



Key Sector Data

Average PER (x)	23.2
Average PBV (x)	2.0
Average PEV (x)	1.4
Average VNB (x)	4.5
Average Dividend Yield (%)	0.8

Sector Market cap (HK\$bnn)	1,281
Average 30-day avg vol (HK\$mn)	1,725

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	(10.8)	(12.1)
3-mth	(7.2)	(6.0)
6-mth	(14.7)	(1.1)

Source: Bloomberg

*Relative to MSCI China

1 year relative performance vs MSCI China



Source: Bloomberg

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**China Insurance Sector - Unrated
Life & Health Industry**

Sector free-fall due to plummeting A-share markets

China Insurance sector experienced free-fall in share prices on 27 Aug, resulted from the new low of Shanghai Composite Index (SHCOMP) which closed at 2,055 pts. This was the twelfth year low for the China equity markets. China insurance stocks declined by 2.6% DoD on the same day. In fact, the sector dropped by 10.8% in share prices, underperforming MSCI China by 12.1 ppt, over the past month. As revealed in 1H12 results, China insurers are still haunted by the weak A-share markets. This serves as a major negative for sector in 2H12.

Ping An and China Pacific high in equity exposure. As of 1H12, Ping An and China Pacific had 12.7% and 10.6% of their investments assets placed in equities. Both of them increased their respective equity holdings in 1H12. Per our analysis, 10% decline in equity values will lead to 4.8% decline in Ping An's EV and 5.1% in China Pacific's EV for 2012E. Since end-Jun, SHCOMP declined by 7.7% (2,226 pts to 2,055pts)

China Life and New China Life more exposure to equities. China Life and New China Life will release 1H12 results this week. As of 2011, China Life has 12.1% of investment assets placed in equities, versus 7.7% for New China Life. However, both of them will face heavier losses to EV than Ping An and China Pacific due to plummeting A-share markets. For China Life, its EV will drop by 6.2% and that of New China Life will be lowered by 5.9% for every 10% decline in equity values.

China Taiping less vulnerable. Compared to the incumbents, China Taiping is less vulnerable to A-share markets. Firstly, its reinsurance and P&C arms have over 80% of investment assets placed overseas. Secondly, China Taiping owned a stake of only 50.1% in Taiping Life. Therefore the group will face smaller exposure to China equity markets. For every 10% decline in equity values, its group EV will fall by 2.3% as per our analysis.

Risk factors: better/worse-than-expected investment and underwriting performance, looser/tighter-than-expected regulations

Sector Valuation Summary

Companies	Code	Price (HK\$)	PER	PBV	PEV	VNB	Div Yield
<i>(Valuation on 2011 data)</i>							
China Life	2628 hk	20.6	26.0	2.5	1.6	9.1	1.5%
Ping An	2318 hk	57.6	19.2	2.2	1.4	6.6	0.8%
China Pacific	2601 hk	23.5	19.9	2.1	1.5	4.3	1.8%
New China Life	1336 hk	22.9	15.1	1.9	1.2	2.2	0.0%
China Taiping	0966 hk	10.3	35.6	1.5	1.0	0.5	0.0%
Sector Average			23.2	2.0	1.4	4.5	0.8%

Source: Company, Bloomberg, ABCI Securities



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