

Hong Kong

Overweight (no change)

Highlighted Companies

AIA Group
ADD, TP HK\$91.00, HK\$65.40 close
 AIA Group is our sector top pick. We think we have greater faith than sell-side peers in the sustainability of HK insurance growth and believe its current valuation offers a highly attractive entry point.

Ping An Insurance
ADD, TP HK\$80.00, HK\$36.80 close
 We believe Ping An Insurance is well placed to benefit from rebounding new business value growth, on the back of its strong agent force, the benefits of its completed agent reform, and strong demand for savings insurance products.

Prudential PLC
ADD, TP HK\$114.0, HK\$81.9 close
 We see numerous tailwinds for Prudential (Pru) over the next five years, which could drive a closing of its sizeable P/EV valuation gap vs. AIA (where AIA's FY24F P/EV is more than 2.3 times that of Pru). We think changes that could continue to be introduced by its CEO, who joined in 2023, would be positive.

Summary Valuation Metrics

P/E (x)	Dec-23F	Dec-24F	Dec-25F
AIA Group	29.85	12.97	11.96
Ping An Insurance	4.01	3.12	2.66
Prudential PLC	21.02	13.13	10.96

P/BV (x)	Dec-23F	Dec-24F	Dec-25F
AIA Group	2.74	2.49	2.17
Ping An Insurance	0.62	0.53	0.45
Prudential PLC	1.62	1.49	1.35

Dividend Yield	Dec-23F	Dec-24F	Dec-25F
AIA Group	2.36%	2.49%	2.70%
Ping An Insurance	7.75%	8.88%	10.51%
Prudential PLC	1.32%	1.26%	1.40%

Analyst(s)



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Insurance - Composite

Addressing MCV 'pent-up demand' concerns

- We think investor concerns about exhaustion of MCV insurance 'pent-up demand' are overdone and expect consensus VONB upgrades in 2024F.
- We remain confident in the 'green shoots' emerging from the HK agent channel and see higher MCV VONB margins in HK for 2024F.
- An imminent expansion of the Individual Visit Scheme is a positive, as MCV arriving under this scheme are more likely to buy HK insurance, in our view.
- Reiterate Sector Overweight rating. Our top picks are AIA and Prudential.

We do not see exhaustion of 'pent-up' MCV insurance demand

We disagree with investors who see exhaustion of 'pent-up demand' for insurance products among mainland Chinese visitors (MCV). Such concerns were accentuated by the Insurance Authority (IA) on 20 Feb 2023 stating 2023 MCV insurance sales were HK\$59bn, implying 4Q23's was HK\$12bn, down 19% qoq (3Q23 qoq: -33%; 2Q23 qoq: +132%). The IA also said it sees MCV insurance sales falling to HK\$43-51bn (down 14-27% yoy) in 2024F (i.e. the level in 2017-2019 and below 2016's HK\$73bn). We stress that such statements are about unweighted sales and ignore the important distinction between lower-margin single premium policies vs. higher-margin regular premiums. As noted in [MCV: The differences post-pandemic](#), (9 Jan 2024), single premiums are falling more rapidly, as their mix post-pandemic remains abnormally high (Fig 4). On an annualised premium equivalent basis, 3Q23 MCV sales fell only 13% qoq and we believe this narrowed in 4Q23 qoq.

2024F Bloomberg consensus VONB looks overly conservative

Favourable US-China yield differentials (Fig 6), US\$/ Rmb trends (Fig 7), the sizeable build-up of US\$ deposits within mainland China (Fig 13) and encouraging continued post-pandemic rebound of MCV (Figs 16-17) are all reasons to be bullish on 2024F MCV insurance sales in HK, in our view. We thus think Bloomberg 2024F value of new business (VONB) consensus looks low and expect upgrades going forward. For example, our FY24F VONB growth forecast for AIA of 26% is well above Bloomberg consensus' 15% (Fig 20).

Looking forward to HK MCV VONB margin expansion

We see clearly improving mom growth in HK agent numbers over Oct 2023-Jan 2024 (Fig 24). Thus, we think the higher-margin agent channel will be a more important driver of 2024F MCV HK insurance sales and help alleviate our concerns about intense competition in the lower-margin broker channel (see [The battle for MCV heats up in HK](#), 10 Aug 2023).

First expansion of the Individual Visit Scheme since 2007 imminent

The Standard newspaper reported on 22 Feb 2024 that Beijing has agreed to expand the geographical coverage of the Individual Visit Scheme (IVS) for the first time since 2007 from the current 49 Mainland China cities (Figs 38-39). It expects an imminent official announcement to coincide with the Hong Kong (HK) and Macau Affairs Office director Xia Baolong's visit to HK on 22-28 Feb 2024. This is positive for HK insurers such as AIA and Prudential, not only due to an increase of MCV, but also because we believe MCV are much more likely to buy insurance if they come under the IVS vs. part of a group tour.

Reiterate sector Overweight; our sector top picks: AIA & Prudential

Our sector OW call is premised on inexpensive valuations (currently 0.6x FY24F P/EV, >2 s.d. below post-2012 mean) and potential re-rating catalysts of favourable stronger-for-longer MCV insurance sales and faster agent growth. Key downside risks: stricter MCV insurance regulation and greater competition.

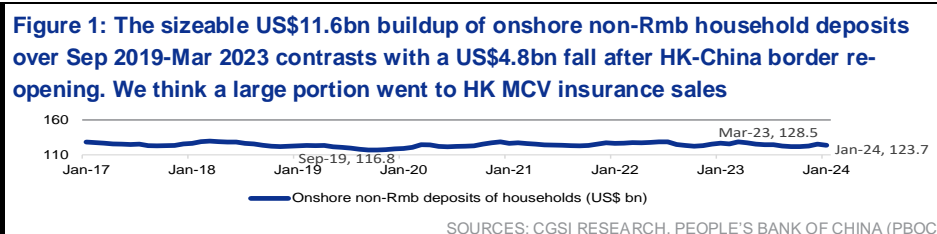


Figure 2: Sector comparison

	Ticker	Rec	Market Cap (US\$bn)	Price (Lcy)	Target Price (Lcy)	+/- (%)	P/EV (x)		VONB multiple (x)		P/BV (x)		Group ROEV (%)		ROE (%)		P/E (x)		Dividend yield (%)		
							FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F
China Life	2628	HK	Add	98.05	10.20	12.40	22%	0.20x	0.19x	-26.4x	-26.7x	0.6x	0.5x	10.3x	10.1x	7.7x	8.9x	8.4x	6.2x	5.1	5.1
Ping An	2318	HK	Add	96.17	36.80	80.00	117%	0.40x	0.37x	-28.8x	-29.6x	0.6x	0.5x	11.7x	11.9x	17.1x	17.3x	3.8x	3.2x	7.8	8.7
CPIC	2601	HK	Add	28.74	16.18	23.30	44%	0.27x	0.25x	-34.0x	-33.7x	0.6x	0.5x	6.6x	9.7x	11.1x	11.6x	5.9x	4.9x	6.9	8.2
NCI	1336	HK	Hold	11.24	15.82	14.40	-9%	0.17x	0.16x	-73.6x	-70.5x	0.4x	0.4x	9.4x	7.9x	7.8x	9.6x	5.7x	4.2x	6.2	8.4
PICC P&C	2328	HK	Add	26.37	10.68	14.80	39%	n.a.	n.a.	n.a.	n.a.	1.0x	0.9x	n.a.	n.a.	10.0x	12.8x	10.0x	7.3x	5.0	5.5
AIA	1299	HK	Add	97.97	65.40	91.00	39%	1.43x	1.33x	6.8x	4.4x	2.7x	2.5x	7.2x	12.7x	9.8x	19.9x	26.9x	13.0x	2.4	2.5
Pru	2378	HK	Add	29.49	81.90	114.00	39%	0.64x	0.57x	-5.5x	-5.9x	1.6x	1.5x	10.5x	13.9x	7.8x	11.7x	21.1x	13.2x	1.3	1.3
Manulife	945	HK	NR	35.13	190.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.5x	1.3x	n.a.	n.a.	14.2x	14.6x	10.1x	9.4x	4.4	4.7
HK-listed weighted average								0.63x	0.58x	-18.4x	-19.3x	1.2x	1.1x	9.5x	11.5x	11.3x	14.7x	12.1x	7.2x	5.2	5.7
HK-listed weighted average ex AIA, Pru and Manulife								0.29x	0.27x	-30.6x	-30.9x	0.6x	0.6x	10.4x	10.7x	11.8x	12.7x	6.5x	5.0x	6.3	7.0

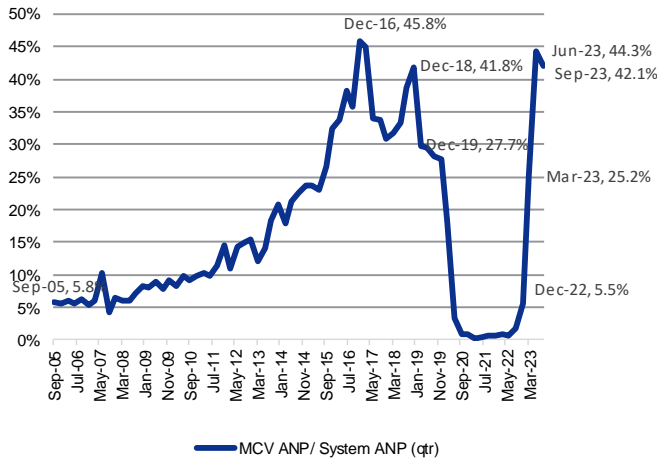
SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

*CPIC: China Pacific Insurance Company; NCI: New China Life Insurance; PICC P&C: PICC (The People's Insurance Company of China) Property & Casualty; Pru: Prudential plc
SHARE PRICE DATA AS OF 22 FEB 2024

Note: Estimates for Not Rated (NR) companies are based on Bloomberg consensus estimates

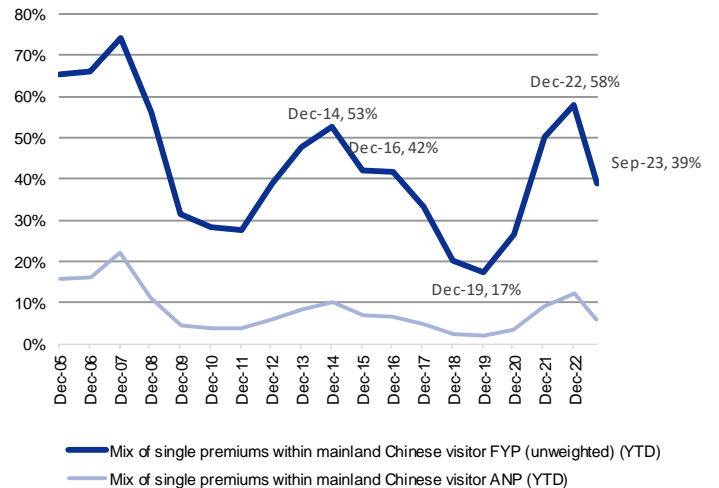
Addressing MCV 'pent-up demand' concerns

Figure 3: The mix of annualised new premium (ANP) from mainland Chinese visitors (MCV) to the HK system was at 44.3% in 2Q23, almost back to 4Q16's peak of 45.8% (quarterly data)



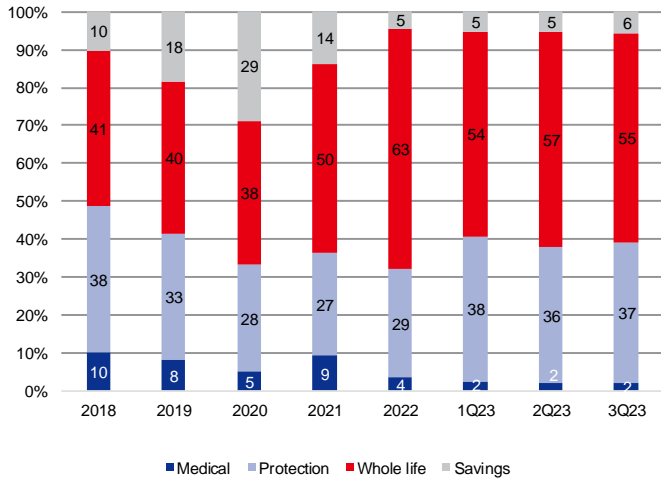
SOURCES: CGSI RESEARCH, BLOOMBERG, INSURANCE AUTHORITY (IA)

Figure 4: The mix of single premiums within MCV premiums had risen significantly during the Covid-19 pandemic and remains relatively elevated in 9M23 relative to 2018-2019 levels



SOURCES: CGSI RESEARCH, INSURANCE AUTHORITY (IA)

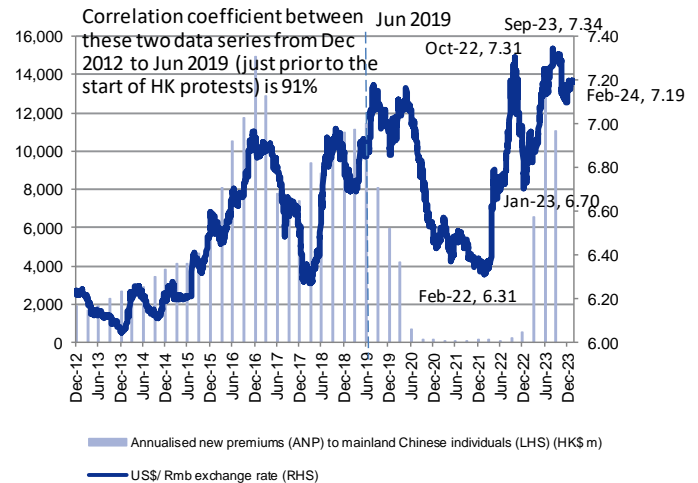
Figure 5: Mix of annualised new premium (ANP) of insurance policies sold to mainland Chinese visitors (MCV) in HK (%)



SOURCES: CGSI RESEARCH, INSURANCE AUTHORITY

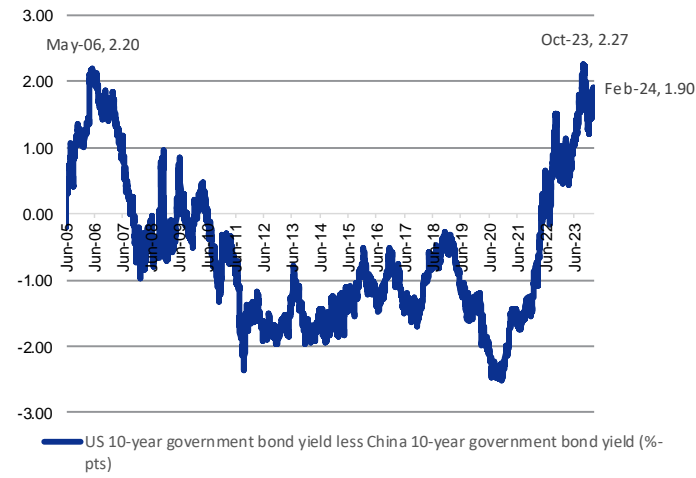
We include medical reimbursement, critical illness and health insurance riders in the medical category. We include term life, other protection and non-medical riders in the protection category. We include universal life, endowment and annuities in the savings category. In our view, whole life policies are a hybrid between savings and protection.

Figure 6: There had been a very strong visible relationship between the US\$/Rmb exchange rate and ANP for insurance sold to mainland Chinese individuals in Dec 2012-Jun 2019 (correlation co-efficient of 91%).



SOURCES: CGSI RESEARCH, INSURANCE AUTHORITY, BLOOMBERG

Figure 7: The gap between the US and China 10-year government bond yields has been positive since Jul 2022, after being consistently negative since Jul 2010, and is still near a record high (at least since data became available in 2005)



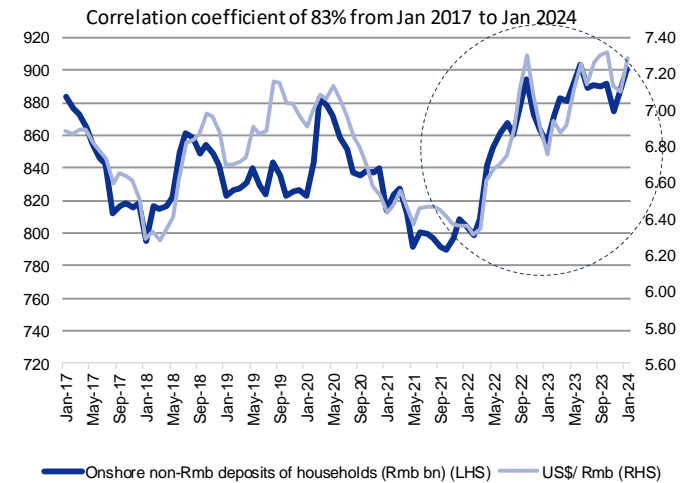
SOURCES: CGSI RESEARCH, BLOOMBERG

Figure 8: China's treasury bond yields have been trending downwards, with its 10-year treasury bond yield recently falling to a record low



SOURCES: CGSI RESEARCH, BLOOMBERG

Figure 9: There is a clear strong correlation between onshore non-Rmb household deposits and the US\$/Rmb exchange rate since the start of 2017



SOURCES: CGSI RESEARCH, PEOPLE'S BANK OF CHINA (PBOC)

Figure 10: The correlation coefficient between onshore non-Rmb deposits and the US\$/Rmb exchange rate was the highest during the height of the Covid-19 pandemic when the mainland China travel border was closed

Correlation coefficient between onshore non-Rmb deposits and the US\$/ Rmb exchange rate	
Jan 2017 - Jan 2020	53%
Feb 2020 - Jan 2023	91%
Feb 2023 - Jan 2024	69%
Jan 2017 - Jan 2024	83%

SOURCES: CGSI RESEARCH, WIND, PEOPLE'S BANK OF CHINA (PBOC), BLOOMBERG

Figure 11: There has been a marked shift from onshore China non-Rmb deposits to placing US\$ funds in HK for mainland Chinese visitors (MCV) in the 3 years pre-Covid-19, as well as in 2023

	Change in onshore non-Rmb household deposits for mainland Chinese (Rmb bn)	MCV insurance premiums during period (Rmb bn)	Change in onshore non-Rmb household deposits for mainland Chinese plus MCV insurance premiums (Rmb bn)	Percentage mix to MCV insurance	US\$/Rmb
2015	140	26	166	16%	6.49
2016	293	63	356	18%	6.95
2017	-60	44	-16	-274%	6.51
2018	24	40	64	63%	6.88
2019	-16	38	23	168%	6.96
2020	14	6	20	31%	6.53
2021	-32	1	-31	-2%	6.36
2022	56	2	58	3%	6.90
2023	25	54	79	68%	7.10
<i>of which:</i>					
1Q23	19	8	27	31%	6.87
2Q23	20	21	41	51%	7.25
3Q23	-13	14	1	1568%	7.30
4Q23	-1	11	10	107%	7.32

SOURCES: CGSI RESEARCH, PEOPLE'S BANK OF CHINA (PBOC), WIND, INSURANCE AUTHORITY (IA)
The changes above are yoy for annual periods, hoh for half-yearly periods, and qoq for quarterly periods

Figure 12: There has been a more pronounced fall in non-Rmb deposits over Feb-Dec 2023 for the Tier 1 cities (Shenzhen & Guangzhou) closer to HK

	Shenzhen	Guangzhou	Beijing	Shanghai	Fujian	Chongqing	Nationwide
Percentage change in non-Rmb deposits over Feb - Dec 2023	-11%	-14%	4%	4%	-4%	0%	4%

SOURCES: CGSI RESEARCH, WIND, PEOPLE'S BANK OF CHINA (PBOC)

Figure 13: The sizeable US\$11.6bn buildup of onshore non-Rmb household deposits over Sep 2019-Mar 2023 has already reversed by US\$4.8bn after HK/China's border re-opening. We think a large portion went to HK MCV insurance sales

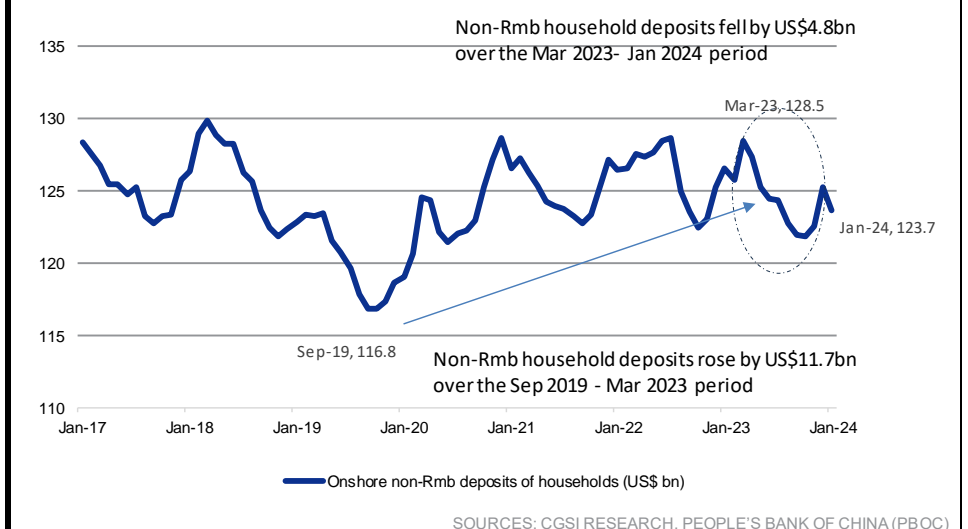
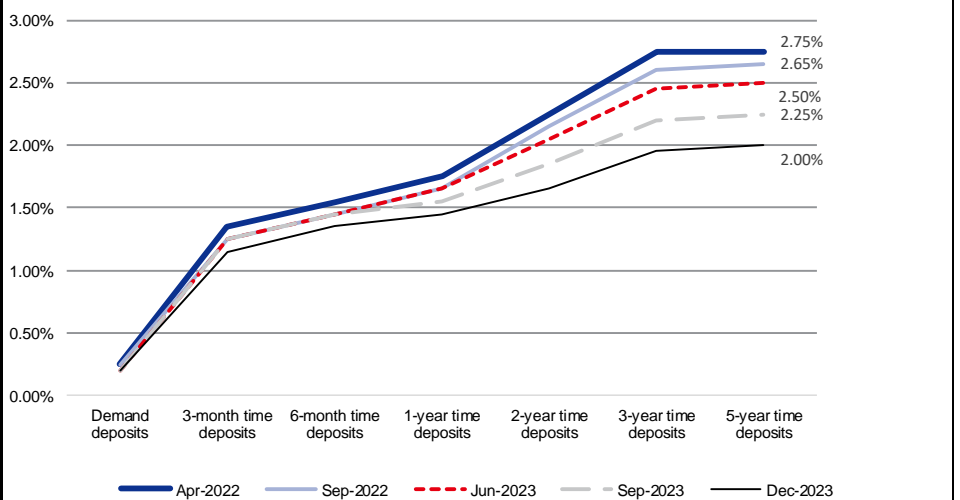


Figure 14: A summary of the advertised board rate cuts to Rmb deposits by China's big four banks plus BOCOM and CMB on their websites as of Jun 2023, Sep 2023 and Dec 2023. We believe China banks also cut their US\$ deposit rates in Jul 2023

	Dec 2023 rate	Dec 2023 change	Sep 2023 change	Jun 2023 change
Demand deposits	0.20%	0bp	0bp	-5bp
3-month time deposits	1.15%	-10bp	0bp	0bp
6-month time deposits	1.35%	-10bp	0bp	0bp
1-year time deposits	1.45%	-10bp	-10bp	0bp
2-year time deposits	1.65%	-20bp	-20bp	-10bp
3-year time deposits	1.95%	-25bp	-25bp	-15bp
5-year time deposits	2.00%	-25bp	-25bp	-15bp

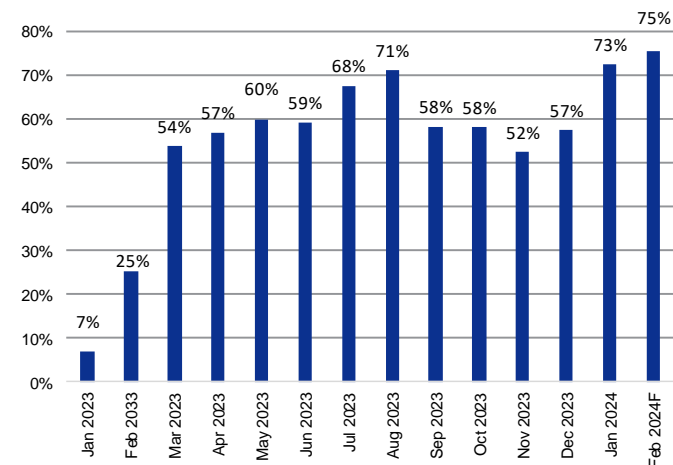
SOURCES: CGSI RESEARCH, CHINA BANKS' COMPANY WEBSITES

Figure 15: Time deposit rates for the 5-year tenor fell at a faster rate over the Apr 2022-Dec 2023 period, compared to other tenors, for China's big four banks



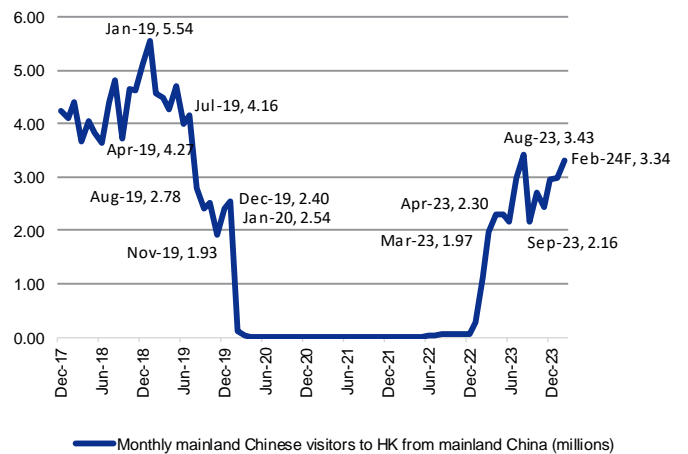
SOURCES: CGSI RESEARCH, COMPANY REPORTS, BLOOMBERG, SINA.COM

Figure 16: Comparing the ratio of 2023's and Jan 2024 monthly mainland Chinese visitors (MCV) vs. 2018 monthly MCV (i.e. 2023 monthly MCV over 2018 monthly MCV) for each individual months where we compare each month in 2023 to the corresponding month in 2018 (i.e. Jan 2023 vs. Jan 2018, Feb 2023 vs. Feb 2018, etc.)



SOURCES: CGSI RESEARCH ESTIMATES, HONG KONG IMMIGRATION DEPARTMENT
Note that Feb 2024F data is our estimate, based on data up to 22 Feb 2024

Figure 17: Monthly visitors from mainland China to HK (millions) since Sep 2023 have shown an encouraging and clear upward trend



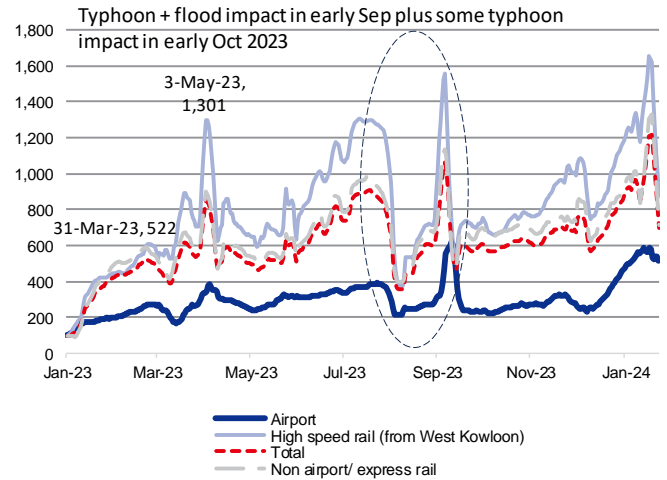
SOURCES: CGSI RESEARCH ESTIMATES, HONG KONG IMMIGRATION DEPARTMENT
Note that Feb 2024F data is our estimate, based on data up to 22 Feb 2024

Figure 18: There is clear seasonality between months for mainland Chinese visitors (MCV), in terms of monthly average MCV (thousands), based on data over the 2002-2018 period

Month	Monthly average MCV (2002 - 2018) (thousands)	Ranking
Jan	2,450	3
Feb	2,166	7
Mar	1,988	11
Apr	2,083	8
May	2,035	10
Jun	1,918	12
Jul	2,441	4
Aug	2,716	1
Sep	2,083	9
Oct	2,388	5
Nov	2,292	6
Dec	2,603	2

SOURCES: CGSI RESEARCH, BLOOMBERG

Figure 19: MCV arrivals (7-day rolling) via the high-speed rail in West Kowloon have grown strongly since the end of Jan 2023 (base of 100 as of 31 Jan 2023)



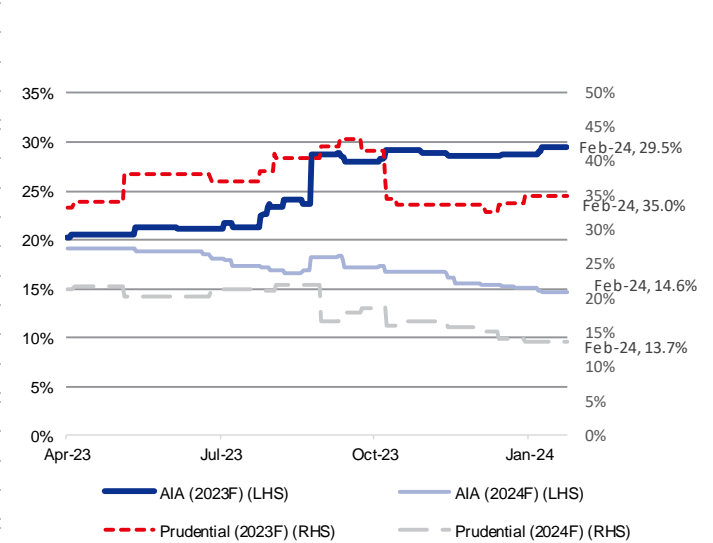
SOURCES: CGSI RESEARCH, HONG KONG IMMIGRATION DEPARTMENT

Figure 20: A comparison of Bloomberg consensus forecasts and CGSI Research forecasts for AIA and Prudential's value of new business (VONB) growth yoy as of 23 Feb 2024

Bloomberg consensus VONB growth forecasts		
	AIA	Prudential
FY23F	29%	35%
FY24F	15%	14%
FY25F	15%	9%
CGSI VONB growth forecasts		
	AIA	Prudential
FY23F	32%	36%
FY24F	26%	28%
FY25F	21%	18%
Bloomberg consensus VONB forecasts (US\$ m)		
	AIA	Prudential
FY23F	4,003	2,948
FY24F	4,587	3,354
FY25F	5,282	3,640
CGSI VONB forecasts (US\$ m)		
	AIA	Prudential
FY23F	4,082	2,973
FY24F	5,151	3,797
FY25F	6,233	4,497
CGSI deviation from consensus (%)		
	AIA	Prudential
FY23F	2%	1%
FY24F	12%	13%
FY25F	18%	24%

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Figure 21: Bloomberg consensus is forecasting a marked slowdown in value of new business (VONB) growth for both AIA and Prudential in FY24F yoy vs. FY23F



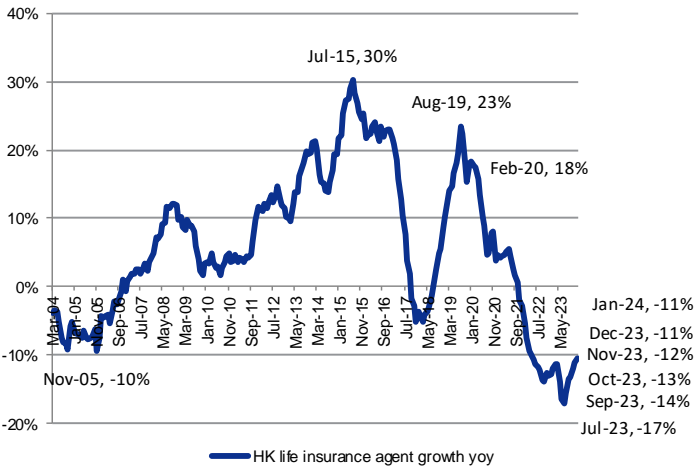
SOURCES: CGSI RESEARCH, BLOOMBERG

Figure 22: Manulife saw a 4Q23 qoq rise in its number of agents

	Dec-20	Jun-21	Dec-21	Jun-22	Dec-22	Jun-23	Sep-23	Dec-23
Number of AIA HK & Macau agents ('000)	20.00	20.00	19.00	17.00	18.00	17.00	16.00	n.a.
Number of Pru HK agents ('000)	24.80	25.00	21.58	20.00	20.00	19.30	n.a.	n.a.
Number of Manulife HK agents ('000)	10.71	10.20	11.65	11.48	11.70	10.59	10.52	10.59

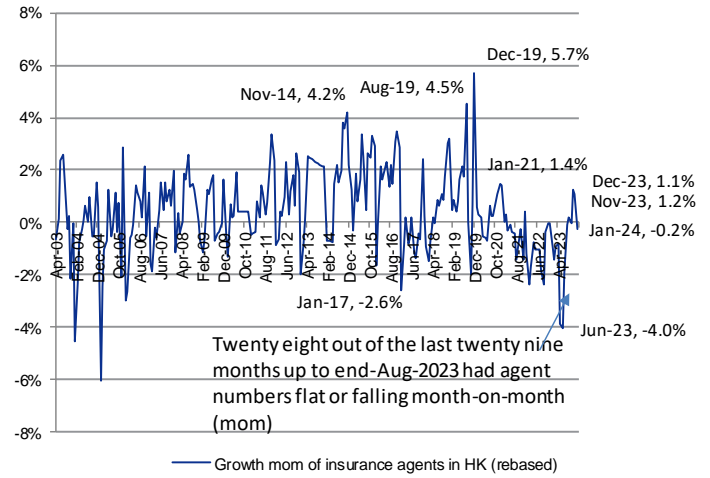
SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 23: Since Apr 2022, the number of monthly HK life insurance agents had been falling yoy at a pace that has not been seen in at least 18 years, though this is showing signs of changing in recent months



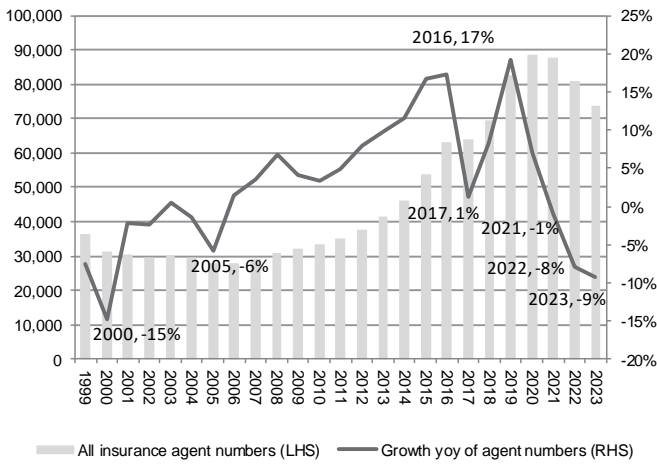
SOURCES: CGSI RESEARCH, INSURANCE AUTHORITY (IA), HONG KONG FEDERATION OF INSURERS

Figure 24: 28 out of the 29 months up to end-Aug 2023 had agent numbers staying flat or falling mom. Monthly agent data since Oct 2023 has clearly been better than earlier months



SOURCES: CGSI RESEARCH, INSURANCE AUTHORITY (IA), HONG KONG FEDERATION OF INSURERS

Figure 25: Insurance agent numbers in HK and yoy growth since 2000 (both life and general insurance)



SOURCES: CGSI RESEARCH, HONG KONG FEDERATION OF INSURERS (HKFI), INSURANCE AUTHORITY (IA)

Figure 26: HK insurance agent recruitment targets announced by AIA, Prudential and Manulife in early-mid 2023 for 2023

Targets	
AIA	Add 5,000 financial planners to its workforce in 2023
Prudential	Add 2,000 advisers to its team in 2023
Manulife	Hire 3,000 agent before end-2023

SOURCES: CGSI RESEARCH, COMPANY REPORTS, THE STANDARD

Figure 27: HK agent annual new premium (ANP) per average agent had fallen the most for AIA and Pru over the 2018-2022 period, which we think suggests that the agent productivity of these two insurers were most hurt by Covid-19

(HK\$)	2018	2019	2020	2021	2022	2022 vs 2018 change
AIA	822,064	766,181	346,325	326,886	300,188	-63%
Pru	689,678	554,555	175,735	114,031	108,063	-84%
Manulife	420,970	428,424	374,096	360,773	248,786	-41%
FWD	398,658	480,930	354,984	318,627	187,202	-53%

SOURCES: CGSI RESEARCH, COMPANY REPORTS, INSURANCE AUTHORITY

Figure 28: Number of 'Million Dollar Round Table' (MDRT) agents in Hong Kong (HK): comparing the 2022 performance year vs. the 2018 performance year – AIA, Prudential and Axa saw the biggest falls

MDRT agent number fall in 2022 versus 2018	2022 HK MDRT agent numbers
AIA	2,443
Prudential	743
Axa	381
Manulife	1,393
FWD	388

SOURCES: CGSI RESEARCH, MILLION DOLLAR ROUND TABLE (MDRT) ORGANISATION

Figure 29: Average MCV insurance case sizes (regular premiums vs. single premiums) (HK\$)

(HK\$)	Regular premium policies	Single premium policies	All policies
2006	50,941	723,219	131,752
2007	56,154	892,619	183,634
2008	56,950	821,607	119,212
2009	64,083	850,650	90,467
2010	70,832	1,175,066	96,520
2011	71,343	1,876,693	96,958
2012	73,727	3,133,138	118,925
2013	73,232	4,170,145	138,084
2014	73,153	5,049,491	152,596
2015	75,415	3,875,420	128,679
2016	105,836	2,803,353	177,055
2017	84,156	2,562,124	124,104
2018	82,717	1,986,939	102,597
2019	104,930	1,953,732	125,732
2020	173,751	3,632,158	232,730
2021	80,797	1,866,108	155,454
2022	158,764	4,269,829	358,885
1Q23	186,553	3,015,042	278,606
2Q23	218,353	4,547,735	397,175
3Q23	212,827	2,907,414	290,504
9M23	208,599	3,703,817	329,730
3Q23 qoq	-2.5%	-36.1%	-26.9%
Ratio of 3Q23 to 2018	2.6x	1.5x	2.8x
Ratio of 9M23 to 2018	2.5x	1.9x	3.2x

SOURCES: CGSI RESEARCH, INSURANCE AUTHORITY (IA)

Figure 30: Average policy size in the agent and broker channels for selected insurers

(HK\$)	AIA	Pru	Manulife	FWD	System
3Q23					
<i>Agent channel</i>					
Regular premium	49,675	76,955	26,504	23,470	49,125
Single premium	603,113	286,871	548,964	661,727	495,846
<i>Broker channel</i>					
Regular premium	192,659	276,463	372,281	134,987	293,962
Single premium	1,889,715	3,035,842	9,479,546	3,781,526	5,438,319
2Q23					
<i>Agent channel</i>					
Regular premium	56,133	97,717	29,834	21,950	59,215
Single premium	571,323	453,879	460,078	914,086	515,083
<i>Broker channel</i>					
Regular premium	213,478	349,930	381,797	173,161	303,290
Single premium	1,514,046	1,586,229	10,510,905	3,200,673	6,984,450
1Q23					
<i>Agent channel</i>					
Regular premium	52,296	92,565	30,005	33,308	52,892
Single premium	508,011	453,821	396,786	1,132,590	476,595
<i>Broker channel</i>					
Regular premium	189,226	261,882	307,647	56,949	213,271
Single premium	1,948,778	615,955	11,932,919	3,170,879	3,926,407
FY19					
<i>Agent channel</i>					
Regular premium	33,353	52,573	16,866	41,416	36,959
Single premium	596,248	587,942	486,752	2,681,395	557,242
<i>Broker channel</i>					
Regular premium	86,765	110,579	136,130	249,622	194,834
Single premium	7,544,287	900,132	12,544,185	3,957,602	5,825,995
FY18					
<i>Agent channel</i>					
Regular premium	34,732	50,978	28,072	35,317	39,039
Single premium	557,691	611,973	432,716	1,756,726	503,388
<i>Broker channel</i>					
Regular premium	75,817	100,158	40,761	218,532	121,137
Single premium	9,173,073	814,186	16,525,464	2,308,002	5,192,817

SOURCE: CGSI RESEARCH, INSURANCE AUTHORITY (IA)

Figure 31: System mix of new business premiums (annualised new premium [ANP] weighted) by distribution channel, by quarter

	Agent	Bancassurance	Broker	Other	Total
1Q18	27%	54%	18%	1%	100%
2Q18	33%	50%	16%	1%	100%
3Q18	36%	47%	17%	1%	100%
4Q18	46%	37%	15%	1%	100%
1Q19	25%	57%	17%	1%	100%
2Q19	29%	45%	24%	2%	100%
3Q19	32%	46%	21%	1%	100%
4Q19	48%	38%	14%	1%	100%
1Q20	25%	58%	16%	1%	100%
2Q20	22%	62%	13%	4%	100%
3Q20	26%	58%	13%	3%	100%
4Q20	41%	38%	17%	5%	100%
1Q21	21%	62%	14%	3%	100%
2Q21	23%	52%	17%	8%	100%
3Q21	25%	55%	18%	2%	100%
4Q21	40%	39%	19%	3%	100%
1Q22	21%	54%	22%	3%	100%
2Q22	28%	49%	19%	3%	100%
3Q22	34%	50%	14%	2%	100%
4Q22	48%	36%	14%	2%	100%
1Q23	31%	53%	15%	1%	100%
2Q23	32%	36%	30%	2%	100%
3Q23	28%	43%	27%	2%	100%

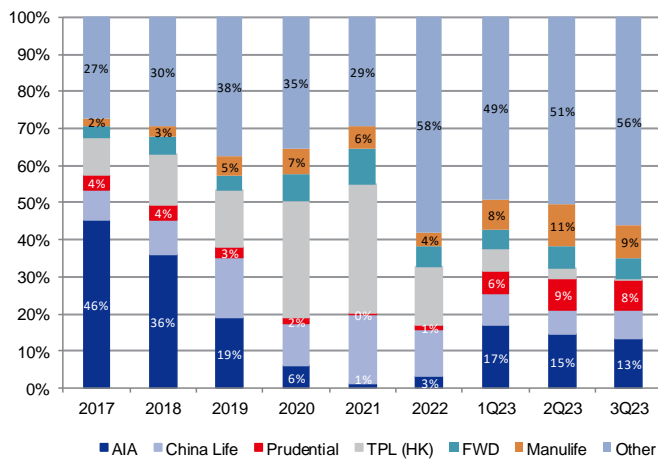
SOURCE: CGSI RESEARCH, INSURANCE AUTHORITY (IA)

Figure 32: System growth yoy of new business premiums (ANP weighted) by distribution channel, by quarter

	Agent	Bancassurance	Broker	Other	Total
1Q18	-10%	19%	-12%	25%	3%
2Q18	18%	11%	32%	31%	16%
3Q18	15%	4%	41%	-24%	13%
4Q18	22%	-5%	15%	14%	9%
1Q19	14%	34%	16%	110%	26%
2Q19	26%	31%	117%	290%	45%
3Q19	2%	11%	46%	123%	15%
4Q19	-16%	-16%	-26%	-45%	-18%
1Q20	-37%	-37%	-42%	-19%	-37%
2Q20	-62%	-32%	-73%	-20%	-50%
3Q20	-43%	-10%	-57%	99%	-29%
4Q20	-37%	-26%	-10%	355%	-26%
1Q21	-15%	6%	-11%	95%	-1%
2Q21	9%	-15%	35%	123%	2%
3Q21	-8%	-10%	28%	-38%	-5%
4Q21	8%	14%	24%	-39%	11%
1Q22	-28%	-36%	15%	-25%	-27%
2Q22	-12%	-31%	-22%	-71%	-28%
3Q22	-19%	-47%	-54%	-41%	-41%
4Q22	-30%	-48%	-58%	-58%	-43%
1Q23	124%	50%	4%	-32%	53%
2Q23	134%	47%	224%	32%	105%
3Q23	91%	98%	357%	90%	131%

SOURCE: CGSI RESEARCH, INSURANCE AUTHORITY (IA)

Figure 33: Market share of the broker channel for HK individual annualised new premium (ANP)



SOURCES: CGSI RESEARCH, INSURANCE AUTHORITY (IA)

Figure 34: Market share of the broker channel in 9M23, 1H23 and 3Q23 (by HK ANP) vs. 2018 and 2016 (%)

No. Insurer	9M23	1H23	3Q23	2018	2016
1 AIA	14.6	15.3	13.4	36.1	29.3
2 FT Life	10.8	12.3	8.2	5.5	1.4
3 BOC Life	10.6	8.6	14.3	2.6	2.4
4 Manulife	9.8	10.4	8.6	2.7	0.8
9 Sun Life	8.7	6.2	13.2	1.8	2.7
5 Axa	8.4	9.6	6.3	4.7	2.8
6 Prudential	8.0	7.9	8.1	4.2	12.2
8 China Life	7.2	7.0	7.5	9.1	28.7
7 YF Life	6.6	7.3	5.3	1.7	2.0
10 FWD	5.7	5.6	5.8	4.6	3.5
11 TP Life	2.5	3.7	0.4	13.6	3.8
Total of 11 insurers	92.8	93.8	91.0	86.6	89.6

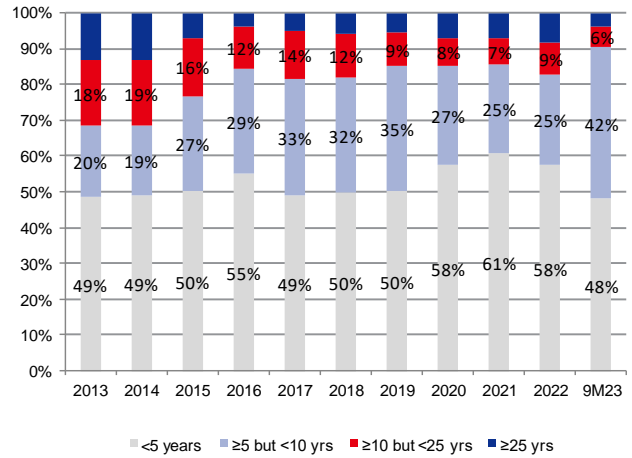
SOURCES: CGSI RESEARCH, INSURANCE AUTHORITY (IA)

Figure 35: Growth yoy of HK system's first-year premiums by premium-payment duration

	Single	<5 years	≥5 but <10 yrs	≥10 but <25 yrs	≥25 yrs
2016	19%	79%	78%	19%	-10%
2017	-15%	-26%	-7%	-4%	7%
2018	-7%	13%	10%	1%	29%
2019	-15%	21%	29%	-10%	16%
2020	18%	-31%	-52%	-49%	-25%
2021	60%	2%	-13%	-14%	0%
2022	-6%	-41%	-37%	-24%	-28%
1Q23	-18%	31%	209%	78%	-6%
2Q23	8%	52%	445%	68%	21%
3Q23	-10%	152%	269%	49%	9%
9M23	-6%	64%	297%	63%	8%

SOURCES: CGSI RESEARCH, INSURANCE AUTHORITY (IA)

Figure 36: Premium duration structure of the HK life insurance industry's regular premiums (new business) of its individual life business



SOURCES: CGSI RESEARCH, INSURANCE AUTHORITY (IA)

Figure 37: Mix of life insurance products bought by mainland Chinese visitors (MCV) in HK across time

(%)	2016	2017	2018	2019	2020	2021	2022	1Q23	2Q23	3Q23
Whole life	53.2	58.3	58.0	55.6	45.2	48.5	69.7	83.2	83.0	82.4
Endowment	18.8	9.0	4.8	11.1	37.1	15.6	6.2	4.4	4.7	5.7
Universal life	8.1	7.9	9.9	12.4	6.1	6.3	5.5	2.6	2.0	1.8
Term Life	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.1	0.1	0.1
Medical	0.2	0.3	0.3	0.3	0.4	1.9	1.3	0.2	0.2	0.2
Critical illness	11.1	14.7	16.6	12.8	7.3	15.3	9.3	4.7	4.3	4.5
Annuities	0.6	0.9	1.6	6.5	2.8	2.2	3.9	4.1	5.2	4.8
Other	6.2	7.1	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accident & sickness (medical) rider	0.6	0.6	0.6	0.4	0.3	1.4	0.8	0.2	0.2	0.2
Accident & sickness (non-medical) riders	0.3	0.3	0.2	0.1	0.0	0.2	0.1	0.0	0.0	0.0
Riders other than accident & sickness	0.1	0.1	0.1	0.1	0.3	5.1	1.8	0.0	0.0	0.0
Unit-linked	0.7	0.8	0.9	0.6	0.4	3.4	1.2	0.4	0.4	0.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCES: CGSI RESEARCH, INSURANCE AUTHORITY (IA)

Figure 38: Phases of Implementation of Individual Visit Scheme (IVS) in HK since 2003

Effective date	The 49 Cities where the IVS applies	Province/ Municipality
28-Jul-03	Dongguan, Foshan, Zhongshan & Jiangmen	Guangdong
20-Aug-03	Guangzhou, Shenzhen, Zhuhai & Huizhou	Guangdong
1-Sep-03	Beijing & Shanghai	Beijing & Shanghai
1-Jan-04	Shantou, Chaoshan, Meizhou, Zhaoqing, Qingyuan & Yunfu	Guangdong
1-May-04	Shanwei, Maoming, Zhanjiang, Yangjiang, Shaoguan, Jieyang & Heyuan	Open to the whole Guangdong Province
1-Jul-04	Fuzhou (only for urban district), Xiamen, Quanzhou	Fujian
1-Jul-04	Nanjing, Suzhou & Wuxi	Jiangsu
1-Jul-04	Hangzhou, Ningbo & Taizhou	Zhejiang
1-Mar-05	Tianjin, Chongqing (only for 15 counties)	Tianjin & Chongqing
1-Nov-05	Chengdu	Sichuan
1-Nov-05	Jinan	Shandong
1-Nov-05	Dalian & Shenyang	Liaoning
1-May-06	Nanchang	Jiangxi
1-May-06	Changsha	Hunan
1-May-06	Nanning	Guangxi
1-May-06	Haikou	Hainan
1-May-06	Guiyang	Guizhou
1-May-06	Kunming	Yunnan
1-Jul-07	Shijiazhuang	Hebei
1-Jul-07	Zhengzhou	Henan
1-Jul-07	Changchun	Jilin
1-Jul-07	Hefei	Anhui
1-Jul-07	Wuhan	Hubei

SOURCES: CGSI RESEARCH, HONG KONG TOURISM BOARD

Figure 39: A summary of key details of the Individual Visit Scheme (IVS)

No. Key points about the IVS

- 1 The Individual Visit Scheme (IVS) was first introduced in four Guangdong cities (Dongguan, Zhongshan, Jiangmen, Foshan) on 28 July 2003 as a liberalisation measure under the Closer Economic Partnership Arrangement (CEPA).
- 2 Over the 2003 - 2007 period, it was expanded to a total of 49 cities, including all cities in the Guangdong province.
- 3 The IVS allows residents of these cities to visit Hong Kong (HK) in their individual capacity, as opposed to only via a group tour or via a business visa.
- 4 This matters, as feedback from HK insurers indicates that Mainland Chinese Visitors (MCV) are more likely to buy HK insurance if they are NOT part of a group tour when they come to HK.
- 5 Under the IVS currently, Mainland China residents in 49 cities with permanent household registration are eligible to apply for the relevant exit endorsement from the relevant Mainland authorities.
- 6 The endorsement is valid for three months or one year and good for one or two visits to HK. The endorsement holder can stay in HK for not more than seven days on each visit. Eligible applicants may apply for a new endorsement once the current one has expired or has been used up. There is no quota on the number of endorsements to be issued. The simplicity of the IVS visa application process, relative to other visa applications, is a key advantage in encouraging MCV to HK in our view.
- 7 In April 2009, a one-year Individual Visit endorsement with multiple entries (M permit) was introduced by the mainland government. Eligible permanent residents from Shenzhen, holding this new visa, can visit Hong Kong and Macao for multiple times with a single endorsement. This new measure has made the trips of frequent visitors more convenient in our view.
- 8 Due to concerns about parallel trading, the IVS scheme was revised to "one trip per week" Individual Visit Endorsements (instead of unlimited multiple trips previously) for Shenzhen residents within the 1-year IVS validity period, with this policy implemented on April 13, 2015.
- 9 According to the HK government, the majority of Mainland Chinese visit Hong Kong via the Individual Visit Scheme, accounting for 60 per cent of the overall Mainland visitor arrivals in 2023.
- 10 According to The Standard on 22 Jan 2024, Beijing has already agreed to expand the coverage of the IVS from the current 49 Mainland China cities, possibly to include more Tier 2 and Tier 3 cities and/or more Mainland China provinces, with an announcement expected over the next days to coincide with the HK and Macao Affairs Office director Xia Baolong's visit (which runs from 22 – 28 Feb 2024).

SOURCES: CGSI RESEARCH, THE STANDARD, HONG KONG TOURISM BOARD, HONG KONG TOURISM COMMISSION, HONG KONG TOURISM BOARD, HONG KONG EDUCATION BOARD

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2023		
636 companies under coverage for quarter ended on 31 December 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.