



Discussion on the Current Financial Situation and Profit of GENERALI CHINA

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ABSTRACT

After joining the WTO, China has gradually opened up its financial industry, including insurance, to foreign investors. The huge insurance consumer market in China has attracted many international insurance giants to set up subsidiaries or joint ventures in China. GENERALI CHINA is one of the earliest joint venture insurance companies to establish companies in China, and its strong shareholder background has provided good conditions for its business development in China. Since its establishment, GENERALI CHINA has experienced rapid growth in operating income, good profitability and continuous expansion of assets. However, due to the specificity of the insurance industry, the competitive disadvantage of GENERALI CHINA is still relatively obvious compared to large domestic insurance companies such as China Life and Ping An of China, which restricts the further development of GENERALI CHINA. Taking GENERALI CHINA as the research object, this paper uses the comparative analysis method to compare the business scale and financial indicators of GENERALI CHINA, explicates the problems in the development of GENERALI CHINA, and puts forward countermeasure suggestions for the development of Internet insurance.

Keywords: insurance company, financial status, profit, internet insurance, new insurance

1. INTRODUCTION

GENERALI CHINA Co., Ltd. is a Sino-foreign joint venture insurance company established in China in 2002 by Generali Insurance Italy Ltd. and China National Petroleum Corporation. The company is mainly engaged in life insurance, health insurance, accident insurance and other insurance businesses as well as the reinsurance business of the above businesses, and has obtained the first batch of business qualification of personal tax deferred commercial endowment insurance. In addition, GENERALI CHINA provides fixed income investment, equity investment, project investment and overseas entrusted asset management through its subsidiary GENERALI Asset Management Co., Ltd. [1].

ASSICURAZIONI GENERALI, established in 1831, is one of the largest insurance and asset management companies in the world, which owns business in 50 countries around the world, with total premium income exceeding 70.7 billion euros in 2020. With nearly 72,000 employees and serving 65.9 million customers, the Group is an industry leader in Europe and has growing operations in Asia and Latin America. The aim of ASSICURAZIONI GENERALI is to be a lifelong

partner of customers, providing innovative and personalized solutions with a strong distribution network. In the "Fortune" magazine's ranking of the world's top 500 companies published in 2021, it ranked 73rd.

CNPC Capital Co., Ltd. is a professional company in the financial business management of CNPC Group, serves as a platform for the integration of CNPC's financial business, financial equity investment, financial asset management and supervision, and financial business risk control. It invested in 10 financial enterprises such as Kunlun Bank Co., Ltd. and GENERALI CHINA Co., Ltd. in the form of controlling (participating) shares, managed the controlling (participating) financial enterprises through a standardized and perfect corporate governance structure, promoted coordination and harmonious cooperation between production and finance, and realized resource sharing.

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insurance companies such as China Life and Ping An of China, which restricts the further development of GENERALI CHINA. This paper takes GENERALI CHINA as the research object, uses the comparative analysis method to compare the business scale and financial indicators of GENERALI CHINA, explicates the problems in the development of GENERALI CHINA and puts forward countermeasure suggestions for the development of Internet insurance, which provides beneficial references for the development of GENERALI CHINA and other insurance companies.

2. THE DEVELOPMENT STATUS OF GENERALI CHINA

2.1. Steady progress in business performance to a new record high

In the past 20 years of development in China, GENERALI CHINA's assets have continued to grow. In 2021, the total assets of the company exceeded RMB100 billion, a three-fold increase from RMB34.3 billion in 2009; net assets exceeded RMB10 billion, up nearly 1.5 times from 10 years ago; premium income exceeded RMB20 billion, with all indicators reaching a record high. The accumulated taxes and fees paid amounted to nearly 4 billion yuan, making new contributions to economic development. Established the "Love My GENERALI CHINA" public welfare brand, donated and built the "GENERALI CHINA Hope Primary School", donated money and goods during the epidemic period, and opened a customer-friendly claim channel. In the first place, it added the liability of COVID-19 death insurance to the existing 52 products in the first time, showing the great love of people [2].

2.2. Establish a relatively perfect marketing system and product system

The company has actively improved its institutional layout and established 16 provincial branches and 128 marketing service departments in 16 provinces and cities. The omnichannel development continues to be strengthened, establishing six business channels of individual marketers, bancassurance, group insurance, oil business, brokerage agency, and online electricity, making it one of the few insurance companies in the industry with the most comprehensive business channels. All channels have maintained a healthy and sound development trend. In 2021, the premium rate of the first year of the personal marketing channel ranked 20th among 92 insurance companies in the industry, and the premium continuation rate index is at an advanced level in the industry; the business scale and quality of the group insurance channel remained at the forefront of the industry, ranking firmly first among the 27 joint insurance companies.

The company's asset management capability has been steadily improved, and it has a "full license" for insurance asset management and complete asset management qualifications. We have built up five major investment capabilities: "credit risk management, equity investment, derivatives application, debt investment plan product management, and equity investment plan product management", and have three qualifications: "entrusted management of insurance funds, overseas entrusted investment management of insurance funds, and portfolio type insurance asset management product management capability". The scale of assets continued to grow. The scale of assets entrusted for management was nearly RMB300 billion, with a compound annual growth rate of 30%, far exceeding the industry's 15% level. The compound annual growth rate of net assets was 21.23%. Investment income continued to improve, with an annual average investment income of 5.77%, 39 basic points higher than the industry average.

2.3. Accumulate a large customer base through careful service

Centering on better protecting the health of customers, GENERALI CHINA has built a "GENERALI CHINA Health Management Ecosystem", to provide customers with integrated and whole-process services such as condition assessment, medical treatment arrangement and rehabilitation guidance by taking advantage of professional management and global medical network resources. In the past 20 years, we have served more than 25,000 corporate clients and more than 15 million individual clients. In the past 20 years, we have served more than 25,000 corporate clients and 15 million individual clients, and have built up a good reputation in the market with our service capability and quality.

3. PROBLEMS IN DEVELOPMENT OF GENERALI CHINA

3.1. Uneven quality of personnel and low per capita capacity

According to a research study conducted by Chen Junhui (2018) on the Guangdong branch of GENERALI CHINA, it is concluded that the staff quality of GENERALI CHINA is uneven, the overall education is low with a lack of holding effective training and education. Its turnover rate of practitioners is high, and the retention rate of newcomers is less than 15%. The way marketers produce results depends mainly on the trust of individual relationships. While enjoying a high-performance Commission, the salesmen are under high performance pressure. In order to complete the performance, they failed to complete the corresponding service process according to the regulations of the industry supervision department, and tended to be eager for quick success and instant benefits, resulting in

exaggerated promises and misleading information to consumers. The average production capacity of the Guangdong branch of GENERALI CHINA company is about 6,800 yuan/month, which is on the low side when compared with other large domestic insurance companies. Low performance means that the marketing staff are unable to obtain sufficient income to maintain the cost of customer service, resulting in a decline in service quality. At present, the single marketer agency approach of GENERALI CHINA has not been able to make a big breakthrough [3].

3.2. Small scale and low popularity

As a Sino-foreign joint venture insurance company, GENERALI CHINA has been developing in China for many years. However, the deficiency lies in the fact that for the general domestic consumers, the company is small in scale and low in popularity. Nowadays, the Matthew effect in China's insurance market is becoming more and

more obvious. The leading insurance companies make up the majority of the industry profits, while most small and medium-sized insurance companies are in a poor operating situation and can only survive under the thumb. In addition, small and medium-sized life insurance companies used to rely on the "short-term, adaptable and fast" business to rapidly increase the scale of their business, which has become difficult to reproduce under the guidance of the bank's supervision policy. In this case, the transformation needs of small and medium-sized insurance companies are more urgent. Specifically, in 2021, China Life, Ping An Life Insurance, CPIC Life Insurance and New China Life Insurance and realized premium income of RMB620 billion, RMB457.035 billion, RMB209.61 billion, and RMB163.47 billion respectively, representing year-on-year changes of 1.16%, -4.00%, 0.55%, and 2.48% respectively. In 2021, the premium income of GENERALI CHINA has just exceeded 20 billion yuan, which is still relatively small compared with the domestic life insurance giants.

Table 1. Life Insurance Income of A-share Listed Insurance Companies in 2021

Name of the company	Premium income (RMB: Million)	Year-on-year change
China Life Insurance [4]	6200.00	1.16%
Ping An Life Insurance [5]	4570.35	-4.0%
CPIC Life Insurance [6]	2096.10	0.55%
New China Life Insurance [7]	1634.70	2.48%

3.3. Weak solvency

In the solvency report of the third quarter of 2021 released by GENERALI CHINA this year, the company's insurance business revenue for the current quarter was RMB 5.1 billion, up by about 1.4 billion from 3.7 billion in the previous quarter, up by 67.8% year-on-year. In the third quarter, operational income lacked growth momentum and realized a net profit of RMB 245 million, down 38.2% year-on-year. The core solvency adequacy ratio, which measures the solvency of insurance

companies, was 215%, down 2% from 217% in the previous quarter [8]. According to the data released by the China Banking and Insurance Regulatory Commission, at the end of the third quarter of 2021, the core solvency adequacy ratio of China's insurance and life insurance companies was 221.30%, which was 6.3% higher than that of GENERALI CHINA. In addition, in the rating of the insurance companies, GENERALI CHINA is rated as BBB, which ranks the third among the insurance companies in our country. It can be seen from this that the solvency of GENERALI CHINA still needs to be further strengthened.

Table 2. Solvency of China's Insurance Companies in 2021 [9]

Project		End of first quarter (%)	End of second quarter (%)	End of third quarter (%)
Consolidated solvency adequacy ratio (%)	Insurance company	246.70	243.70	240.00
	Property Insurance company	285.40	286.80	285.60
	Life Insurance company	238.60	235.70	231.60
	Reinsurance company	336.20	307.40	307.30

Core solvency adequacy ratio (%)	Insurance company	234.00	231.00	227.30
	Property Insurance company	255.60	258.00	257.00
	Life Insurance company	228.50	225.50	221.30
	Reinsurance company	313.70	286.90	284.20
Comprehensive Risk Rating (Companies)	Class A companies	100	95	88
	Class B companies	72	76	78
	Class C companies	4	5	10
	Class D companies	2	2	2

4. COUNTERMEASURES AND SUGGESTIONS

4.1. Strengthen agent training and change the cooperation model with third parties

For the overall low quality of practitioners, GENERALI CHINA should strengthen vocational training for employees and agencies and enhance personalized service. In the insurance industry, the traditional sales model is not sustainable, the agent bonus is gradually disappearing, and the regular customer selling model is hard to work now. And the internet insurance sells suitable products to specific groups of people through consumer scenarios built by Internet traffic, capturing customer pain points and increasing customer conversion rates. At the same time, it has developed profound cooperation with internet intermediary platforms, third-party platforms and professional internet insurance institutions. Social networking software and professional financial software on the internet all have the column of insurance. In particular, Alipay and WeChat, two Chinese online payment giants, have huge platform advantages in internet insurance. Their large user base makes them the most popular third-party platforms in insurance cooperation. Therefore, if GENERALI CHINA wants to develop internet insurance, it should cooperate with these two platforms in depth. Alipay's own financial function and WeChat's powerful social group function are fertile soil for the development of internet insurance.

4.2. Develop insurance technology and tap new business and profit growth points

The development of information technology has brought profound influence to the financial and insurance industry. It has developed rapidly since 2012. In the first half of 2020, the premium income of Internet insurance reached RMB 176.6 billion, of which the premium

income of personal insurance was RMB 139.44 billion, accounting for nearly 80% and the penetration rate was 6.6%. The premium income from property insurance amounted to RMB 37,112 million, with a penetration rate of 5.1% [10].

Against this background, it is both an opportunity and a challenge for GENERALI CHINA and other insurance companies. Technology has brought new development opportunities for the entire insurance industry. Leading enterprises can realize cost reduction and efficiency enhancement through technology, and further explore profit growth points. Small and medium-sized insurers can use insurance technology to achieve business innovation and differentiation to help companies to resolve their business situation. As for GENERALI CHINA company, which is a Sino-foreign joint venture, the shareholder background is also very deep. With the help of the scientific and technological strength of Italy ASSICURAZIONI GENERALI Insurance Co., Ltd. and China National Petroleum Corporation Capital Co., Ltd., it can develop its own insurance technology and develop online and offline simultaneously. The market prospect of China's online insurance is huge, and the cost is not very high. Micro-insurance and the network are highly suitable. At present, the development is relatively rapid [11].

4.3. Develop personalized new insurance to meet more market demand

Apart from the development of internet insurance, GENERALI CHINA should also develop a new type of individual insurance and develop more consumer demand. In the new era, the financial function of insurance is becoming more and more obvious. As the three pillars of the financial industry, insurance plays an important role in the development of China's financial industry. Investment-linked insurance is a new type of insurance product that integrates the functions of insurance and investment. It has multiple accounts, such as guaranteed

income account, development account and fund account. Each account has a different portfolio with different rates of return and different investment risks. Since investment accounts do not promise investment returns, the insurance company will bear all investment gains and investment losses after collecting asset management fees. Therefore, the investment-linked insurance is suitable for policyholders who have a rational investment philosophy and pursue high returns on assets while having a high-risk tolerance.

5. CONCLUSION

To sum up, the financial situation of GENERALI CHINA is still good and stable. The company's capital and profit are increasing year by year, maintaining a continuous development direction. In terms of future earnings, the company should focus on the traditional business direction, continuously update and improve its products to meet the needs of consumers more, and vigorously develop Internet insurance and new investment-linked insurance to make the company's products more diversified and market-oriented.

AUTHORS' CONTRIBUTIONS

This paper is independently completed by Zhi Zeng.

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