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**中國太平洋保險(集團)股份有限公司**

**CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 02601)**

**ANNOUNCEMENT IN RESPECT OF DISCLOSURE OF  
RELEVANT PRESENTATIONS ON 2023 INVESTOR DAY**

This announcement is made pursuant to the disclosure requirements under Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

China Pacific Insurance (Group) Co., Ltd. (the “**Company**”) hereby announces that it will host an investor day for 2023 on Tuesday, 4 July 2023. This event will focus on introducing the results of “Changhang Action” Phase I project and the blueprint for Phase II project of China Pacific Life Insurance Co., Ltd.

For specific details of the abovementioned presentations, please refer to the appendix of this announcement.

Please refer to the following links for video playback of this event:

Chinese version: <https://university.cpic.com.cn/#/activity/gensee/tourists-detail/1lead096-4e44-4400-a25d-9710b48f0834>

English version: <https://university.cpic.com.cn/#/activity/gensee/tourists-detail/59238f24-28c0-4aa0-95f9-9d68d61b01f9>

By Order of the Board  
**China Pacific Insurance (Group) Co., Ltd.**  
**KONG Qingwei**  
*Chairman*

Hong Kong, 4 July 2023

*As at the date of this announcement, the Executive Directors of the Company are Mr. KONG Qingwei and Mr. FU Fan; the Non-executive Directors of the Company are Mr. HUANG Dinan, Mr. WANG Tayu, Mr. WU Junhao, Mr. CHEN Ran, Mr. ZHOU Donghui, Ms. LU Qiaoling and Mr. John Robert DACEY; and the Independent Non-executive Directors of the Company are Ms. LIU Xiaodan, Mr. CHEN Jizhong, Ms. LAM Tyng Yih, Elizabeth, Mr. WOO Ka Biu, Jackson, and Mr. JIANG Xuping.*

# Insight into Changhang Transformation

## --CPIC 2023 Investor Day

July 4<sup>th</sup>, 2023

# Development opportunities in China's life insurance market

## Four internal and external factors present opportunities to China's life insurance market



### Demographic shifts

With China's **ageing population**, the number of people over 65 is expected to nearly double in the next 30 years; due to **a huge gap in individual pension**, the individual pension market is expected to reach USD1-3 trillion by 2030, continuing to **drive up the size of the life insurance market**



### National policy for common prosperity

China's 14th Five-Year Plan proposes to promote common prosperity more proactively. By 2030, the number of mid-and-high-income households<sup>1</sup> is expected to reach 395 million, **accounting for over 25% of China's total population**, and these households will be **the mainstay of the future life insurance market**



### Rise of China's economy

**The stability and rise of China's economy** drives up China's life insurance market, and with individual financial assets set to reach RMB316 trillion by 2025, Chinese households will need **more categories of financial assets** for allocation, further boosting the growth of insurance



### Huge protection gap

China's current health protection **gap is USD805 billion**, the highest in Asia

1. Household with annual income of RMB 157,000 or above

# As shown by history, "continuous reform" is the key for life insurance industry

In retrospect, the insurance industry around the world has gone through a number of industry cycles and insurers have shifted their business models amid the changes...

## Japan



**3** major transformation cycles

- from recruitment-driven agency to professional agency, to store-based agency

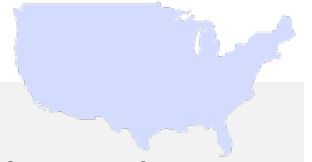
## Taiwan, China



**3** major transformation cycles

- from agency to FTE model, to performance-focused BD, while also focusing on bancassurance channel

## USA



**4** major transformation cycles

- from FTE to exclusive agent model, gradually to independent agency, and ultimately diversification



Insurance markets are always changing;  
Generally speaking, markets transform on a **10-**  
year cycle and companies **5-**year cycle.

# With fast growth over the past 20 years, China's life insurance market keeps transforming and optimising

## Life insurance re-launched with rapid growth

- **Separation of life and P/C operations**; successive establishment of major life insurers; and foreign investment gradually introduced.
- **Life sector expanded significantly** due to a strong government push.

## Diversified development on both asset and liability side

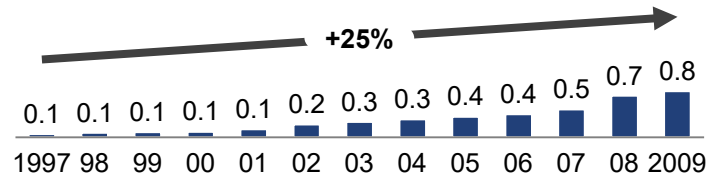
- Ban on on-site sales at bank outlets boosted Agency and thereafter **asset-driven insurers** gained popularity, promoting investment-based products
- **Cancellation of insurance agent qualification exam** in 2015 led to a spike in the size of Agency

## Transformation of Agency channel after a surge

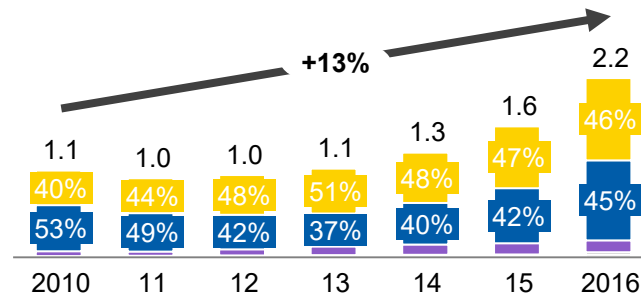
- **Restrictions on aggressive asset-driven models** forced the sector to refocus on its protection value proposition by promoting protection products
- **Reckless expansion of agency is not sustainable**
- In the wake of Covid-19, **agency transformation became inevitable** due to a combination of economic and purchasing power factors.

GWP of China's life sector, RMB trillion

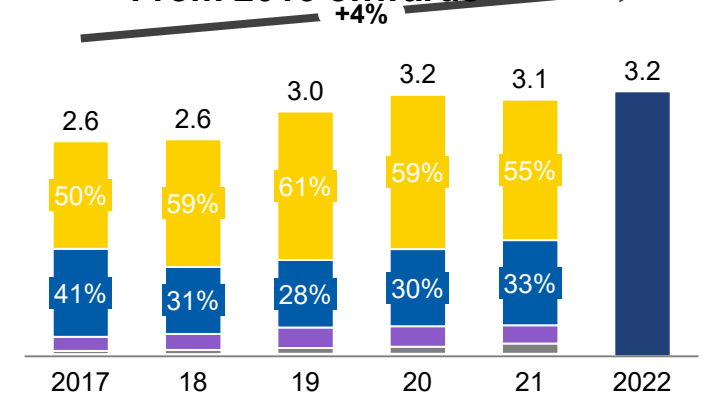
### Fast Growth 1997-2009



### Diversified development 2010-2016



### Transformation and Optimisation From 2016 onwards



# Fast growth and transformation of China's life sector made supply-side reform inevitable

## Demand side: What customers want?

### Mismatch in channels



The demand for life insurance is increasingly moving towards **the mid/high end customers and wealth-management customers**, with mass market moving towards “Hui Min Bao”- inclusive/affordable products

### Mismatch in products



Demand shifted from the purchase of a single insurance product to **integrated financial asset allocation**

### Mismatch in services



The demand for services has shifted from "reimbursement and payment" to **"enhancement of life quality"**, which even affects the sensitivity to product pricing

### Mismatch in concepts



Product penetration of and rise in the number of policies held by loyal customers is becoming increasingly important, a truly **low cost, high yield** business

## Supply side: What insurers offer?



Heavy reliance on traditional agency. **Their referral resources** and expertise are not enough to reach and satisfy new customer groups



**Insurers lack the capabilities to allocate financial assets** and are at a competitive disadvantage compared to other financial institutions (especially banks)



Only a **small number** of leading insurers have started to **develop a presence in the health care and wellbeing market**, differentiating themselves from the competition through value-added services.

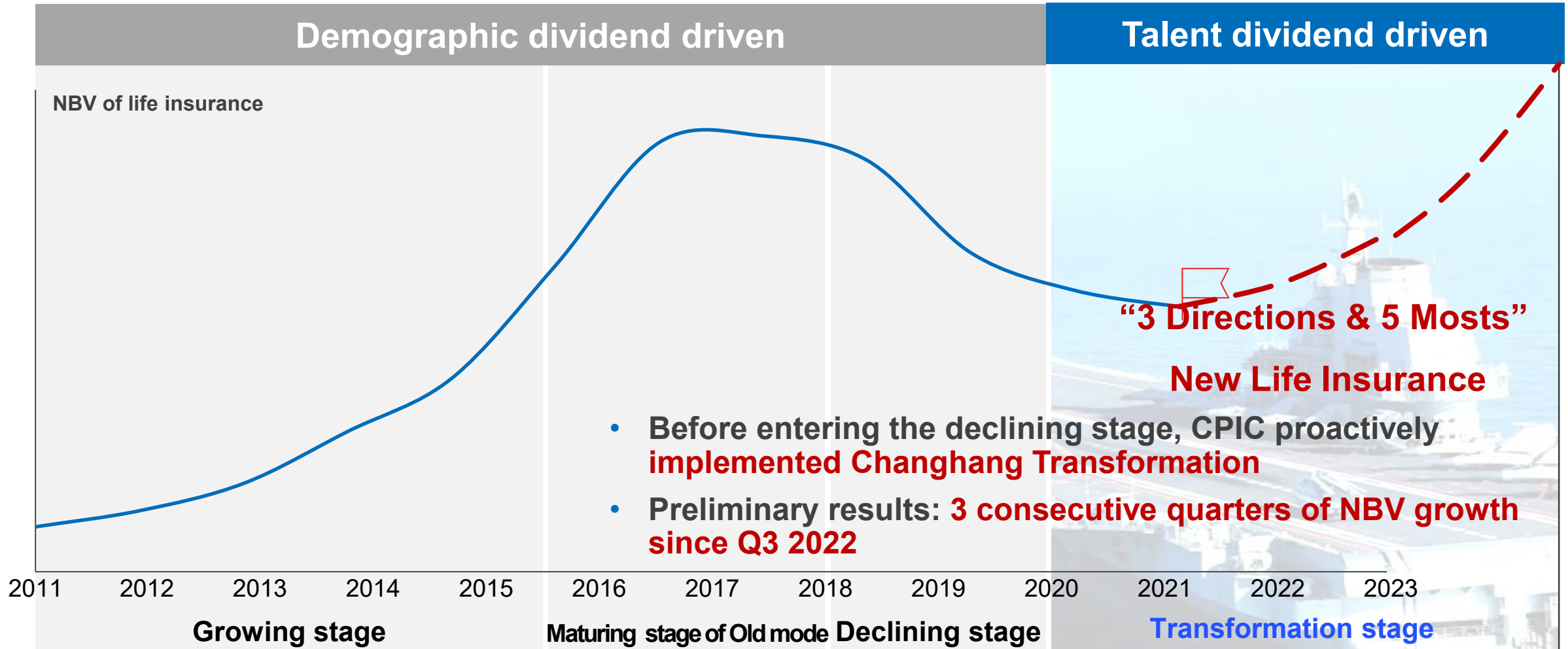


The traditional business model still focuses on acquiring new customers, and a large number of existing customers are not fully covered and should be further developed

# CPIC Life leads the industry with its Changhang Transformation and builds strength for new growth drivers



Changhang Transformation  
Stage of transformation





# CPIC Life stepped up strategic transformation efforts through the Changhang Transformation, with significant results during Phase I

**Leader**

**Industry leader**

**Fastest regular premiums growth**  
**Accelerating NBV growth MoM**  
**Industry leader in various evaluations**

**New**

**New life business model**

**New business model**  
**New business channels**  
**Upgraded products + services systems**

**Long term**

**Long-termism**

**Stablised recruitment and retention**  
**Increased income for agents**  
**Improved business quality**



# CPIC Life continues doing the right thing under Changhang Transformation to promote high-quality growth

## Changhang Transformation — Core strategies —



### Career-based Agency

“Basic law”  
Recruitment  
Customer Management  
Coaching



### Value-oriented Bancassurance

Core cities  
Strategic channels  
High-quality teams  
Tech platforms



### Products + Services Systems

Golden triangle  
Closed-loop R&D  
Product-Service Synergy  
Comprehensive solution



### Corporate governance, risk management and investment

Market-oriented operation  
Enhanced risk control  
Prudent investment  
Improved business quality



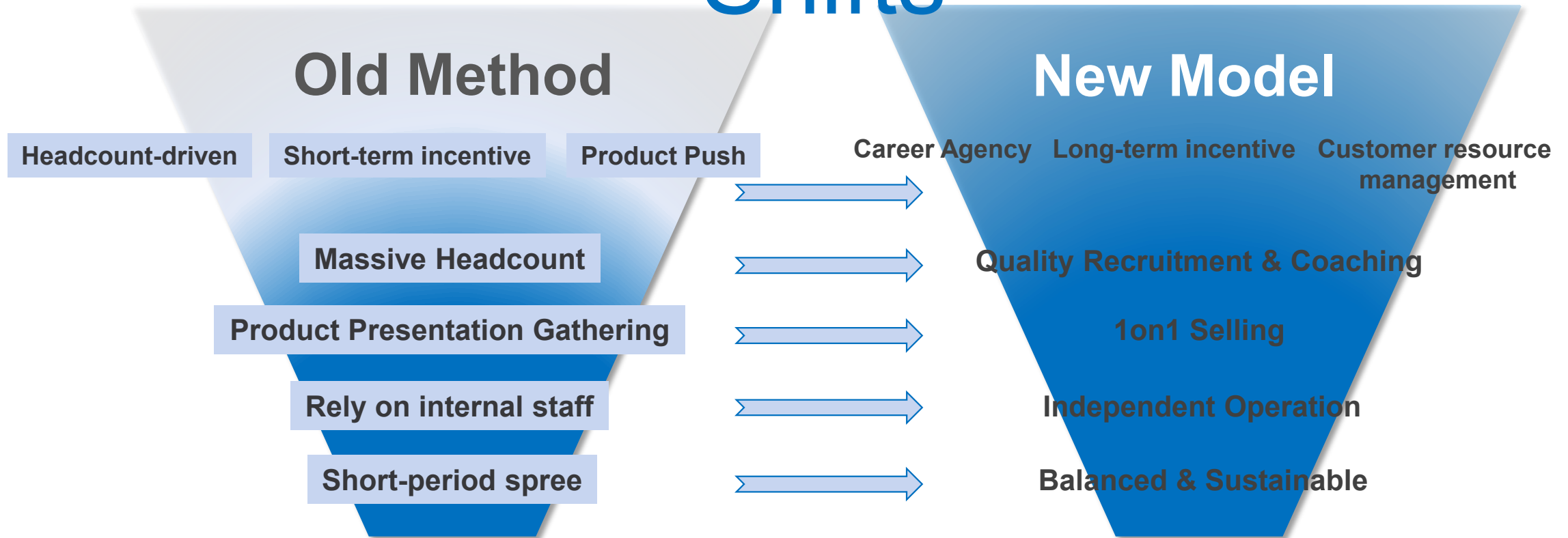
### Culture and leadership

Customer-orientation  
Agile organisation  
Talent support  
Improved efficiency

## Career-based Agency

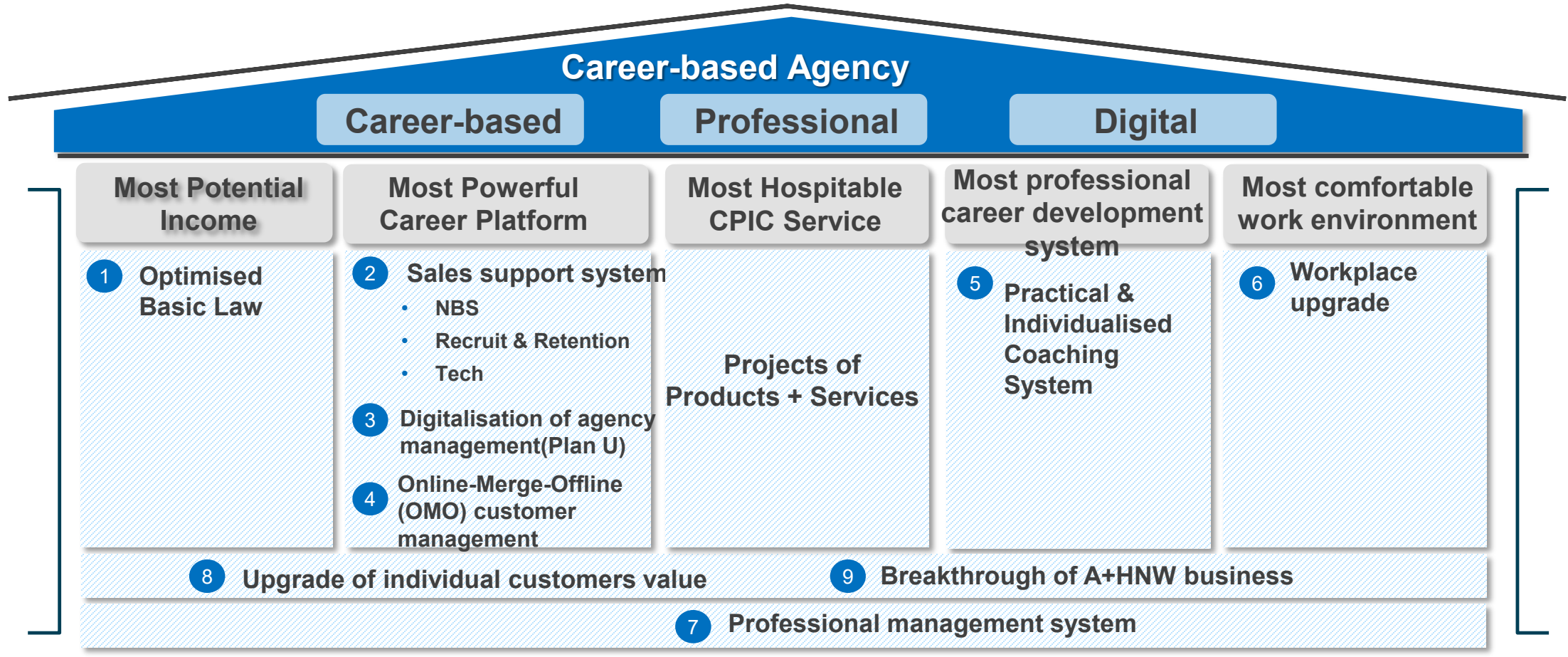
--March forward and adhere to long-termism, in a bid to achieve high-quality development of agency channel

## Shifts

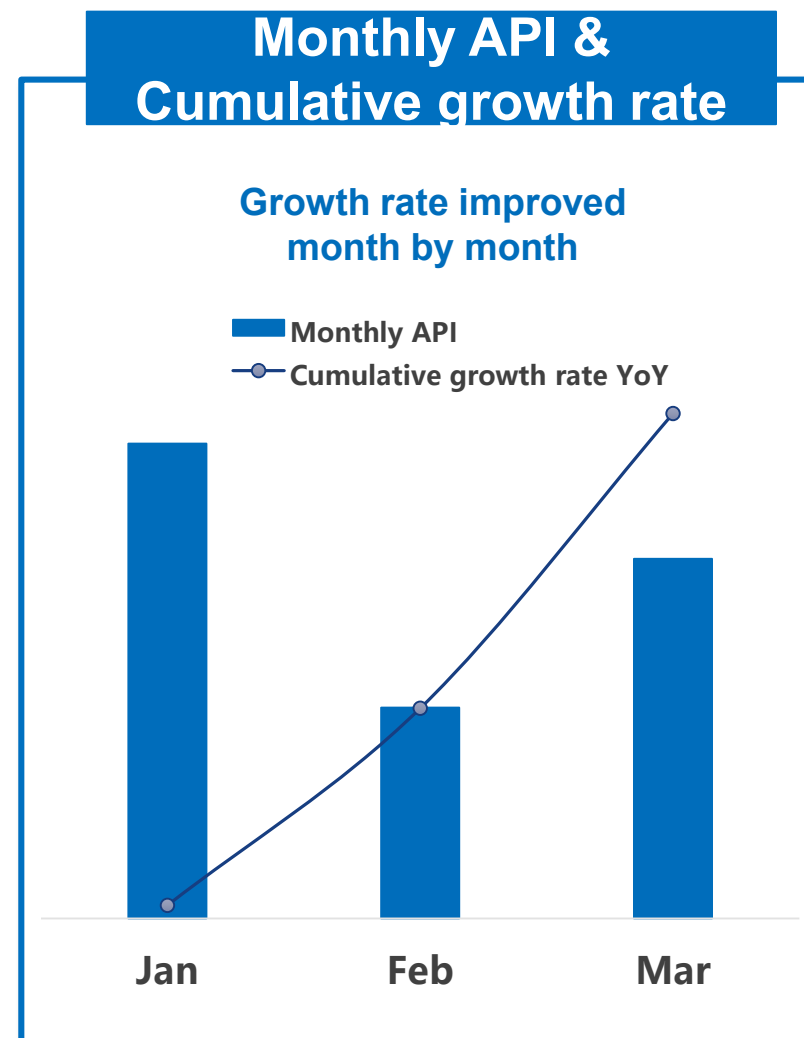
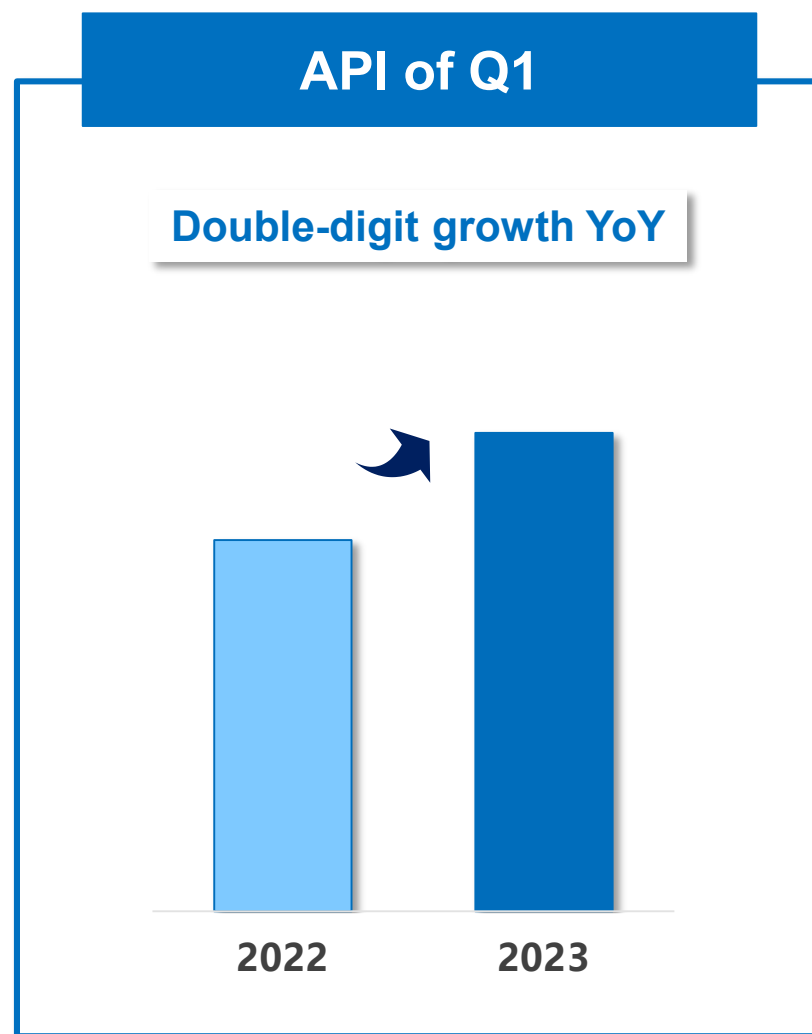


# Agency reform

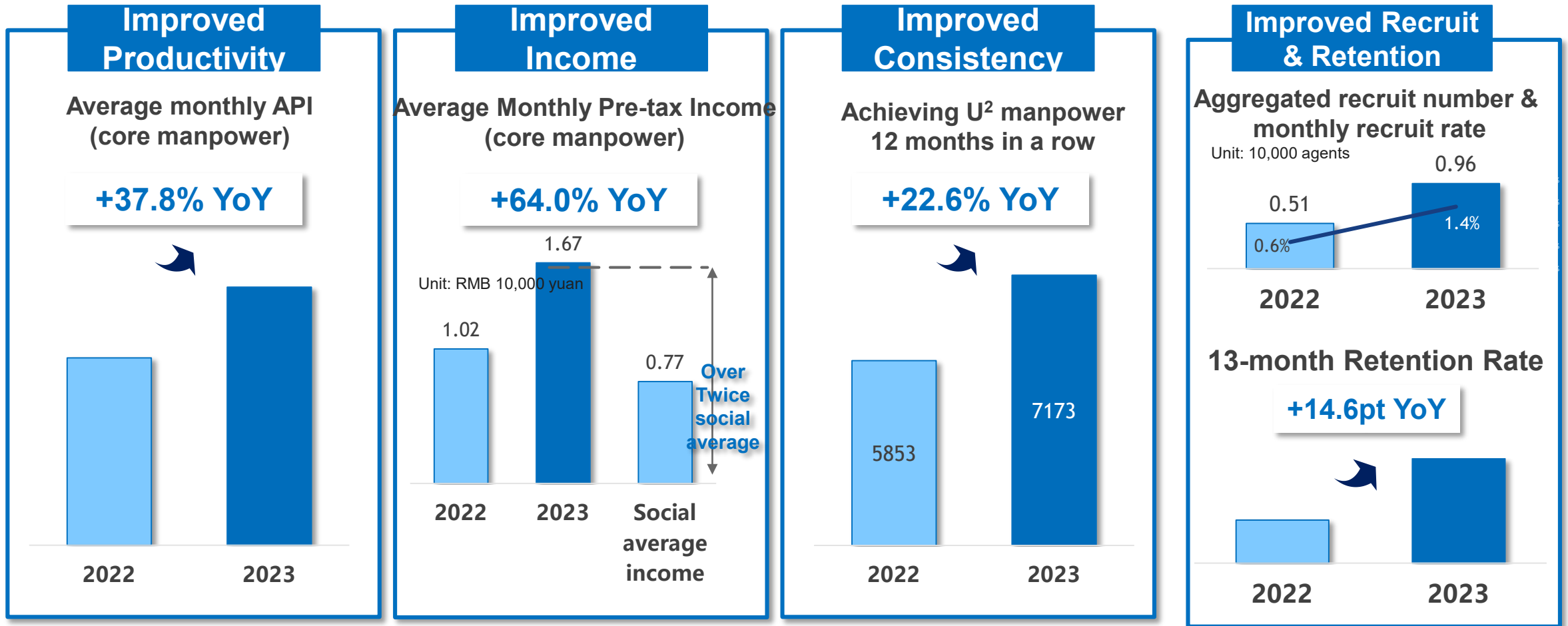
- Promote agency reform by building a career-based, digital and professional agency force.



# Stable business performance



# Improved quality of agency force



Note: Data of productivity, income, consistency, recruit and retention are as of March 31<sup>st</sup>; social averaged income is disclosed by National Bureau of Statistics; the term U<sup>2</sup> refers to selling 2 long-term policies in one month with FYC reaching level U.

# Improved business quality

## Improved biz indicators

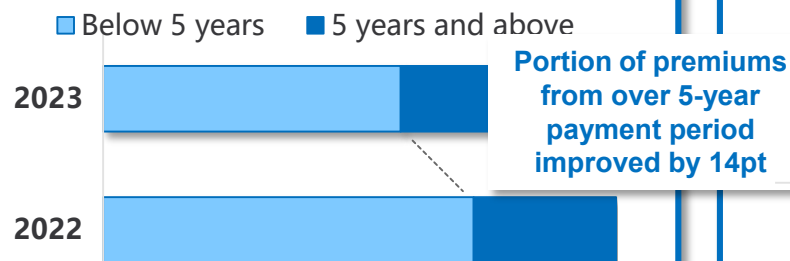
### CI performing ratio

Improved MoM



### Payment

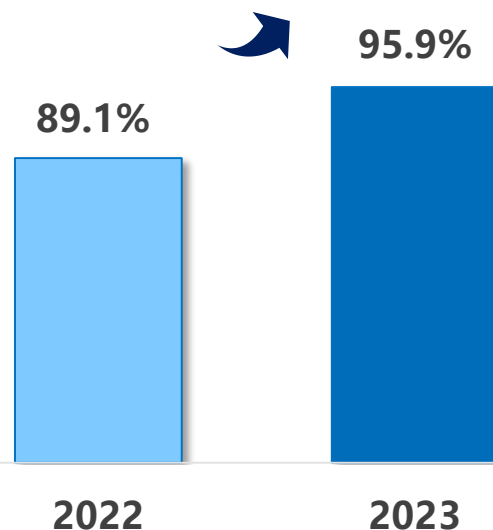
Improved payment period



## Improved persistency

### 13-month persistency ratio

+6.8pt YoY



## Improved operation efficiency

### Claims ratio of long-term policy

Down by 20.0pt



### 2022 Insurance service quality Index

94.83

Ranked No. 1

Note: Figures of business indicators and persistency are as of March 31<sup>st</sup>; figures of claims ratio refer to year 2021 and 2022; insurance service quality index is disclosed by CBIT.



# Value-oriented Bancassurance

-- Position value creation as core strategy, achieving sustainable development of bancassurance channel

# Bancassurance in a new context



## Capital market changes

- Further reform of interest rate leads to declining rates in recent years
- Bank wealth management business carries out transformation
- Radical capital-driven business model phases out



## Tightening regulation

- Joint supervision on banking and insurance sectors
- More compliant operation and healthier development of insurers
- Better competition landscape for bancassurance



## Customer demand release

- Fast growth of household assets, faster accumulation of HNW customers' wealth
- High savings rate, preferring stability
- Integrated asset allocation as mainstream, with diversified demand in insurance protection and services



## Cooperation preference from banks

- Narrowing interest spread and profitability under pressure
- Exploring lighter business operation model
- Developing intermediary business becomes focus of transformation

# New positioning of Bancassurance, fast growth of new policies of RP business, sustainable and stable value creation

## Contribution of NBV

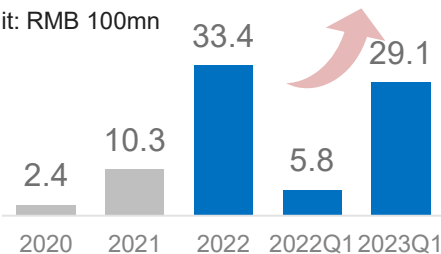
Contribution gradually climbed, up by **11.3pt** YoY in 23Q1



## Premium from new policies of RP business

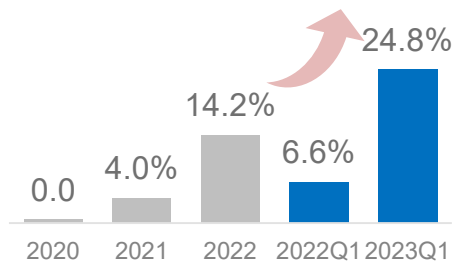
**399.1%** YoY growth in Q1

Unit: RMB 100mn



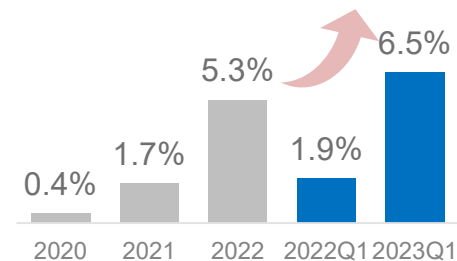
## Share of new policies of RP business

Up **18.2pt** YoY in Q1

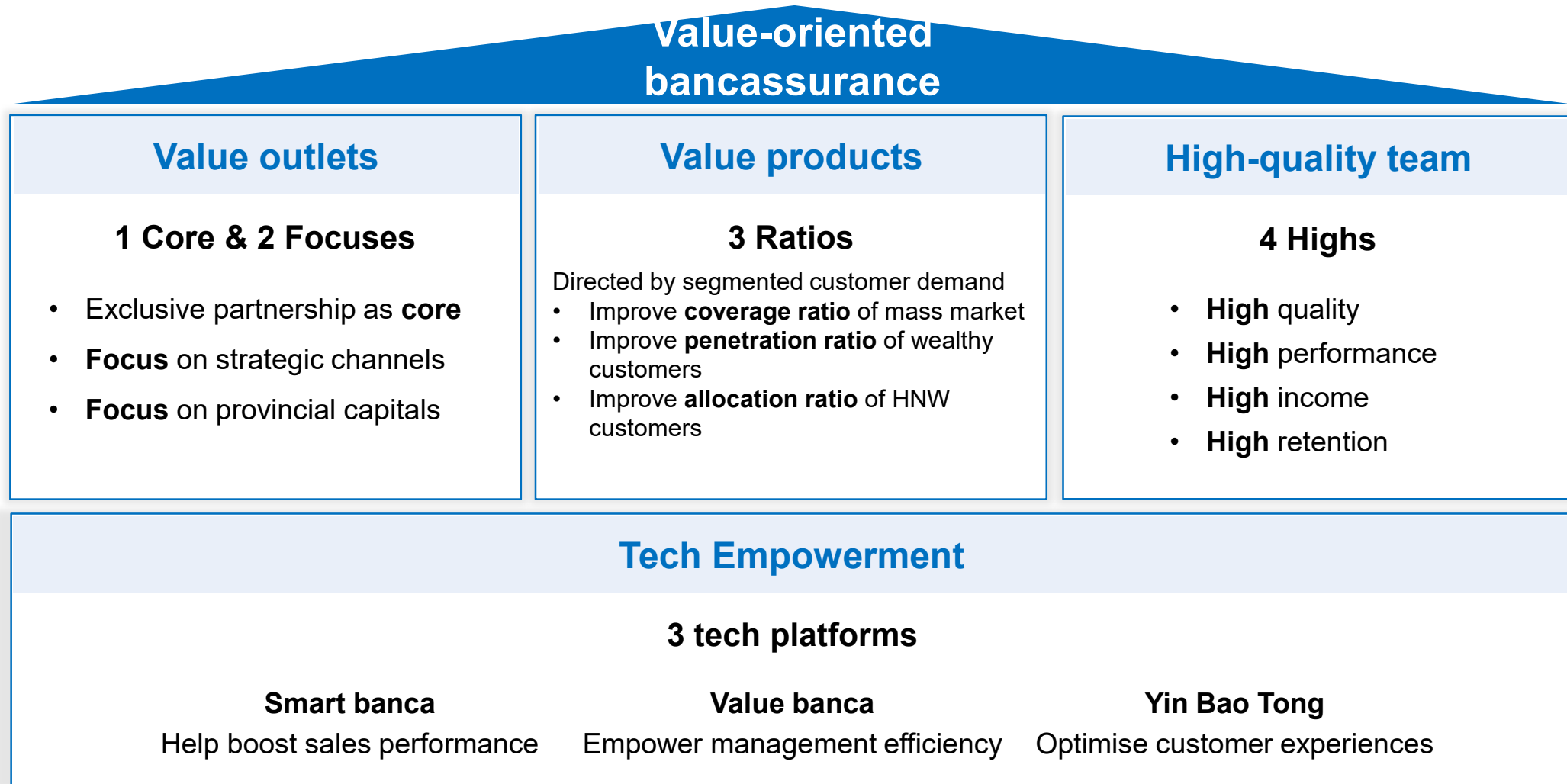


## Share of new policies of RP business in leading peers

Up **4.6pt** YoY in Q1



# Top-level design of bancassurance channel



# Core Advantage

## 1. Strategic cooperation with banks and co-develop outlets in core areas



Broad, shallow, short/mid-term cooperation



Long-term partnership, deep integration and win-win cooperation

## 2. Wide range of products and services to meet differentiated customer needs



Product-based, simple promotion



Customer-oriented, differentiated business operation

## 3. Build a high-quality team with leading coaching and activity management model



Rely on headcount, low efficiency



Quality team, high efficiency

## 4. Empower team and improve customer experiences with 3 tech platforms



Tool for policy issuance

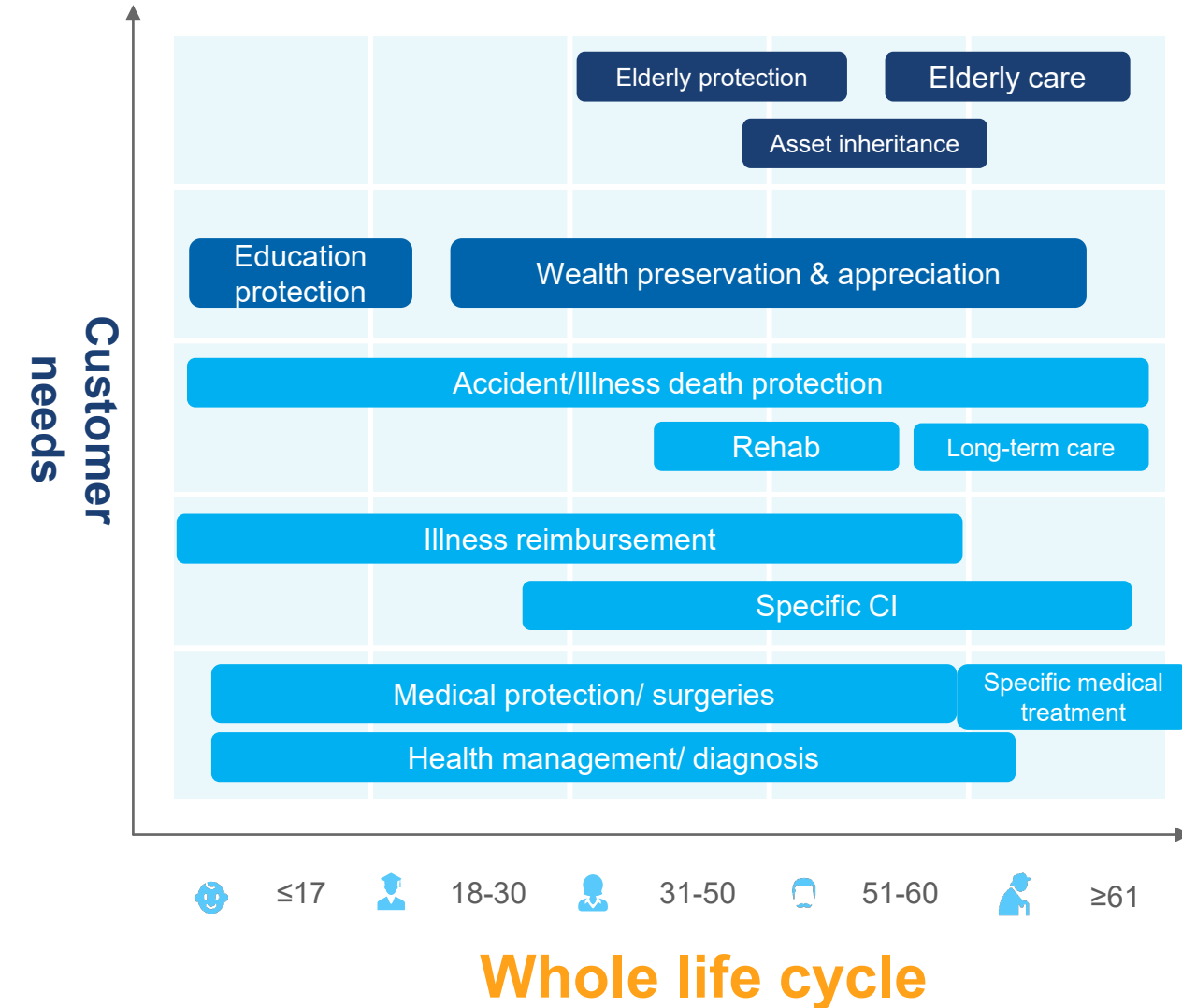


Full digital empowerment

## Products + Services

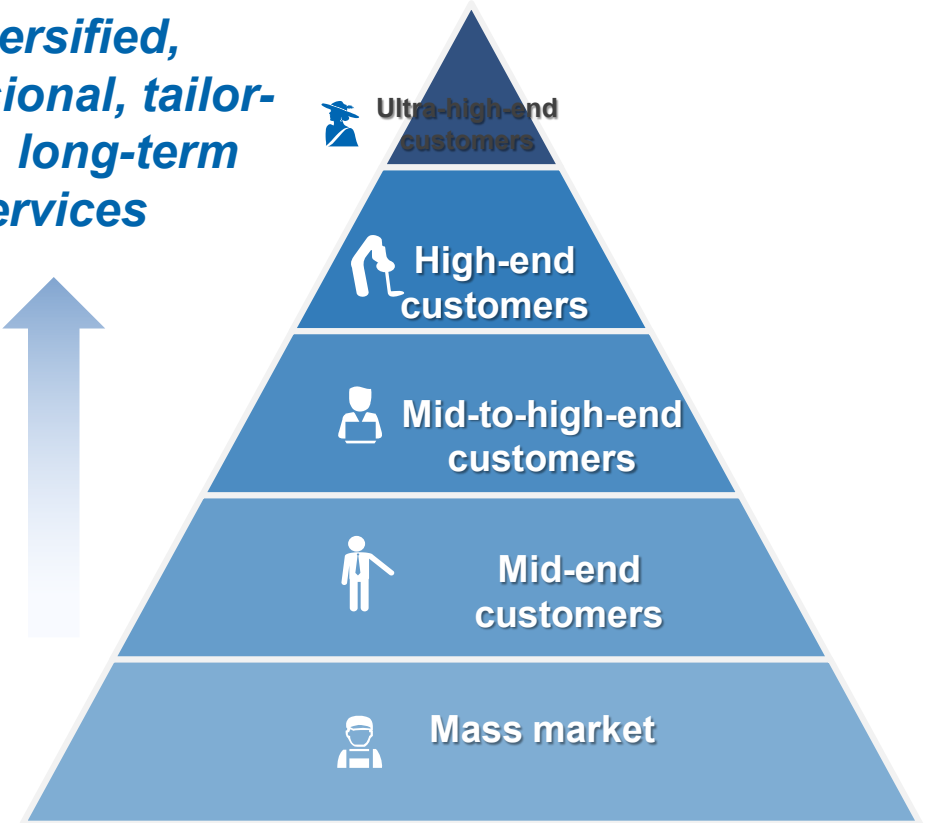
- Offer tailor-made solutions for customers

# Clearer tendency of customer needs for whole life cycle & segmented protection



*Diversified,  
professional, tailor-  
made, long-term  
services*

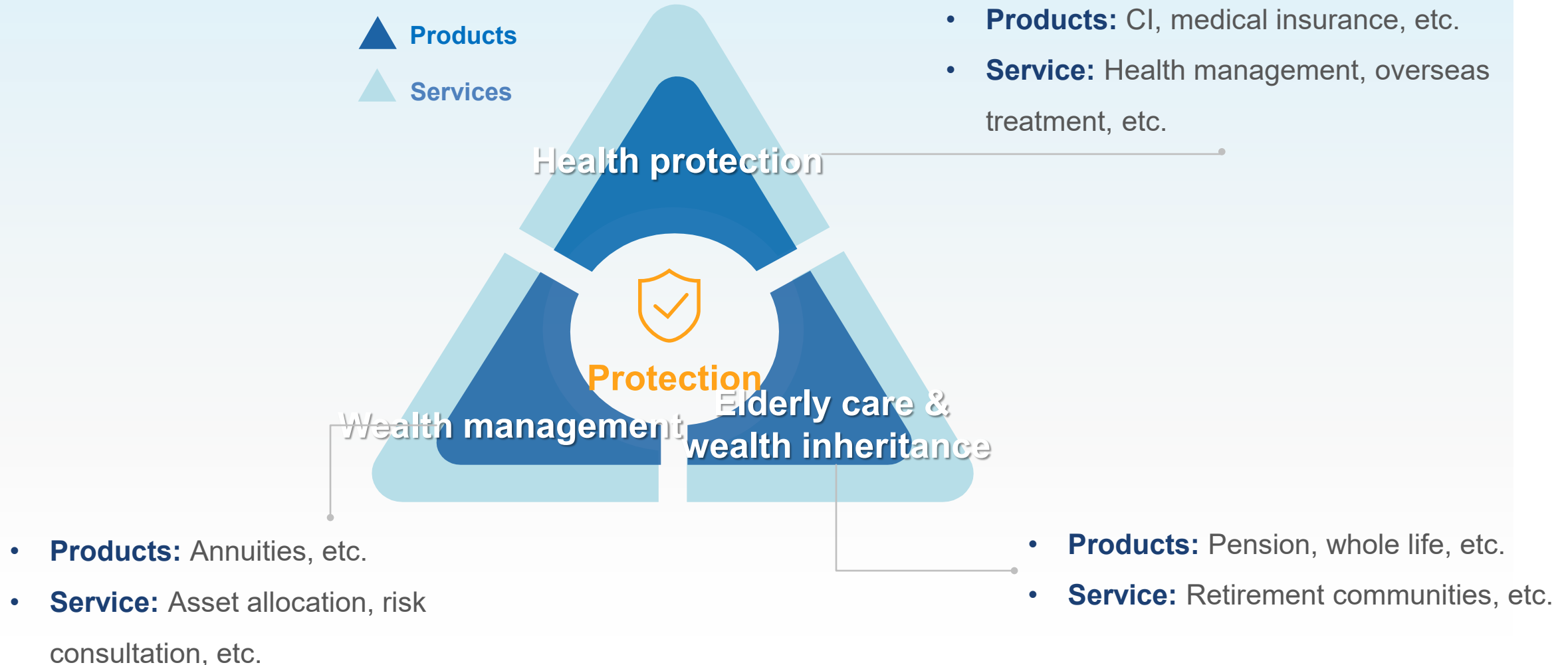
Upgraded  
demand



**Segmented customers**



# CPIC solutions: start from customer needs, build products + services “golden triangle”



# Critical illness solutions: creating a new generation of CI products and one-stop service

## Targeting health protection gap

- Integrated product + service design
- One-stop service through exclusive partnership with Sinopharm
- Agile iteration and continuous upgrading of critical illness products



**Jin Sheng Wu You**

*New generation of CI*

**Intensive protection for people under 60**

**Extensive protection for people over 60**



**CPIC Blue Passport + Wu You Guan Jia**

*A powerful combination of one-stop health management service*

**One-on-one personalised service**

**One-stop solution for medical care**

# Elderly care solutions: focusing on specific customer segments to meet the full range of senior care needs and promote “products + services”



# Corporate governance, risk management and investment

--Long-termism, prudent operation, pursue high-quality growth for the new CPIC Life

# Continue improving risk management and compliance systems to safeguard prudent and healthy development

- The Company continues optimising its risk management systems, in terms of organisation, preferences, tools and culture in the face of the complex and changing internal and external environment



## Organisation

Build solid first line of defence and professional second line of defence; develop ERM structure in coordination with Audit centre

## Preferences

Set up top-down risk appetite system, with breakdown of risk preferences and tolerance and tolerance limits linked to frontline business

## Tools

Leverage risk management systems, stress testing models and mid-office systems to optimise risk management technical tools

## Culture

Regularly revise rules, carry out risk training, strengthen accountability and strengthen the Company's risk management culture

# Stick to long-term investment philosophy for high return and low volatility

## Last 10 years (2013-2022)

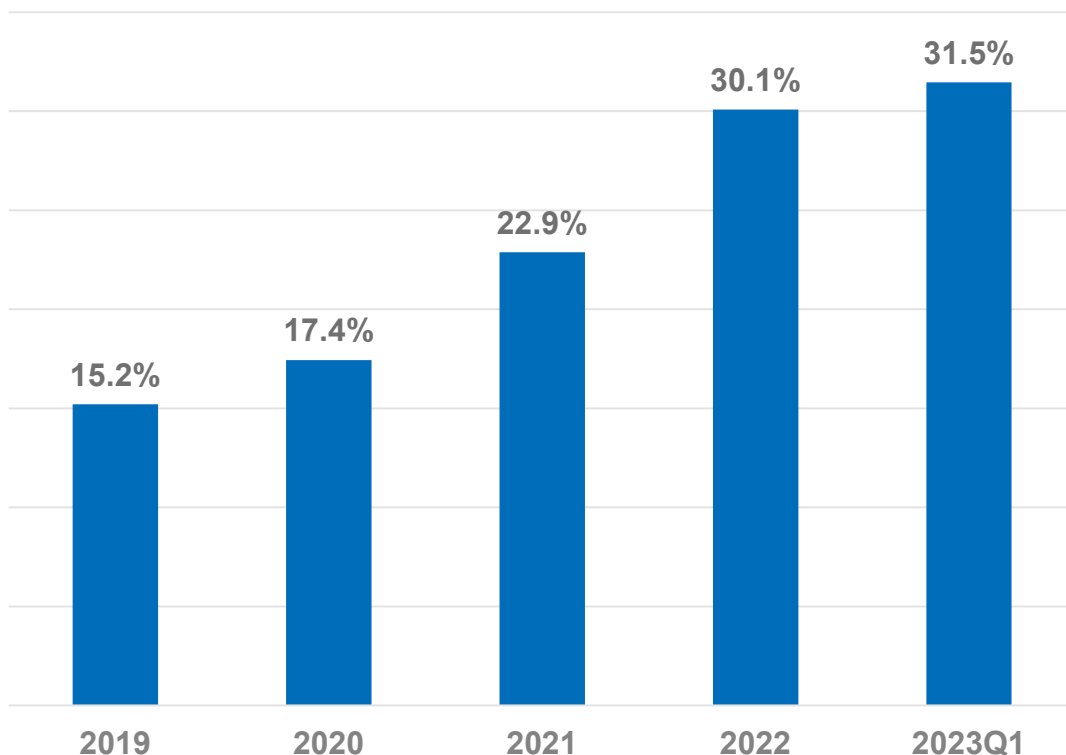
- ARR **5.38%**, industry leading
- Volatility (total investment yield) **0.68%**, high stability
- Sharpe Ratio (total investment yield) **2.94**, excellent performance

## Last 3 years (2020-2022)

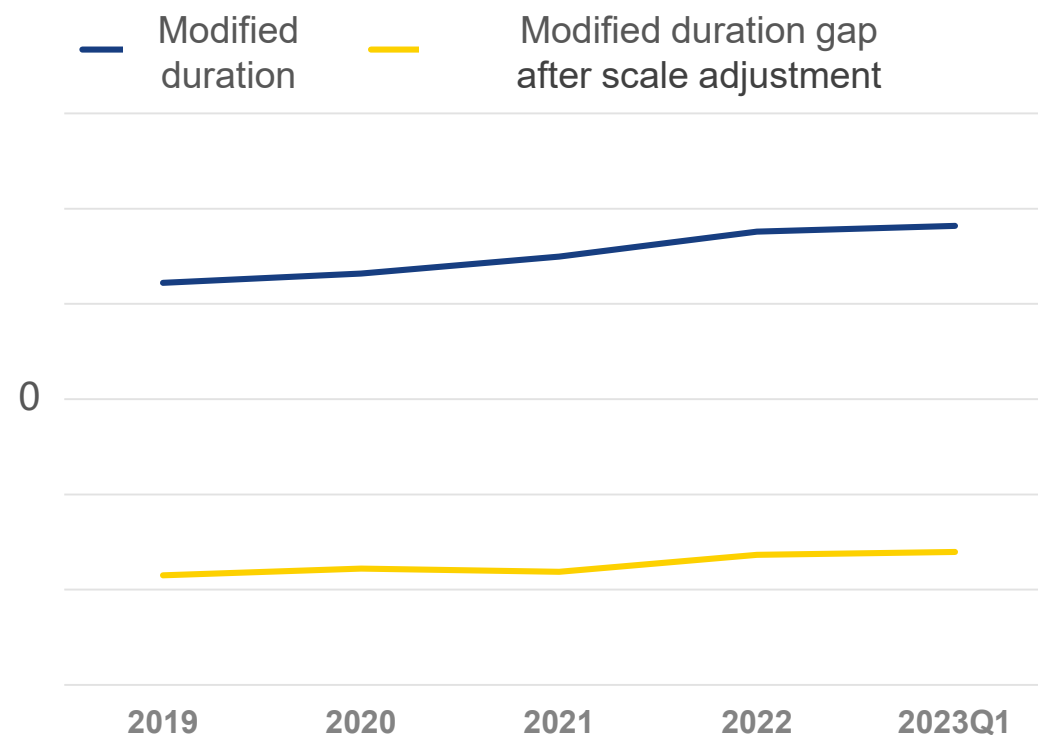
- ARR **5.10%**, industry leading
- Volatility (total investment yield) **0.68%**, high stability
- Sharpe Ratio (total investment yield) **2.52**, excellent performance

# Investment allocation centres on ALM, return on long-term investment covers liability cost, with duration gap improving

Continue increasing share of allocation in long-term assets



Modified duration for assets increasing, with narrowing duration gap

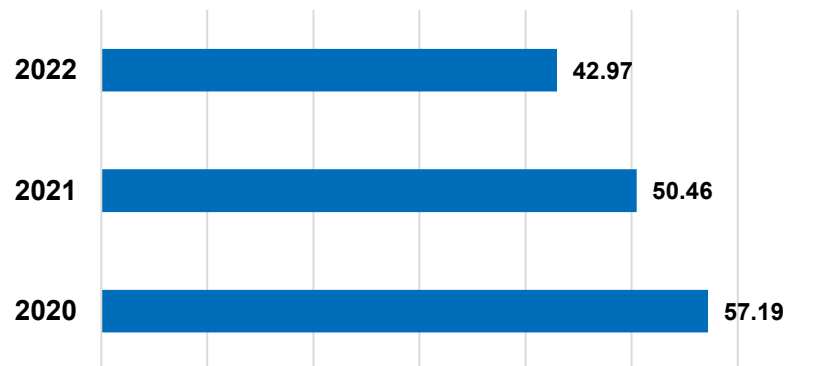


Note: Figures of modified duration and modified duration gap after scale adjustment are calculated according to regulator's standards

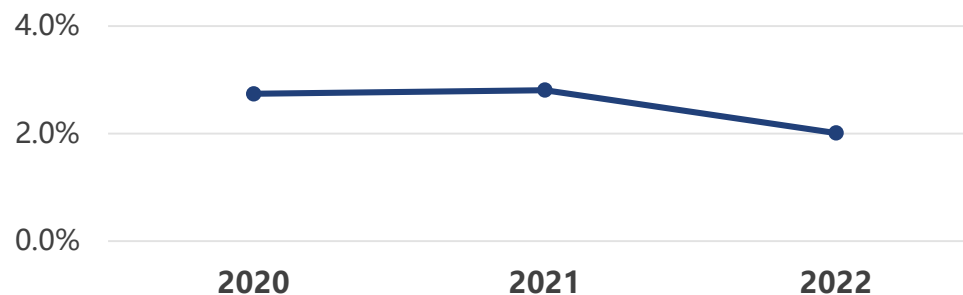


# Strict control on exposure to risky sectors and regions, asset quality remains good

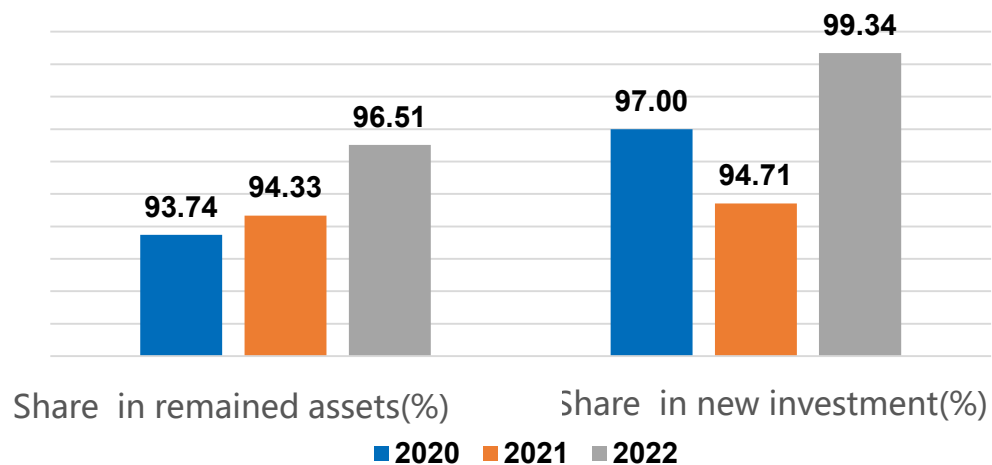
## Dropping share of credit-type assets



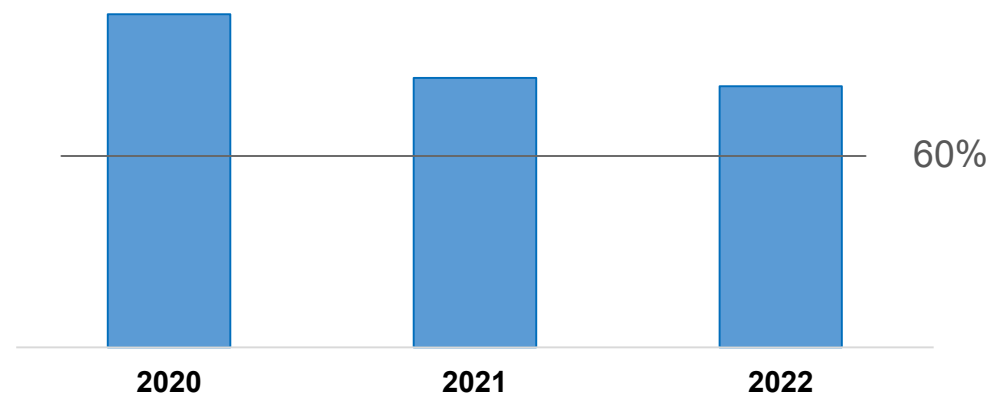
## Share of fixed income assets in real estate remains low



## AAA rated assets above 93% and increasing



## Share of credit-type fixed income assets in developed regions remains above 60%



Note: developed regions refer to Beijing, Shanghai, Guangdong, Jiangsu, Zhejiang and Fujian

# Accelerating high-quality growth with outstanding regulatory ratings

CBIT Insurance Service Quality Index

**NO. 1** in Life Companies

SARMRA score: 84.5 points for 2022

**NO. 2** among participating life insurers

Integrated Risk Rating (IRR)

Kept **A** for 6 consecutive years

Solvency margin ratio for 1Q23

**199%**

# Culture and Leadership

- Leverage culture and talent to better support transformation

# Leverage culture and talent to boost organisational vitality and capabilities

Changhang

A life insurer aiming for best customer experience and long-term development

Leverage culture and talent to boost organisational vitality and capabilities

Key aspects

Culture Reform

Short term → Long term

Leader-oriented → Customer-oriented

Solo → Synergy



Talent Support

Set up standard

Refine teams

Develop

Select

Cultivate

Appoint

Eliminate

HR support



Systems



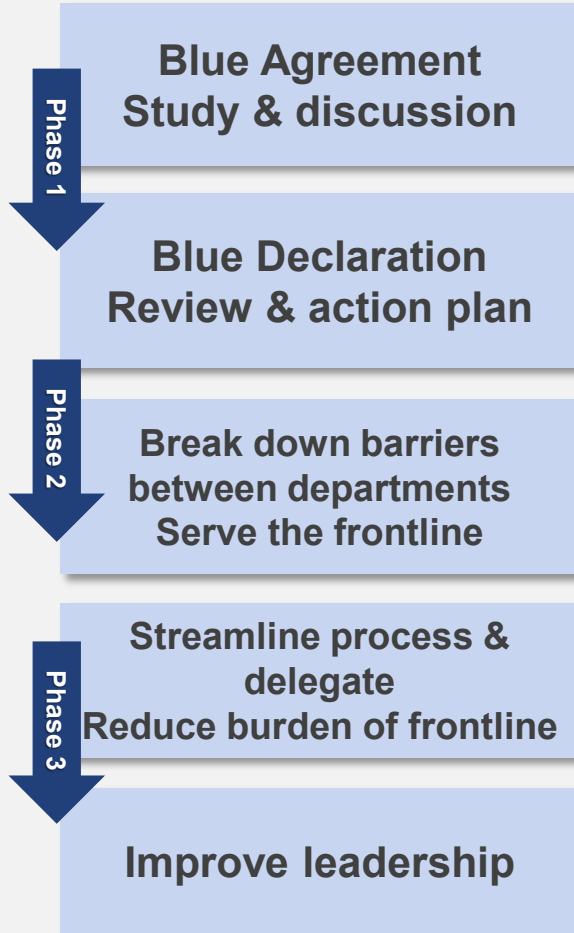
Professionalism



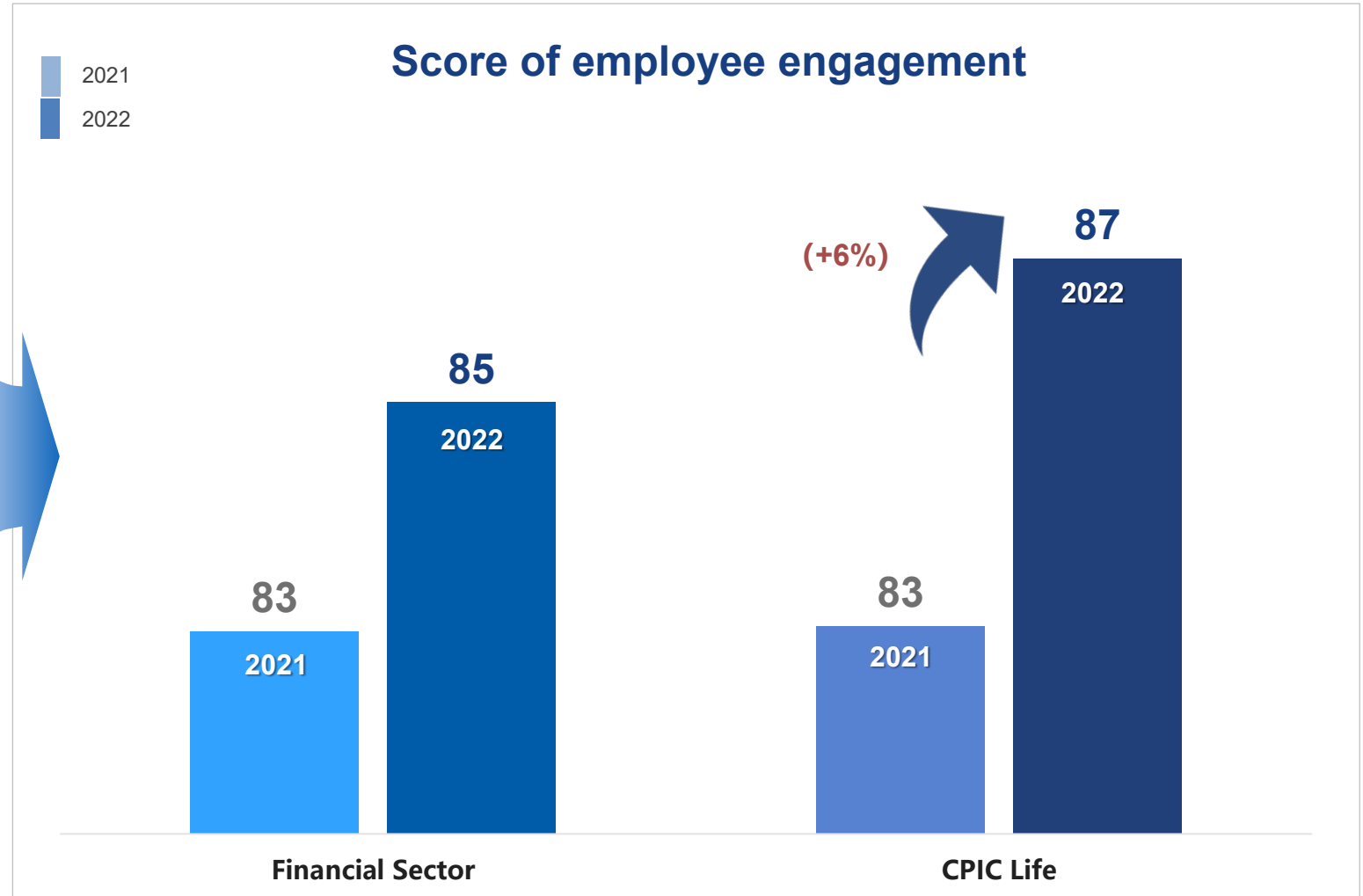
Digitalisation

# Culture transformation: improve employee engagement, with improved score higher than industry

## Deepening culture transformation



Employee engagement scored 87, up by 6% compared with 2021, 2pt higher than financial sector average



# Talent support: create comprehensive career path, improved talent mix at key positions

- Select and train talent at different positions, with more young talent at different levels
- Several highly-educated, high-potential, comprehensive talent work at key positions such as GM of branches

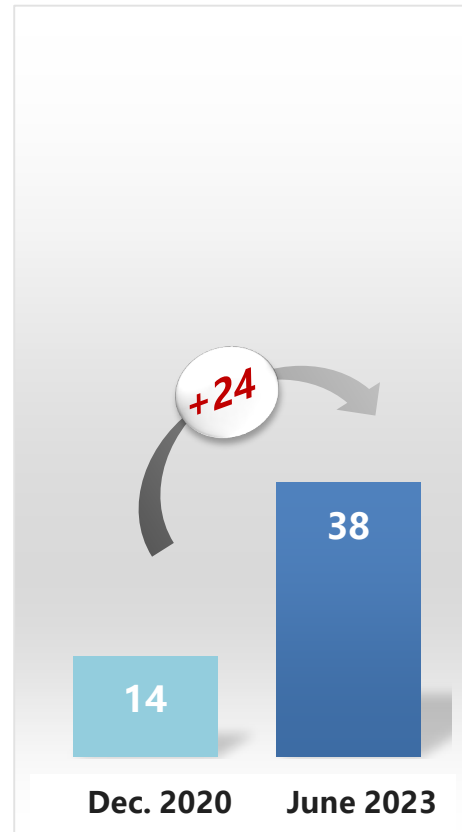
Improve coverage and quality

Work at different levels and positions

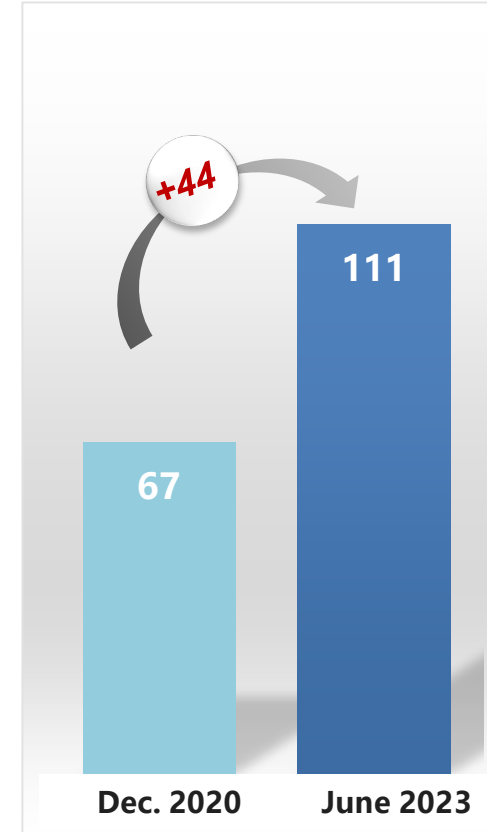
Combine coaching and practices

Flexible promotion and demotion

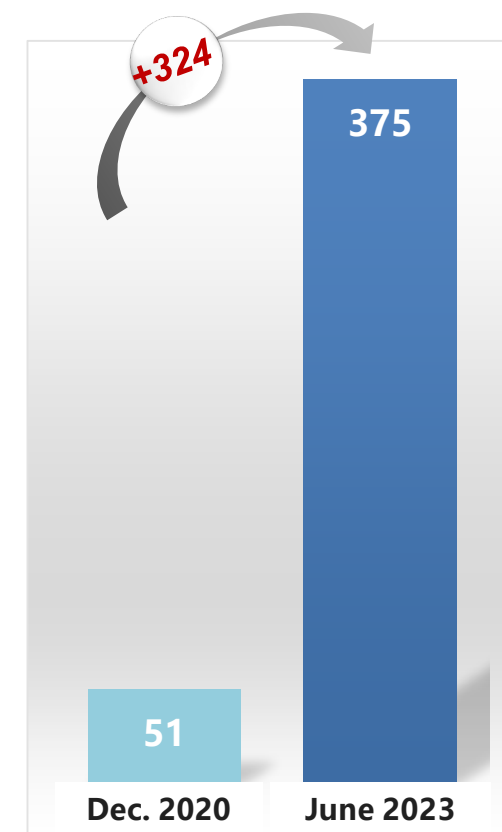
No. of **post-80s**  
generation as branch  
management



No. of **post-85s**  
generation as central  
subbranch management



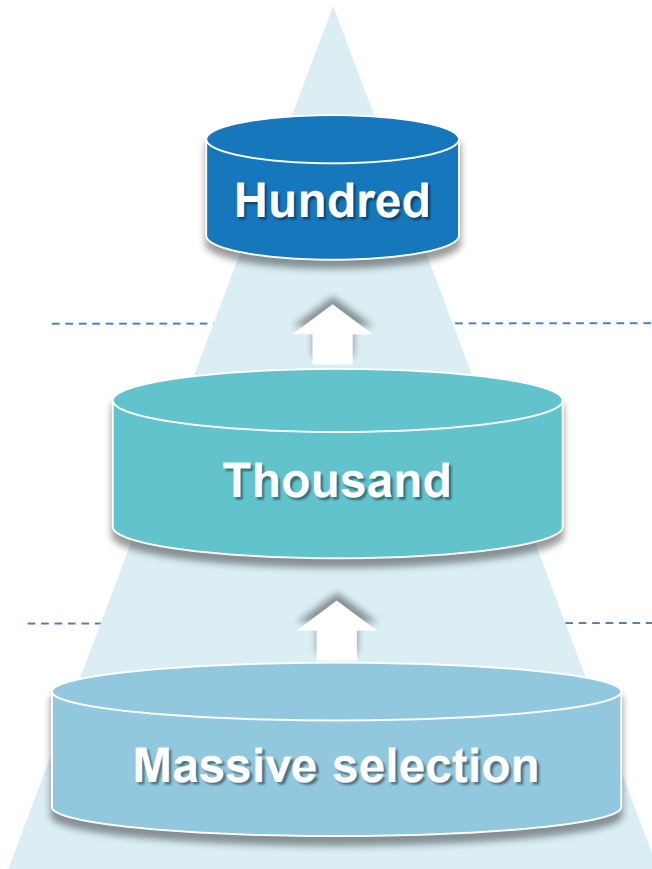
No. of **post-90s**  
generation as subbranch  
management



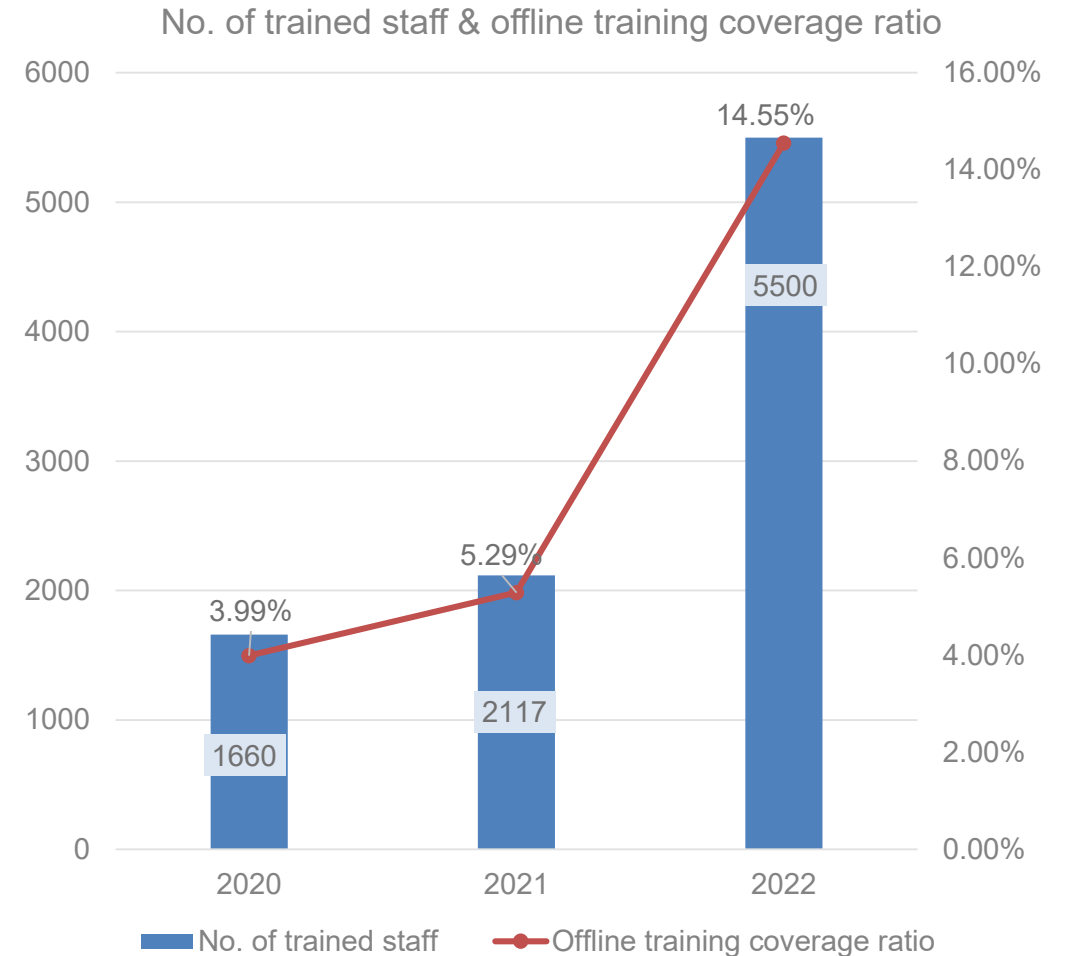
# Talent Support: Enhance high-potential talent pool, improved coverage of talent coaching

Enhance high-potential talent pool, select more than 1,000 in total

Improve training system, offline training coverage ratio tripled



- Talent pool for high-level management
  - Cultivate **47** in total
- 
- Talent pool for mid-level management
  - Cultivate **357** in total
- 
- Talent pool for grass-roots unit management
  - Cultivate **680** in total





# 2023



**From Shaping to  
Taking Shape**

**From Agents to  
Internal Staff**

# Changhang Phase II: From exterior to interior, create organisational empowerment support compatible with productivity

Agents sales mode upgraded

Internal staff work mode more efficient



**Headcount driven**

Product push driven, lack of individualisation

**Professional Sales**

“3 directions & 5 mosts”, focus on professional selling skills and value creation, conduct customer management activities by self driven, continuously improve professionalism.

**Customers  
as core**

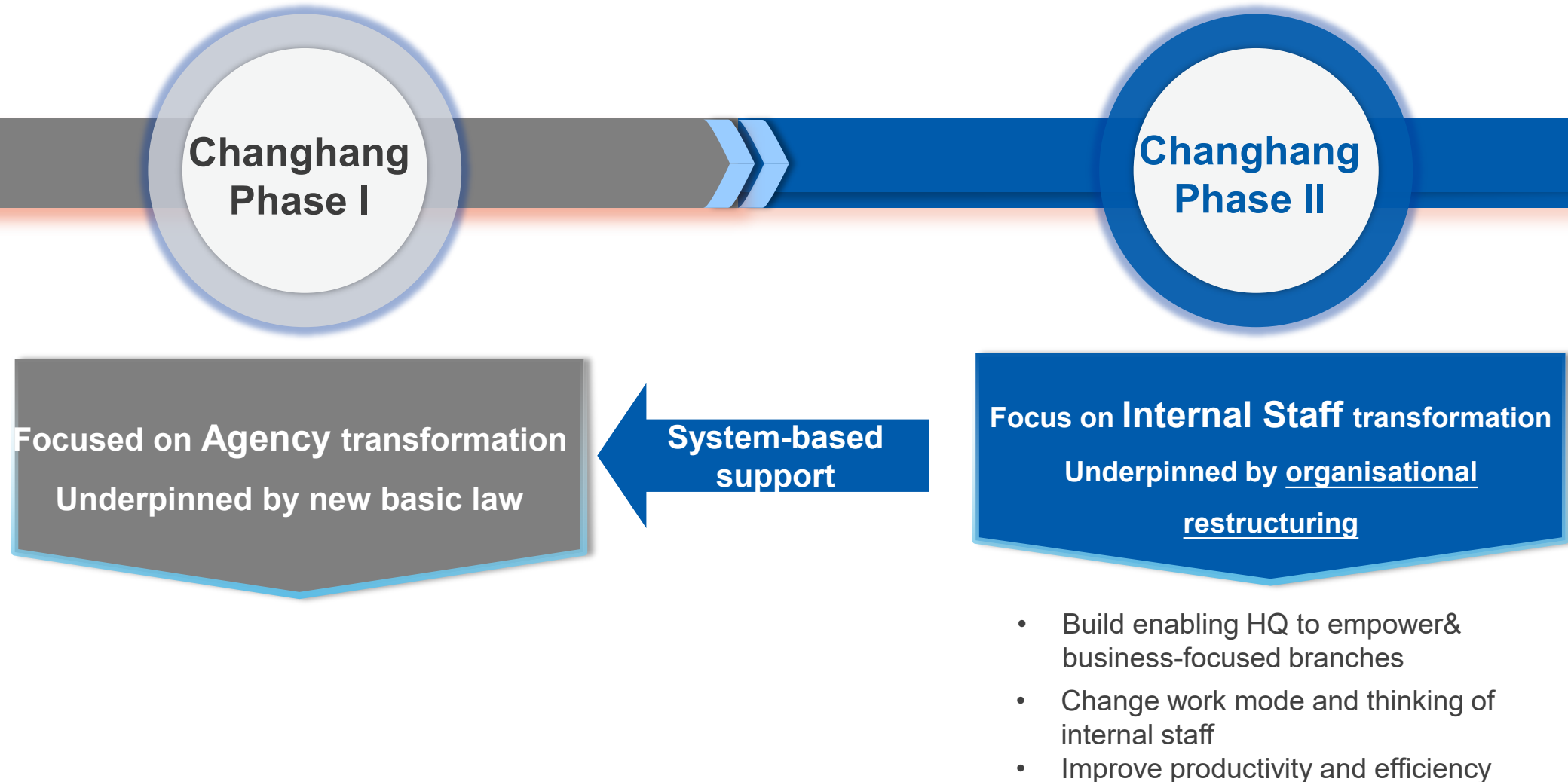
**Administration  
driven**

Internal staff drive agents, provide support to agents' selling activities

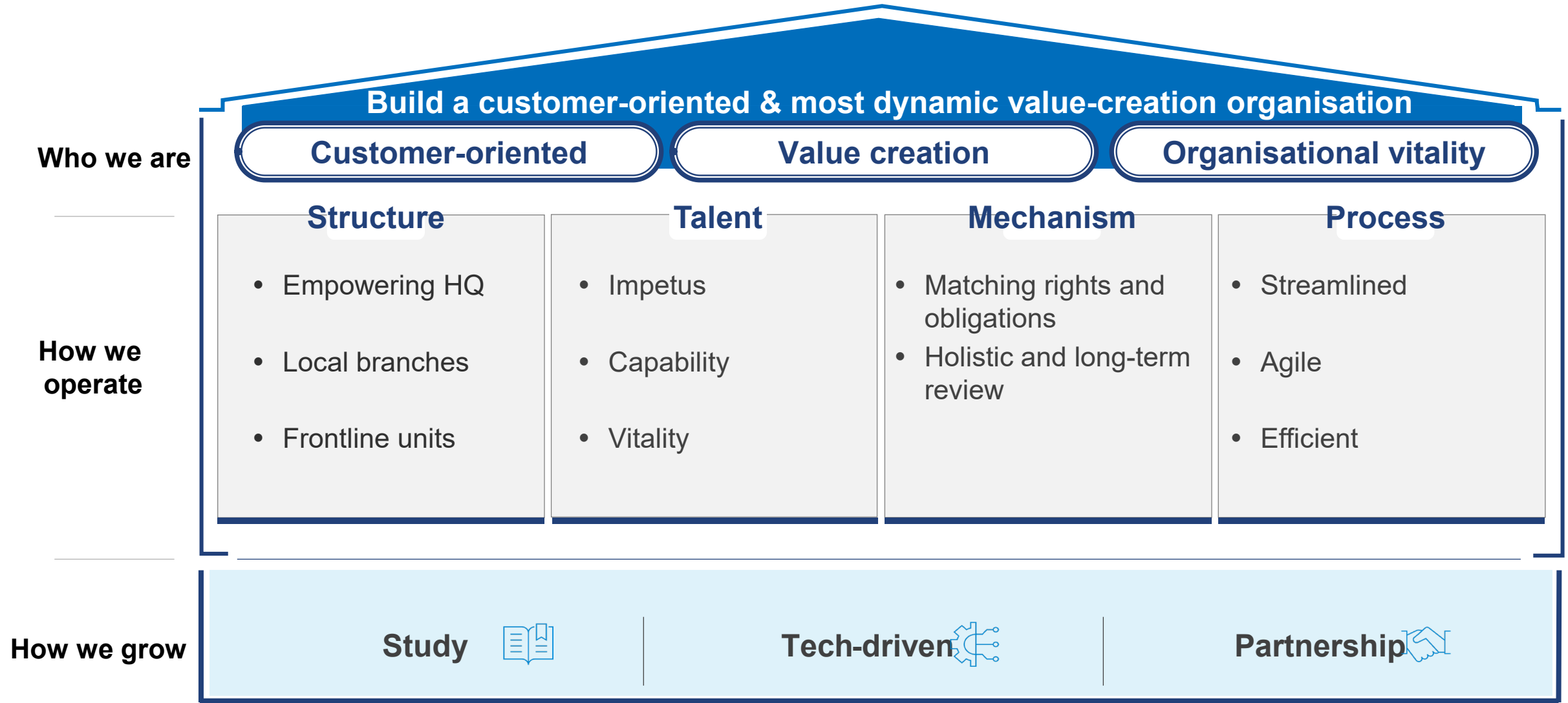
**Empower self  
management**

Provide professional platforms and resource allocation, empower self management of agents, activate organisational vitality

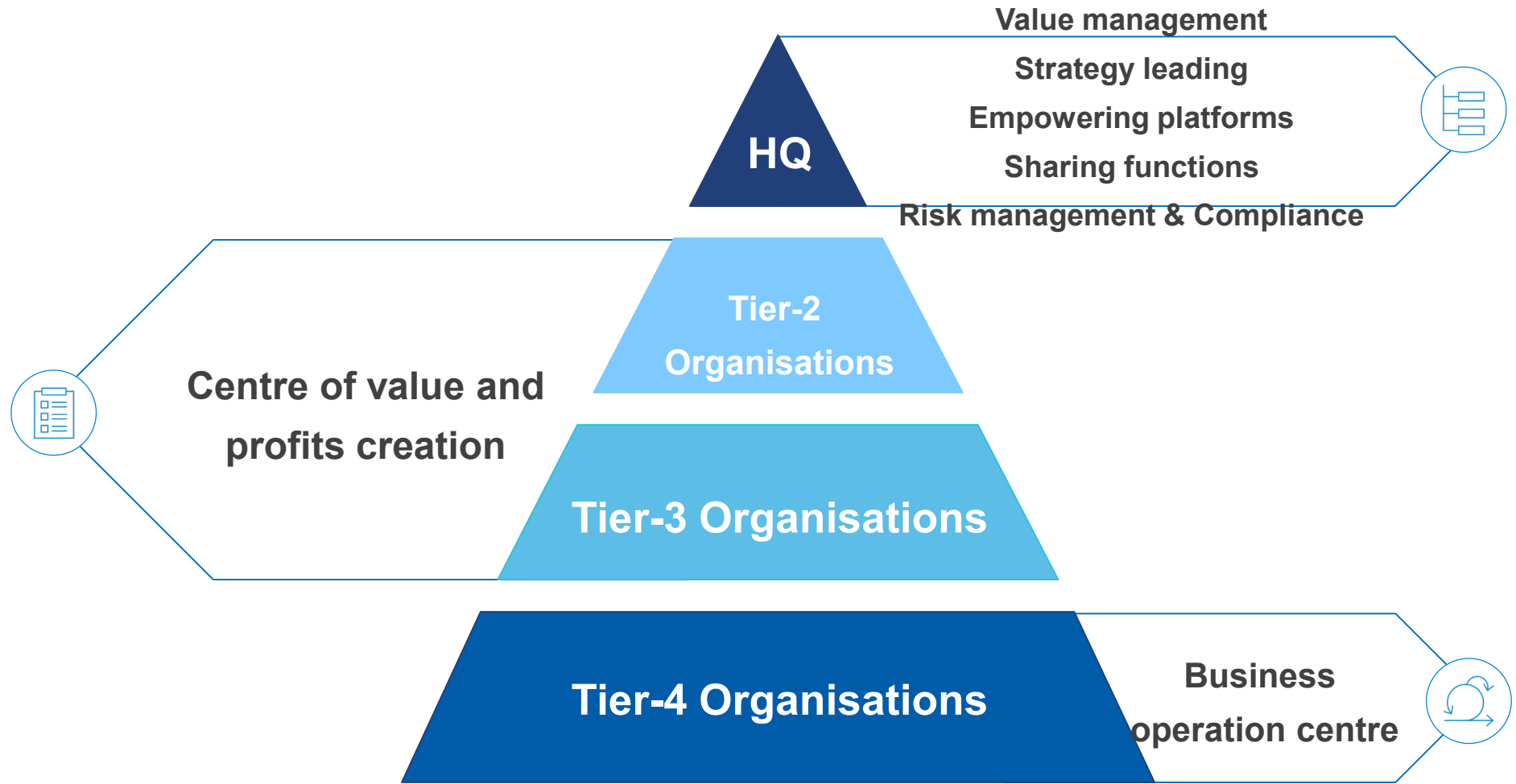
# Changhang Phase II: Leverage internal staff transformation to further empower agency reform



# Blueprint of organisational reform: Create new organisational vitality & new transformational drivers

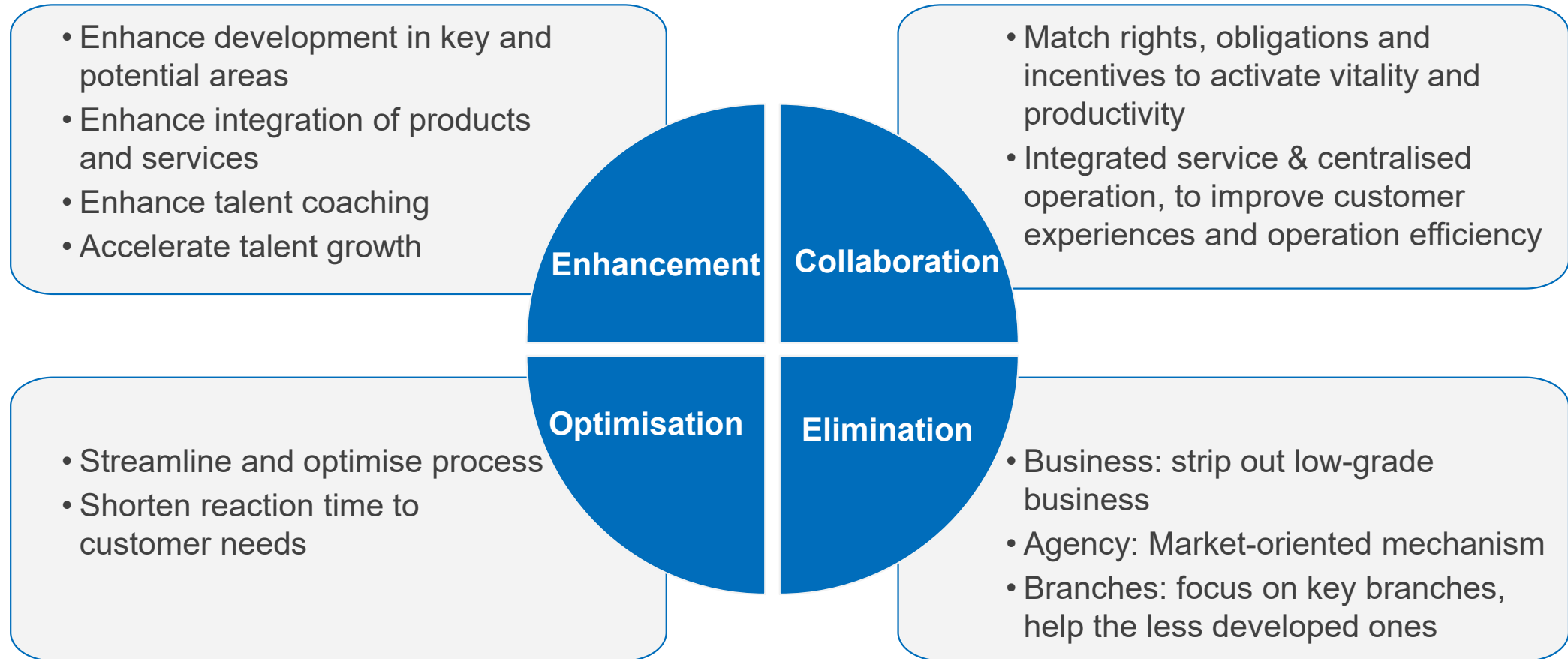


# 3-tier structure: Maximise customer and business value

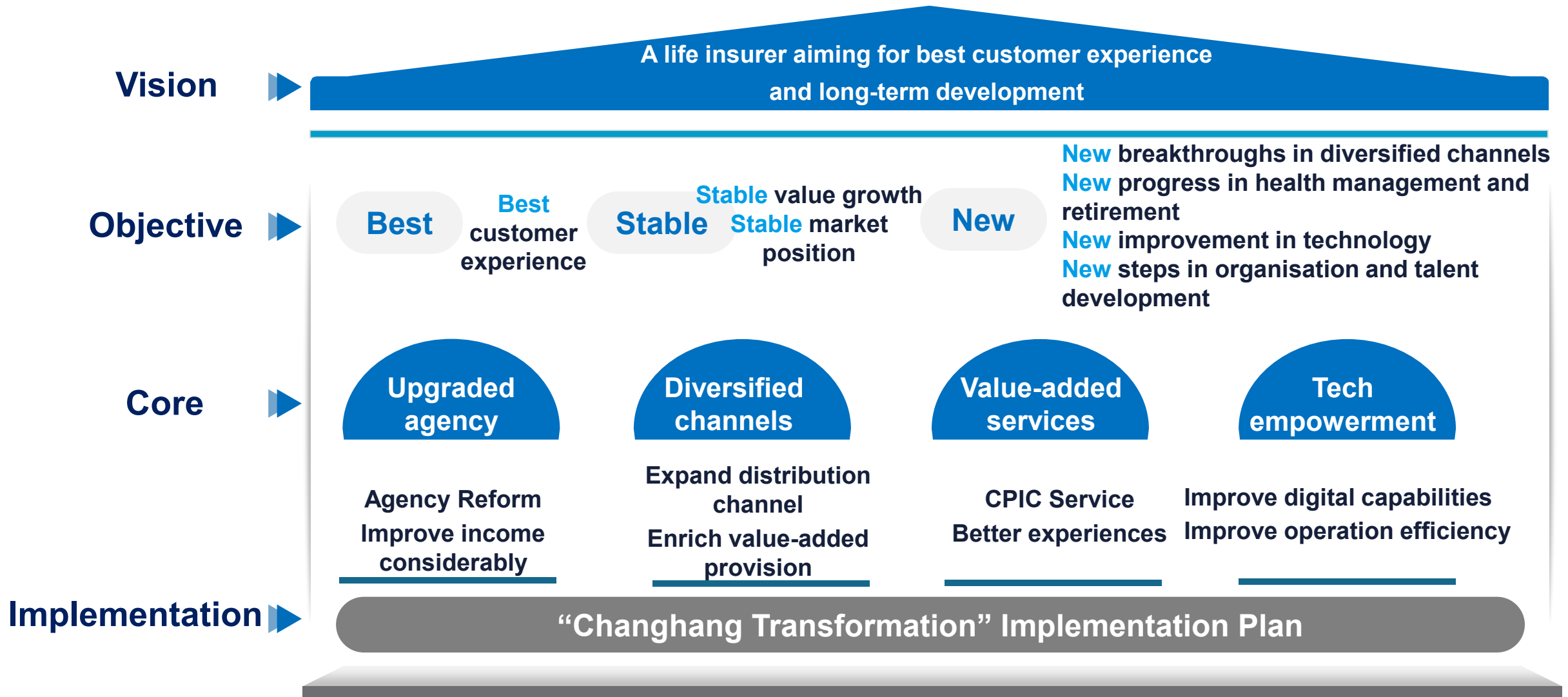




# Principles of organisational reform: utilise multiple means



# Changhang Transformation: Stay committed to the blueprint



Thanks!