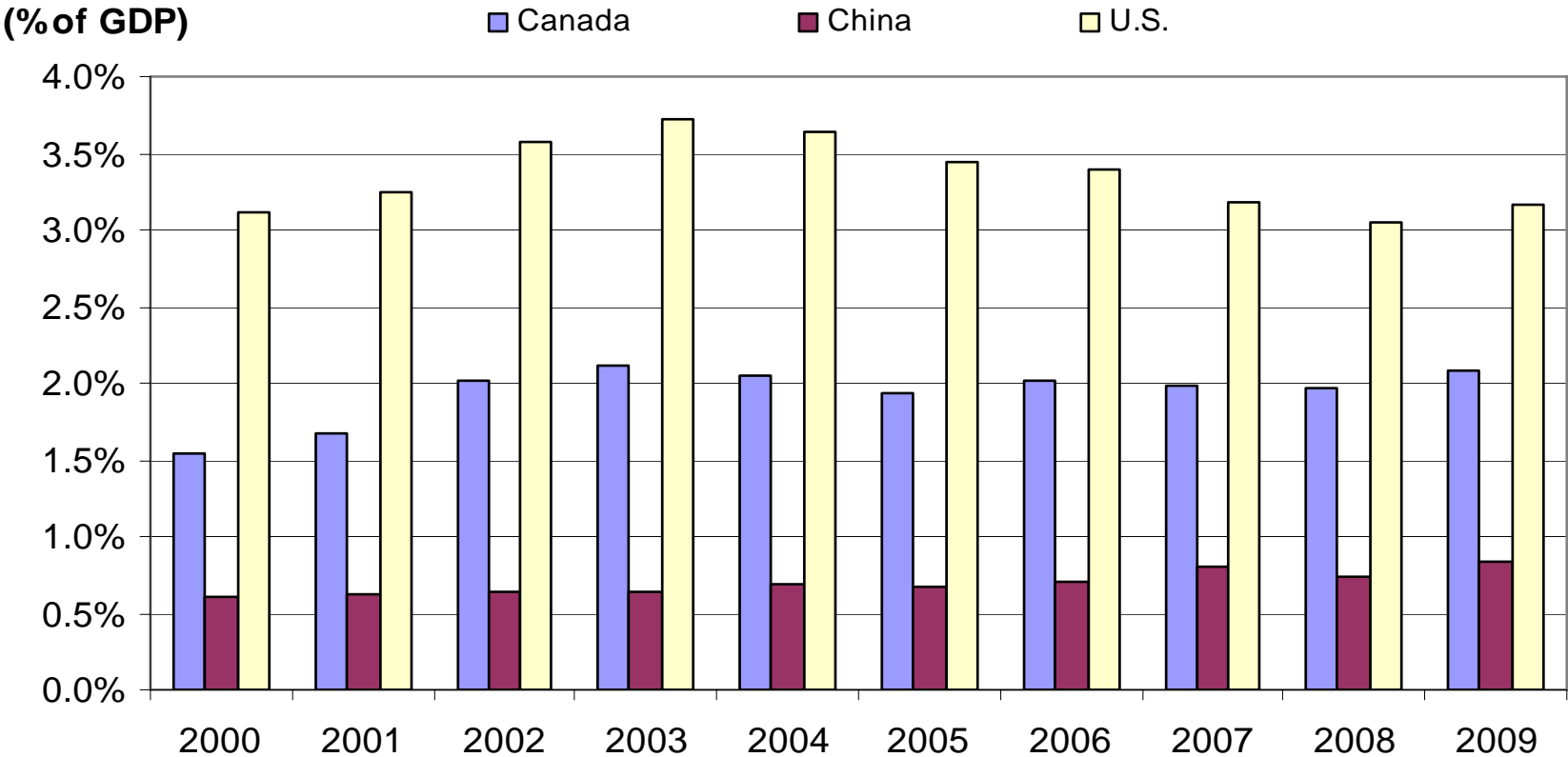
An Overview of the Market

P&C Premium Annual Growth Comparison



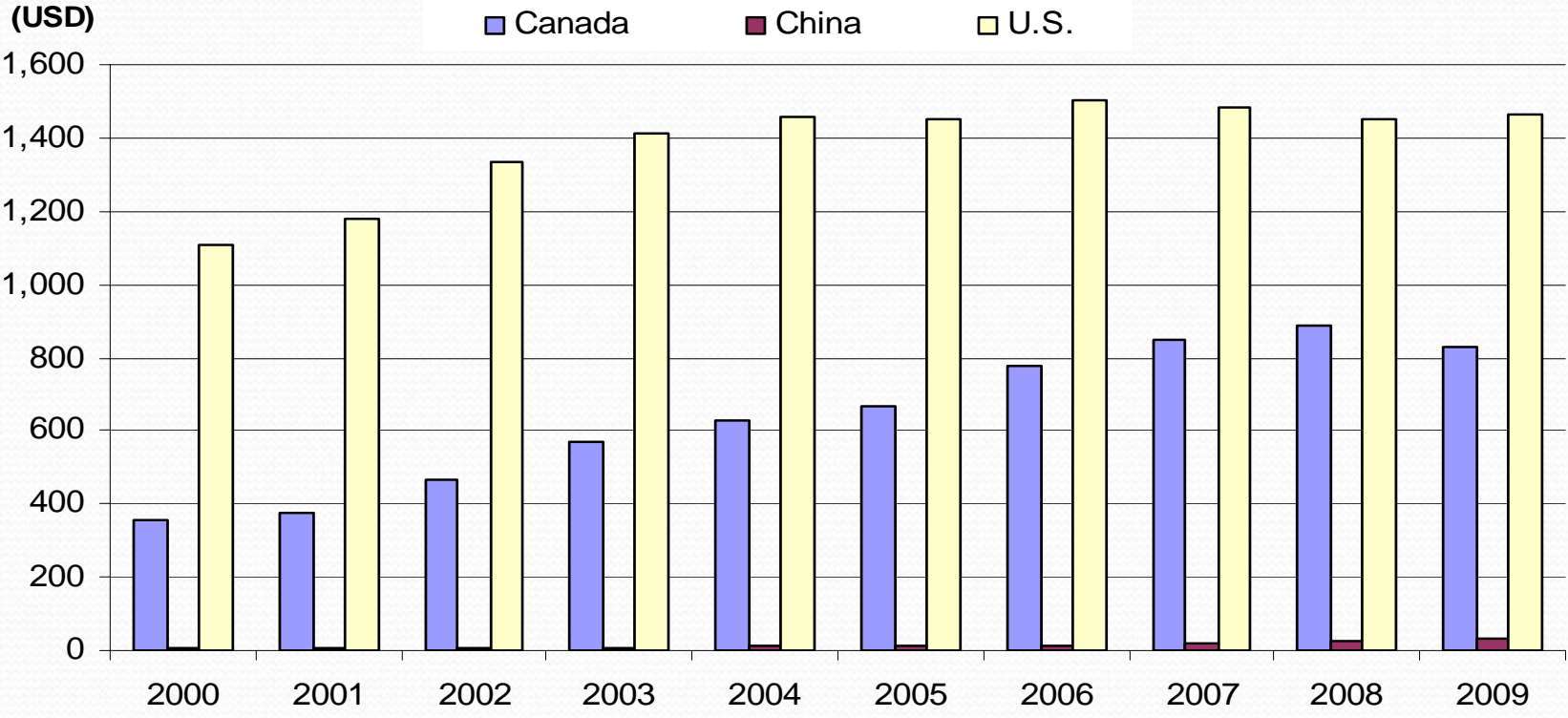
An Overview of the Market

Annual Insurance Penetration Rate Comparison



An Overview of the Market

Annual Per Capita Spend Comparison





An Overview of the Market

The development of China's P&C insurance market will be mainly driven by six key factors, they are:

- Economic development
- Rising demand for sophisticated insurance coverage
- Growing expertise of local insurance companies
- Role of foreign insurers
- Increasing significance of the broker market
- Regulatory changes

Current Market Status

Dominated by domestic insurers

- By the end of 2009 there are 34 domestic insurers and 18 foreign insurers, however the foreign insurers represent only 1.1% of the market share

Intensive competition

Comparison of Market share from 2004 to 2009 for the major companies

Company	2004	2005	2006	2007	2008	2009
PICC	58.1%	51.5%	45.1%	42.5%	41.6%	39.9%
CPIC	12.3%	11.3%	11.5%	11.2%	11.4%	11.4%
Ping An	9.5%	9.9%	10.7%	10.3%	10.9%	12.9%
Others	20.1%	27.4%	32.7%	36.0%	36.1%	35.8%

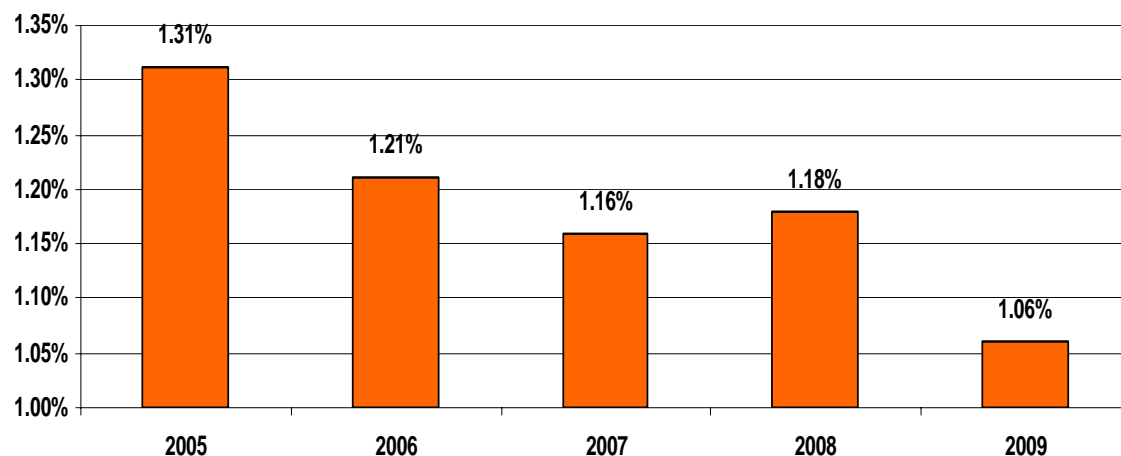
- The PICC's market share has been declining.
- Indifference in products insurers provides.
- Local Market presence is Key, especially for commercial lines.
- Direct marketing on Auto is getting hot.
- Seek reinsurance to satisfy the solvency requirements

Current Market Status

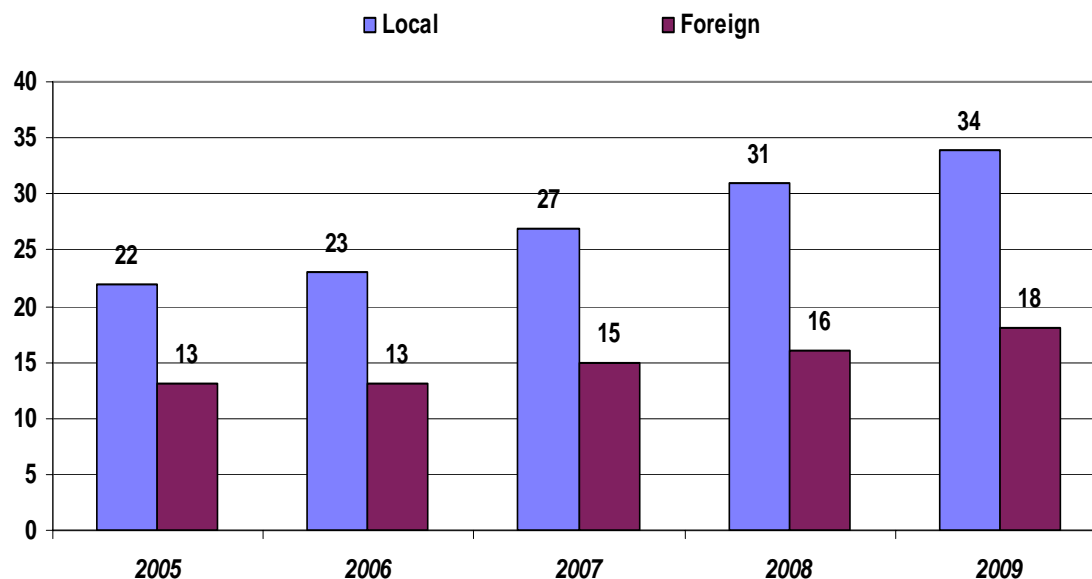
Foreign insurers contribute in competition

- Premium income for foreign insurers grew to RMB 3.2bn in 2009 from RMB 1.7bn in 2005, with an average growth rate at 17% per annum.
- However, the market share has been declining.
- Impels local insurers to improve their performances.
- Seek opportunity to invest in domestic insurers

Foreign Insurer Market Share from 2005 to 2009



Number of Insurance Companies from 2005 to 2009



Current Market Status

Increased Demand for Reinsurance

- China Re still dominates
- Large reinsurers: Swiss Re, Munich Re, Scor Re, Gen Re, and Lloyds have set up companies in China
- Others get a taste of the market through Brokerage firms such as Aon Benfield, Guy Carpenter, etc.
- Quota Share treaties are the main coverage, though XOL demand increased in recent years

Current Market Status

The Regulator – China Insurance Regulatory Commission (CIRC)

- Huge Impact on the market
- Regulate
 - Solvency
 - Licensing
 - Appointment of Senior Management and Board
 - Appointment of Appointed Actuary
 - Pricing
 - Investment
 - And through its branches in each province
 - Business Conduct
- Actuarial related regulatory reform



Current Market Status

Major Lines of Business

- Motor
- Commercial Property
- Homeowner
- Liability

Solvency and Accounting Issues

- Current Solvency Requirement
- The impact of Solvency II
- The evolution of the China Insurance Accounting
- The Impact of IFRS Phase II



P&C Actuary in China

- Sources of the China P&C Actuaries
- Role of the P&C Actuaries
- The Chinese Actuarial Exams
- The Chinese Actuarial Association (CAA)

Questions & Answers