



Key Sector Data

Average PER (x)	17.9
Average PBV (x)	1.9
Average PEV (x)	1.3
Average VNB (x)	4.6
Average Dividend Yield (%)	0.9

Sector Market cap (HK\$bnn)	1,712
Average 30-day avg vol (HK\$mn)	2,234
Sector Weighting in MSCI China	~ 8%

Source: Company, Bloomberg, ABCI Securities

Sector Premium composition in 2011 (%)

Life	60.6
Health	4.8
Personal Accident	2.3
Property & Casualty	32.2

Source: Companies, CIRC

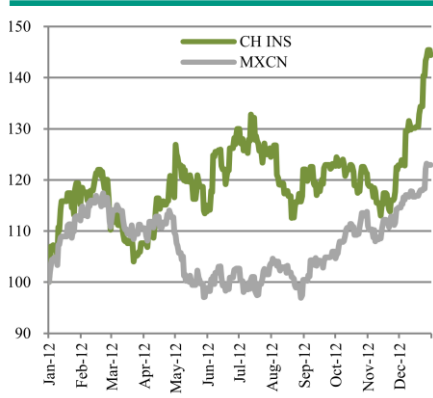
Sector performance (%)

	Absolute	Relative*
1-mth	17.49	10.19
3-mth	17.63	0.12
6-mth	13.53	(8.84)

Source: Bloomberg

*Relative to MSCI China

1 year relative performance vs MSCI China



Source: Bloomberg

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China Insurance Sector - Overweight
Life & Health Insurance Industry

Premium growth rebounds towards year-end

Other than the A-share market rally, China Insurance has been well fostered by rebounding premium growth towards end-2012. Four insurers maintained their premium growth trajectory in 11M12. Also, all insurers reported significant improvement in premium growth rates from the low in mid-2012. Currently the sector is trading at an average of 1.34x 2013E PEV and 4.6x 2012E VNB, still well below the historical average valuation of 2.2x forward PEV. As such, we expect the sector to sustain its outperformance in 2013. Currently, we favor China Life and China Pacific, due to their faster turnarounds in Life operations.

China Life's sharp recovery. Nov life premiums reached Rmb298.8bn, flattish YoY during the period. Such growth contrasts the YoY decline of 8.6% in 4M12, representing a sharp turnaround. We expect China Life to continue benefiting from Kang Ning CI and the new direct sales products.

Ping An Life maintaining its growth trajectory. Nov life premiums reached Rmb119.2bn, up 8.3% YoY during the period. Such growth was much faster than 1.7% YoY in 3M12.

China Pacific's turnaround as fast as China Life. Nov life premiums reached Rmb88.1bn, flattish YoY during the period. Such growth contrasts the YoY decline of 3.0% in 4M12. This is another big reversal in premium growth, other than China Life. We expect China Pacific to benefit further from the sales of Jin Xiang and Hong Fa participating products in 2013.

Taiping life much better off. Nov life premiums reached Rmb33.0bn, up 14.2% YoY (up 11.9% YoY year to Oct) during the period. Such growth was much faster than 7.0% YoY in 8M12. We expect Taiping Life to continue enjoying success in its new saving products in 2013.

Maintain OVERWEIGHT; Top picks: China Life & China Pacific.

We remain optimistic on the continuous strength of A-share markets and further turnaround of life underwriting. As such, we reiterate our Overweight rating on China Insurance. Our top picks are China Life and China Pacific. Our SELL is Ping An. Also, we have a HOLD rating on New China Life and a BUY rating on China Taiping.

Risk factors: worse-than-expected underwriting and investment performance, tighter-than-expected regulations for the sector

Sector Valuation Summary

Companies	Code	Price (HK\$)	MCap (HK\$ bn)	ABCI Rec.	TP (HK\$)	PER 2013E	PBV 2013E	PEV 2013E	VNB 2013E	Yield 2013E
China Life	2628 hk	27.00	763	BUY	26.45	18.6	2.6	1.5	8.6	1.8%
Ping An	2318 hk	69.65	551	SELL	58.01	12.4	1.9	1.3	6.2	1.0%
China Pacific	2601 hk	30.90	280	BUY	27.92	25.8	2.1	1.4	4.6	1.4%
New China Life	1336 hk	32.55	102	HOLD	24.85	17.2	1.9	1.1	1.4	0.0%
China Taiping	0966 hk	16.00	27	BUY	13.42	15.3	1.3	1.1	2.0	0.0%
Sector Average						17.9	1.9	1.3	4.6	0.9%

Source: Company, Bloomberg, ABCI Securities



CH INS: total life premium growth (2011 – 11M12)

(YoY %)	2011	2012 Low	11M12	From year low
China Life	(4.44)	(8.56)	(0.81)	7.75
Ping An Life	(25.21)	1.70	8.32	6.62
China Pacific Life	1.31	(2.95)	0.32	3.27
New China Life	1.23	3.89	3.89	-
Taiping Life	(4.74)	7.03	14.17	7.14
Industry	(8.96)	(0.13)	3.53	3.67

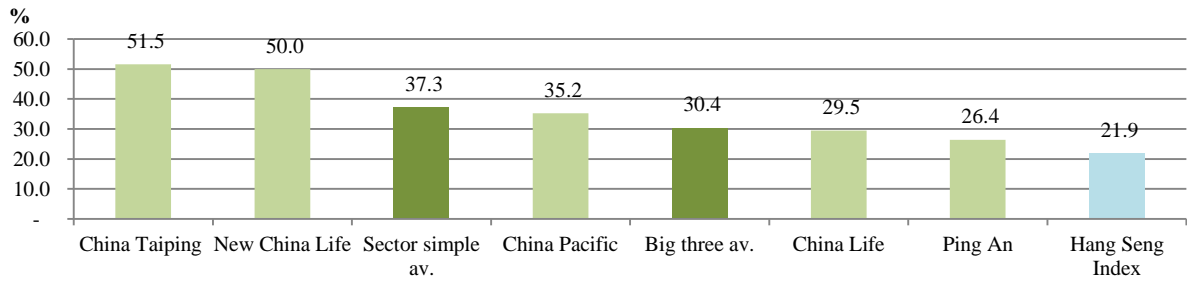
Source: Company data, ABCI Securities

CH INS: total P&C premium growth (2011 – 11M12)

(YoY %)	2011	2012 Low	11M12	From year low
Ping An P&C	34.16	9.42	19.55	10.13
China Pacific P&C	19.53	2.01	12.41	10.40
Industry	18.68	3.93	15.53	11.60

Source: Company data, ABCI Securities

China Insurance: relative performance versus Hang Seng Index since 5 Sep



Source: Bloomberg, ABCI Securities



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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return $- 6\% \leq$ Stock return $<$ Market return rate
Sell	Stock return $<$ Market return $- 6\%$

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2007-2011

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 1.5
Low	180 day volatility/180 day benchmark index volatility $<$ 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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