

# POSTAL NEWS

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## **1. China Postal Bank's Bancassurance Premiums Grow despite Restrictions** 05 Jul 2011

July 5, Postal Savings Bank of China Co. Ltd. (PSBC) saw a rapid growth in its bancassurance business in the first 5 months of this year, despite a new regulation that took effect late last year restricting the sale of insurance products at bank branches.

PSBC, the country's seventh-largest lender by assets, recorded year-on-year growth of 20% in its bancassurance business for the first quarter of this year, while most of its peers saw their bancassurance business fall. Industrial and Commercial Bank of China Ltd. (ICBC, 601398.SH, 1398.HK), the largest lender in the country, saw a decrease of over 30% the same period.

PSBC's bancassurance business continued to grow at a fast pace in April and May. It wrote premium income from bancassurance of RMB 65.4 billion in the first 5 months, an increase of 34% from a year earlier.

The bank also managed to earn higher-than-industry commission rates of 4%-plus, thanks to the crowding-out effect caused by the sales restrictions, a senior executive from an insurance company told the 21st Century Business Herald.

Calculated with a 4% commission rate, PSBC would have earned about RMB 2.62 billion in fee income, the source said.

### Sales Restrictions

Last November, the China Banking Regulatory Commission banned insurance companies from sending sales persons to bank branches, and stipulated only bank staff with an insurance agent license could sell policies.

In addition, each branch of a bank would be "in principle" allowed to sell the insurance products of no more than 3 insurance companies under the restrictions.

In China, ties between banks and insurance companies have grown stronger in recent years and more and more lenders are selling insurance products over-the-counter, making bancassurance a key channel for sales.

The sales restrictions, in particular the limit on the number of insurance companies a bank can work with, will bring down insurers' premium income and cause a crowding-out effect on banks that were heavily reliant on the business, analysts remarked.

According to data compiled by the China Insurance Regulatory Commission, premiums earned through insurance agencies reached RMB 202.79 billion in the first quarter, down 3.81% from a year earlier, accounting for 43.92% of total premiums in the country, down 2.5 percentage points from a year earlier. Combined commissions earned in the sector totalled RMB 9.95 billion, a y-o-y increase of 8.45%.

Of the total premiums from insurance agencies over the same period, premiums from bancassurance were RMB 126.97 billion, down 15.33% y-o-y; commission income was RMB 5.15 billion, down 3.2% y-o-y.

China's Big 4 state-owned banks have had mixed results in bancassurance this year so far.

In Q1, Bank of China Ltd. (BoC, 601988.SH, 3988.HK) and Agricultural Bank of China Ltd. (ABC, 601288.SH, 1288.HK) posted growth -- ABC recorded growth of 20% -- while China Construction Bank Corp. (CCB, 601939.SH, 0939.HK) and ICBC saw a decline.

All 4 lenders fared less well in the January-May period; BoC recorded bancassurance premiums of RMB 14.6 billion, down 17% y-o-y; ABC RMB 55 billion, down 5% y-o-y; CCB RMB 30 billion, down 38%; and ICBC RMB 31.7 billion, down 46% from a year earlier.

#### Declining Attraction

The recent period of tight liquidity in China's financial system -- lending is down, money market rates have surged and the reserve requirement ratio is at an all-time high -- has impacted on bancassurance as yields offered from trust and wealth management products to clients are rising along with the money market rates.

Some lenders, however, might still be attracted to bancassurance during a period of tight liquidity because the business can generate considerable commission income but does not consume too much capital, according to an insurance analyst.

edited by Cyrus LAO

## **2. Postal deliveries to change in response to trends in mailing**

Sunday, July 03, 2011

Herald Express

THE Royal Mail is planning a shake-up in the way the post is delivered to homes across the Totnes and Buckfastleigh areas.

It will mean changes in delivery times, with some people getting their mail earlier and some later than current delivery times.

Posties will work in pairs with new trolleys to carry larger parcels.

It follows similar changes which are already being introduced in the Torbay area.

The changes will affect the TQ9, TQ10 and TQ11 postcodes areas which are the Totnes, South Brent, Rattery, Harbertonford and Buckfastleigh areas.

The changes come after new equipment was introduced at sorting depots as well as equipment designed to help postmen and women reduce the risk of injury from carrying heavier mail bags.

Fewer letters are being posted, but more large items are being delivered, and Royal Mail says it is investing in new equipment to carry these items more securely.

Many staff will work in pairs from vehicles using lightweight trolleys reducing the need for them to carry the items themselves. They will take out all the mail for that day. Follow-up deliveries by van will no longer be carried out.

The time customers receive mail will depend on where they live on the new delivery route. This may be different to current delivery times.

Royal Mail's Collections and Delivery Sector Manager, Chris Salt said: "We are proud of the high regard in which our postmen and women are held in Totnes. The changes to delivery routes will mean that a member of our local and experienced team will still be delivering to our customers in the area."

"The local delivery team and I are fully committed to providing a high quality of service that is as reliable and friendly as customers have come to expect from Royal Mail in Totnes over many years."

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### **3. Postal services moving to retailers**

Stores taking place of traditional offices

8:35 AM, Jul. 8, 2011 |

Written by  
David P. Willis | Staff Writer

Lakewood resident George Toombs stepped up to a postal counter on Thursday without waiting, past the lottery machine and the candy display.

He wasn't at the crowded Lakewood Post Office. Instead, he was at News Mart on West County Line Road, a contract post office, one of many spread around New Jersey.

"My wife comes here all the time," Toombs said. "It's just so convenient."

As the U.S. Postal Service hacks at costs by, among other things, closing some post offices and slashing window hours at others, it is looking at other ways to reach customers. The Internet and contract postal units, as they're called, are part of the answer.

"Obviously, we are trying to leverage and expand all the alternative access points that are out there and are available," said U.S. Postal Service spokesman Raymond V. Daiutolo Sr.

It's not just buying stamps at the supermarket or a bank branch. Contract postal units are able to process letters and packages, such as Express Mail or certified mail, and sell USPS boxes and packing supplies.

"This is really the future of post office because they don't pay rent, they don't pay the employees," said Jane Lovich, co-owner of North Brunswick Pharmacy on Route 130. "So it cuts down the costs for the post office, but people are still using the post office's services."

The U.S. Postal Service, a quasi-federal agency that depends on the sale of its own services, not taxpayer money, is struggling as mail volume has dropped off dramatically.

Last year, the postal service delivered 170 billion pieces of mail, down from 213 billion pieces in 2006. One culprit: customers now receive via email and pay bills over the Internet, resulting in a drop in first-class mail, Daiutolo said.

"The rise of email obviously has made traditional letters obsolete," said Jim Corridor, an equity analyst at Standard & Poor's who covers the logistics industry.

Package delivery giants, United Parcel Service and FedEx Corp., are gaining in market share as well, Corridor said. Both are profitable and are nimble, he said. "They are able to shrink when they need to, grow when they need to," Corridor said.

The postal service is looking to trim costs by consolidating branches.

For instance, a postal service trailer at 13 Lafayette St. in Freehold, which was originally meant to be temporary when it was dropped there 10 years ago, will close on July 29, Daiutolo said. "There are costs there that really at this point, the justification is not there anymore." Post office boxes there will be placed at the Freehold Post Office.

The agency also wants to sell the downtown Lakewood post office on Clifton Avenue and move its retail operations to the 1820 Swarthmore Ave. facility in the Lakewood Industrial Park.

About 95 percent of the Clifton Avenue building is not being used and the move would do away with a split operation, Daiutolo said. "We wouldn't do anything in Lakewood unless we were successful in finding a buyer for the building."

The postal service is sympathetic to those who like a branch that is within walking distance. "Right now in today's world that we're operating in, we can't afford to have those situations (a split operation) like that. We're doing over this all over the country."

Earlier this year, the postal service also consolidated postal stations in Newark and Paterson after completing feasibility studies, spokesman George B. Flood said.

At the same time, the agency has asked Congress to allow the USPS to switch to Monday-through-Friday delivery, skipping Saturdays.

The USPS also wants Congress to eliminate the current mandates requiring \$5.5 billion in annual retiree health benefit prepayments.

A cash shortfall is projected to occur as early as October, according to a recent letter by USPS Board of Governors Chairman Louis Giuliano and Postmaster General Patrick Donahoe.

"The Postal Service is facing the real prospect that it will not be able to meet payroll next (fiscal) year, thus disrupting mail delivery," the letter states.

Meanwhile, the USPS has boosted its website and placed emphasis on places where customers can obtain services even after post office hours, such as pharmacies, contract postal units like News Mart in Lakewood and stores like Office Depot. "They have hours that are longer and more extensive than the hours at our traditional post office and we find that our customers like that," Daiutolo said.

The postal service also has diversified. Some branches sell greeting cards and now will offer American Express gift cards as part of a test program to boost revenue and use of the mail.

North Brunswick Pharmacy uses postal services as a draw for customers. "For us, word really got out that my store was here because people came in for the post office," Lovich said.

The postal unit at News Mart is the biggest part of Jyoti Patel's business.

The consolidation in Lakewood may bring more business to News Mart, Patel said. "The other branch is a little bit farther than my place," she said.

She noted that a contract postal unit offers the "same kind of service" as the post office, she said. The rates are all the same. "It's the same exact thing," she said.

Sister Jeanine Oliver, an administrative specialist at Georgian Court University, doesn't go to the regular Lakewood post office.

"This is the best place to come and send a package," she said earlier this week. "It is just wonderful. There is just no long line."

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