Executive Summary

The Chinese non-life insurance segment continued to grow at a healthy rate, largely unaffected by the ongoing uncertainties surrounding the domestic and global economy. The segment increased at a CAGR of 22.8% during the review period (2008–2012), with total gross premiums reaching CNY521.1 billion (US$82.6 billion) in 2012. The segment continues to be dominated by domestic insurers, with foreign non-life insurers accounting for a 1% share of the gross written premium in 2012. Motor insurance was the largest category in the segment, accounting for 76.7% of overall gross written premium in 2012. Allowing foreign insurers to write compulsory motor third-party liability insurance provided an impetus for growth. Over the forecast period, liberalization in investment laws, rapid urbanization and a low penetration rate will provide impetus for further growth in the non-life segment.

Changes in foreign investment laws will attract capital

The law regarding foreign investment in the Chinese insurance industry was revised in August 2013. The new law will allow foreign insurers to make capital contributions with renminbi-denominated incomes. Previously, only freely convertible currencies were permitted. The new law will also allow foreign insurers to infuse working capital into their Chinese branches with renminbi-denominated income.

Development in agriculture insurance to spur growth

The China Insurance Regulatory Commission (CIRC) seeks to accelerate the development of agriculture insurance in the country. The regulator is planning to increase the number of agriculture insurance products sold with a focus on crop, livestock and forest insurance. Policies related to fishery insurance, seed insurance and farm machinery insurance are being worked on to further improve the products’ capability to cater to individual needs. These developments are expected to drive growth in the non-life segment over the forecast period.

Increasing urbanization to drive demand for non-life products

China witnessed a rapid growth in urbanization since 1990. According to the country’s National Bureau of Statistics (NBS), the Chinese urban population increased from 51.3% in 2011 to stand at 52.6% of the total population in 2012. This has increased from 22% recorded in 1990. The Chinese government is encouraging urbanization to provide people with employment and basic amenities. The increasing urbanization will support the demand for non-life products such as property and motor insurance over the forecast period.

Low penetration provides significant growth opportunity

Non-life insurance penetration in China stood at approximately 1% in 2012, significantly lower than other developed countries such as the US, where penetration was approximately 4.0% during the same period. The low level of penetration provides opportunities for investment and growth over the forecast period.
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2 Introduction

2.1 What is this Report About?

This report is the result of extensive research into the non-life insurance segment in China, covering its dynamics and competitive landscape. It provides insights on the size of and forecast for the overall non-life segment, and categories such as property, motor, general liability, and marine, aviation and transit insurance. It also provides details on sub-categories and product types. The report also provides an overview of the leading companies in the non-life segment, along with details of strategic initiatives undertaken.

2.2 Definitions

All data is collected in local currency. Conversions into US dollars (US$) of current and forecast data are made at the 2012 average annual conversion rate. Most values are displayed to one decimal place. As such, growth rates may appear inconsistent with absolute values due to rounding. For the purposes of this report, the review period is 2008–2012 and the forecast period is 2012–2017.

The key insurance industry terms covered in the report are defined below:

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## Table 1: Insurance Industry Definitions

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<td>Lapsed policy</td>
<td>A policy that is terminated due to the non-payment of the premium.</td>
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<td>Loss ratio</td>
<td>The ratio of total losses paid out in the form of claims plus adjustment expenses divided by the total earned premium.</td>
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<tr>
<td>Liability insurance</td>
<td>A type of insurance that covers legal claims by third parties against the insured.</td>
</tr>
<tr>
<td>Loss reserve</td>
<td>The estimated amount of claims incurred but not yet settled.</td>
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<tr>
<td>Maturity claim</td>
<td>The payment made to a policyholder at the end of the stipulated term of a term life insurance policy.</td>
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<tr>
<td>Per capita premium</td>
<td>The ratio of the total written premium to the country’s total population.</td>
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<td>Premium ceded</td>
<td>The share of premiums transferred to a reinsurance company by a primary insurer.</td>
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<td>Single-premium life insurance policy</td>
<td>A life insurance scheme in which a lump sum is paid into the policy in return for an assured sum of money in the event of the policyholder’s death.</td>
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<td>Term insurance</td>
<td>A life insurance scheme that provides protection for a specified period, usually between five and 20 years. The policy expires without value if the insured survives the stated period.</td>
</tr>
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<td>Treaty reinsurance</td>
<td>A reinsurance agreement applying to the reinsurance of a class or some classes of business, instead of an individual risk.</td>
</tr>
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<td>Direct marketing</td>
<td>Direct Marketing channels for insurance policies include insurance companies’ sales forces, telemarketing, postal mail, e-mail, call centers and mobile phones.</td>
</tr>
<tr>
<td>E-commerce</td>
<td>The distribution of insurance policies online through a company or third-party website.</td>
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<tr>
<td>Agencies</td>
<td>Individuals and corporate agencies which are licensed to sell insurance for one or more specific insurance companies.</td>
</tr>
<tr>
<td>Insurance brokers</td>
<td>Individuals or businesses which sell insurance policies, and advise and represent the policyholder. They differ from insurance agents, which act on the behalf of an insurance company.</td>
</tr>
<tr>
<td>Bancassurance</td>
<td>The partnership between a bank and an insurance company in which the insurance company uses the bank’s sales channel to sell insurance.</td>
</tr>
<tr>
<td>Other distribution channels</td>
<td>Other distribution channels include post offices, convenience stores, multi-level marketing, any channel other than agencies, direct marketing, bancassurance and the above-mentioned channels.</td>
</tr>
</tbody>
</table>

Source: Timetric analysis © Timetric
2.3 Methodology

All Timetric insurance reports are created by following a comprehensive, four-stage methodology. This includes market study, research, analysis and quality control.

1) Market Study

A. Standardization
   - Definitions are specified using recognized industry classifications. The same definition is used for every country.
   - Annual average currency exchange rates are used for the latest completed year. These are then applied across both the historical and forecast data to remove exchange rate fluctuations.

B. Internal audit
   - Review of in-house databases to gather existing data:
     - Historic market databases and reports
     - Company database

C. Trend monitoring
   - Review of the latest insurance companies and industry trends

2) Research

A. Sources
   - Collection of the latest market-specific data from a wide variety of industry sources:
     - Government statistics
     - Industry associations
     - Company filings
     - International organizations
     - Insurance regulatory agencies

B. Expert opinion
   - Collation of opinion taken from leading insurance industry experts
   - Analysis of third-party opinion and forecasts:
     - Broker reports
     - Media
     - Official government sources

C. Data consolidation and verification
   - Consolidation of data and opinion to create historical datasets
   - Creation of models to benchmark data across sectors and regions

3) Analysis

A. Market forecasts
   - Feeding forecast data into market models:
     - Macroeconomic indicators
     - Industry-specific drivers
   - Analysis of insurance industry database to identify trends:
     - Latest insurance trends
     - Key drivers of the insurance industry
B. Report writing
   ● Analysis of market data
   ● Discussion of company and industry trends and issues
   ● Review of financial deals and insurance trends

4) Quality Control

   ● Templates
     ● Detailed process manuals
     ● Standardized report templates and accompanying style guides
     ● Complex forecasting tools to ensure that forecast methodologies are consistently applied
     ● Quality-control checklists

   ● Quality-control process
     ● Peer review
     ● Senior-level QC
     ● Random spot checks on data integrity
     ● Benchmark checks across databases
     ● Market data cross-checked for consistency with accumulated data from:
       - Company filings
       - Government sources
APPENDIX

3 Appendix

3.1 Methodology

Timetric’s dedicated research and analysis teams consist of experienced professionals with an industry background in marketing, market research, consulting and advanced statistical expertise.

Timetric adheres to the Codes of Practice of the Market Research Society (www.mrs.org.uk) and the Society of Competitive Intelligence Professionals (www.scip.org).

All Timetric databases are continuously updated and revised.

3.2 Contact Timetric

If you have any queries about this report, or would like any further information, please contact info@timetric.com.

3.3 About Timetric

Timetric is a leading provider of online data, analysis and advisory services on key financial and industry sectors. It provides integrated information services covering risk assessments, forecasts, industry analysis, market intelligence, news and comment.

Timetric helps over 1,500 financial services institutions and their partner companies around the world benefit from better, timelier decisions.

Timetric provides:

- High-quality data including proprietary, specialized industry data, survey-based research, social media monitoring, macroeconomic data and forecasts
- Expert analysis from experienced economists and analysts, who use robust proprietary models, indices and forecasts
- Powerful proprietary visualization and workflow technologies developed over years of extensive investment

Timetric has office locations in London, New York, San Francisco, Hyderabad, Seoul, Singapore and Sydney. It employs 500 people, including 150 analysts and economists, and 200 professional researchers.
3.4 **Timetric’s Services**

**Intelligence Centers**

Timetric’s industry intelligence centers are premium web-based services that provide access to interactive tools, comprehensive research and expert analysis in key sectors. They provide invaluable decision support presented in an easily digestible format and grounded in deep research.

Timetric offers Intelligence Centers covering the following industries:

- Banking
- Insurance
- Wealth
- Construction
- Travel and Tourism

**Briefing Services**

Timetric offers a range of briefing services, which offer cutting-edge thought leadership and expert commentary on and for the financial services industries. Driven by influential and respected editorial teams with years of experience in their respective fields, these services deliver need-to-know insight and analysis to decision makers across the financial services value chain.

Timetric offers briefing services covering the following financial sectors:

- Accountancy
- Asset Finance
- Banking
- Cards and Payments
- Insurance

**Consultancy**

Timetric specializes in the development and delivery of innovative research solutions that are designed to provide competitive advantage and profitability to clients.

Dedicated industry analysts and economists provide expert advice and actionable recommendations underpinned by Timetric’s market and country knowledge, experience and proprietary databases, panels and research infrastructure.

For projects requiring quantitative data, Timetric undertakes special research projects using its in-house panels and survey technology. These provide ready access to an extensive source of specialist business executives and consumers.

Core capabilities include:

**Economic Research and Consulting**

Highly experienced economists provide a number of bespoke research services covering subjects ranging from macroeconomic forecasting to sector outlooks, business presentations and workshops.
Industry Analysis and Consulting

Information analysis, independent expert opinion and advice, facilitated decision or strategic support, are provided by Timetric’s extensive body of proprietary data and analysis models. It provides expertise-based consulting to deliver solutions that best suit its clients’ requirements.

Quantitative Research

Timetric connects with thousands of potential customers for various markets every day. Using sophisticated, interactive and highly engaging graphical surveys, research speed is increased and costs reduced, while ensuring that respondents deliver the insight needed.

Qualitative Research

Timetric’s Qualitative Research service helps customers understand the emotional and cultural behaviors of a target audience. Timetric provides unique access through market-leading publications and information services to decision makers specifically brought together to discuss topics that are important to the client.

Technology Solutions

Timetric has built a unique technological platform to collect and visualize data, and employs some of the world’s leading experts on data collection and visualization. Through technology and software consulting services, Timetric can provide clients with the means to gather and visualize the data the client has, or wants to collect.

3.5 Disclaimer

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