

# PICC P&C (2328.HK) 2011 Interim Results

August 15, 2011



**PICC**  
中国人民财产保险股份有限公司  
PICC PROPERTY AND CASUALTY COMPANY LIMITED

# Disclaimer

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## **Performance Highlights and Business Review**

## **Financial Performance and 2H2011 Initiatives**

# 1H2011 Results Highlights

2

1

Net profit of RMB5.29 bn, up 96.9% yoy, ROE of 18.5% and dividend per share of RMB0.225

2

Turnover of RMB91.44 bn, up 12.0% yoy

3

Underwriting profit of RMB4.94 bn, combined ratio at 92.5%, outperforming industry average

4

Investment assets of RMB189.34 bn, an increase of 24.9% from the beginning of the year

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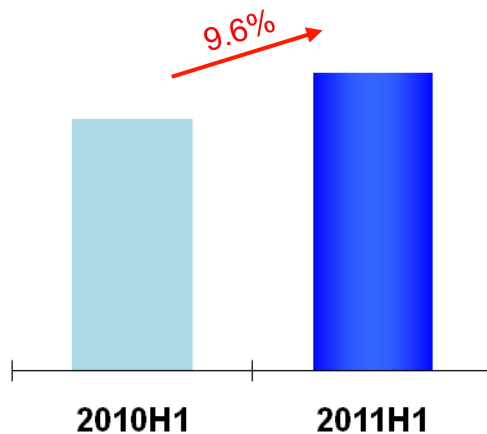
Investment income of RMB2.66 bn, up 41.3% yoy

# 1H2011 Non-life Business Environment Review 3

## Stable growth of China's economy

- Increasing insurance demand driven by macro economic growth, balanced urban/rural development and increased domestic consumption

China GDP

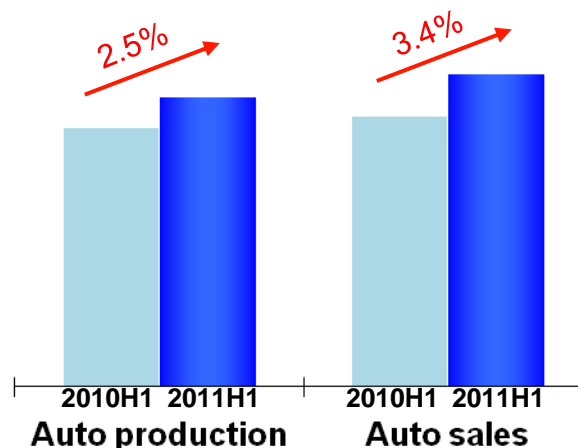


Source: National Bureau of Statistics

## Slowed growth in auto production and sales

- Growth in auto production and sales slowed in 1H2011 due to the end of favorable auto purchase policies and adoption of vehicle purchase restrictions in selected cities

Auto production and sales

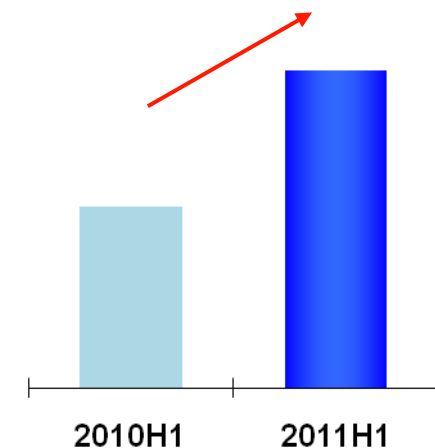


Source: China Association of Automobile Manufacturers

## Sector operating profit continues to improve

- Profitability of the non-life insurance sector continues to improve

Significant increase in underwriting profit



Source: CIRC

# Key 1H2011 Initiatives Showing Initial Results 4

## Key 1H2011 Initiatives Showing Initial Results

1

Rolled out the "Year of Service" initiative, reduced claims handling time by 15%, enhanced customer satisfaction and further strengthened company competitiveness

2

Accelerated progress in the development of a centralized nationwide IT infrastructure and a strong operating platform, marked by the launch of the South Information Center in April

3

Significantly strengthened claims cost control capability by reforming the claims settlement division and implementing vertical claims management

4

Further strengthened financial control through platform consolidation at the provincial branch level and active development of a shared finance support center

5

Further enhanced internal control, compliance and risk management systems, updated the *Responsibility and Accountability Handbook*, and leveraged IT to achieve authorization-based risk control

# Continue to Strengthen Market Development Capabilities

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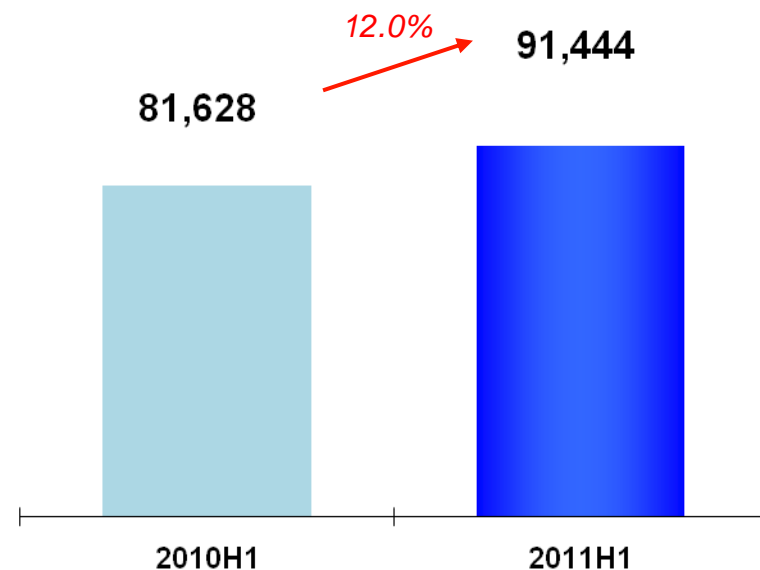
**1** Strengthen sales management system to increase sales productivity

**2** Capture market opportunities and proactively expand non-auto insurance business

**3** Promote the fast growth of telemarketing and online marketing channels

Turnover exceeded RMB90 bn, or an average of over RMB 500mm per day

(RMB mm)



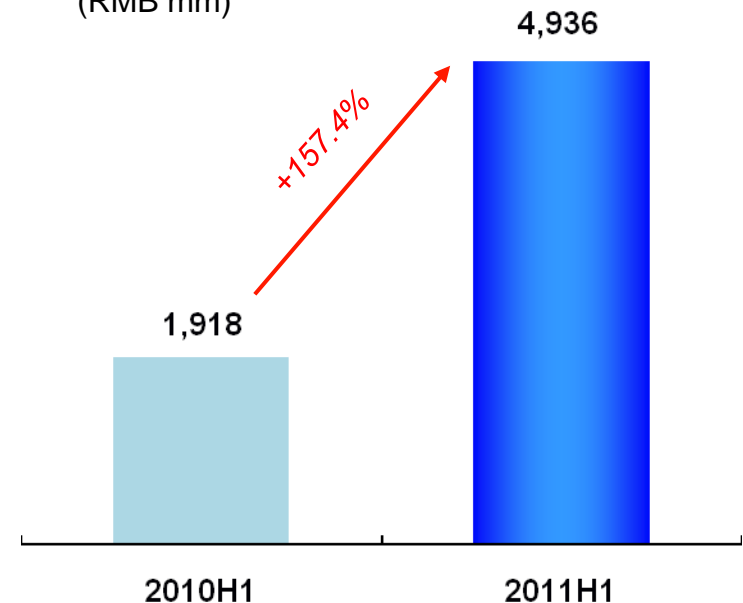
# Continue to Improve Underwriting Profitability

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- 1 Continue to promote selective underwriting to improve business quality
- 2 Differentiated resources allocation to strengthen expense control
- 3 Enhance loss pricing management and claims control

## Underwriting Profit

(RMB mm)

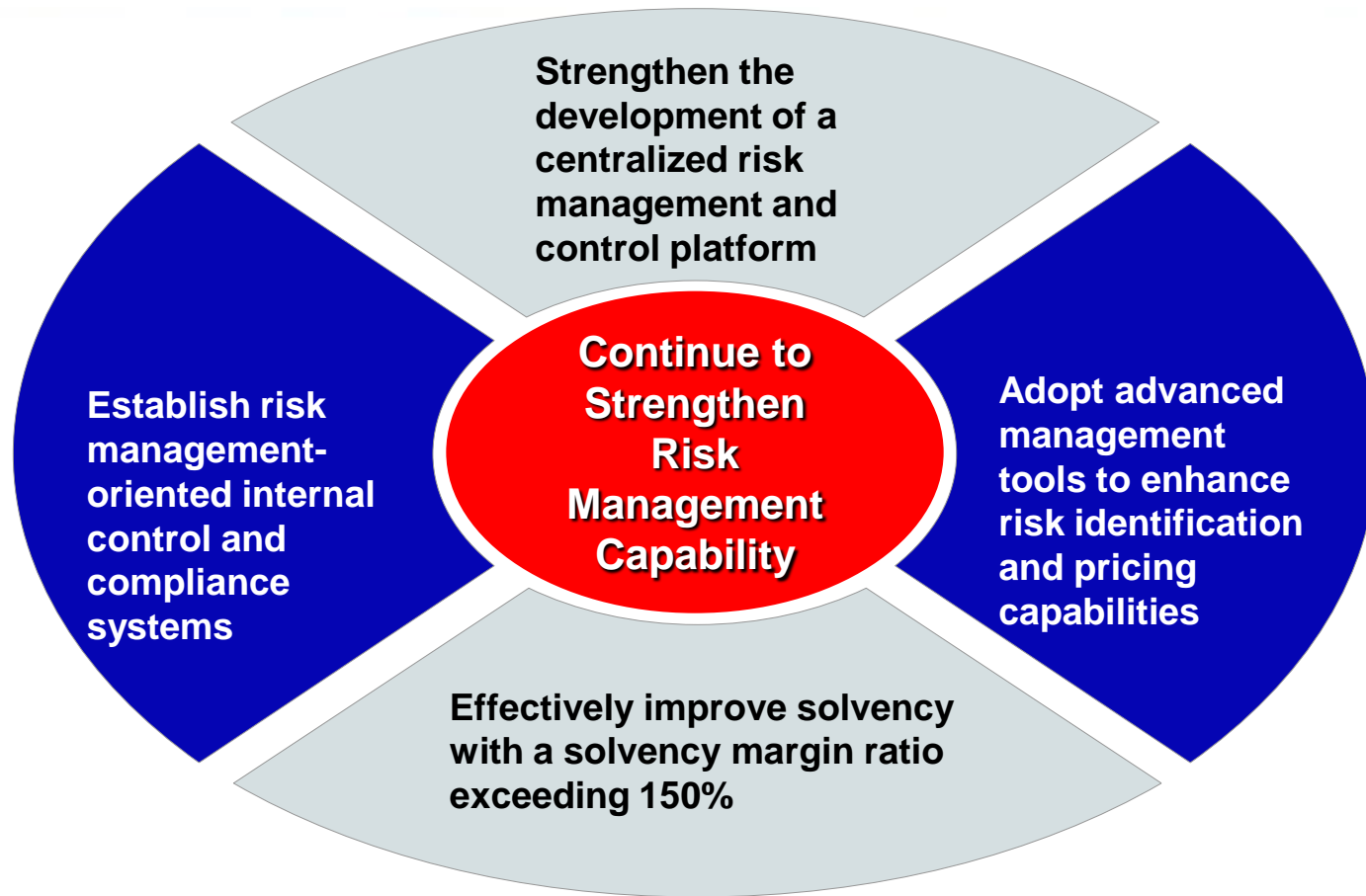


**Achieved underwriting profit in all 38 provincial branches and across all product lines in 1H2011**



# Continue to Strengthen Risk Management Capability

7



## Opportunities

- 1** Chinese economy will maintain sustainable, healthy and fast growth
- 2** Non-life sector will maintain strong growth momentum with enhanced profitability
- 3** The Company has successfully implemented reform initiatives and is well positioned for future growth
- 4** PICC Group now ranks No. 289 among Fortune 500 companies. Advantages of the group will become more apparent

## Challenges

- 1** Growth in auto productions and sales is expected to slow down in 2011 as a result of the end of policies encouraging auto purchase as well as the adoption of vehicle purchase restrictions in certain cities
- 2** More volatile capital market with greater uncertainty
- 3** More frequent occurrence of natural disasters and abnormal weather conditions

**PICC P&C is confident in its ability to continue its strong growth momentum, accelerate business development and create greater value for its shareholders!**

## **Performance Highlights and Business Review**

## **Financial Performance and 2H11 Initiatives**

# Profitability Substantially Enhanced

10

RMB MM	2010H1 (Restated)	2011 H1	Change	
Turnover	81,628	91,444	12.0%	↑
Net premiums earned	57,679	65,946	14.3%	↑
Underwriting profit	1,918	4,936	157.4%	↑
Investment income	1,881	2,657	41.3%	↑
Net profit	2,686	5,288	96.9%	↑
EPS (RMB)	0.241	0.475	96.9%	↑
Dividend per share (RMB)	-	0.225		

# Accelerated Asset Growth

11

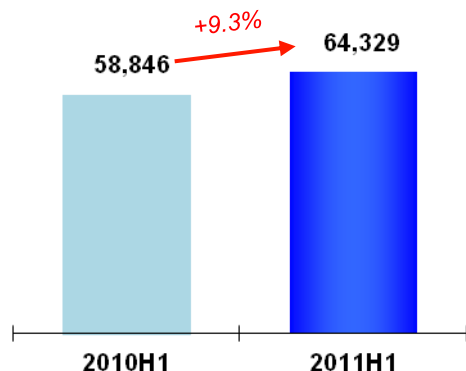
RMB MM	Dec 31, 2010 (Restated)	June 30, 2011	Change
Total assets	203,557	260,784	28.1% ↑
Total investment assets	151,534	189,340	24.9% ↑
Net assets	26,606	30,593	15.0% ↑

# Business Segment Maintaining Rapid Growth

12

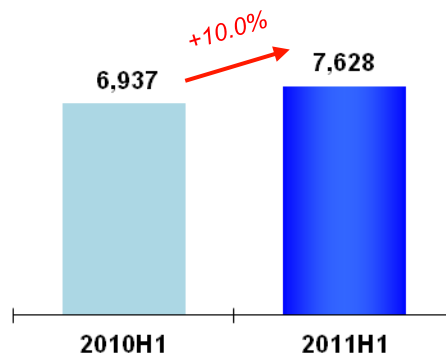
## Motor

Turnover, RMB MM



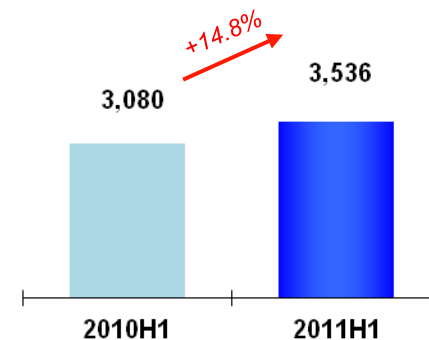
## Commercial Property

Turnover, RMB MM



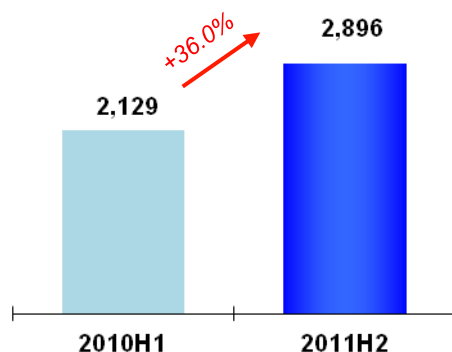
## Liability

Turnover, RMB MM



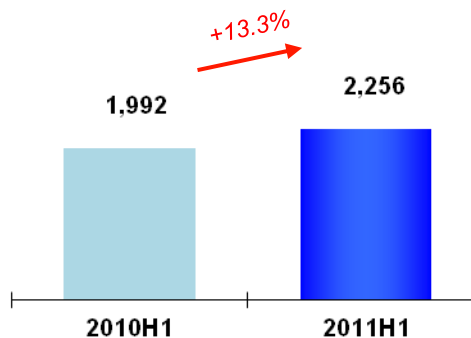
## Accident & Health

Turnover, RMB MM



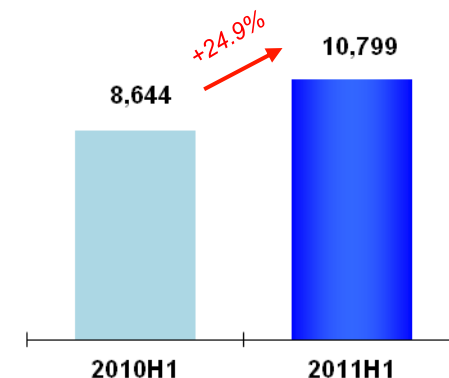
## Cargo

Turnover, RMB MM



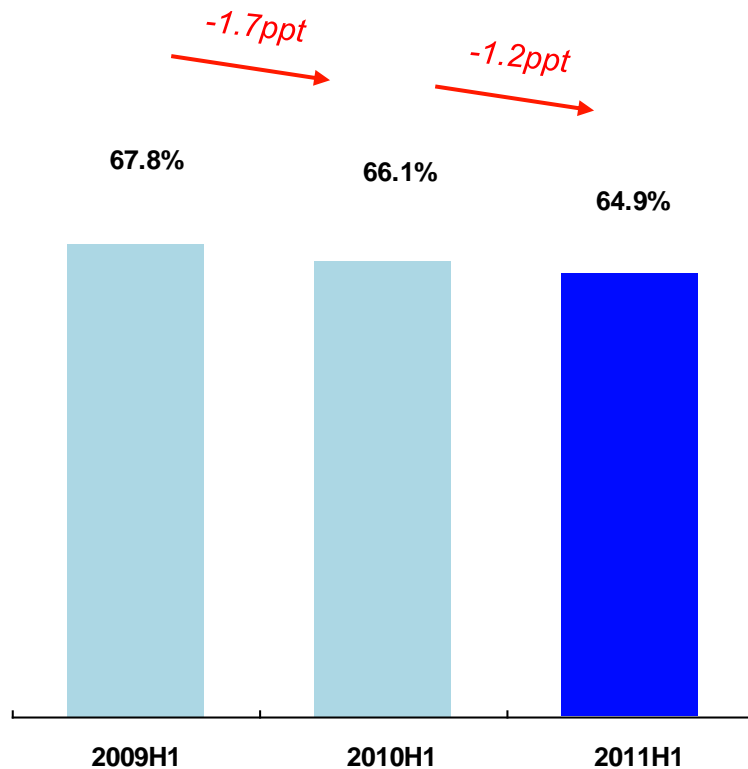
## Others

Turnover, RMB MM

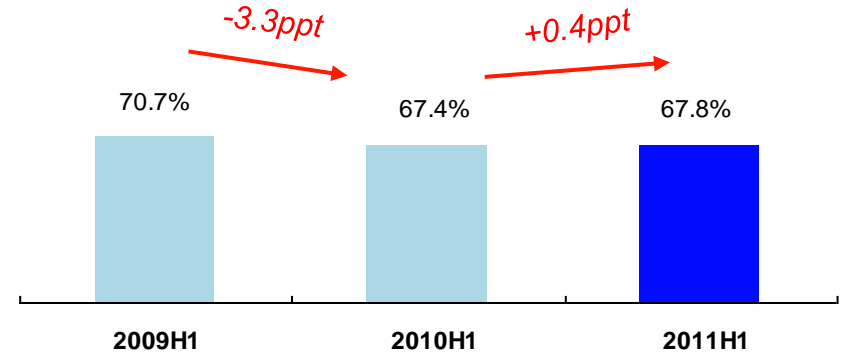


# Strengthened Selective Underwriting and Claims Management Resulting in Decreased Loss Ratio <sup>13</sup>

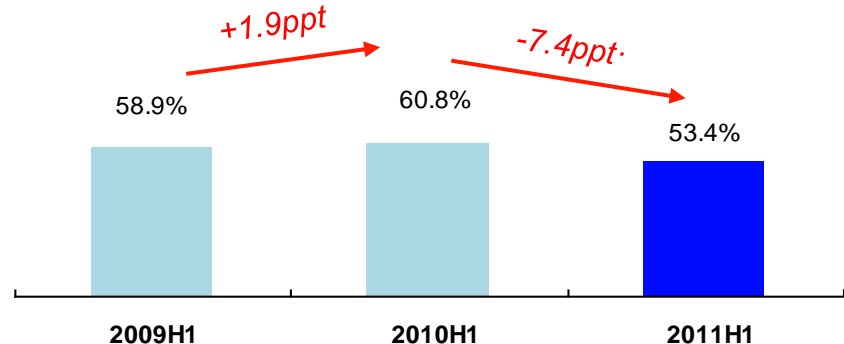
## Loss Ratio



## Motor Loss Ratio



## Non-motor Loss Ratio

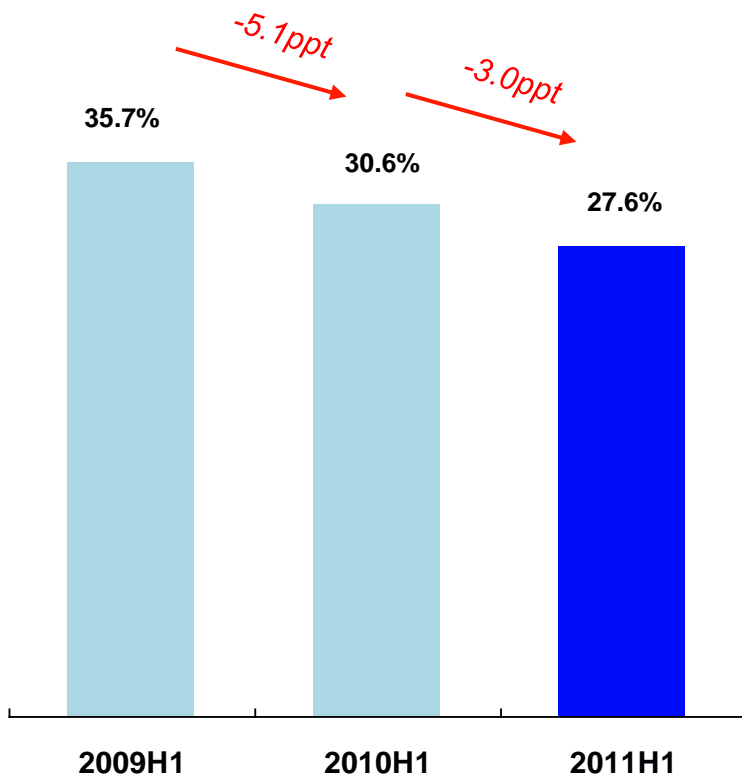


Note: 2009H1 data are 2010H1 restatements

# Higher Efficiency of Resource Allocation Resulting in Decrease in Expense Ratio

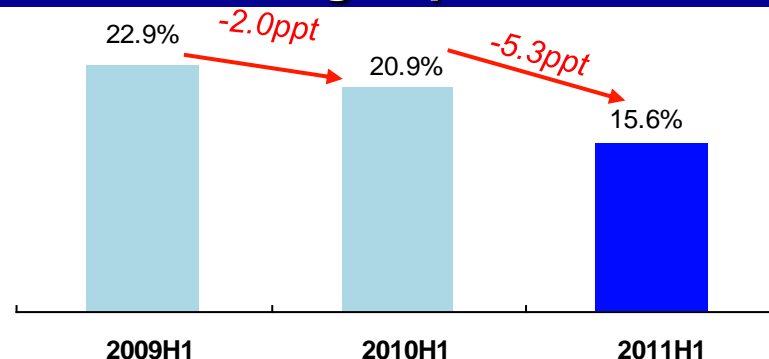
14

## Expense Ratio



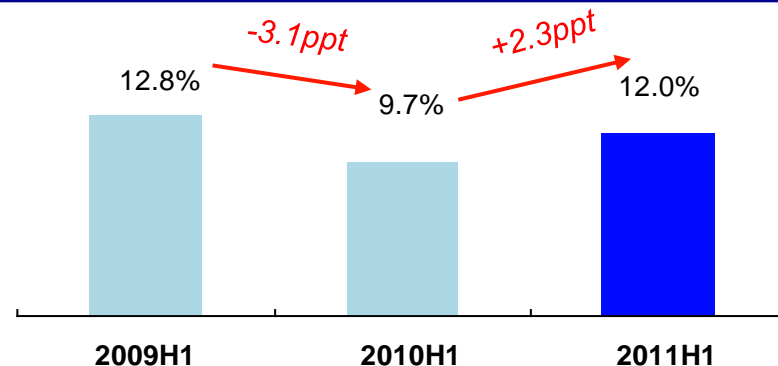
Note: 2009H1 refers to 2010 H1 restated data

## Underwriting Expense Ratio



Underwriting expense ratio = acquisition cost and other underwriting expenses / Net premiums earned

## Administrative Expense Ratio



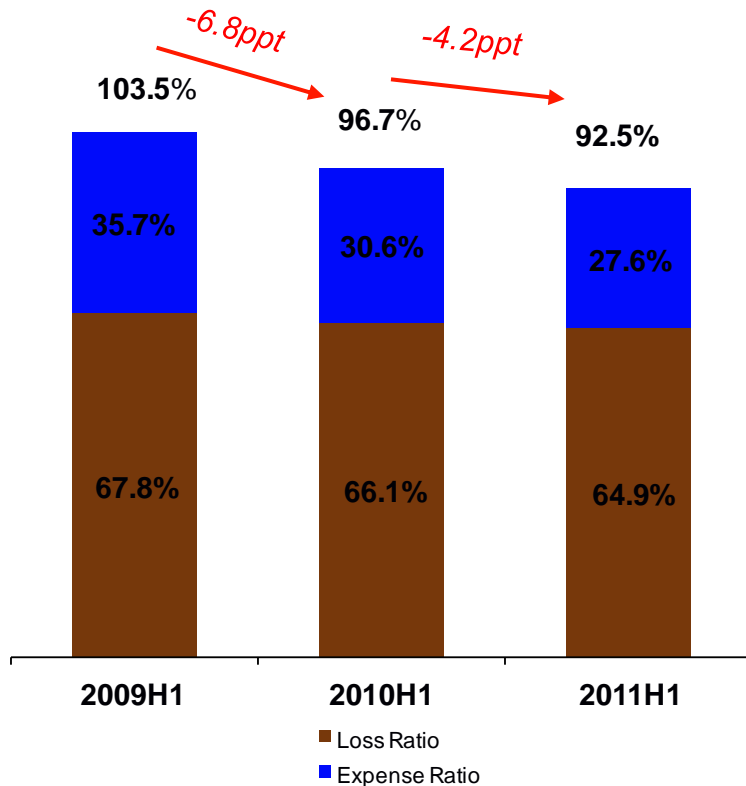
Administrative expense ratio = G&A expenses / Net premiums earned



# Substantial Decrease in Combined ratio and Significant Increase in Underwriting Profit

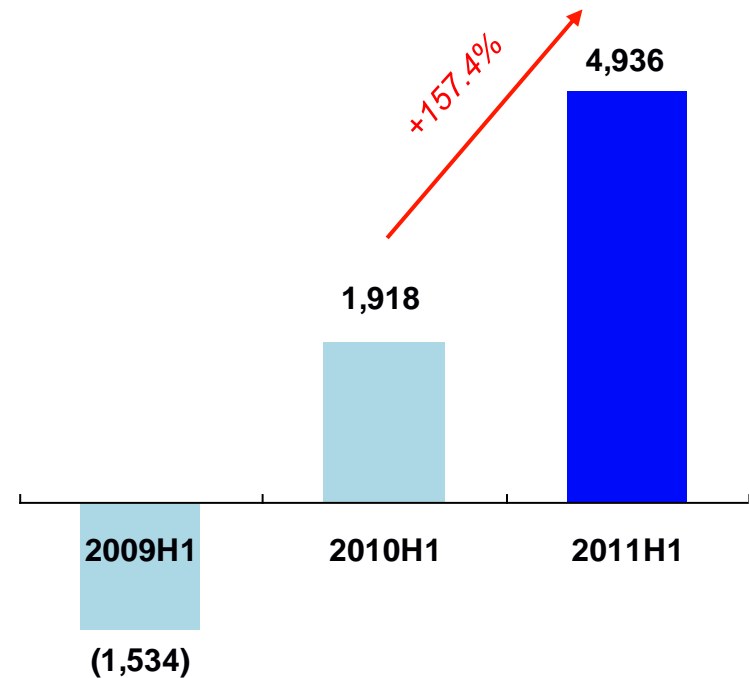
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## Combined Ratio



## Underwriting Profit

RMB MM

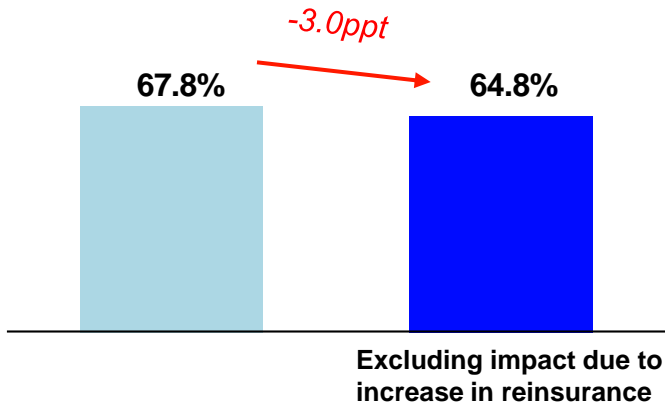


Note: 2009H1 refers to 2010 H1 restated data

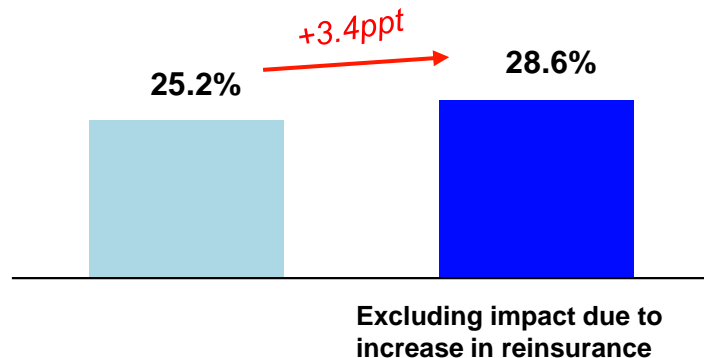
# Impact Due to Increase of Reinsurance on Motor Loss Ratio and Expense Ratio

16

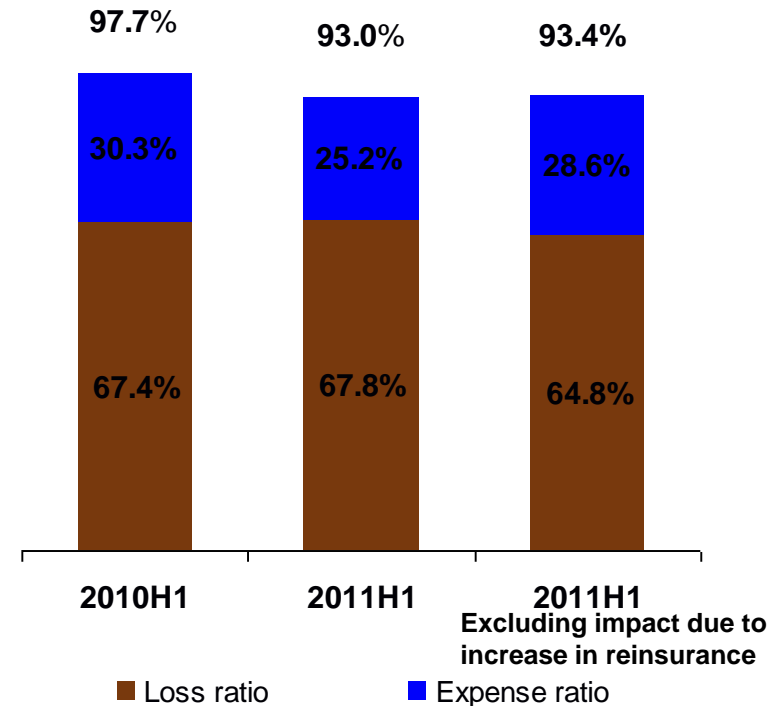
## Motor Loss Ratio for 2011H1



## Motor Expense Ratio for 2011H1



## Motor Combined Ratio for 2011H1

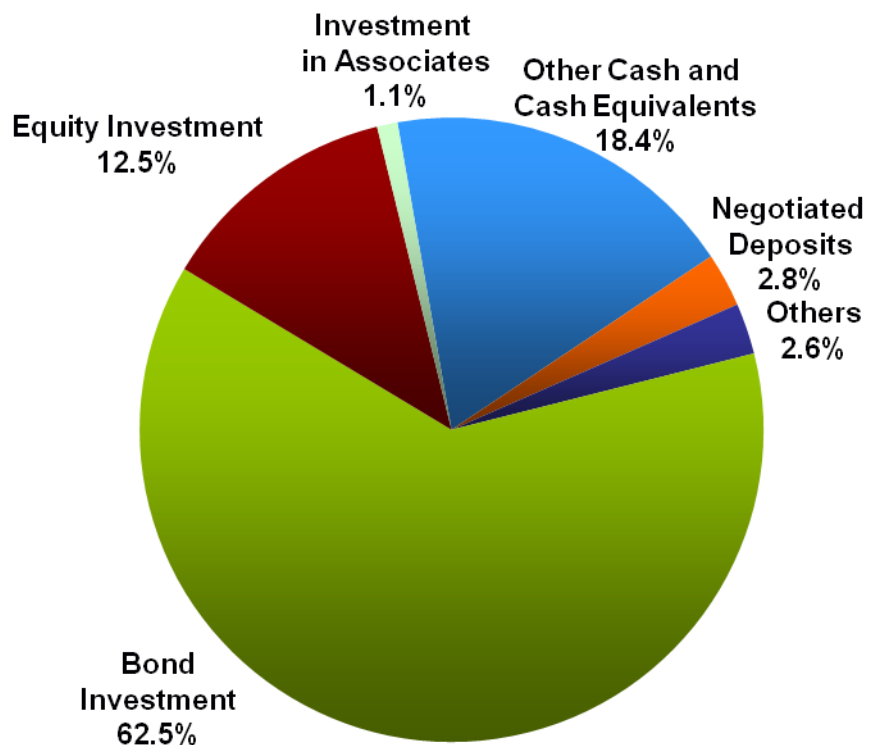


# Further Optimized Investment Portfolio

17

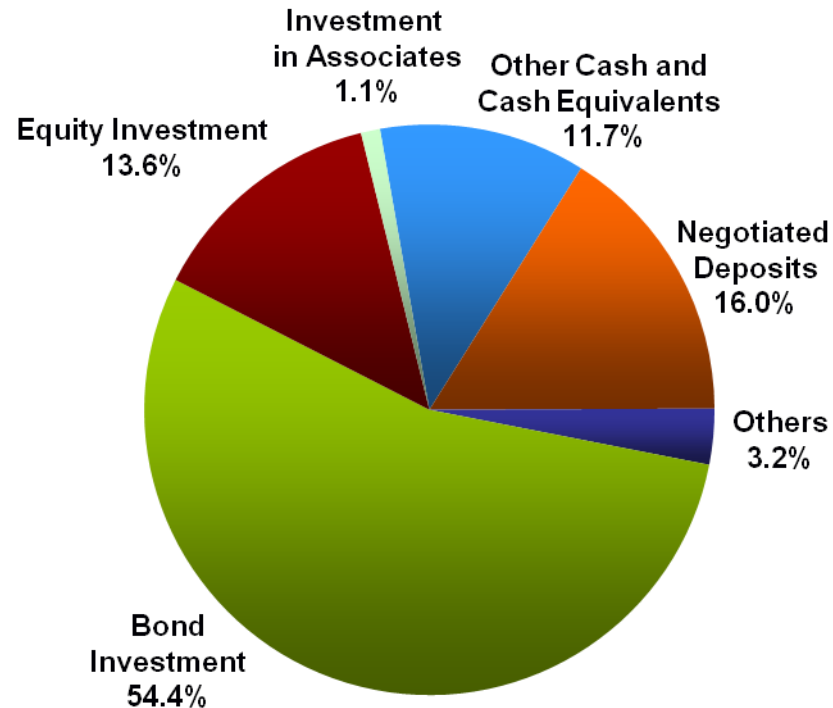
**Dec 31, 2010**

**Investment Assets: RMB151.53 bn (Restated)**



**June 30, 2011**

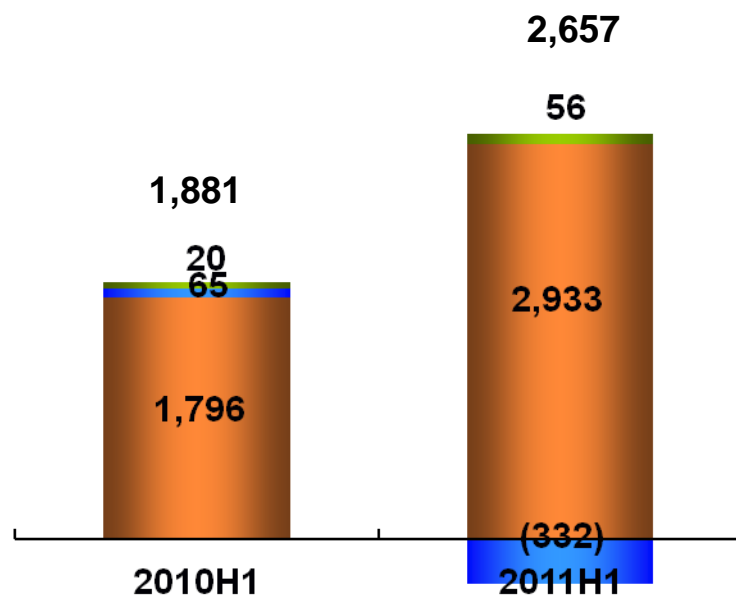
**Investment Assets: RMB189.34 bn**



Note: The sum may not be 100% due to the omit of mantissa

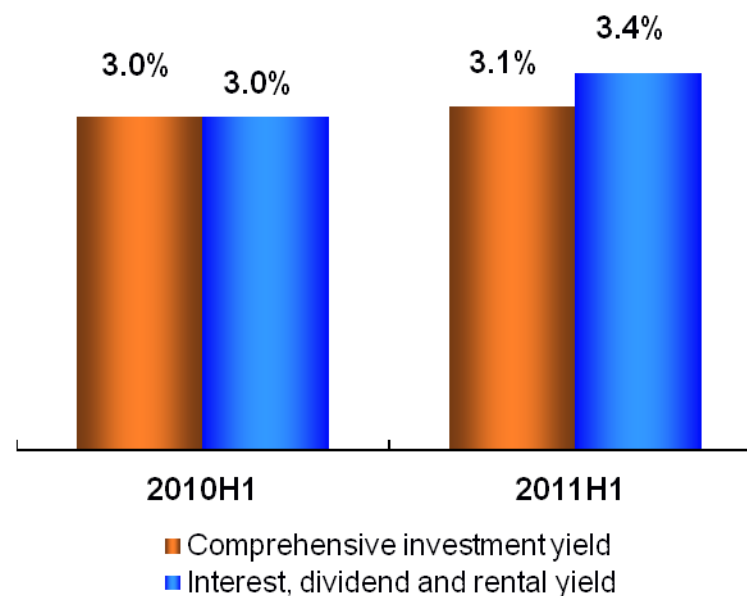
## Investment Income Mix

RMB MM



- Interest, dividend and rental income
- Net realized and unrealized investment gains
- Gains attributed to associates

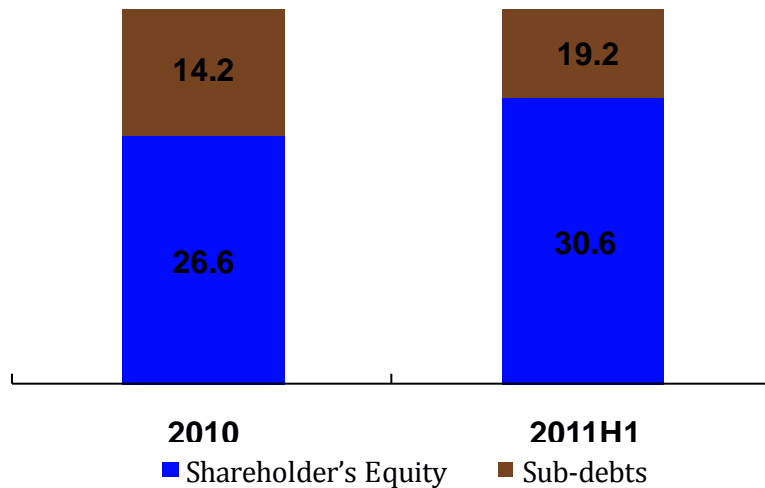
## Investment Return



- Comprehensive investment yield
- Interest, dividend and rental yield

## Shareholders' Equity / Leverage Ratio

RMB Bn

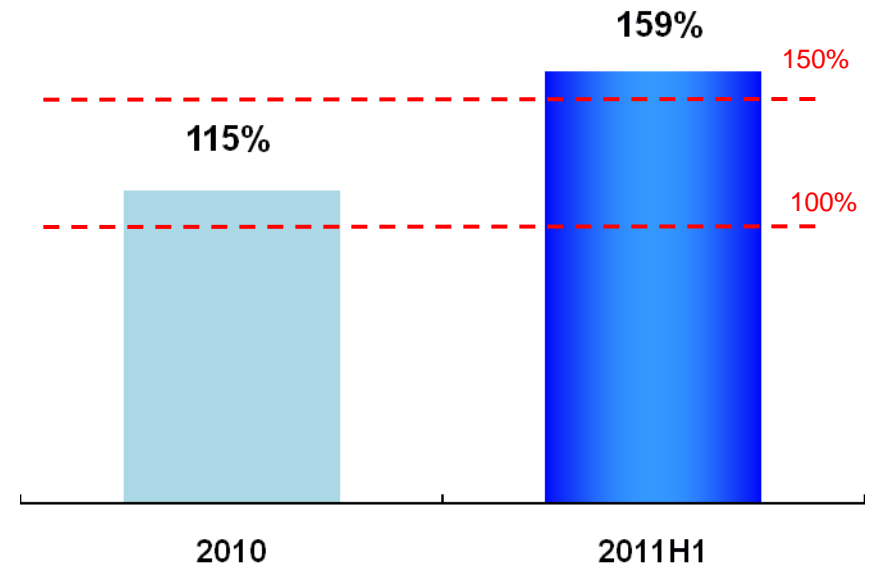


3.4X

2.7X

$$\text{Leverage ratio} = \frac{\text{Net premium written}}{(\text{Shareholder's equity} + \text{sub-debts})}$$

## Solvency Ratio



# Major Initiatives in 2H11

20

1

Reinforce our strengths in traditional sales channels and continue to expand into new emerging channels

2

Grow market share in urban and county areas to strengthen our market leading position

3

Continue selective underwriting and enhance cost control to maintain healthy profitability

4

Full implementation of the third-generation core business system to achieve business management upgrade and improve operational efficiency

5

Follow prudent investment strategy and actively capture market opportunities to improve return on investment

6

Continue to improve internal control, compliance and risk management



中国人民财产保险股份有限公司

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# Thank You!