



## 2016 CAS Spring Meeting, Session C5

# China's P&C Insurance Market Current Advancements and Future Challenges

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# China P&C Insurance Market and Regulation



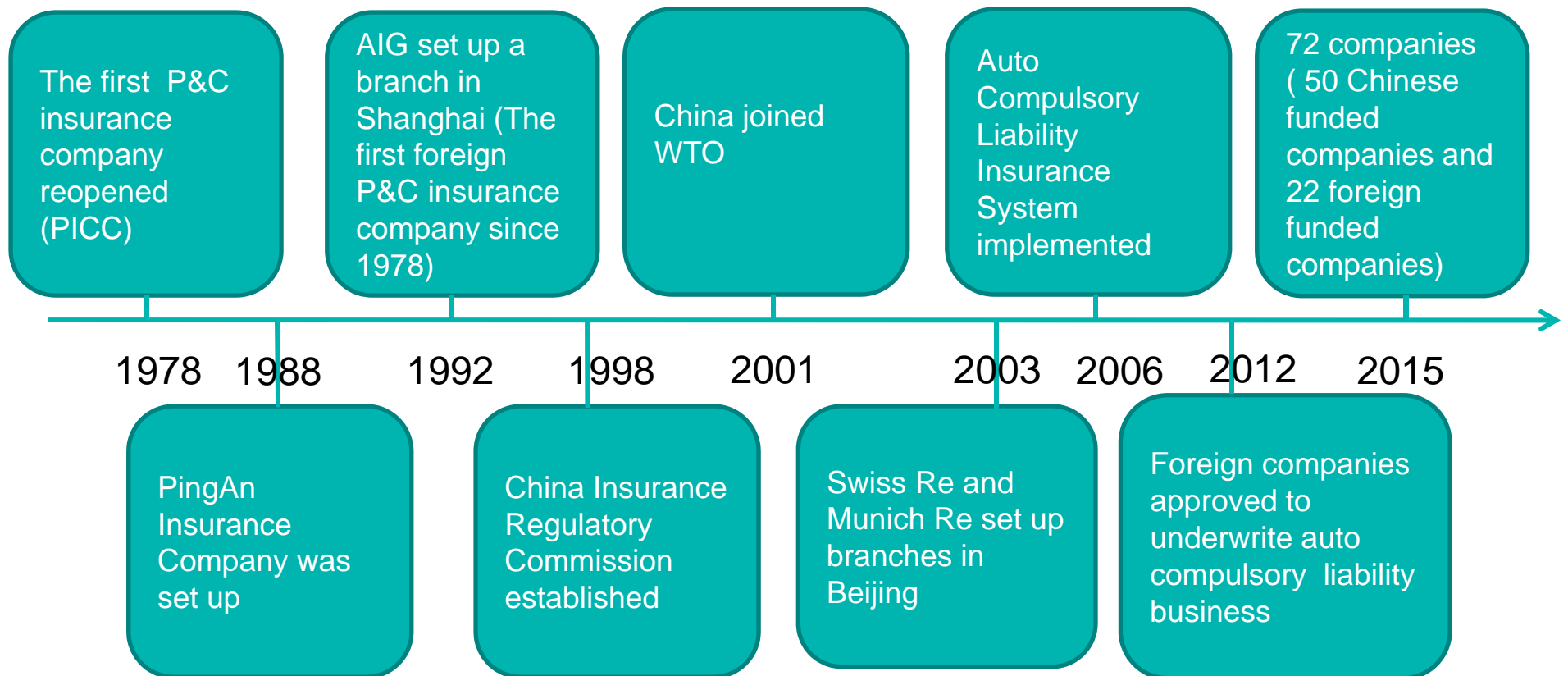
**Chunfang Xue**  
**China Insurance Regulatory Commission**

**CAS Spring Meeting**  
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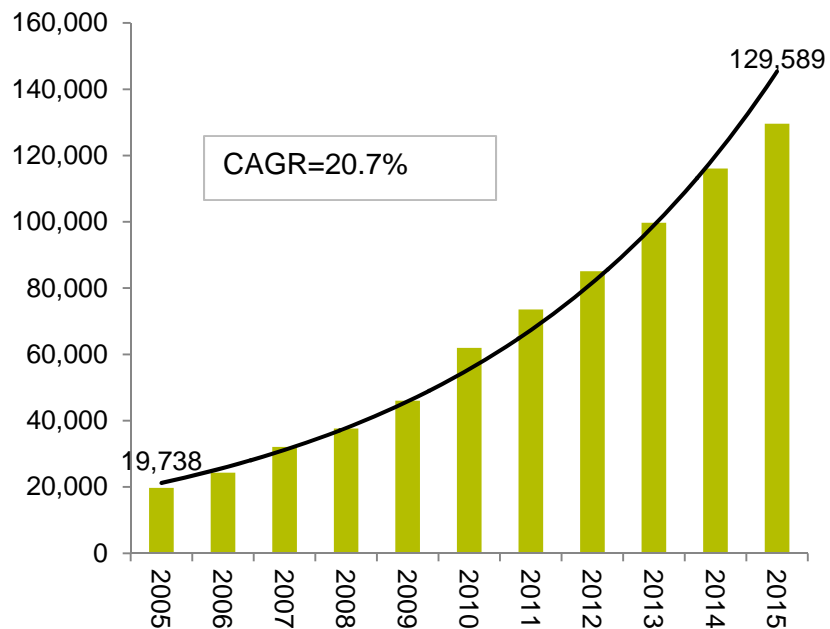
- Overview of China P&C Insurance Market
- China Regulation System for P&C Insurance Market
- Opportunities and Challenges

## Overview of China P&C Insurance Market



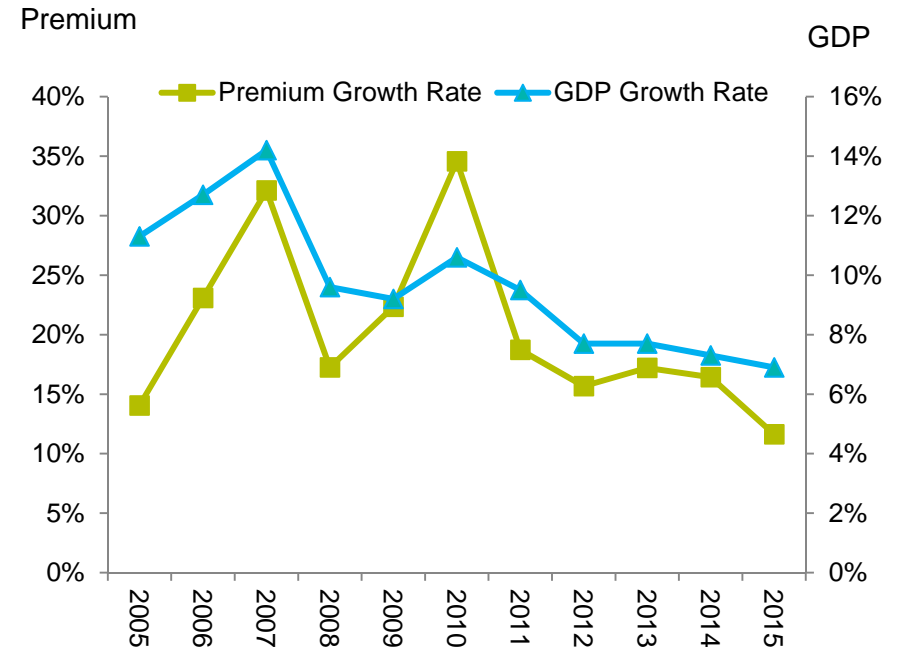
## Overview of China P&C Insurance Market

P&C Insurance Direct Premium Written in China, 2005-2015 (million US\$)



Note: Currency rate 1 US\$=6.5 RMB Yuan

P&C Insurance Direct Premium Written Growth VS. GDP Growth in China, 2005-2015 (Percent change from prior year)



## Overview of China P&C Insurance Market

### TOP 10 WRITERS OF PROPERTY/CASUALTY INSURANCE BY DIRECT PREMIUMS WRITTEN IN CHINA, 2015

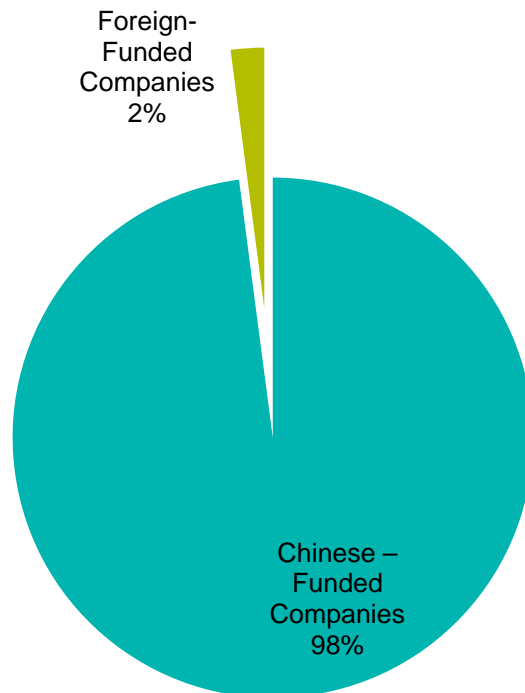
(US\$ 000)

Rank	Group/company	Direct premiums written	Market share
1	PICC P&C	43,232,308	33.4%
2	PingAn P&C	25,175,518	19.4%
3	Pacific P&C	14,529,053	11.2%
4	China Life P&C	7,749,105	6.0%
5	China United Insurance	6,056,908	4.7%
6	Continent Insurance	4,090,576	3.2%
7	Sunshine P&C	3,971,786	3.1%
8	TaiPing P&C	2,402,306	1.9%
9	TianAn Insurance	2,014,843	1.6%
10	Sinosafe Insurance	1,320,120	1.0%
	total	110,542,522	85.3%

Note: Currency rate 1 US\$ = 6.5 RMB Yuan

## Overview of China P&C Insurance Market

**P&C Insurance Direct Premium  
Written Market Share by Funded Type  
in China, 2015**

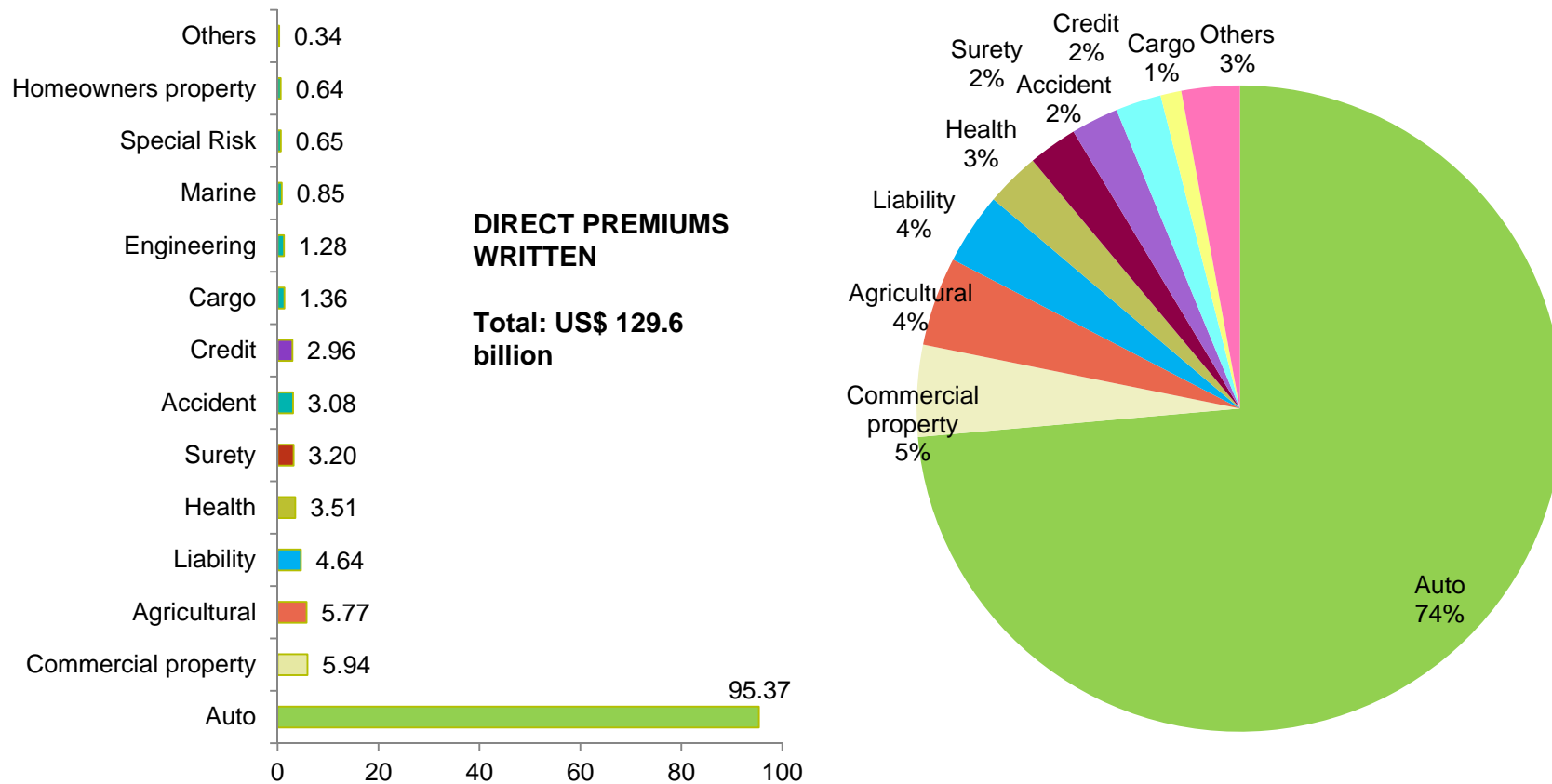


**Foreign-Funded P&C Insurance Companies in China**



## Overview of China P&C Insurance Market

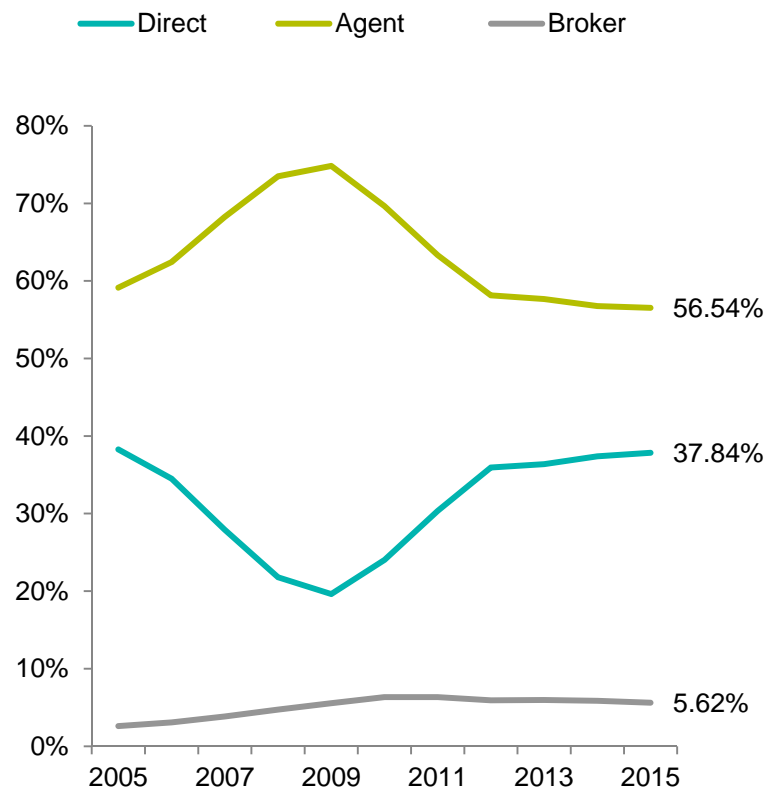
**PREMIUM WRITTEN BY LINE, PROPERTY/CASUALTY INSURANCE, CHINA, 2015**  
 (US\$ billions)



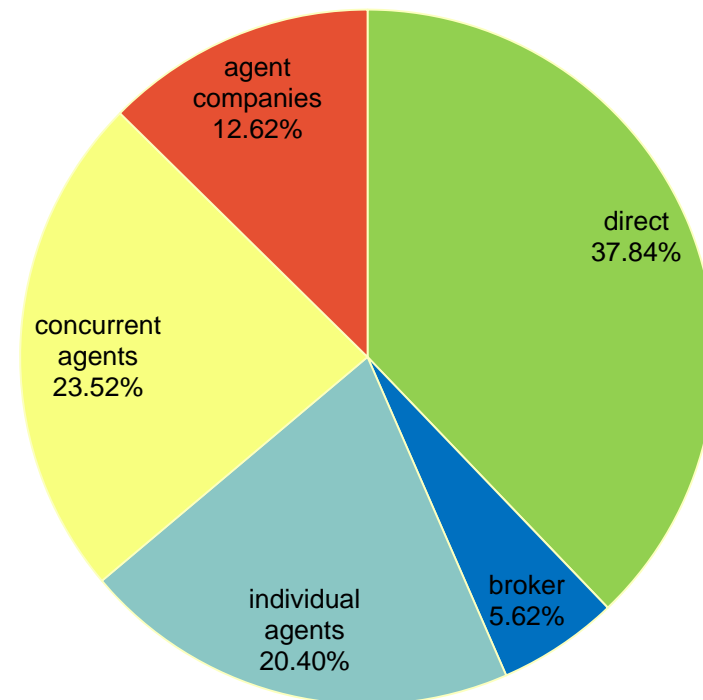


## Overview of China P&C Insurance Market

Market share by distribution channel (% of total P&C direct written premium)

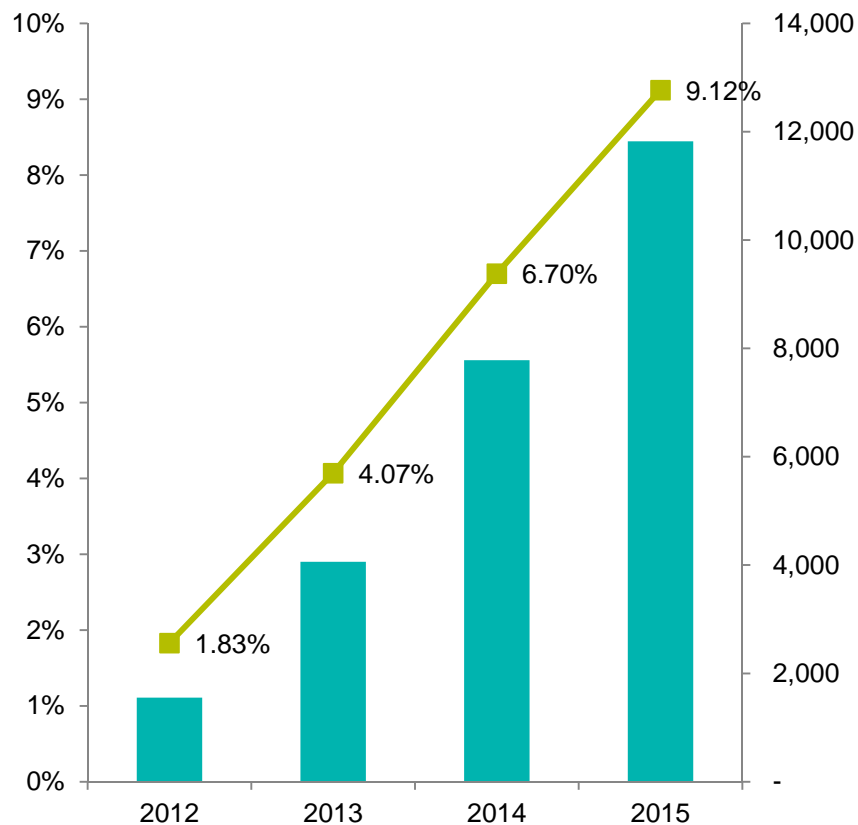


Distribution Channel, China P&C Insurance, 2015

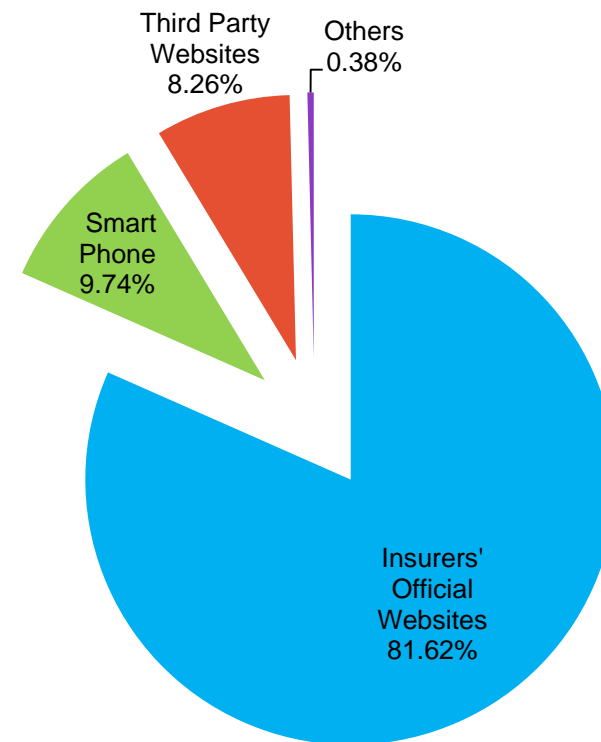


## Overview of China P&C Insurance Market

P&C insurance distributed by internet, China, 2012-2015  
(US\$ millions)



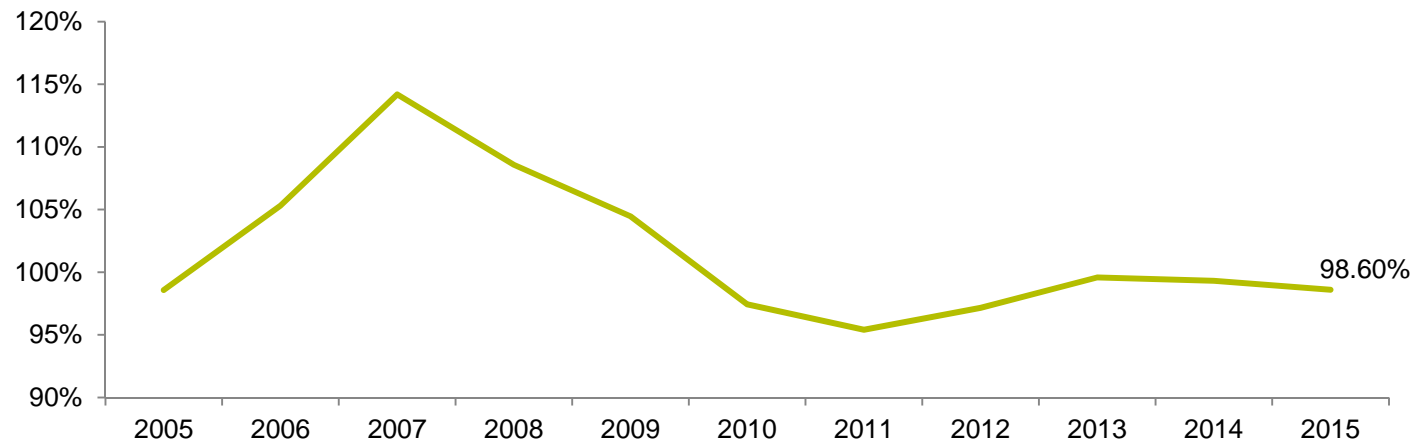
Internet sales of P&C Insurance, China, 2015



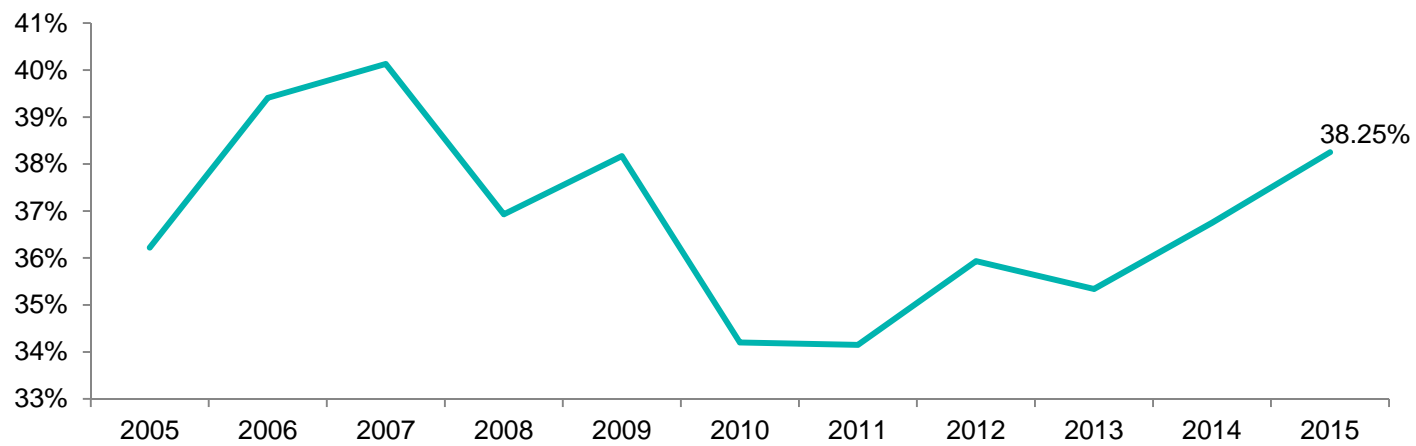
Note: Currency rate 1 US\$= 6.5 RMB Yuan

## Overview of China P&C Insurance Market

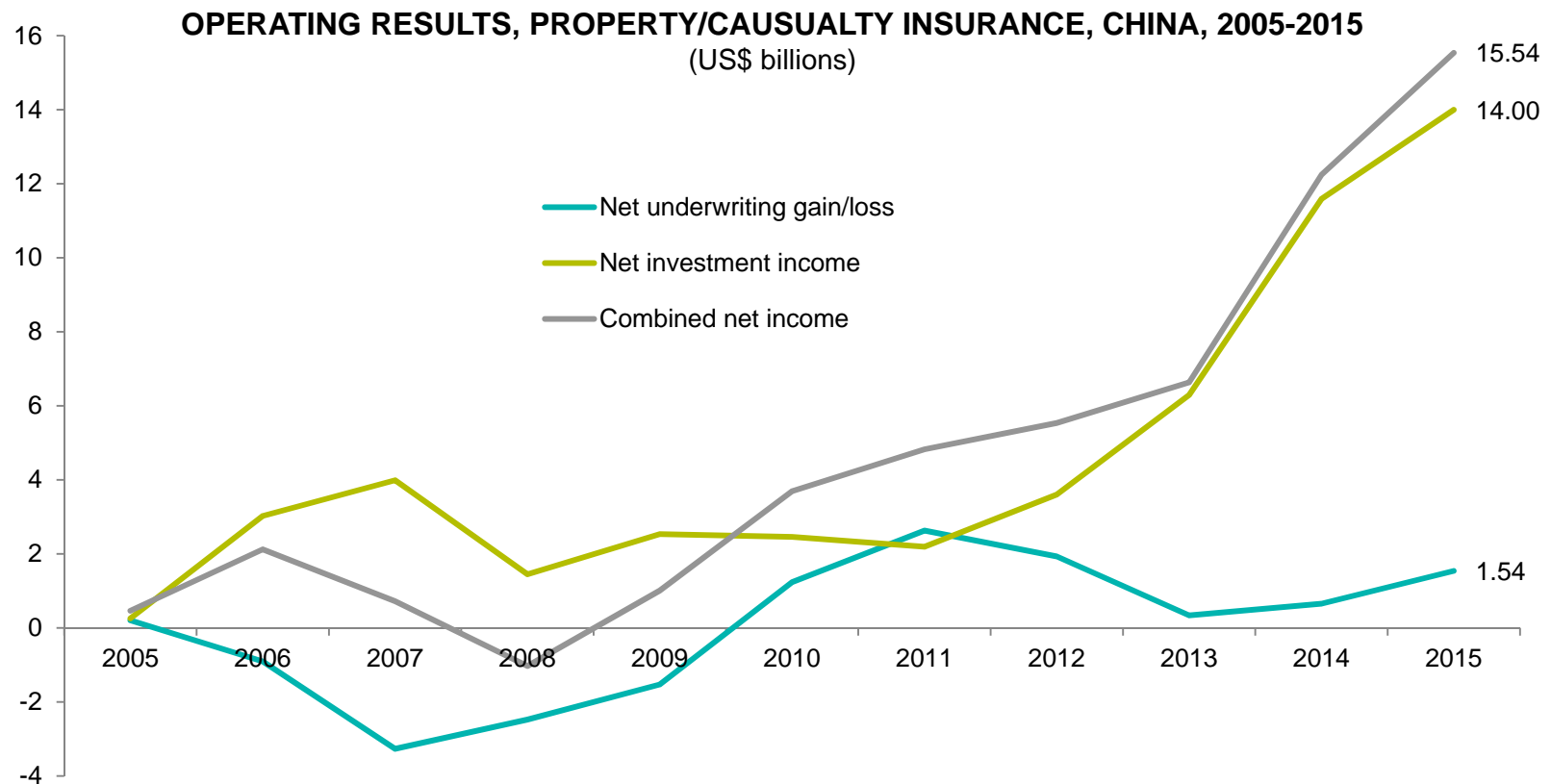
PROPERTY/CASUALTY INSURANCE COMBINED RATIO, CHINA, 2005-2015



PROPERTY/CASUALTY INSURANCE EXPENSE RATIO, CHINA, 2005-2015



## Overview of China P&C Insurance Market

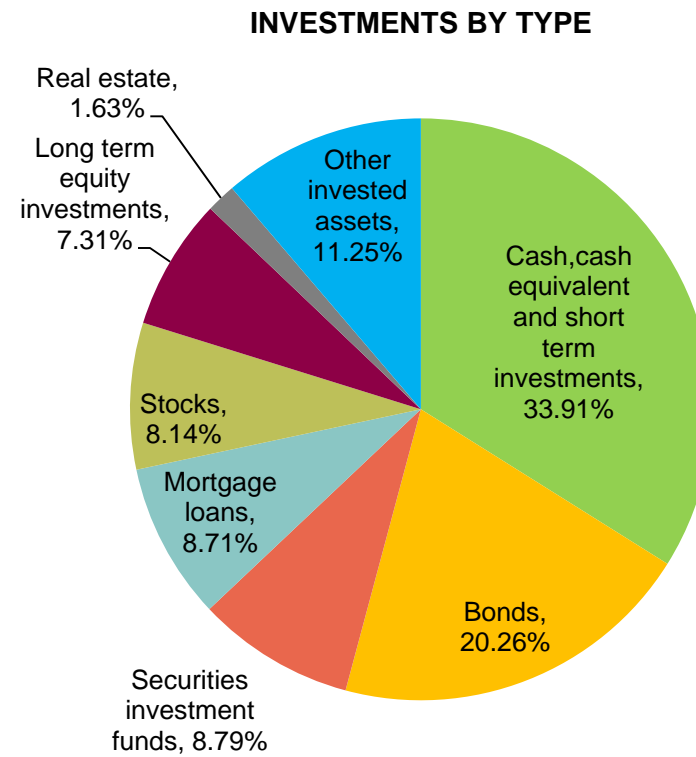
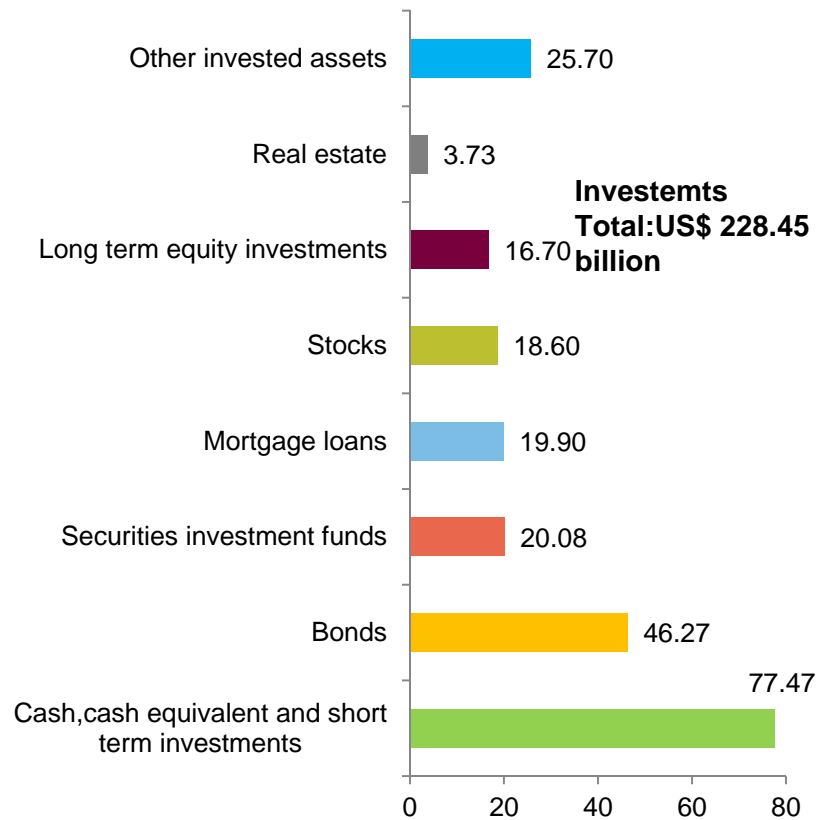


Note: 1. Currency rate 1US\$=6.5RMB Yuan

2. Combined net income = Net underwriting gain/loss + Net investment income

## Overview of China P&C Insurance Market

INVESTMENTS, PROPERTY/CASUALTY INSURERS, CHINA, 2015 (US\$ billions, end of year)



Note: Currency rate 1US\$=6.5 RMB Yuan

## *China Regulation System for P&C Insurance Market*

### **Introduction of China Insurance Regulatory Commission(CIRC)**

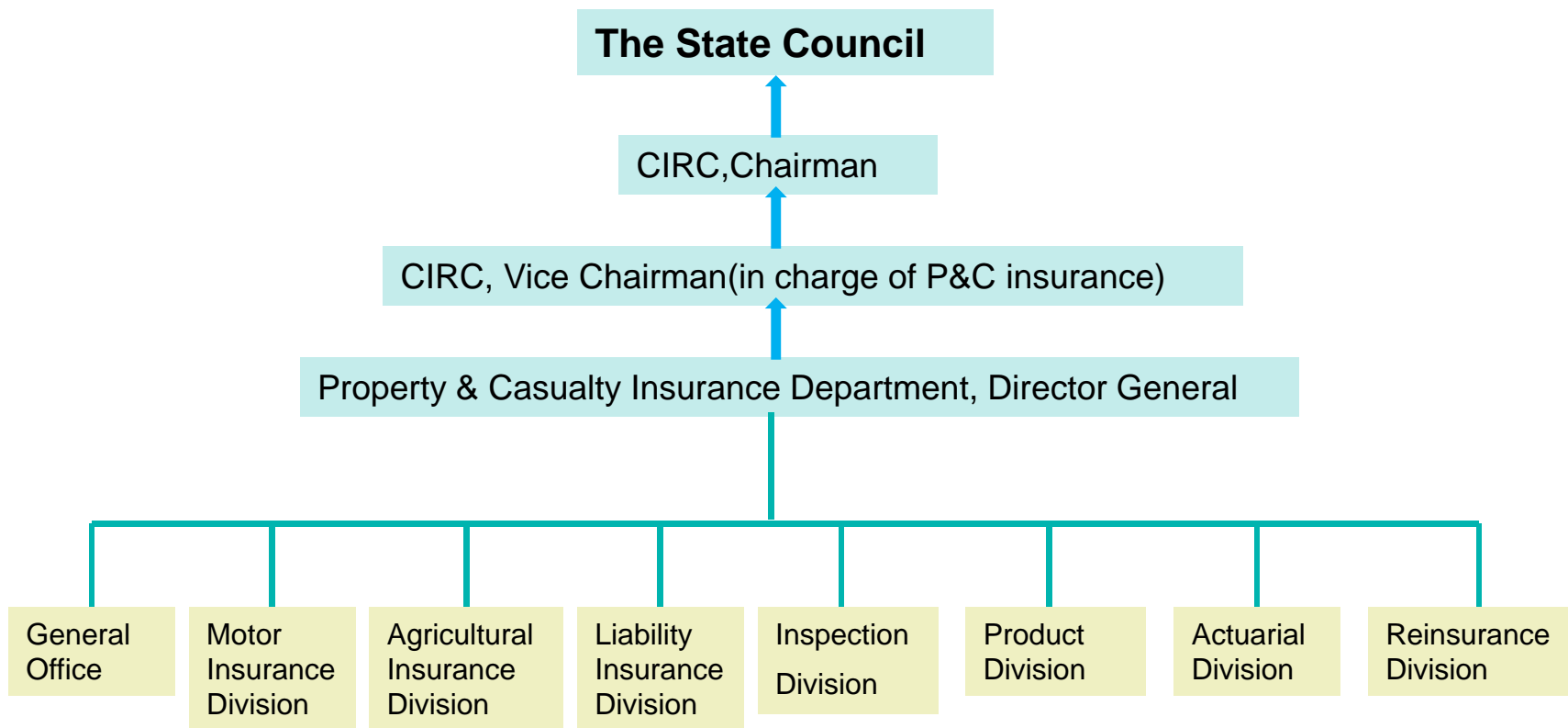
- CIRC established in 1998 (a ministerial institution directly under the State Council)
- Head office in Beijing (with 16 departments)
- 36 branches and 5 sub-branches (directly affiliated to CIRC)
- As of the end of April 2016, CIRC had 2,908 employees (398 at head office and 2510 at local branches)

## *China Regulation System for P&C Insurance Market*

### **Regulation Objectives of CIRC**

- Protect the rights and interests of policyholders
- Prevent and resolve systemic risks of insurance market
- Promote sustainable and healthy development of insurance market

## China Regulation System for P&C Insurance Market



Organizational Structure of P&C Insurance Department, CIRC



## *China Regulation System for P&C Insurance Market*

### **Three-Pillar Regulatory Framework**

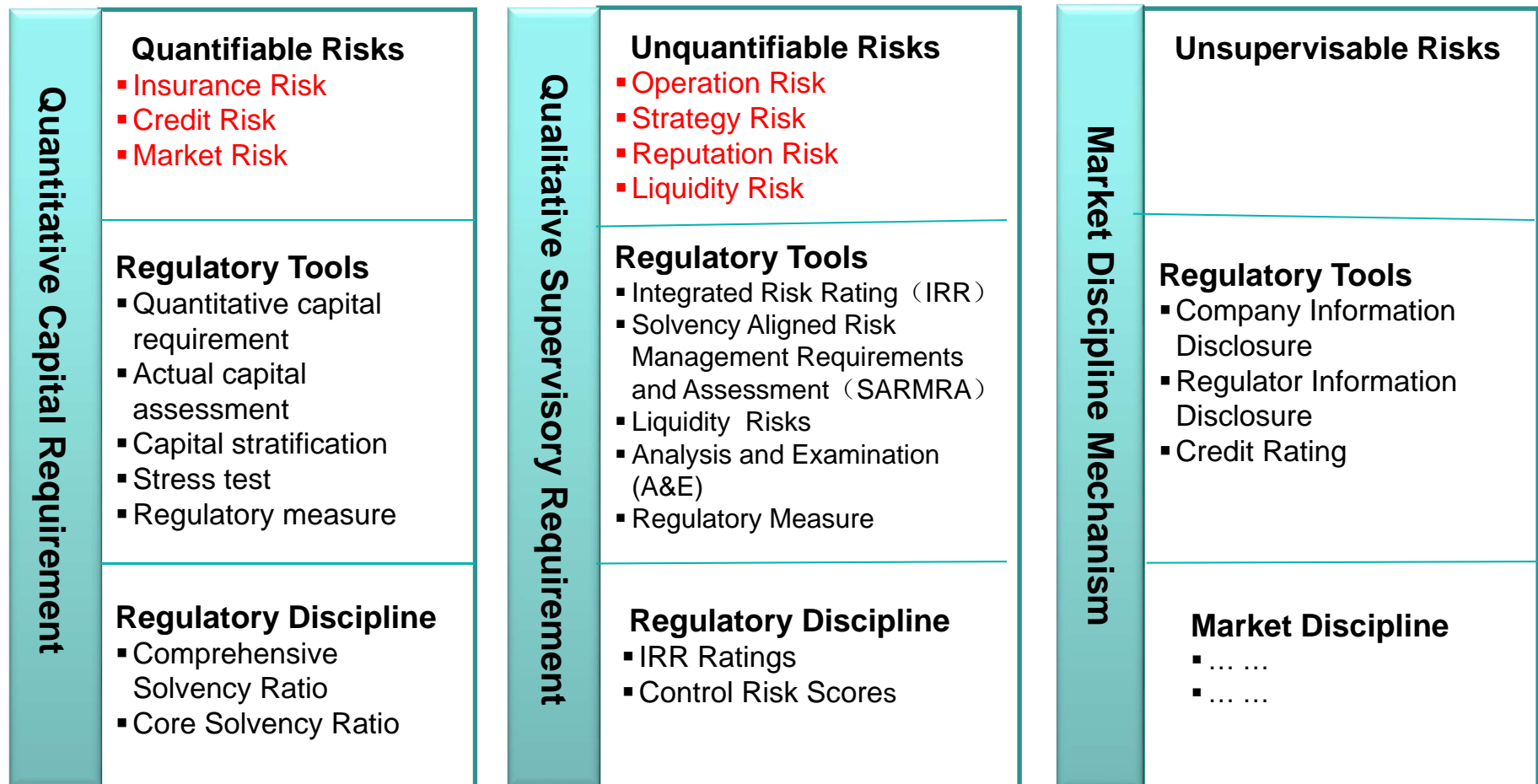
Pillar 1-Solvency Regulation

Pillar 2-Corporate Governance

Pillar 3-Market Conduct Supervision

## China Regulation System for P&C Insurance Market

### China Risk Oriented Solvency System (C-ROSS) Framework



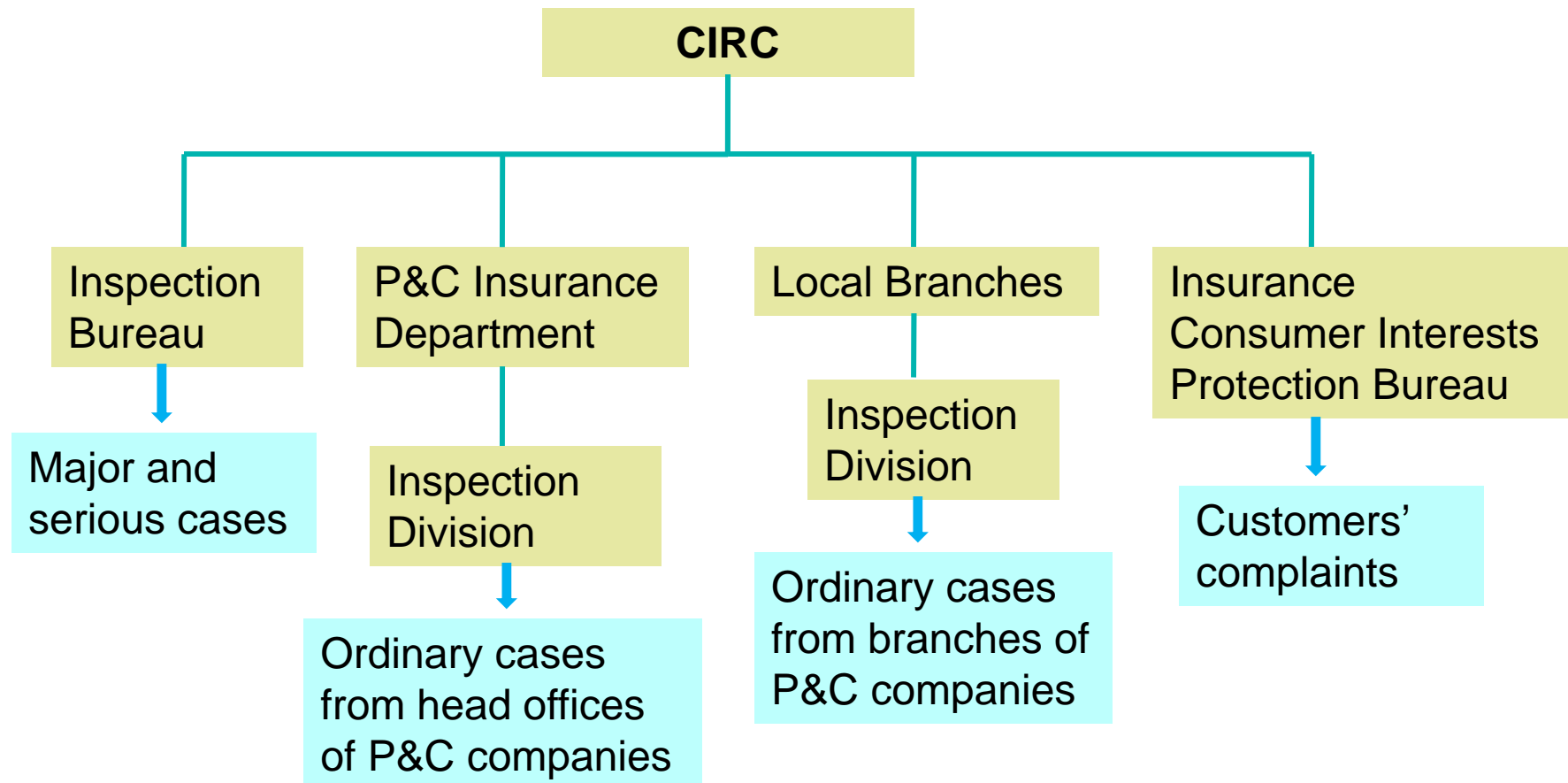
## *China Regulation System for P&C Insurance Market*

### **Corporate Governance**

- Examining and approving directors and senior executives of insurance companies (blacklist system )
- Connected transaction regulation
- Attend the meeting of the board of directors

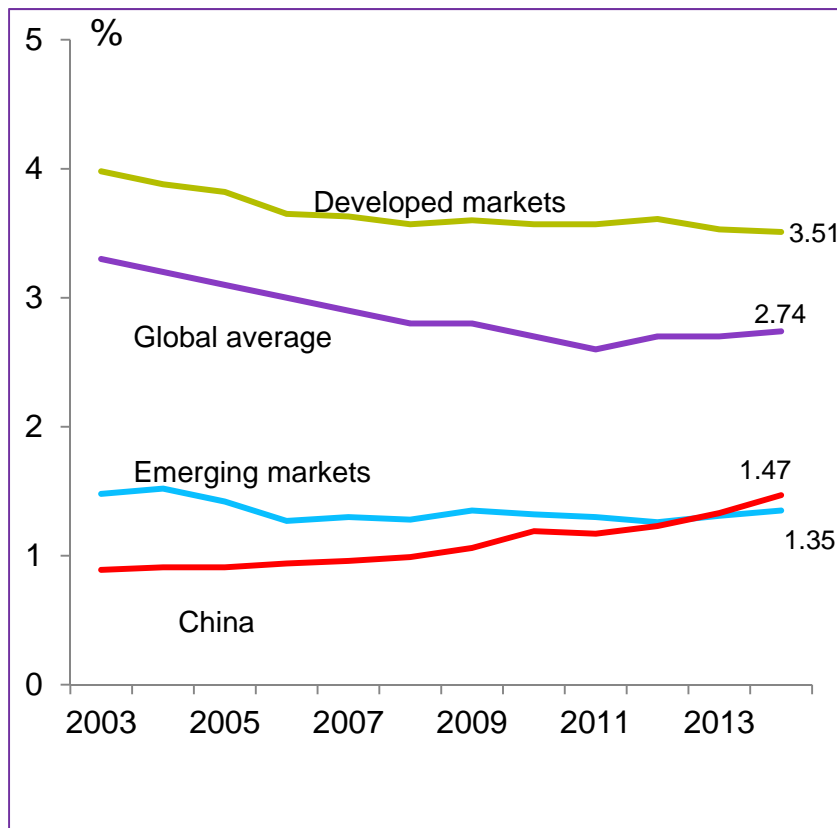
## China Regulation System for P&C Insurance Market

### Market Conduct Supervision

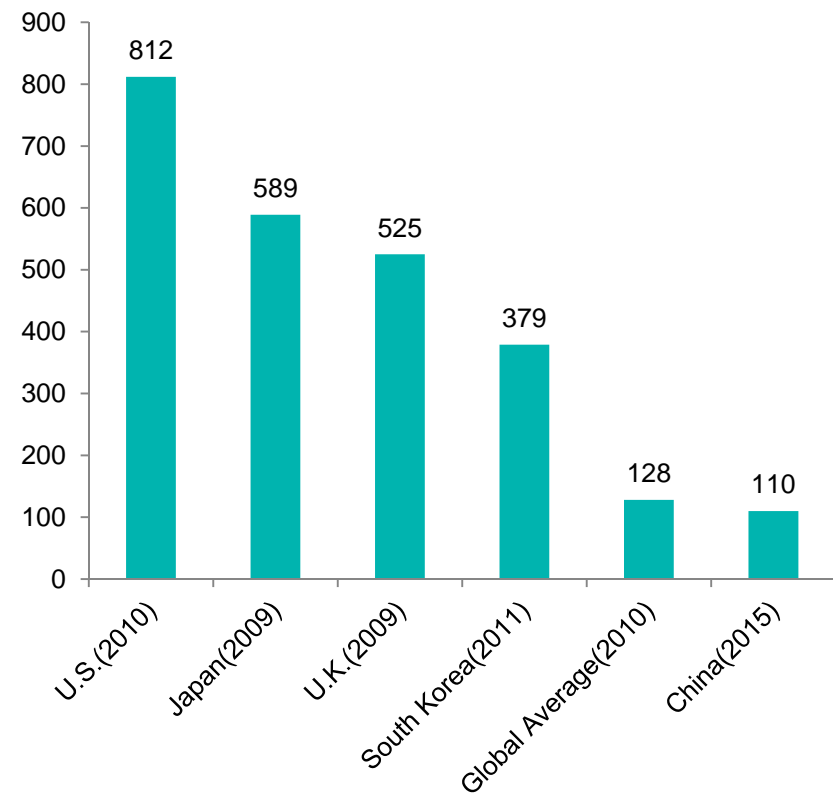


## Opportunities and Challenges

Non-life insurance penetration (non-life insurance premium/GDP), 2003-2014

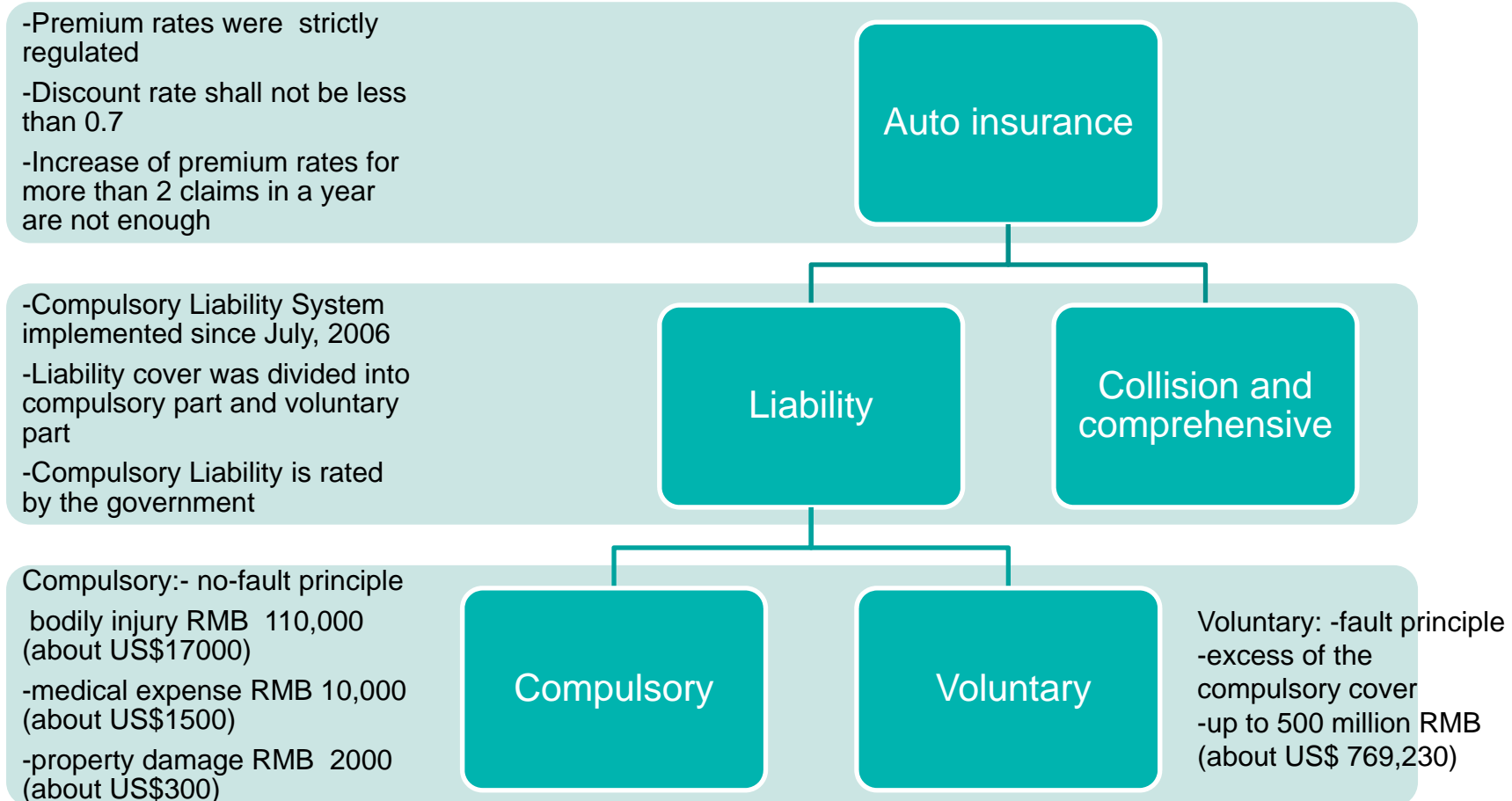


Car Parc (Cars per thousand people)



## Opportunities and Challenges

### Introduction of auto insurance in China



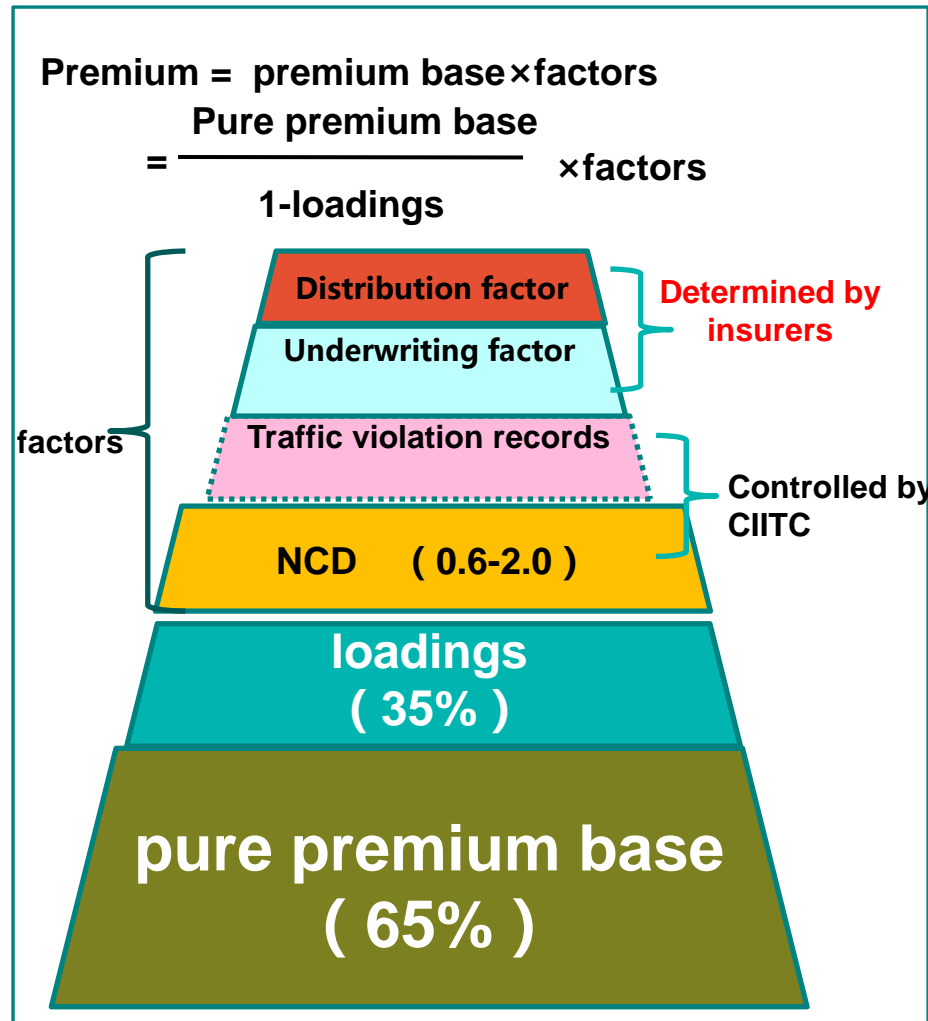
## *Opportunities and Challenges*

### **Reform of China Auto Insurance Market (only for voluntary liability, collision and comprehensive)**

- The pilots in Beijing, Shenzhen and Xiamen before the reform
- The reform implemented since July 2015
- Deregulation of premium rates
- A gradual and prudent approach
- Long-term and far-reaching impact on the industry

## Opportunities and Challenges

Premium rates framework of China auto insurance reform

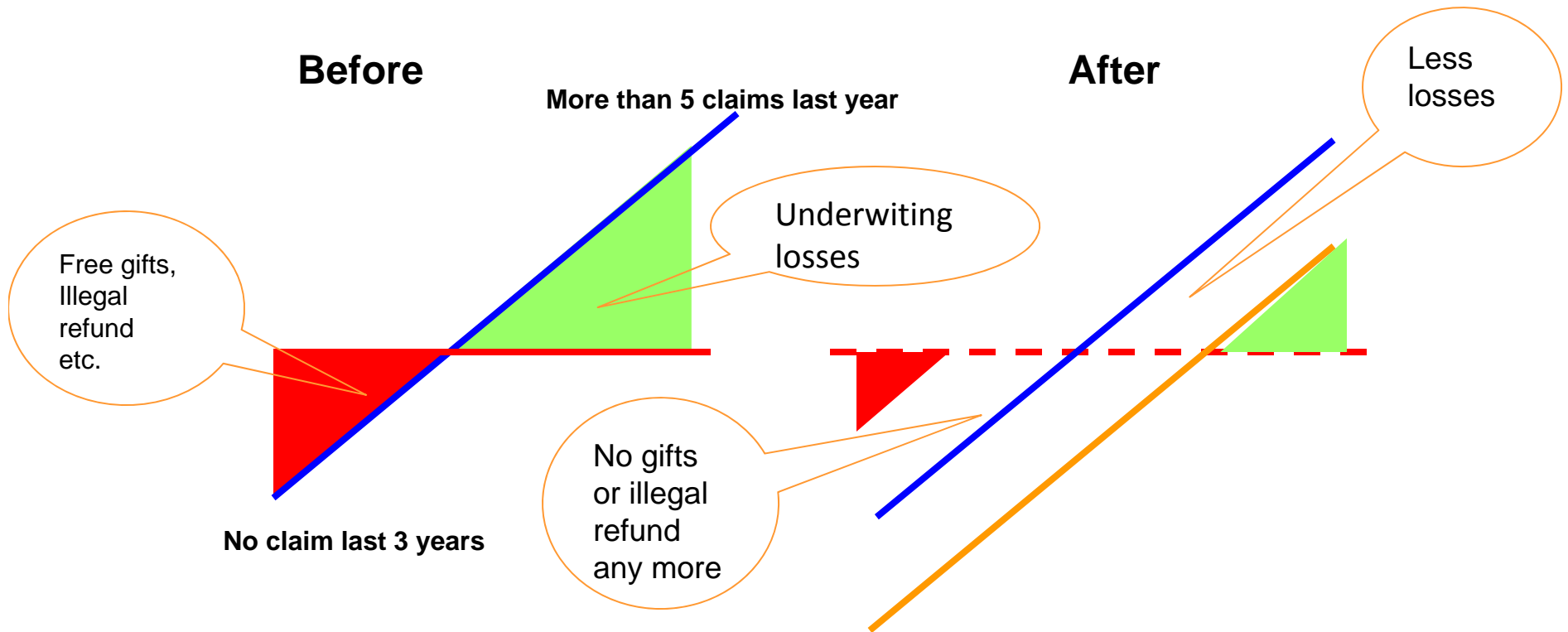


- Pure premium base calculated by the Insurance Association of China (IAC) using the industry data
- NCD range changes from (0.8-1.2) to (0.6-2.0)
- Traffic violation records may be used in the future
- CIITC is Chinese Insurance Information Technology Co., Ltd which is the insurance industry's first big data platform
- Underwriting factor and distribution factor are independent pricing for the insurers
- Underwriting factor and distribution factor are limited in the range of 0.85-1.15
- The lowest discount rate may be  $0.6 \times 0.85 \times 0.85 = 0.4335$  much less than 0.7



## Opportunities and Challenges

### Effects on Insurers from auto insurance reform in China



## *Opportunities and Challenges*

- **In the short run: demand has risen sharply for auto insurance pricing actuaries**
- **In the medium and long run: Mergers and Acquisitions**  
**Performed market, management and financial due diligence on target companies**
- **Consulting firms may be the biggest winner!**

THANK YOU

WELCOME TO CHINA

