

The background of the slide is a vibrant blue with a wavy, water-like texture. A large, semi-transparent blue number '1' is positioned on the right side of the slide. The text is white with a slight drop shadow for readability.

# Corporate Presentation

**The Insured Path to China**  
**通往中國的保險大道**

March 2002

**China Insurance International Holdings Company Limited**

# Contents

- **ALLIANCE WITH ICBC (ASIA)**
- **CIIH CORPORATE STRUCTURE**
- **FINANCIAL SUMMARY**
  - ❖ **Reinsurance Business Review and Outlook**
- **FUTURE PLANS & PROSPECTS**
  - ❖ **Future Plans & Prospects**
  - ❖ **CIIH Opportunity in China Reinsurance Market**
- **TAI PING LIFE**
- **TAI PING INSURANCE**

The background of the slide features a close-up, high-contrast photograph of a tree trunk. The wood is dark and heavily textured, with prominent grain patterns and a large, irregular hollowed-out section. The lighting is dramatic, highlighting the rough, weathered surface of the wood. The overall color palette is dark, with shades of brown, black, and grey, creating a sense of depth and texture.

# **ALLIANCE WITH ICBC (ASIA)**

# Summary of terms

- **Industrial and Commercial Bank of China (Asia) Limited (“ICBC Asia”), a subsidiary of Industrial and Commercial Bank of China (“ICBC”), acquired 24.9% interest in Tai Ping Insurance of which:**
  - **12.45% from CICL**
  - **12.45% from CIH’s wholly owned BVI company**
- **ICBC (Asia) has been granted step-up option to increase its total interest up to 49%**
- **Total consideration of approximately HK\$176,179,246 will be paid in cash for 24.9% interest**
- **The price has been determined after arm’s length negotiations**

# Why ICBC Asia

- Bancassurance has shown strong signs of success in China
- CIH is convinced that bancassurance will be the major growth engine of both TPI and TPL
- TPI and TPL will benefit from the well-established networks and resources of ICBC in China and create an exponential growth effect with better profitability, lower cost and risk, higher sustainability and greater market shares

# How We Do It

**Fortis adds world-class expertise**  
**ICBC provides the best nationwide networks**

## Sales Force

**Change bank sales model by training staff**  
**Productivity linked reward system to motivate bank tellers**  
**Organise tiered bancassurance sales force structure**

## Products

**Design simple products, preferable linked to banking products, including home mortgage/car mortgage products**  
**Bundle products creatively**

## Roll Out

**Develop superior relationship management skills**  
**Design and deliver appropriate bank/issuer arrangement**  
**Establish effective partnership at various levels from headquarters to local sub-branches**

## **ICBC (Asia)**

- **Licensed bank in Hong Kong**
- **Hong Kong Stock Exchange listed company (349.HK) with market capitalisation of HK\$4.065 billion as at 25 March 2002**
- **75% owned by ICBC**
- **2001 net earnings: HK\$330 million**
- **2001 total assets: HK\$43,497 million**
- **2001 net tangible assets: HK\$4,378 million**

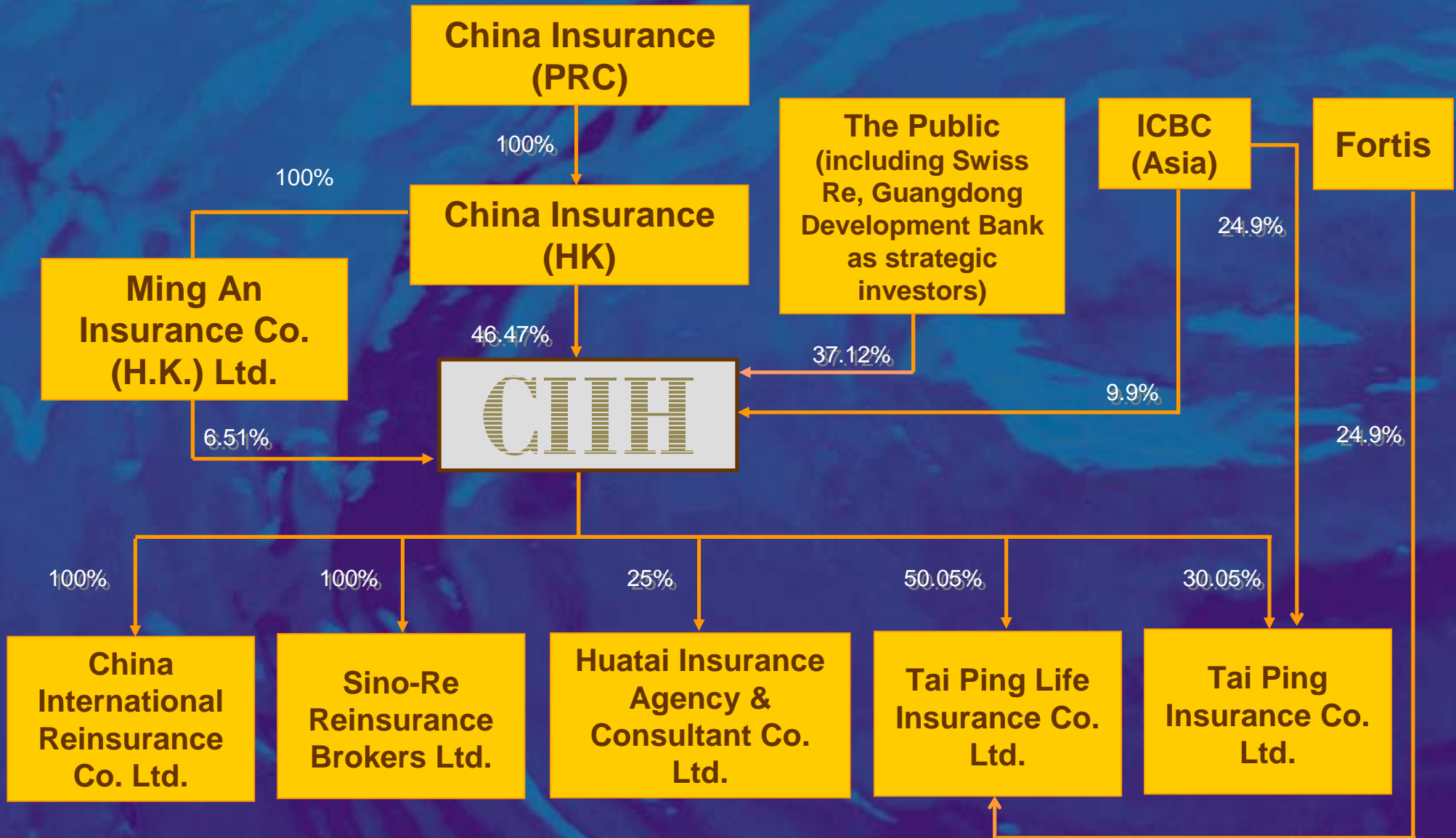
# ICBC

- **The largest commercial bank in China – RMB4,300 billion in total assets in 2001**
- **Ranked 213 in Global 500 by *Fortune* in 2001**
- **Over 30,000 branches and offices**
- **Total deposits: RMB3,237 billion**
- **The seventh largest bank in the world in terms of Tier 1 Capital by “*The Banker*” in July 2001**



# **CIH CORPORATE STRUCTURE**

# CIIH Corporate Structure





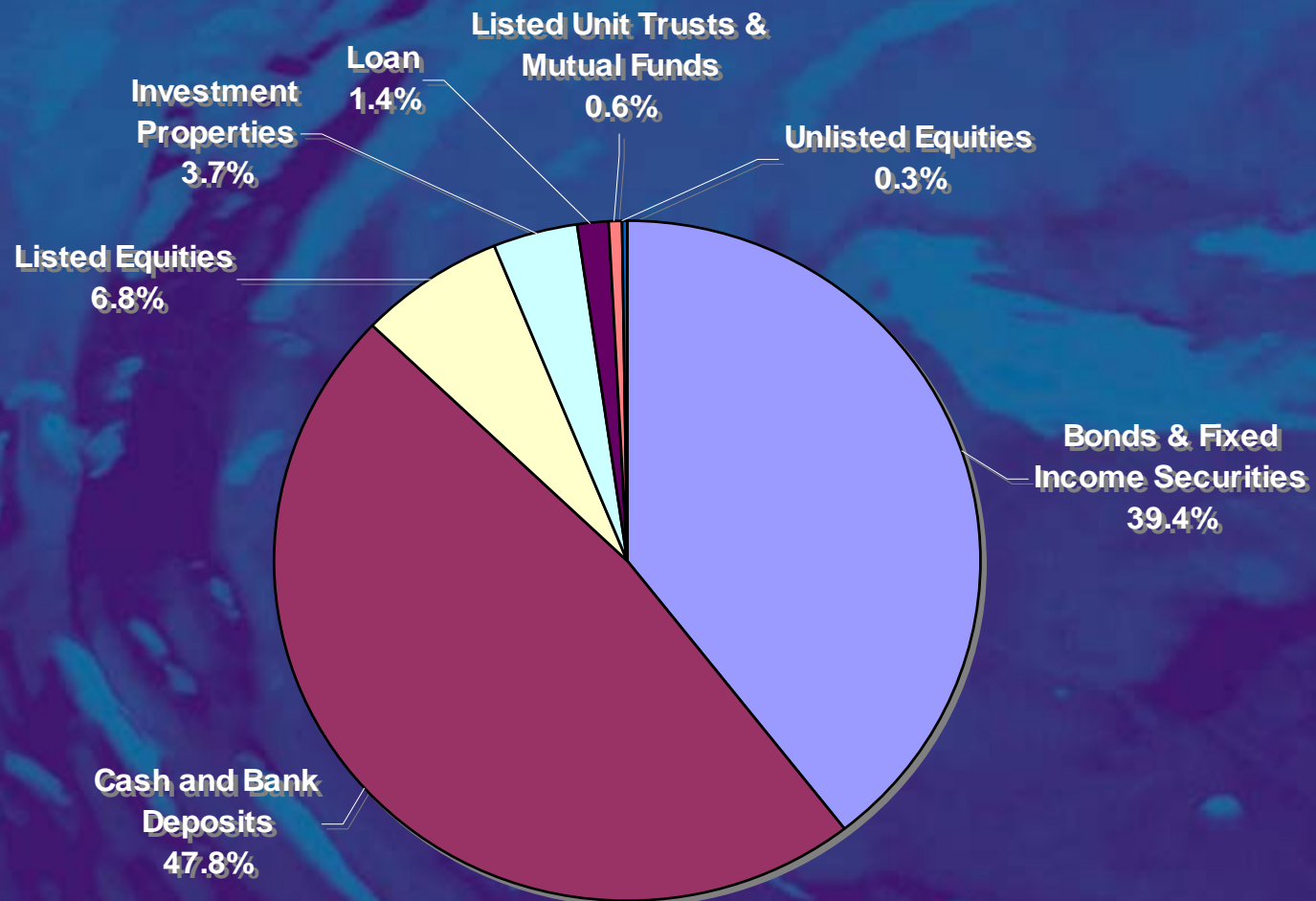
# FINANCIAL SUMMARY

# 2001 Annual Results

	2001 HK\$'000	2000 HK\$'000	Changes %
Turnover	<b>830,392</b>	691,044	20.2
<i>Reinsurance underwriting result</i>	<b>2,415</b>	73,180	-96.7
<i>Income from Ins. Intermediaries</i>	<b>11,618</b>	7,592	53.0
Other revenue & income	<b>313,309</b>	71,071	340.8
After tax profit attributable to shareholders	<b>230,229</b>	117,730	95.6
Earnings per share	<b>23 cents</b>	15 cents	
Dividend per share	<b>5 cents</b>	4 cents	

# Investment Portfolio

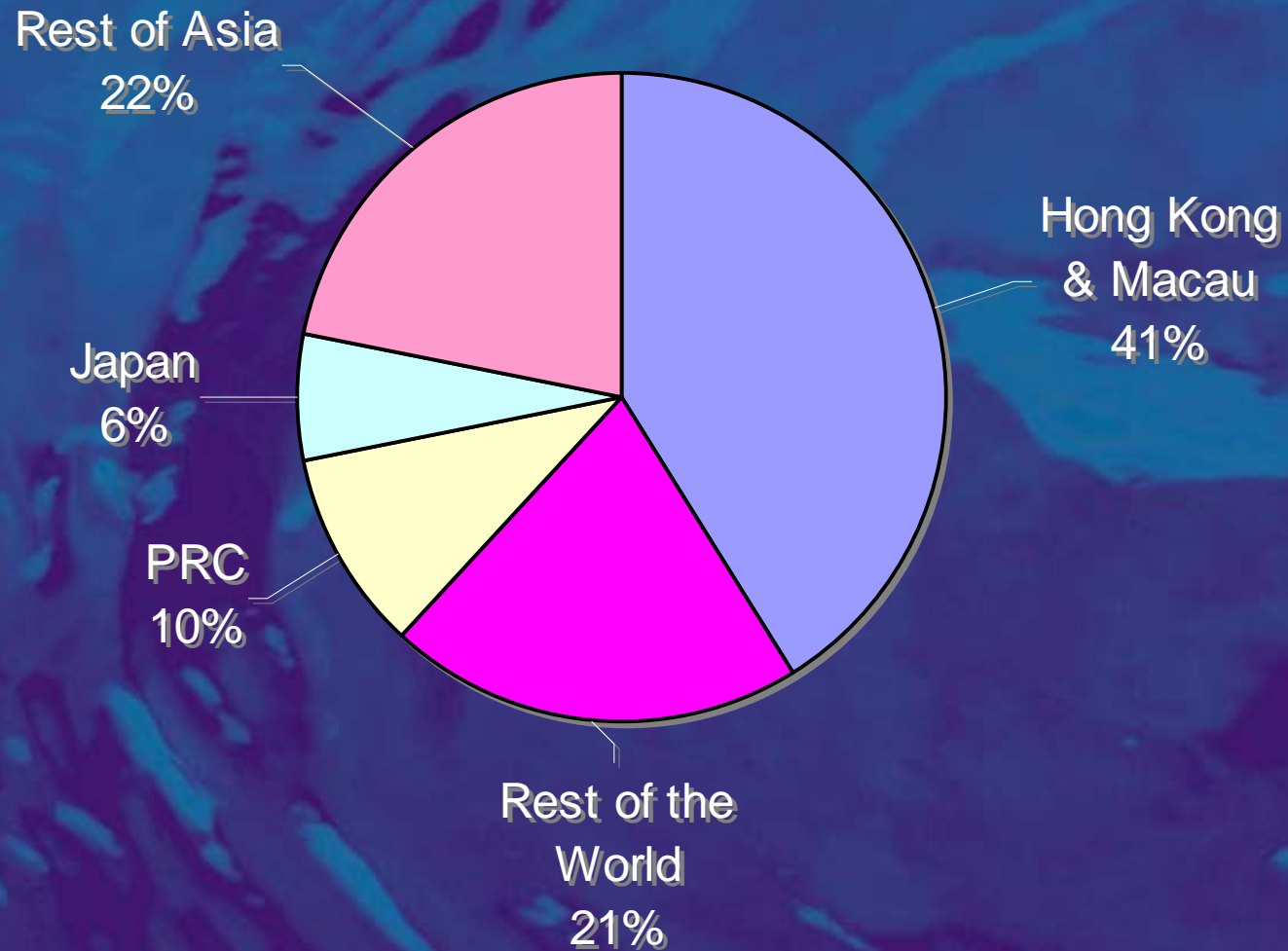
- Total investment portfolio held as at 31 Dec, 2001 amounted to HK\$3,063 million





# **REINSURANCE BUSINESS REVIEW AND OUTLOOK**

# 2001 Gross Premium Income by Geographical Region



## **Loss Impact from WTC 911 is Mild to CIH**

- **Gross loss estimate HK\$140 million**
- **Net loss estimate (after reinsurance recovery) HK\$30 million, equivalent to 4.4% of 2001 retained premium**
- **No long-tail casualty business written outside Asia, hence, no serious deterioration on WTC 911 loss estimate anticipated**

# Outlook

## Reinsurance market conditions post WTC

- **WTC losses accelerated and steepened the upward trend in pricing**
- **Underwriters are now looking for a positive return on underwriting given the uncertain outlook on investment income**
- **Coverage restricted - Terrorism cover generally excluded from non-marine reinsurance, hence chances having further terrorism claims eliminated**
- **Pricing**
  - **Reinsurers tried to impose rate increases prior to WTC in response to adverse fundamentals and deteriorating result**
  - **Rates and deductibles have increased across the board**
  - **Rate increases vary widely from 10% - 15% to 200% - 300% depending on classes, markets and past experience at 2002 renewals**
  - **In many local markets, commissions on proportional contracts reduced despite expected increases in original rates and profitability going forward**
- **An immediate return to soft market conditions looks unlikely**

## **CIH's Perspective in 2002 Reinsurance Underwriting**

- **Due to withdrawal of certain reinsurers from Hong Kong and Asian markets, CIRe's position in the region strengthened**
- **Strong growth of reinsurance premium 20% to 30% expected in 2002**
- **Better underwriting cash flow anticipated**
- **2002 would be one of the best underwriting years in a decade provided no abnormal mega claims**

A blue-toned photograph of a large crowd of people, possibly at a conference or event, with the text "FUTURE PLANS & PROSPECTS" overlaid in the center.

# **FUTURE PLANS & PROSPECTS**

# Future Plans & Prospects

- **Become a leading insurance-related financial conglomerate in the PRC**
- **Establish credibility as a pioneer and innovator in the PRC insurance market to integrate multiple lines of insurance with asset management business**
- **Strategic Priorities**
  - **Expand reinsurance business in the PRC**
  - **Develop life insurance in the PRC through Tai Ping Life**
  - **Develop non-life insurance in the PRC through Tai Ping Insurance**

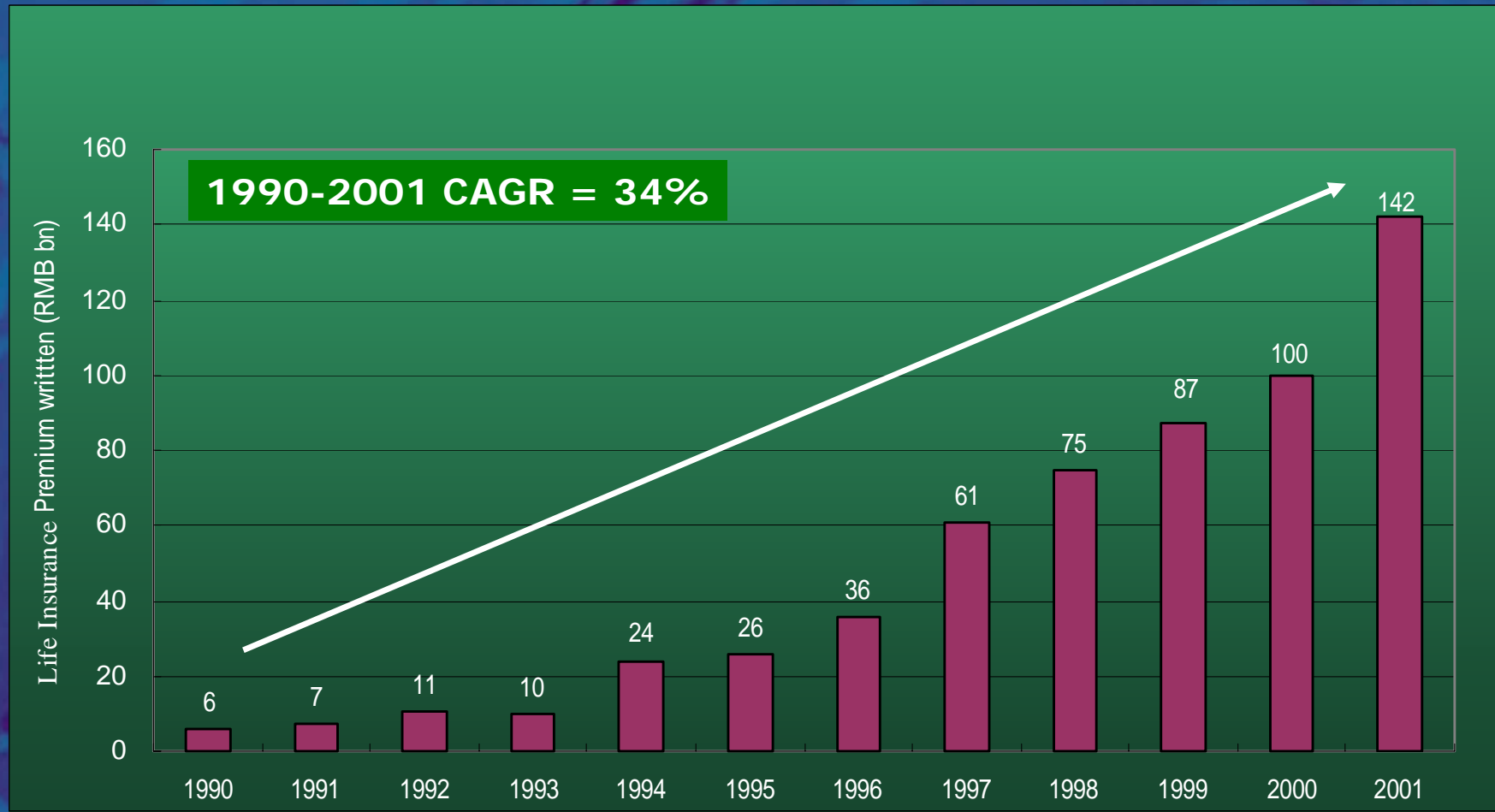
# CIH Opportunity in China Reinsurance Market

- **Present 20% compulsory reinsurance cession to China Re on every general insurance policy will be reduced by 5% a year from 2003 onward and will not be required by 2006, according to promise made by Chinese Government to WTO**
- **Less spendings on compulsory cession enable insurers to buy more “necessary” reinsurance**
- **Stricter supervision on insurance market by CIRC relating to solvency margin requirement will promote demand for reinsurance which can serve as supplementary capital**
- **Listing plan of insurers prompts insurers to better underwriting risk control by buying adequate reinsurance**
- **Feasibility study of opening CIRe Shanghai Branch is being done**
  - **Initial response from authority is encouraging**
  - **A branch office in Shanghai will enhance marketing status in China**
  - **On the spot service to clients will be possible**

The background of the image is a monochromatic blue-toned photograph of a person's face, likely a woman, looking slightly to the right. The lighting is soft, highlighting the contours of the face. The text 'TAI PING LIFE INSURANCE' is centered over the image in a bold, orange, sans-serif font with a black outline.

# TAI PING LIFE INSURANCE

# Robust Industry Growth in PRC Life Insurance Market



Source: CIRC

# Statistics of Life Insurance Premium in PRC

Year	Life Premium (RMB Billion)	Annual Growth	As % of Life and Non-Life Premium	Total Life and Non-Life Premium (RMB Billion)
1990	5.70		32.02%	17.80
1991	7.17	25.79%	30.00%	23.90
1992	10.55	47.14%	27.98%	37.70
1993	10.01	-5.12%	18.99%	52.70
1994	23.73	137.06%	38.03%	62.40
1995	25.73	8.43%	35.01%	73.50
1996	35.97	39.80%	41.97%	85.70
1997	60.93	69.39%	56.00%	108.80
1998	74.82	22.80%	60.00%	124.70
1999	87.25	16.61%	62.59%	139.40
2000	99.75	14.33%	62.50%	159.60
2001	142.40	42.76%	67.52%	210.90

Exchange Rate US\$1 = 8.3 RMB

# Key Growth Drivers in Life Insurance

- Further change in China's economic system boosts demand
- High saving rate and urbanization, coupled with modest insurance penetration rates
- Rising insurance awareness and customer sophistication
- Lower interest rate environment and lack of investment products and channels

# Foreign Presence & WTO Impact on Life Insurance

There are 8 foreign and Sino-foreign JV life insurance companies currently operating in China. They have remained largely insignificant players limited in market shares and geographic presence.

Under WTO, China's insurance market will progressively open over the next 5 years.

- **Ownership:** Foreigners allowed 50%, and will be allowed to have effective management
- **Location:** Five cities Shanghai, Guangzhou, Dalian, Shenzhen, Foshan open on accession. A further 10 (including Beijing) will open after 2 years. All China mainland after 3 years.
- **Product:** Foreign companies limited to certain types of product during first 3 years, (individual insurance, not group life insurance). Thereafter the market will be wholly opened.

The entry of a growing number of large international insurers will improve the quality of China's insurance market.

# Competitive Landscape

- Three unrestricted national players dominate the current life market with a combined market share of approximately 96%
- AIA and seven small Sino-foreign JV life companies combined account for less than 2% of the market

Company	2001 Premium Income	Market Share	Foreign Participation	Number of Branches	Number of Agents & Staff
<i>Unrestricted License</i>					
China Life	US\$9,818 MN	57.02 %	na	45	318,600
Ping An	4,836	28.08	14 %	35	118,890
China Pacific	1,626	9.44	na	64	60,000
New China Life	278	1.61	24.9	10	4,115
Tai Kang Life	188	1.09	24.9	11	6,450
<i>Restricted License</i>					
AIA	169	0.98	100	3	8,100
Manulife-Sinochem Life	33	0.2	49	1	1,900
Pacific-Aetna Life	24	nm	49	1	1,556
Axa-Minmetals	7.7	nm	50	1	780
Allianz Dazhong Life	6.5	nm	51	1	685
China Life Colonial Life	0.7	nm	49	1	135
Citic Prudential	13	nm	49	1	580
John Hancock Tian An	nm	nm	49	1	90

# Strategy & Focus

## Develop Critical Mass on A National Scale

- Industry still in a “land grab” stage
- Unrestricted license buys significant lead time ahead of competitive entrants following WTO
- Company aims to achieve critical mass and enhance competitive positioning

## Effectively Design and Price Products

- Attain market leadership in product innovation
- Use efficient pricing to enhance profitability and competitiveness
- Develop strong in-house actuarial capabilities and draw on the expertise from the strategic partner

## Use Technology Efficiently

- Intelligent use of technology enhances operating efficiency and customer service capability
- Develop IT platform characterized by a centralized data processing, web-based accessibility and open system architecture

## Maximize Investment Portfolio Returns

- Easing of investment restrictions and increasing scale will highlight importance as an earnings driver
- Leverage off specialized services to maximize returns

# Planned Roll Out

- 2001 4Q: Shanghai
- 2002 1Q: Beijing, \*Guangzhou and \*Chengdu
- By 2002 4Q: \*Nanjing, \*Jinan, \*Hangzhou, \*Shengyang, Zhengzhou,
- 2003: \*Chongqing, \*Fuzhou, \*Wuhan, \*Shijiazhuang, \*Tianjin, \*Changsha, Dalian, Qingdao
- 2004: \*Hefei, \*Nanchang, \*Xian, \*Kunming, \*Nanning, \*Haerbin, \*Taiyuan
- 2005 – 2006: Jilin, Inner Mongolia, Guizhou, Hainan, Gansu, Ningxia and Xinjian

\* : Capital of the province

# Projection Outline of 2002: Business Development

## Individual Life

- **Business project: 80M RMB**
- **Development strategy: focus on developing top agent group**
- **Steps to carry out:**
  - optimize agency compensation
  - strengthen recruitment of new entrant
  - strengthen business management
  - improve the quality and efficiency of service
  - set up high production group

## Group Life

- **Business project: 528M RMB**
- **Development strategy: focus on developing top agent group**
- **Steps to carry out:**
  - build organization frame
  - standardize the internal management procedure
  - improve distribution channel
  - promote distribution group
  - design and distribute advanced product in the market

## Bancassurance

- **Business project: 530M RMB**
- **Development strategy: focus on developing top agent group**
- **Steps to carry out:**
  - strengthen communication to bank network
  - improve the quality and effect of advertisement
  - strengthen the innovation of business management
  - increase the quality and efficiency of service



# TAI PING INSURANCE

# Statistics of Non-Life Insurance Premium in PRC

Year	Non-Life Premium (RMB Billion)	Annual Growth	As % of Life and Non-Life Premium	Total Life and Non-Life Premium (RMB Billion)	Annual Growth
1990	12.10		67.98%	17.80	
1991	16.72	38.18%	69.96%	23.90	34.27%
1992	27.13	62.26%	71.96%	37.70	57.74%
1993	42.67	57.28%	80.97%	52.70	39.79%
1994	38.71	-9.28%	62.04%	62.40	18.41%
1995	47.78	23.43%	65.01%	73.50	17.79%
1996	49.68	3.98%	57.97%	85.70	16.60%
1997	47.87	-3.64%	44.00%	108.80	26.95%
1998	49.88	4.20%	40.00%	124.70	14.61%
1999	52.13	4.51%	37.40%	139.40	11.79%
2000	59.84	14.79%	37.49%	159.60	14.49%
2001	68.54	14.54%	32.50%	210.90	32.14%

# Key Growth Drivers

- **Rising number of motor – motor insurance accounts for 60% of total industry premiums**
- **Increasing private ownership of motor vehicles and properties**
- **Restructuring of SOEs, which mostly self-insure at present**
- **Catatrophic risks such as floods, windstorms and earthquakes are currently underinsured or not insured. Demand for insurance against such risks will increase over the next few years**
- **Insurance of major infrastructure projects**
- **Transportation insurance for both exports and imports**

# Competition Landscape

- Four unrestricted national players dominate the current general insurance market with a combined market share of over 97%
- AIU and other four foreign companies combined account for less than 1% of the market

Company	Licence	Premium Income in 2000 (US\$mm)	Market Share (%)	Total Assets (US\$mm)	Auto Mobile (%)	Non - Marine (%)	Marine (%)	Loss Ratio (%)	Expense Ratio (%)	Acquisition Ratio (%)
PICC	National	5,662	77.05%	5,700	62%	30%	8%	53.15%	24.28%	6.60%
China Pacific	National	827	11.26%	3,104	61%	32%	7%	46.34%	19.58%	6.20%
Ping An	National	584	7.95%	7,764	58%	36%	6%	44.14%	13.85%	5.50%
Hua Tai	National	57	0.78%	597	65%	15%	20%	64.34%	29.54%	8.20%
Da Zhong	Regional	41	0.56%	86	61%	32%	7%	38.42%	21.41%	21.41%
Xinjiang	Regional	38	0.51%	14						
Tian An	Regional	32	0.42%	196	74%	22%	4%	38.26%	29.32%	1.20%
Sinosafe	Regional	36	0.48%	53	70%	29%	1%	27.89%	28.84%	4.58%
AIU	Foreign	21	0.28%	43						
Ming An	Foreign	18	0.25%	28						
Winterthur	Foreign	11	0.15%	19						
Yong An	Regional	10	0.14%	51	66%	32%	2%	29.38%	33.40%	4.75%
Tokio Marine & Fire	Foreign	9	0.13%	26						
RSA	Foreign	3	0.04%	9						
<b>Total</b>		<b>7,349</b>		<b>17,790</b>						

Source: 2001 Yearbook of China's Insurance

# WTO Impact

## ■ Ownership

Foreign insurers will be allowed to open its branches/offices or have a maximum of 51% ownership in non-life insurer joint venture on accession, rising to 100% after two years; wholly-owned subsidiary allowed after two years

## ■ Location

Five cities (Shanghai, Guangzhou, Dalian, Shenzhen and Foshan) will be opened on accession. Another ten cities, including Beijing, will open after two years. All of China will open after three years

## ■ Scope of business

Foreign insurers will be able to write only certain types of business during the first two years after accession:- property, marine, liability, bond insurance and insurance on foreign invested enterprises.

After two years, foreign insurers will be able to write all types of business except statutory insurance (such as motor third party liability insurance)

# **Business Strategies**

- **Provide facilitating & customized services to clients**
- **Adopt low-cost, high-efficiency marketing strategy**
- **Attract and retain talent with attractive corporate culture and reward system**
- **Centralization of data management**
- **Differentiate with superior services and innovative products**

# Product Focus

- **Major products**
  - **Mass products: motor and property**
  - **Major profit sources: motor, property, cargo transport, building/construction insurances**
  - **Special risks: nuclear power, tunnels, bridges, aircraft and satellite**
  - **Limited development: marine hull**
- **Key directions of product development**
  - **Household Insurance**
  - **Mortgage Guarantee**
  - **Liability Insurance**

# Distribution Channels

- **Emphasis on direct sales, agency distribution and branch expansion – particularly at the initial stage**
- **Cross-selling through banking networks, such as ICBC**
- **Other channels will be tested and explored**
  - **Post Office**
  - **Brokers**
  - **On-line**
- **Product types will be matched with appropriate channels**

# Organisation

- Headquartered in Shenzhen
- Hub (provincial branches) and be-spoke (sub-branches) network

## Centralized Functions

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>■ Product development</li><li>■ Branding and marketing</li><li>■ Investment management</li><li>■ IT and customer database</li><li>■ Treasury</li></ul> | <ul style="list-style-type: none"><li>■ Senior management training</li><li>■ Advanced agent training</li><li>■ Senior branch management appointment</li><li>■ Processing of large-sum claims</li><li>■ Risk management/Reinsurance</li></ul> |
|--|--|

# Management

- **Company has made key management hires**
- **Management team has a highly relevant track record**
  - **Involvement in PRC general insurance business since 1980s**
- **Driving force behind TPI's business plan**
- **Motivated and incentivized**

# Planned Roll Out

- 2002 1Q: Shenzhen, Guangzhou, Shanghai, Beijing
- 2002 4Q: Wuhan, Hanzhou
- 2003: \*Zhenzhou, \*Nanjing, Dalian, \*Chengdu, \*Tianjin, Qingdao, Chongqing
- 2004: \*Shijiazhuang, \*Xian, \*Changsha, \*Kunming, \*Hefei, \*Fuzhou, \*Jinan

\* : Capital of the province

A blue-toned photograph of a large crowd of people, likely at a public event or protest. The text "OPEN FORUM" is overlaid in the center in a bold, orange font with a black outline. The background shows a dense group of people, some with their arms raised, suggesting a gathering or demonstration.

# OPEN FORUM