

How China Life Endeavours to Develop Microinsurance

China Life Insurance Company Limited (“China Life”, “the company”) is the largest life insurer in Mainland China and the core member of China Life Insurance Company Group, the member of “Fortune 500” of US “Fortune” magazine and “Top 500 Brands in the World” of World Brand Laboratory respectively. China Life, the leader of insurance industry in Mainland China, wins the trust of the largest nationwide customers relying on her long history, strong capacity, and outstanding competitiveness in life insurance business and world-famous brand. China Life has been committed to her social responsibility and proactively exploring the development model combining self-development and society contribution.

In August 2008, China Life initiated the pilot program for rural micro-insurance. From then, China Life actively spread the micro insurance business suitable for rural people with low income so that residents who can't buy insurance for generations in less-developed countryside have the access to micro insurance service offered by China Life. As at the end of June, 2009, China Life has operated micro insurance business in the villages of 18 western and middle provinces, insuring 6,030,000 peasants with low income collectively. The number of micro insurance policies was over 3,090,000, with a total insured sum of 80.5 billion Yuan for 3,000,000 families in countryside. The business effectively eased the impacts imposed by the death and disability of family major labors in rural areas and thus contributed to the sound development of rural society. Through those pilot programs, China Life has initially created a business model for micro-insurance with own feature:

I. Develop tailor-made products that rural people can afford.

Based on meeting the basic demand of insurance protection for peasants, China Life first rolled out nine insurance products tailored to peasants at the early stage of the pilot program. After that, China Life put forward another three micro supplementary medical expense insurance products in 2009. By introducing term life insurance, accident insurance and supplementary medical

expense insurance etc, the pilot program gradually covered the basic protection needs of low-income peasants and extended the coverage area. China Life's micro insurance products, tailored made for peasants with low income, have appropriate coverage with low premiums, popular policy terms and simple underwriting and claims settlements, as well as the following feature:

1. Protection-oriented

With the emphasis on combining the insurance product expense and the purchasing power of rural population, on linking insured level and the basic protection needs of peasants, the company offers products covering accident, incident and medical expense liabilities, which are most popular with peasants. The reason behind that is China Life hopes that peasants not only can afford micro insurance just like buying daily necessities, but also be reimbursed well in case that risks occur.

2. Favorable pricing

In order to attain the target, China Life reduces insurance rate, on one hand. China Life Rural Micro-accident Insurance has lower insurance rate as compared to similar products sold in urban areas. Customers can attain 10,000 Yuan protection based on about 20 Yuan premiums per capita. Some clients said vividly that "adults can afford micro insurance with money for buying several cigarettes and kids can get insurance protection by money paying for several sweets". On the other hand; China Life expands the liabilities of products by deleting some provisory clauses, unsuitable for the actual situation in countryside.

3. Easy to understand

Rural people are less educated and lack the knowledge of finance and law. With this in mind, China Life avoids using complex and professional terms in insurance policy aiming at a popular, simple and clear product terms which are more understandable for rural residents.

II. Create effective sales models to ensure convenient access to insurance products

By means of the advantage and innovation, China Life has successfully created four effective sale modes:

1. "One Policy for Entire Village" model based on insurance

village build-up. With the mind of “agents covering all villages and service delivered to all households”, China Life, in recent years , actively pushes the build-up of insurance village and achieved obvious results, laying a sound foundation for the promotion of “One Policy for Entire Village” model. After the successful micro insurance pilot, some branches depend on the introduction and publicity of insurance products to rural population conducted by village committee. Based on most people’s recognition and acceptance, rural residents fit for micro insurance products in the village can be insured together with one policy. The money-raising method for this “One Policy for Entire Village” model varies. Some premiums are paid by rural residents themselves, some by village factories for residents, some by local government and rural population together in proportion. For example, local government, enterprise (China Life) and rural residents in Jinzhong area in Shanxi province pay 20%, 20%, and 60% for the 20-Yuan micro insurance respectively.

2. “Business Interactive Model”connected with

Government’s rural preferential policy. This model can effectively reduce the expenses for establishing additional distribution and service channels by virtue of making full use of the network of New Village Cooperative Medical Scheme in terms of premium payment and service provision. The pilot experience in China Life Hubei and Guang Xi branches shows that “Business Interactive Model” makes local government not only offer basic medical protection but also provide accident insurance to rural population.

3. “1+1 Credit Insurance Model” in connection with rural

financial institutions. The corporation between China Life and rural financial institutes (Agriculture Bank of China, Rural Credit Cooperatives, etc) in terms of micro-finance borrower accident insurance helps guide peasants to buy accident insurance voluntarily when they borrow money from the above-mentioned financial institutes, which not only makes those institutes securely grant loans, but also insures the borrowers. Since the pilot in 2008, the Qingzhou Sub-branch of China Life Shanxi Branch has accumulated some precious experience and achieved a lot in micro insurance business in accordance with the model of “rural families plus micro loans plus micro insurance”. From September, 2008 to June 2009, the Qingzhou Sub-branch has obtained 8,990,900 Yuan premiums attributable to China Life Micro-finance

Borrower Accident Insurance, covering a total of 3,251 million Yuan risk protection for local borrowers.

4. “Small Group Insurance Model” with family bread earners

purchasing policies for all family members. “Family bread earners” are those people who can lead villagers to a rich road and are devoted to rural public welfare establishments. They often finance the group micro insurance for villagers. For example, when Bei Liu sub-branch of China Life Guangxi Zhuang Autonomous Region publicized micro insurance in Qingping Village, Qingwan Town,

Mr. Liu, a family bread earner of this village, said he would finance micro insurance for both his family members and all other villagers. Finally, Mr. Liu bought micro insurance for 2163 villagers.

III. Enable rural people to fully understand the products through enhanced sales promotion

1. Fully mobilize staff internally. After launching the pilot program, China Life proactively organizes pilot branches at all levels to start launching conference so as to give full play to synergy effects by tapping the latent power in all distribution channels. Branches in the trial program make daily, weekly and monthly assessment report to push staff to attain preset targets

2. Enhance public awareness externally. On one hand, China Life intensifies the advertising to create a favorable environment. On the other hand, China Life innovates advertising means such as advertisement on the walls, village radio station, street banners, product promotion seminars, cultural and entertainment programs and on-site claims settlement. It was proved by some facts that those public activities not only improve peasants’ awareness of insurance, but also contributes to the effect that “peasants buy insurance very clear”. Certain peasants in villages of Qixian County, Shanxi province voluntarily inquired China Life’s agents after applying insurance initially, “my insurance policy will expire next year, and where can I buy the micro insurance once the policy expires?” This fact shows that more and more peasants buy insurance not passively but actively. Some peasants even brief you on their micro insurance they bought at their fingertips and are quite

familiar with micro insurance policy terms.

IV. Win over rural people's trust through credible and convenient services

China Life regards stringent management, credible operation and outstanding service as the most important measures taken to ensure a healthy development of micro insurance.

1. Stringent management. On one hand, the company has formulated well-established rules concerning business, finance, and outlet managements. On the other hand, the company put forward agents' qualification management rule for micro insurance and set up credit assessment system and supervision mechanism for agents. Based on such management systems and technical means, the company has an early earning and credit evaluation on agents' sincere service for micro insurance business.

2. Simplified underwriting and claims settlement.

In accordance with the principle of "simplified application and convenient claims settlement", the company formulates and uses simplified underwriting and claims settlement process so that peasants can renew insurance policy conveniently (customers who have bought short-term insurance can enjoy 30-day grace period). Additionally, China Life makes public 15 service commitments and subjects to public oversight by engaging service supervisors with an aim to consciously accept peasants' supervision, timely improve her own service and dispel peasants' concern that "easy to buy insurance, hard to get claims benefits". For example, since the launching of micro insurance trial, China Life Shanxi Branch has settled over 1000 claims cases involved in more than 1000 customers. The average claims time for those cases was not more than three days and each indemnity was delivered to the customer's house by managers themselves. In October, 2008, China Life kicked off fast claims channel to settle the first micro insurance case occurred to villager Li in Dongzhuang Village, Qijiahe Town, Xiaxian County. The company only took one day to finish investigation and evidence collection after the case was reported. Finally, 5000 Yuan indemnity was directly sent to the beneficiary.

3. Tailored to different protection needs of some rural people. In the process of launching micro insurance, China Life offers

insurance products portfolio including accident, pension and medical coverage to peasants who have better purchasing power and more insurance needs, which not only satisfies clients' multiple demands but also contributes to other business development.

4. Provide convenient insurance services. China Life

selects village cadres with high reputation, strong sense of responsibility and good quality as insurance service representatives in villages. Those representatives provide home service for insurance application, renewal premiums collection and claims benefits delivery to create a new service system for "outlets covered all towns, agents covered all villages and service delivered to all households" with an aim to ensure that peasants can feel free to participate in micro insurance as they make deposits.