

Insurance - China

More detailed management of Hui Min Bao

Industry Overview

More detailed management of Hui Min Bao

China's insurance regulator issued draft on "stable development of Hui Min Bao". Hui Min Bao is the low-cost medical insurance policy that Chinese government encourages insurers to introduce to average residents, usually at <50% of the price of similar commercial medical policies. It was initially launched in Shenzhen in 2015 and according to some statistics, the number of effective Hui Min Bao policies amounted to 115mn in 2022. There are different opinions on the product as it could lead to losses to insurers with wide coverage and low entry barrier as well as low prices, and the new drafted rules, in our view, are positive to insurers which are willing to issue such products to better manage risks and to those unwilling to participate to better sell their commercial medical products with higher margin.

More pricing power to insurers

In the draft, one key message from the regulator is that Hui Min Bao should be more market-driven. The regulator encourages insurers to make Hui Min Bao more long-term medical insurance products with floating rates and insurers could set different prices and coverage based on risk evaluation. The change should help insurers better price their products and lower their risks, compared to the same prices for all policyholders.

Volume growth may decelerate, but not a lot

Compared to the rapid growth of Hui Min Bao in the past 2-3 years, the new rules seem to focus less on volume growth with prohibition of compulsory purchase. However, as the product is still the key way for local governments to provide affordable medical insurance to average residents and to lower the medical expense burden of local governments, it is still required to cover aged people and people with preexisting conditions. In addition, group insurance is encouraged with tax incentive policies.

Savings>health>protection in 2024

Based on the jumpstart sales product pipeline of major insurers, we believe savings will continue to be the key products to drive premium/value growth in 2024. Lower bank deposit rates and volatile capital market keep insurance savings products attractive to investors even with lower guarantee rates at 3.0%. The slower-than-expected economy recovery will likely keep the rebound of protection sales slow and short-term health/medical insurance sales should continue to outpace protection. The growth so far is in line with our expectation for 2024, i.e., mild volume growth with limited margin upside.

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Michael Li >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 7381
m.li@bofa.com

Susie Liu, CFA >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 8456
susie.liu@bofa.com

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