

Analysis of Insurance Industry's Business Strategy Management: Taking China Life Insurance as an Example

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Abstract. The global insurance industry is undergoing profound transformation driven by digital disruption, evolving consumer preferences, and economic volatility. In this context, China Life Insurance Company faces unpredictable challenges in maintaining its market dominance and profitability as a state-owned industry. This paper conducts a concrete case study to analyze the operational strategy management of China Life. By examining its financial performance from 2022 to 2024 and its drastic stock price change, the study identifies three core strategic challenges: the problem of profitability caused by the flaws in the cost structure, the fluctuations in earnings resulting from excessive reliance on investment returns and the operational rigidity that hinders development. Subsequently, the paper proposes targeted countermeasures including precise cost restructuring, a reoriented investment strategy focused on asset-liability matching, and acceleration of digital transformation. The findings of this analysis reveal a critical disconnect between the company's revenue growth and its bottom-line performance. It also provides a crucial reference for China Life's strategic reform and offers valuable insights for traditional financial institutions navigating similar challenges in the digital era.

Keywords: China Life Insurance Company, Strategic management, Financial distress, Digital transformation.

1. Introduction

The insurance industry plays an essential role in helping the global financial system keep stable, providing risk transfer mechanisms and long-term savings vehicles. China is the world's largest emerging insurance market, the industry has experienced rapid growth but now contends with intensifying competition, demographic shifts, and technological disruption. China Life Insurance Company Limited, a leading state-owned financial company in China, stands at the center of this transformation, its operational strategies are vital for its own sustainability and indicative of the broader sector's evolution trend. However, its recent financial distress and market valuation collapse raise a pressing research question: what are the fundamental strategic shortcomings behind this decline, and how can they be effectively addressed?

Existing research on insurance company strategy has explored various dimensions. Scholars have extensively examined the impact of digitalization on traditional business models, arguing that InsurTech is fundamentally reshaping industry value chains [1]. Studies on financial performance highlight the paramount importance of investment yield and underwriting discipline for profitability in the life insurance sector [2]. Furthermore, literature on distribution channel efficiency suggests that a multi-channel, digitally-enhanced approach is increasingly critical for customer acquisition and retention [3]. Research specifically on Chinese insurers has focused on their unique market structure and regulatory environment [4]. However, there is a scarcity of recent, granular case analyses that apply these strategic frameworks to dissect the acute profitability and operational crises facing a market leader like China Life, particularly using the most recent financial data to uncover the root causes [5].

This paper aims to bridge this gap by conducting a comprehensive, data-driven analysis of China Life's operational strategy management. The research will proceed by first detailing the company's development and its current financial and stock performance predicament. It will then diagnose three core strategic problems based on the empirical evidence. Finally, the study will propose concrete,

actionable recommendations for strategic realignment. Beyond enriching the strategic management literature with a timely case study, this research delivers actionable insights for China Life's leadership. More broadly, it serves as a critical reference for industry practitioners and regulators grappling with the digital transformation of traditional financial institutions.

2. Case Description

The predecessor of China Life was established in October 1949 with the approval of the central government, making it one of the earliest enterprises to operate insurance business in China. It has shouldered the responsibility of being an explorer and pioneer in China's life insurance industry. In 2003, China Life Insurance Company Limited was listed overseas, and then returned to the domestic A-share market in 2007. These listings solidified its position as a market leader in China's insurance industry. Turning to its present situation, the company's recent operational status presents a challenging picture despite its historical dominance. The main financial indicators of China Life Insurance from 2022 to 2024 are presented in Table 1.

Table 1. Key Financial Indicators of China Life Insurance Company (2022-2024)

Financial indicator	2022	2023	2024
Total Revenue (RMB millions)	1019,019	988,374	1,153,217
Net Profit (RMB millions)	56,384	471	21,071
Premiums Earned (RMB millions)	727,566	758,647	801,323
Investment Income (RMB millions)	295,965	218,842	335,339

Source: Compiled from China Life Annual Reports (2022-2024)

As shown in Table 1, China Life's financial performance from 2022 to 2024 reveals a complex and challenging operational environment. The company's total revenue showed a fluctuating trend, decreasing slightly in 2023 before rebounding to reach RMB 1,153,217 million in 2024, representing the highest revenue level in the three-year period. Premiums earned demonstrated steady growth throughout the period, increasing from RMB 727,566 million in 2022 to RMB 801,323 million in 2024, indicating maintained strength in the company's fundamental underwriting operations. However, the most alarming revelation is the catastrophic deterioration in profitability. Net profit experienced an unprecedented collapse in 2023, plummeting to just RMB 471 million from RMB 56,384 million in 2022. Although there was some recovery in 2024 to RMB 21,071 million, profitability remained at severely depressed levels compared to 2022 [6, 7].

Next, this paper will study the changes the performance in stocks of China Life's stocks from 2022 to 2024. The market's sentiment regarding these financial results is unequivocally reflected in the company's stock performance. China Life's share price experienced a dramatic decline throughout 2024 before reaching a peak of approximately RMB 48.40 during the year. This loss of market value signals a profound crisis of confidence among investors. They are evidently pricing in serious concerns about the company's future growth prospects, its operational sustainability, and its ability to navigate the challenging macroeconomic and competitive environment, despite the growth in total revenue. In conclusion, the analysis of both financial and market data reveals that despite the company manages to grow its total revenue, its core insurance business stagnated. Therefore, China Life is confronting significant operational and strategic challenges. This necessitates a deeper investigation into the underlying problems it faces [8].

3. Problem Analysis

3.1. Profitability Problems and Structural Inefficiencies

The company's low profitability in 2023 is one of the most important problems. Net profit decreased from RMB 56,384 million to just 471 million, with a drop rate as much as 99.2%. Although there was a recovery in 2024, profits still remained 62.6% below 2022 levels. This phenomenon not

only indicates just a temporary setback, but also reveals deep structural inefficiencies within China Life's operational framework. For instance, outdated claims processing systems, inefficient underwriting practices and other high operational may affect the company from translating premium growth into net earnings. Although there was a relatively stable premium income growth of 10.1% from 2022 to 2024, the profitability problem still occurred, further highlighting a key disconnected. Revenue generation is no longer translating into sustainable profit, signaling fundamental flaws in the company's business model. More importantly, this phenomenon of increased revenue but no increased profit reveals that its business model may have fallen into a "scale trap" - blindly pursuing premium scale while neglecting value creation, resulting in a continuous decline in marginal benefits [9].

3.2. Investment Dependencies leads to Earnings Volatility

The extreme fluctuation in the company's profits stem from its excessive reliance on investment activities, which affects the company's profit level. The dramatic fluctuations in investment income—which fell 26.1% in 2023 before rebounding 53.2% in 2024—highlight an over-dependence on market-sensitive investment returns. For example, China Life Insurance might allocate a significant proportion of its investment portfolio to high-risk assets such as stocks or alternative investments. These assets are susceptible to macroeconomic and changes in regulatory policies, which brings substantial uncertainty into the company's earnings stability and reflects inadequate risk management practices in its investment strategy. During this period, China Life Insurance remained highly vulnerable to external market downturns, with its investment income accounting for between 22.3% and 29.1% of its total revenue—a trait inconsistent with the predictable and stable financial performance expected from a leading insurance provider. This practice of closely linking its own profit situation with the performance of the capital market has made China Life Insurance more like an asset management company rather than an insurance company. This fundamentally conflicts with the stable operation nature required by its main insurance business.

3.3. Operational Rigidity and Strategic Inadaptability

The operational rigidity and strategic inadaptability are problems hidden behind the financial problems. Although the premium income shares an upward trend, the company still cannot maintain profitability. This phenomenon suggests difficulties in adapting to evolving industry dynamics. For instance, emerging competitors—particularly tech-driven InsurTech firms—are using digital tools to reduce operating costs and offer customized products, while China Life may still be constrained by traditional agency-based sales models and legacy IT systems. This operational model prevents the company from seizing new revenue opportunities or adjusting its cost structure in response to market changes. Moreover, the company lacks innovation in production design and customer interaction, which leads to high costs persisting and reflects a strategic rigidity. Unless the company undergoes systematic reforms, this could affect its long-term competitiveness in the financial market. As a state-owned enterprise, China Life must balance market competition with non-commercial objectives, which partly explains its slower pace in pursuing disruptive innovation.

4. Suggestions

China Life must adopt a series of targeted and actionable strategies to answer the severe challenges identified in profitability, investment volatility and operational rigidity.

4.1. Comprehensive Profitability Restoration and Cost Structure Overhaul

China Life should implement immediate and rigorous cost containment measures across all operations to reverse the dramatic decline in profitability. This includes optimizing agent acquisition costs—which have been inflated by high commissions and low agent productivity—and reducing administrative expenses by optimizing the organizational structure. China Life should also establish

a profitability analysis agency to identify and eliminate inefficiencies in claims processing, product pricing, and operational workflows. The company may consider adopting zero-based budgeting to ensure all expenditures are justified and aligned with strategic goals. Moreover, the company needs to introduce a performance assessment that is linked to profitability targets—rather than premium growth alone—will help the company achieve sustainable development through incentive measures. For instance, setting a specific goal of reducing the cost proportion at least 15% within two years, while maintaining service quality and efficiency through digitization. This can help rebuild the profit foundation without compromising customer satisfaction [10].

4.2. Strategic Investment Risk Management and Portfolio Diversification

It is important to use a more conservative and scientific investment strategy because of the extreme volatility in investment returns. China Life should implement advanced risk management frameworks to anticipate market downturns and adjust exposure accordingly, such as regular stress testing and scenario analysis. At the same time, strict asset-liability matching protocols must be enforced to ensure investments are aligned with the duration and liquidity characteristics of insurance liabilities. The company should also carry out diversified handling in terms of asset categories, such as increasing the allocation of corporate-rated bonds. Additionally, infrastructure projects and overseas assets can reduce concentration risks. For instance, gradually reducing investment in domestic stocks and increasing the holdings of long-term fixed-income securities can smooth out returns and enhance predictability. Furthermore, building a dedicated team for alternative investments and green finance opportunities would not only diversify portfolio risk but also align with national strategic priorities.

4.3. Organizational Transformation and Digital Operational Excellence

China Life should accelerate its digital transformation journey in order to overcome operational rigidity, which includes deploying AI-powered claims processing systems, introducing automated underwriting tools and expanding digital customer service platforms. These actions can not only reduce the time for manual review and reduce service costs, but also can enhance accuracy and help reduce operational costs by 20-30% while improving process transparency and turnaround speed. Additionally, the company should restructure its organization to enhance flexibility. For example, by creating cross-functional teams focused on emerging segments such as health management and elderly care. Developing innovative products tailored to digital economy risks, such as cyber insurance and parametric insurance products for gig economy workers, will open new growth avenues at the same time. Moreover, establishing strategic partnerships with InsurTech firms and adding a digital innovation lab can inject external expertise and foster a culture of continuous innovation. Rather than making a complete revolution, it might be more advisable to consider digital empowerment of traditional channels. For instance, equipping existing agents with AI assistants enables them to transform from mere salespeople to financial advisors. This method can also reduce the cost of acquiring customers while increasing the average transaction value.

4.4. Enhanced Transparency and Investor Communication

In light of significant financial volatility, improving transparency and communication with investors is critical. China Life should provide more detailed disclosures in its financial reports, particularly regarding the performance and risk profiles of its investment portfolio, cost breakdowns, and the progress of transformation initiatives. Hosting regular analyst briefings and investor roadshows with clear explanations for performance fluctuations—supported by quantitative targets and achievement roadmaps—will help manage market expectations. For example, publishing a quarterly stability report on investment income and cost control progress can rebuild investor confidence. Demonstrating consistent execution and holding senior management accountable for profitability and stability metrics will be essential to restoring credibility and securing long-term shareholder support.

5. Conclusion

This study provided a comprehensive analysis of the operational strategy management of China Life Insurance Company. Through a detailed examination of its financial data from 2022 to 2024 and its stock price collapse, the paper identified and analyzed three core strategic challenges: (1) a catastrophic profitability collapse driven by an inefficient and bloated cost structure, particularly in its agent network; (2) extreme earnings volatility resulting from an over-dependence on market-sensitive investments and inadequate risk management; (3) operational rigidity and strategic inertia that prevent the company from adapting to market changes and capitalizing on growth opportunities. Correspondingly, the study proposed a set of targeted countermeasures, including a surgical overhaul of the cost structure, a reorientation of the investment strategy towards capital preservation and asset-liability matching, and a full-scale digital transformation to enhance agility and innovation. In conclusion, the challenges faced by China Life are not cyclical, but rather a profound "structural crisis". The key to its breakthrough lies in whether it can break away from its reliance on traditional paths and complete a fundamental transformation from "scale expansion" to "value creation".

Despite these insights, this study has certain limitations. Primarily, as a case study based on publicly available financial data, the findings and recommendations are specific to China Life's context and may not be universally applicable. The analysis also lacks access to internal company data on strategic decision-making processes and internal governance, which could provide a deeper understanding of the root causes of the identified problems. Future research could employ empirical methods such as executive interviews or surveys to quantitatively validate the proposed relationships and strategies, offering a more granular perspective on strategic implementation.

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