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China

Insurance & Reinsurance

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This country-specific Q&A provides an overview of insurance & reinsurance laws and regulations applicable in China.

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China: Insurance & Reinsurance

1. How is the writing of insurance contracts regulated in your jurisdiction?

The laws of the People's Republic of China ("**PRC**", for the purpose of identifying legal jurisdictions in this Q&A, excluding Hong Kong, Macau and Taiwan) set out stringent requirements on almost every key aspect of operating an insurance business in the PRC, including market entry, product development, distribution, underwriting and claim settlement. The primary regulator is National Financial Regulatory Administration ("**NFRA**"), which is formed on the basis of the China Banking and Insurance Regulatory Commission following an institutional reform on financial supervision in 2023.

The PRC Insurance Law sets out the basic rules regulating the conclusion and performance of an insurance contract, and the legal relationships between insurers and policyholders. Depending on the insurance product, specific rules regulate the terms of insurance contracts. For example, the regulator has published and occasionally updates a "negative list" setting out the prohibited terms or restrictions applicable to life insurance contracts. Additionally, industry associations such as the Insurance Association of China have formulated and published model clauses for various products, which are commonly adopted by insurers in practice.

Before launching an insurance product in the PRC, the insurer will need to file the standard police terms and tariffs for the product with NFRA, or otherwise seek prior approval in the case of certain highly regulated products. Insurers will need to adopt such terms filed or approved by NFRA during their business operation. NFRA has the authority to require the insurers to cease using contract terms that vary from the standard terms or otherwise are not compliant with the applicable laws and regulations.

2. Are types of insurers regulated differently (i.e. life companies, reinsurers?)

Insurers and reinsurers are subject to different regulatory regimes in terms of licensing, qualification and business operation.

Insurers are categorized into two major types: (i) life insurers, that may underwrite life insurance, health insurance and accident insurance; and (ii) P&C insurers, that may underwrite property and casualty insurance, liability insurance and short-term health insurance and accident insurance. An insurer of either type may, with regulatory approval, set up subsidiaries specializing in business such as pension annuity insurance and health insurance. Different business operational rules apply to these different insurer types. A reinsurer cannot directly issue insurance policies, but subject to regulatory approval, it may undertake reinsurance business for either or both life and non-life products.

Despite these different regulatory regimes in certain areas, insurers and reinsurers are subject to the same set of rules with respect to corporate governance, affiliate transactions, insurance fund investment and consumer protection, etc.

3. Are insurance brokers and other types of market intermediary subject to regulation?

Yes. There are three types of professional insurance intermediaries in the PRC: insurance agents, insurance brokers and loss adjusters. Each is regulated by a separate set of regulations.

PRC law generally sets a higher bar to market entry for any professional intermediary with a nationwide business permit as compared to a professional intermediary with only a regional business permit. Apart from professional intermediaries, certain institutions such as banks and automobile dealers whose primary business is closely relevant to insurance may apply for a license to engage in sideline insurance agency as well. Qualified individuals may also register via an insurer or professional/sideline insurance agent to become a licensed individual agent.

Investing in professional insurance agency or brokerage companies is generally subject to prior regulatory approval and stringent qualification requirements, particularly for foreign investors.

4. Is authorisation or a licence required and if so how long does it take on average to obtain such permission? What are the key criteria for authorisation?

Operating an insurance business is generally subject to prior regulatory approval in the PRC.

For greenfield set-up, two steps are generally needed to obtain the permit from the NFRA: (i) first stage approval for company establishment; and (ii) second stage approval for business commencement. The whole process may take 12 to 18 months, or longer depending on the complexity of the preparation work and the communications with the regulator.

For an acquisition, only one approval is needed for the equity transfer or subscription (as the case may be) and another approval will need to be obtained for the consequential changes to the constitutional documents of the target. However, the actual application timeline for these approvals is not certain either and will be determined by the regulator on a case by case basis.

The key criteria applicable to a new insurer include:

i. have qualified shareholders and a reasonable corporate governance structure;
ii. have a paid-in capital of at least RMB 200 million or its equivalent in a foreign currency;
iii. have articles of association that comply with the PRC Insurance Law and the PRC Company Law;
iv. have competent directors, supervisors, and senior managers with professional knowledge and competent working experience;
v. have a sound institutional framework and management system;
vi. have a clear development plan, operation strategy and risk control system; and
vii. have business premises and other operational facilities satisfying applicable standards.

5. Are there restrictions or controls over who owns or controls insurers (including restrictions on foreign ownership)?

Qualifications

NFRA imposes requirements and restrictions not only on the insurers, but also on the shareholders and actual controllers of the insurers. An insurer with a 25% or more equity interest held by foreign investors is regulated as a "foreign-invested insurer", while others are regulated as "domestic insurers".

Under PRC regulations, the shareholders of domestic insurers are divided into different categories:

i. "Class I financial shareholder" means a shareholder holding less than 5% equity interest in an insurer;
ii. "Class II financial shareholder" means a shareholder holding 5% or more but less than 15% equity interest in an insurer;
iii. "Strategic shareholder" means a shareholder holding 15% or more but less than one third equity interest in an insurer, or having voting rights sufficient to significantly influence the insurer's shareholder resolutions passed during general meetings; and
iv. "Controlling shareholder" means a shareholder holding one third or more equity interest in an insurer, or having voting rights sufficient to exercise a controlling influence on the insurer's shareholder resolutions passed in general meetings.

Each shareholder category is subject to separate qualification requirements. In principle, an investor holding more stake in an insurer needs to comply with higher standards in order to become a legitimate shareholder of such insurer. Moreover, a foreign investor in a domestic insurer must be a duly licensed financial institution satisfying more stringent qualification requirements.

A shareholder in a foreign-invested insurer is also subject to similar requirements as set out above, but the sole or major foreign shareholder in such foreign-invested insurer must be a qualified foreign insurer or insurance group.

Foreign ownership

Qualified foreign investors are allowed to hold up to 100% in a P&C insurer. Whilst there used to be restrictions on foreign ownership in life insurers, such restrictions were lifted in 2020.

Investment limits

There are limits on the number of insurers that a single investor may concurrently control or make strategic investments in. A single investor's investment in an insurer is also subject to share ceilings, but exceptions are available to qualified foreign investors and for other scenarios as permitted by statute.

6. Is it possible to insure or reinsure risks in your jurisdiction without a licence or authorisation? (i.e. on a non-admitted basis)?

As part of the commitments upon China's accession to the WTO, reinsurers licensed offshore are permitted to provide reinsurance services to domestic cedents on a cross-border basis. There is no need for such offshore reinsurers to apply for licenses in the PRC, but they need to satisfy certain qualification requirements and register with NFRA before conducting the business. Except for that, all other insurance businesses are generally subject to prior licensing or authorization in the PRC.

7. Is a branch of an overseas insurer, insurance broker and/or other types of market intermediary in your jurisdiction subject to a similar regulatory framework as a locally incorporated entity?

Upon regulatory approval, an overseas insurer may establish a subsidiary or a branch in the PRC to conduct insurance business. The branch is subject to a regulatory framework similar to that of an independent insurance subsidiary.

That said, a branch may operate only in the provincial region where it is established. It also needs to follow specific requirements, such as for operational capital and ongoing reporting. A branch is not an independent legal entity under PRC law; therefore, the overseas insurer, as parent company, assumes the liabilities and debts of its branch in the PRC. It is worth noting that, operation via branches is not commonly adopted by foreign insurers when they underwrite business in the PRC. To our knowledge, since AIA's successful establishment of branches, no other branch has been approved in the life insurance sector in the PRC. To date, AIA's branches have been converted or otherwise merged into its wholly-owned life insurer subsidiary in the PRC.

Overseas insurance brokers or other licensed intermediaries are not expressly permitted to establish branches in the PRC.

8. Are there any restrictions/substance limitations on branches established by overseas insurers?

Please refer to the analysis under Questions 6 and 7.

9. What penalty is available for those who operate in your jurisdiction without appropriate permission?

Anyone who operates an insurance business without appropriate permission may be banned from continuing to conduct such business and have all illegal income confiscated, with an additional fine equal to one to five times the illegal income if the illegal income is equal to or greater than RMB 200,000. If the illegal income is less than RMB 200,000, the fine will be fixed between RMB 200,000 and RMB 1 million.

Penalties for similar misconduct in insurance intermediary business are generally identical except that the fine will be fixed between RMB 50,000 and RMB 300,000 if the illegal income is less than RMB 50,000.

In severe cases, criminal liability may arise at both the institutional and the individual levels.

10. How rigorous is the supervisory and enforcement environment? What are the key areas of its focus?

NFRA has devoted more and more resources to regulatory enforcement and has become increasingly aggressive in enforcing its insurance industry rules. There have been increases in onsite and desk-top regulatory inspections, more frequent self-inspection orders, and larger fines. In addition to penalties on institutions, more individuals who were in charge when compliance violations occurred have been held personally liable.

NFRA has been specifically targeting areas including shareholder management, corporate governance, affiliated transactions and insurance fund management, both in its daily supervision and in its rule-making capacity. In terms of day-to-day insurance activity, NFRA continues to focus on improper distribution behaviors and illegal commissions. In recent years, the regulator has been proactively promoting a principle of "consistency between reporting and action" in insurance sector, with a purpose of ensuring all data reported by the institutions would conform to their business in reality and cutting illegal or false costs for insurers. It is reasonable to predict that the supervision and enforcement efforts in this regard will be on the rise.

11. How is the solvency of insurers (and reinsurers where relevant) supervised?

Except for those subject to regulatory exemptions, every insurer needs to meet the following solvency requirements:

i. its core solvency ratio being no less than 50%;
ii. its comprehensive solvency ratio being no less than 100%; and

iii. its risk rating being at B or above.

An insolvent insurer will face restrictions in branch expansion, new product development, insurance fund investments, etc.

NFRA has been developing and gradually rolling out the China Risk-Oriented Solvency System, with Phase I introduced in 2016 and Phase II officially implemented in 2022. The regulator may grant a transition period to insurers who face significant impact from the new regime on a case-by-case basis, to allow them until 2025 (at the latest) to fully comply with the rules.

Phase II aims to strengthen insurers' capital bases, but its implementation also results in declines in insurers' current solvency ratio performance, in particular, in small or medium-sized insurers. In 2023, the regulator adjusted the relevant parameters by lowering the minimum capital requirements for insurers with a smaller size of total capital, which relieved the pressure for many small or medium-sized insurers in the downward market.

12. What are the minimum capital requirements?

The solvency ratios are calculated based on the minimum capital of insurers. For example, the core solvency ratio is the ratio of core capital to minimum capital, and the comprehensive solvency ratio is the ratio of actual capital to minimum capital. Under the China Risk-Oriented Solvency System Phase II (C-ROSS II), the minimum capital is measured on the basis of risks and generally consists of the following three components: (i) the minimum capital for quantifiable risk, including insurance risk, market risk and credit risk, which will be calculated using VaR , (ii) the minimum capital for risk control, which will be quantified in accordance with regulatory appraisal, and (iii) the additionally required capital, including those for counter cycle and systemically important institutions.

Different parameters for calculation apply to different insurers based on their total assets and business type. In 2023, the regulator adjusted the relevant parameters by lowering the minimum capital requirements for insurers with a smaller size of total capital. All the insurers are required to measure their minimum capital in accordance with the solvency supervision rules and maintain corresponding adequate amount of capital.

13. Is there a policyholder protection scheme in your jurisdiction?

Yes. Policyholders are protected under PRC law. We list three key protection mechanisms as examples.

Consumer protection

Individual policyholders are protected as a special class of consumers under PRC law. Insurers must treat this special class of consumers in a fair, equitable and honest way, and protect the statutory rights of these consumers, including their rights to be informed, to make selections on their own, to have a fair trade, to claim under laws, to receive consumer education, to be respected and to be secure in their property and personal information.

To ensure these protections, each insurer needs to establish a special committee under the board of directors to supervise the consumer protection matters and incorporate consumer protection mechanisms into their daily operations and corporate governance.

The regulatory authority will review and rate each insurer's consumer protection performance each year. A poor rating may lead to closer regulatory oversight.

Higher standards for insurers in discharging obligations

PRC law imposes heavy obligations on insurers to protect policyholders. For example, before entering into an insurance contract, an insurer must explain the policy terms to the policyholder and highlight the liability exemption clauses; otherwise, the terms may be deemed invalid. Standard terms will be interpreted favorably to the policyholder in a dispute over different interpretations. Any policy term that may exclude the legitimate rights of the policyholder under law or exempt the insurer from undertaking any statutory obligation or liability will likely be considered invalid. A policyholder may terminate the insurance contract at will, but the insurer may terminate the insurance contract only for limited statutory reasons or as otherwise contractually agreed. Where the insurer owes compensation payments under the insurance contract, the insurer must make the payments according to statutory timelines so that the policyholder or the insured receives compensation in a timely manner.

Insolvency and bankruptcy protection

Various tools protect policyholders in the event of insurer insolvency or bankruptcy. Among these tools, insurance institutions contribute into the China Insurance Security Fund, which can be used to provide relief to insolvent insurers in certain circumstances. Individual policyholders and institution policyholders may receive remedies ranging from 80% to 90% of their policy benefit depending on product type and benefit level.

14. How are groups supervised if at all?

Insurance groups may be set up to hold two or more insurance subsidiaries in the PRC upon approval. Various rules exist to regulate an insurance group's establishment, equity investment (in both insurance and non-insurance sectors), corporate governance, and risk and capital management.

A group company must have a paid-in capital of no less than RMB 2 billion. Both the group company and its shareholders must satisfy qualification requirements as set by the regulator. Qualified foreign investors are allowed to establish or invest in insurance groups in the PRC.

The main purposes of having a group company are to hold equity investments and to segregate risks. An insurance group may set up subsidiaries to provide IT, auditing, policy management, property management and other services to its group members. It may also use its own fund to make equity investments in insurance or non-insurance sectors, but the equity holdings in a non-insurance sector are subject to ceilings.

15. Do senior managers have to meet fit and proper requirements and/or be approved?

Yes. Personnel must satisfy relevant qualifications and obtain regulatory approval before taking senior management positions in insurers.

Senior managers in an insurer generally include: (i) general manager, deputy general manager and assistant to general manager; (ii) secretary to the board of directors, chief actuary, chief finance officer, chief compliance officer and chief auditor; (iii) general manager, deputy general manager and assistant to general manager of a provincial branch, and general manager of other branch or a central sub-branch; and (iv) management personnel with the same power and authority as the aforesaid personnel.

In general, every senior manager of an insurer must have full capacity for civil conduct, good moral character and compliance record, and competent education, knowledge and work experience. Requirements may vary depending on the specific management position.

16. To what extent might senior managers be held personally liable for regulatory breaches in your jurisdiction?

A senior manager of an insurer may be held personally liable for regulatory breaches in the PRC in a number of circumstances.

According to the PRC Insurance Law, the person who is in charge (commonly a senior manager) or who is otherwise directly accountable for an insurer's regulatory violation may be held personally liable under administrative rules. The penalties include warnings and fines ranging from RMB 10,000 to RMB 100,000.

In severe cases, the regulator may revoke the approval on qualification of such person, which may result in the person being banned from working in the industry for up to five years. And, depending on the type of misconduct, criminal charges are even possible. Finally, if a senior manager violates the law or the insurer's articles of association and causes losses to the insurer, the senior manager may be liable for civil compensation to the insurer.

17. Are there minimum presence requirements in order to undertake insurance activities in your jurisdiction (and obtain and maintain relevant licenses and authorisations)?

Except for the cross-border reinsurance service as mentioned under Question 6, insurers must have a local presence in the PRC and obtain prior regulatory approval to undertake insurance activities in the PRC. As briefly introduced under Question 4, to obtain the relevant approval for establishment, an insurer must have adequate capital, suitable premises and competent management and staff in the PRC.

18. Are there restrictions on outsourcing services, third party risk management and/or operational resilience requirements relating to the business?

An insurer is generally allowed to outsource its non-core functions, but it will need to undertake the ultimate responsibility for its business operations and the relevant matters such as confidentiality, network and data security management, qualification and supervision of service providers and implementing specific restrictions in the relevant function. An insurer is required to formulate its outsourcing policies and risk management policies related to the outsourcing activities.

Specific restrictions on outsourcing include:

a. **IT outsourcing**: Insurers are prohibited from outsourcing management work relating to their core competitiveness in information technology, such as formulating strategy, risk management and internal auditing. Insurers are required to report to the regulator their intent to conclude certain major IT outsourcing contract at least 20 working days before signing the contract.

b. **Investment outsourcing**: Insurers may entrust their fund to licensed insurance asset managers to invest on their behalf. But these outsourcing arrangements are subject to restrictive regulatory requirements in the engagement process, the investment types, the allocation of rights and responsibilities between insurers and asset managers, etc.
c. **Group outsourcing**: To the extent an insurance group is established, the group needs to establish an outsourcing management system applicable to both the group company and its insurance subsidiaries. Each group company and its insurance subsidiaries are required to report to the regulator 20 working days before concluding an outsourcing contract.

19. Are there restrictions on the types of assets which insurers or reinsurers can invest in or capital requirements which may influence the type of investments held?

Insurers or reinsurers may use their own capital, reserves and undistributed profits to invest in onshore and offshore assets. But these investments are heavily regulated under PRC law and subject to extensive and varying restrictions depending on the type of target assets. These restrictions cover a broad range, including scope of investments, investment ceilings, structure or form of investments, restrictions on counterparties, disclosure and reporting requirements, as well as requirements on decision-making procedures, outsourcing and risk control.

Taking investment scope restrictions as an example, insurers and reinsurers may only invest in the following assets:

a. **Onshore investments**: (a) bank deposits; (b) securities such as bonds, stocks and mutual fund units; (c) real estate, (d) equity of private companies, private equity funds, real estate or infrastructure; and (e) financial products expressly allowed by the regulators, such as wealth management products, ABS products and trust plans.
b. **Offshore investments**: (a) money market products such as bank notes, negotiable certificates of deposit, Repos and money market funds; (b) fixed income products; (c) equities in both public and private sectors; and (d) real estate. Currently, these offshore investments may only be made in countries and regions on the country whitelist, including 25 developed countries and 20 emerging markets. In addition, cross-border investments are also subject to foreign exchange control and quota restrictions.

Among other things, the solvency status of an insurer plays an important role in determining the size and type of the investment it can make. For example, insurers with a core solvency ratio of less than 50% or a comprehensive solvency ratio of less than 100% may be restricted from making certain investments.

20. Are there requirements or regulatory expectations regarding the management of an insurer's reinsurance risk, including any restrictions on the level / type of reinsurance utilised?

Under the PRC Insurance Law, insurer liability for each risk unit (i.e., the maximum losses that a single accident may cause) may not exceed 10% of the sum of the insurer's paid-in capital and capital reserve. For risks exceeding that threshold, the insurer must obtain reinsurance for that portion of the liability.

To mitigate counterparty credit risks, insurers must monitor whenever its ceded insurance risks are concentrated in a single reinsurer and its affiliates. Subject to exceptions such as aerospace insurance, nuclear insurance, petroleum insurance and credit insurance, where an insurer cedes its property insurance risks by means of proportional reinsurance, in each risk unit, the total share that a single reinsurer may participate for cannot exceed 80% of the insured amount or the limit of liability under the direct insurance contract underwritten by the cedent. Each year, insurers need to report any transaction where the above ratio is greater than 50%, together with the methods adopted by the insurer to mitigate the relevant credit risks.

Cedents and reinsurers may choose the reinsurance method when ceding risks under an insurance contract. It can be proportional reinsurance or non-proportional reinsurance, treaty reinsurance or facultative reinsurance. However, in no case may they disguise treaty reinsurance as facultative reinsurance.

21. How are sales of insurance supervised or controlled?

Sales of insurance in the PRC are supervised and controlled by various laws and regulations that aim to protect consumers, to promote fair competition, and to prevent financial risks. The major laws and regulations governing the sales of insurance include:

- the Insurance Law of the People's Republic of China (中华人民共和国保险法 "Insurance Law"), which sets out the legal framework for insurance operations and sales;
- the Regulatory Provisions on Insurance Agents (保险代理人监管规定), which establish the qualifications, responsibilities, supervision and penalties for insurance agents who sell policies on behalf of insurers;
- the Measures for the Regulation of Internet Insurance Businesses (互联网保险业务监管办法 , "Internet Insurance Measures"), which specify the requirements and rules for insurers to conduct online sales of insurance products through websites or mobile applications.
- The Administrative Measures for Insurance Sales Practices(保险销售行为管理办法》, "**Measures for Insurance Sales**"), which newly came into force on 1 March 2024 and aim to protect the legitimate rights and interests of policyholders, the insured and beneficiaries through unifying regulatory requirements for the entire chain of insurance sales activities.

22. To what extent is it possible to actively market the sale of insurance into your jurisdiction on a cross border basis and are there specific or additional rules pertaining to distance selling or online sales of insurance?

Cross-border sales of insurance into the PRC are strictly regulated. According to PRC regulations, an overseas insurer may engage in sales of insurance through its local presence in the PRC. Except for the cross-border reinsurance service mentioned under Question 6, an overseas insurer may not undertake insurance activities in the PRC unless it establishes a local presence and receives regulatory approvals.

Distance selling or online sales of insurance are also subject to specific rules and requirements, such as the Measures for Insurance Sales, the Measures for the Telemarketing Business of Personal Insurance Products (人身保险电话销售业务管理办法), the Measures for the Regulation of Internet Insurance Businesses (互联网保险业务监管办法 , "Internet Insurance Measures"), the Provisional Measures for the Retrospective Administration of Insurance Sales Practices (保险销售行为可回溯管理暂行办法) the Notice on Regulating the Traceability Administration of Internet Insurance Sales Practices (关于规范互联网保险销售行为可回溯管理的通知), the Notice on Further Regulating Matters Relating to the Internet Personal Insurance Business of Insurance Institutions (进一步规范保险机构互联网人身保险业务有关事项的通知) and so on.

For example, for online sales of insurance, the Internet Insurance Measures limit who may operate internet insurance business to insurance companies (including mutual insurance organizations and internet insurance companies) and insurance intermediaries (including banking sideline insurance agencies and internet enterprises with insurance agency business permits). Notably, individual insurance agents are excluded.

Further, insurance institutions are only allowed to operate internet insurance business via Self-Operated Network Platforms, as defined in the Internet Insurance Measures. Conducting internet insurance business through Self-Operated Network Platforms is subject to additional requirements on website record-filing, information systems, security defenses, level-based protections, marketing models, management systems, internal management systems and regulatory evaluations. These additional requirements are different than the requirements on traditional insurance business.

It is worth mentioning that the newly enforced Measures for Insurance Sales has clarified and specified the definition of insurance sales behaviors which are divided into three stages: Pre-Sales, In-Sales and Post-Sales. Therefore, to ascertain whether a certain commercial activity is an internet insurance sales activity, it is necessary to refer to both of the Measures for Insurance Sales and the Internet Insurance Measures.

23. Are insurers in your jurisdiction subject to additional requirements or duties in respect of consumers? Are consumer policies subject to restrictions, including any pricing restrictions? If so briefly describe the range of protections offered to consumer policyholders

The protection of consumer rights and interests has increasingly become a focus of NFRA. While consumer rights are protected by the *Insurance Law* and the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* (*《中华人民共和国消费者权益保护法》*) as well as other regulations, NFRA has published its own regulations and rules to enhance consumer protection.

Those regulations include the *Guiding Opinions of the China Banking and Insurance Regulatory Commission on Strengthening the Establishment of Systems and Mechanisms for the Protection of Rights and Interests of Consumers by Banking and Insurance Institutions* (*《银保监会关于银行保险机构加强消费者权益保护工作体制机制建设的指导意见》*), published in 2019, which provide fundamental and programmatic guidance for the protection of consumer rights and interests in the banking and insurance industries. In addition, the *Administrative Measures for the Protection of Rights and Interests of Consumers by Banking and Insurance Institutions* (*《银行保险机构消费者权益保护管理办法》*, "**Administrative Measures**"), published in 2022, further strengthen and unify the regulatory requirements for the protection of consumer rights in the banking and insurance industries, and clarify the primary responsibilities of banking and insurance institutions in providing those protections. Under PRC laws and regulations, consumers as policyholders have eight basic rights:

- the right to be informed;
- the right to make selections on consumer's own;
- the right to have a fair trade;
- the right to property safety;
- the right to claim under laws;
- the right to receive consumer education;
- the right to be respected;
- the right to information security.

The newly enforced Measures for Insurance Sales provide additional protection to consumers in respect of sales promotion. For example, Insurance Institutions must clearly state to consumers that the promoted products are insurance products, and are not allowed to make falsified or exaggerated publicity, or take advantage of regulatory agency to mislead consumers.

When it comes to pricing restrictions, insurers are required to provide equal and fair pricing to consumers with the same trading conditions and risk status. If an insurer decides to alter the price of a certain insurance product, an announcement shall be made in a prominent position of its official online platform and at its places of business, except where it adjusts the price within the approved or filed floating range or parameter adjustment range of premium rates. Moreover, insurers must reduce and refund premiums to consumers if there is any change in the premium rate determination, any reduction in the risks associated with the insurance subject matter, or any reduction in the insured value of the insurance subject matter.

24. Is there a legal or regulatory resolution regime applicable to insurers in your jurisdiction?

Yes, there is a regulatory resolution regime applicable to insurers in the PRC.

In June 2021, the Chinese regulatory authority issued the *Interim Measures for Implementation of the Recovery and Disposal Plan for Banking and Insurance Institutions* (*《银行保险机构恢复和处置计划实施暂行办法》*, "**Interim Measures**"), which provide standardized and unified requirements for large- and medium-sized banking and insurance institutions to pre-formulate recovery and disposal plans, and procedures.

According to the Interim Measures, the recovery and disposal plans are the action guidelines for banking and insurance institutions as well as the regulator in a crisis situation. A recovery plan aims to enable a banking or insurance institution to resume normal operations by taking relevant measures against significant risks. A disposal plan aims to maintain financial stability through a pre-established disposal plan allowing for rapid and orderly disposal when the recovery plan fails to resolve significant risks and the banking or insurance institution is unable to continue operation. Insurance (holding) groups and insurance companies with on-balance-sheet assets amounting to CNY 200 billion or more, or any other the regulator-designated insurance institution that does not meet the threshold, must formulate recovery and disposal plans.

25. Are the courts adept at handling complex commercial claims?

Yes, the Chinese courts have experience in handling complex commercial claims, and the judicial system is generally considered to be effective and reliable. In the recent years, the PRC has gradually established the Shanghai Finance Court, the Beijing Finance Court, and the Chengdu-Chongqing Financial Court, which all specialize in handling complex financial disputes.

26. Is alternative dispute resolution well

established in your jurisdictions?

Alternative dispute resolution ("**ADR**") mechanisms, such as arbitration and mediation, are well established in the PRC and can be used to resolve insurance disputes. PRC courts and regulatory authorities have actively explored ADR practices in general commercial disputes as well as financial disputes related to securities, futures, banking loans and insurance policies.

For example, the newly released *Administrative Measures for the Protection of Rights and Interests of Consumers by Banking and Insurance Institutions* (*《银行保险机构消费者权益保护管理办法》*, "**Administrative Measures**") specify that the regulator shall guide the establishment of mediation organizations for banking and insurance industries and supervise the effective operation of the mediation mechanism in consumer disputes. When consumers request mediation from a mediation organization, insurance institutions may not refuse without justification to participate in mediation.

The PRC also actively participates in international ADR initiatives and organizations. For example, the PRC has signed the Singapore Convention on Mediation, which provides a framework for enforcing mediated settlement agreements across borders. The PRC has also established cooperation mechanisms with other countries and regions on ADR matters, such as Hong Kong SAR, Singapore and Australia.

27. Is there a statutory transfer mechanism available for sales or transfers of books of (re)insurance? If so briefly describe the process

Yes. The Insurance Law has specified circumstances of compulsory transfers of books of insurance. According to the Insurance Law Article 92, if an insurance company that operates life insurance has its business license revoked or is declared bankrupt, all life insurance contracts and reserve funds in its possession must be transferred to another insurance company with an active life insurance business license. If no agreement can be reached with another insurance company to accept the transfer, the regulator will designate an insurance company to accept the transfer. Article 138 provides that the regulator would have the power to directly order an insurance company with insufficient solvency to transfer its insurance business.

The Provisional Measures on Administration of Transfer of Insurance Businesses by Insurance Companies (保险公司保险业务转让管理暂行办法》, "**Measures on Transfer of Insurance Businesses**") provides a mechanism for voluntary transfer of books of insurance. Insurance companies may voluntarily transfer all or part of their insurance business on the basis of equal negotiation, following the procedures set out below: 1) assessment on the value, compliance, liability reserve, etc. of the insurance business to be transferred; 2) obtain approval from the board of directors/shareholders (for whole transfer, approval from the board of shareholders is a must); 3) execution of transfer agreement; 4) apply for and obtain the approval from the regulator; 5) notify and obtain consent from the relevant insured and insurance applicants of the insurance business to be transferred; 6) publish announcements on newspaper and official websites for at least three times, and at least one month each time; 7) change and/or cancel the insurance business registration upon completion of performance of the transfer agreement.

It is worth noting that, Measures on Transfer of Insurance Businesses are not applicable to reinsurance business and compulsory transfers of books of insurance as stipulated under Articles 92 and 138 of the Insurance Law.

In a recent development, the *Draft of the Financial Stability Law* （《金融稳定法（草案）》（征求意见稿), published in December 2022 for public comment and subject to further revision, introduced new measures for financial institutions (including insurance companies) undergoing disposal. Specifically, if a financial institution is undergoing disposal, the regulatory institution may facilitate a third-party institution or establish a bridge bank or SPV to undertake part or all of the insurance institution's business, assets and liabilities.

28. What are the primary challenges to new market entrants? Are regulators supportive (or not) of new market entrants?

The primary challenges to new market entrants in the insurance industry in the PRC include entry conditions, regulatory compliance, market competition, and local market conditions and consumer preferences. In general, new entrants should be prepared for strict regulatory governance and intense competition from existing insurers with long-established networks, brands and customer loyalty.

The Chinese regulators are generally supportive of new market entrants, and the restrictions on the access of foreign-invested insurance institutions to the Chinese market have significantly relaxed in recent years. The number of foreign insurance agencies in the PRC is increasing steadily.

29. To what extent is the market being challenged by digital innovation?

The insurance market in the PRC is being challenged by digital innovation, with the development of new technologies and business models, such as online sales platforms, digital underwriting and claims processing, and big data and artificial intelligence.

As the internet insurance market develops, the PRC continues to upgrade data protection requirements. Insurance institutions should pay attention to their information security and customer information protections and constantly improve their data management systems to ensure the safety of data and customer information.

In addition, insurance institutions should take additional precautions as insurance fraud risk increases in non-contact online insurance sales, because it is more difficult to verify customer information (such as health and property).

30. How is the digitization of insurance sales and/or claims handling treated in your jurisdiction, for example is the regulator in support (are there concessions to rules being made) or are there additional requirements that need to be met?

The digitization of insurance sales and claims handling is generally supported by the Chinese regulator, which has issued specific regulations to facilitate the adoption of new technologies and business models. Major applicable regulations include: *the Administrative Measures for Insurance Sales Practices*(*《保险销售行为管理办法》*, published in 2023 and effective since March 2024) the *Measures for the Regulation of Internet Insurance Businesses* (*《互联网保险业务监管办法》*, published in 2020 and effective since February 2021), the *Notice on Regulating the Traceability Administration of Internet Insurance Sales Practices* (*《关于规范互联网保险销售行为可回溯管理的通知》*, published in 2020), the *Notice on Further Regulating Matters Relating to the Internet Personal Insurance Business of Insurance Institutions* (*《进一步规范保险机构互联网人身保险业务有关事项的通知》*, published in 2021), and the *Guiding Opinions of the General Office of the CBIRC on the Digital Transformation of Banking and Insurance Industries* (*《中国银保监会办公厅关于银行业保险业数字化转型的指导意见》*), published in 2022).

Operating an internet insurance business is also subject to additional data and privacy protections found in the *Cybersecurity Law* (*《网络安全法》*), the *Data Security Law* (*《数据安全法》*), the *Personal Information Protection Law* (*个人信息保护法*), etc.

31. To what extent is insurers' use of customer data subject to rules or regulation?

An insurer's use of customer data is mainly governed by the *Measures for the Regulation of Internet Insurance Businesses* (*《互联网保险业务监管办法》*), the *Cyber Security Law* (*《网络安全法》*), the *Data Security Law* (*《数据安全法》*), the *Personal Information Protection Law* (*《个人信息保护法》*), and related regulations and rules.

Key rules that insurers need to follow when using customer data in the PRC include:

- Obtaining consent from consumers before collecting or processing their personal information;
- Informing consumers of the purpose, method, and scope of data processing and of their rights to the data, such as the right to withdraw consent for data collection and the right to access, correct, or delete collected data;
- Collecting, processing and using consumer personal information shall follow the principles of lawfulness, legitimacy, necessity and good faith;
- Appointing a person responsible for data security, including establishing a data security management system to ensure data security and taking measures to prevent data breaches or leaks;
- Keeping personal consumer information confidential and not sharing it with third parties unless the data subject provides a separate and specific consent after being notified of the categories of personal information to be shared and of the intended recipient's name, contact details, and purpose and method for processing the data subject's information.

32. To what extent are there additional restrictions or requirements on sharing customer data overseas/on a cross-border basis?

Sharing customer data overseas or on a cross-border basis is strictly regulated and supervised in the PRC. The main laws and regulations for cross-border data transfers include: the *Cyber Security Law* (*《网络安全法》*), the *Data Security Law* (*《数据安全法》*), the *Personal Information Protection Law* (*《个人信息保护法》*, "**PIPL**"), the *Security Assessment Measures for Outbound Data Transfers* (*《数据出境安全评估办法》*), the *Implementing Rules for the Certification of Personal Information Protection* (*《个人信息保护认证实施规则》*), the *Measures for the Standard Contract for Outbound Transfer of Personal Information* (*《个人信息出境标准合同办法》*, effective from 1 June 2023), and the *Provisions on Promoting and Regulating Cross-border Data Flows* (*《促进和规范数据跨境流动规定》*, "***Provisions on Cross-border Data Flows***", effective from March 2024).

We have seen insurance institutions conduct cross-border transfers of consumer data when, for example, sharing the data with parent companies or reinsurance companies located overseas, or providing insurance services for overseas hospitalization. The major requirements that an insurance institution must comply with in conducting a cross-border transfer of personal information include:

1. Procedural requirements:

- Pass the security evaluation organized by the state cyberspace administration authority (especially when an insurance institution processes quantities of personal information that exceed the threshold prescribed by the state cyberspace administration authority); or
- Obtain certification by a professional institution according to the provisions of the state cyberspace administration authority; or
- Enter into a contract with the overseas information recipient in accordance with a standard contract developed by the state cyberspace administration authority specifying the rights and obligation of both parties; or
- Satisfy any other conditions stipulated by laws, administrative regulations or the state cyberspace administration authority.

2. Supervision obligations: Take necessary measures to ensure that the processing of personal information by the overseas recipient meets the standards for protecting personal information as stipulated by PRC laws and regulations.

3. Notification obligations: Inform the data subject of the category of personal information to be shared; the overseas recipient's name and contact information and its purpose and method for processing the data subject's information; and the method and procedures for the data subject to exercise its rights against the overseas recipient.

4. Assess the impact strength of personal information protection in advance and keep a record of the information processing.

5. Refrain from providing to any foreign judicial or law enforcement authority any personal information stored within the territory of the PRC unless the competent PRC authority approves.

The newly enforced Provisions on Cross-border Data Flows, on the basis of the Cybersecurity Law, the Data Security Law and the PIPL, have developed a complete system for the management of cross-border data flows, and set out detailed procedures for security assessment, approval, record-filing, etc. in connection with the cross-border transmission of data. More importantly, it has specified circumstances where declaration of cross-border data flows can be exempted, such as, where it is necessary for the purpose of concluding or performing a contract to which an individual concerned is a party; where it is necessary in an emergency to protect the life, health and property safety of a natural person; and where a data handler other than a critical information infrastructure operator transfer abroad personal information (excluding sensitive personal information) of not more than 100,000 persons accumulatively as of January 1 of the current year. etc.

33. To what extent are insurers subject to ESG regulation or oversight? Are there regulations/requirements, including in connection with managing climate change and climate change related financial risks specific to insurers? If so, briefly describe the range of measures imposed.

On 1 June 2022, the Chinese regulatory authority issued the *Circular of the China Banking and Insurance Regulatory Commission on Issuing the Guidelines for Green Finance in Banking and Insurance Sectors* (*《中国银保监会关于印发<银行业保险业绿色金融指引>的通知》》*

the "**Circular**"), requiring insurance institutions to integrate ESG into their underwriting and investment process management and risk management systems to ensure ESG compliance in their business.

The Circular covers five areas, including organizational management, policy system and capacity building, investment and financing process management, internal control management and information disclosure, and regulatory management. The Circular provides detailed guidelines for ESG compliance. In particular, insurance institutions are required to: actively provide insurance services in the fields of for environmental and climate protection, climate change activities and for green industries and technologies, etc.; develop risk management methods, technologies and tools; provide risk management services to producers and operators in related fields; and promote insurance clients' awareness of ESG risk management.

In addition, the Insurance Association of China released a *Guide on Environmental, Social and Governance Information Disclosure for Insurance Institutions* (*《保险机构环境、社会和治理信息披露指南》*, "**ESG Guide**") in December 2023. As the first domestic ESG information disclosure guideline for the insurance industry in China, the ESG Guide requires insurance institutions to disclose ESG-related information in accordance with a certain framework. This is an important step in setting forth clear regulations for the disclosure of ESG information in the insurance industry.

Notably, the *Measures for the Supervision and Rating of Personal Insurance Companies* (*《人身保险公司监管评级办法》*) issued by NFRA on 18 March 2024 specifically include ESG compliance as a special bonus point in the rating of personal insurance companies, which also reflect the importance the Chinese authorities attach to ESG compliance.

34. Is there a legal or regulatory framework in respect of diversity and inclusion to which (re)insurers in your jurisdiction are subject?

We have seen no specific legal or regulatory framework in respect of diversity and inclusion to which insurers and reinsurers in China are subject. However, diversity and inclusion are mentioned in the Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Long-Range Objectives for 2035 (中华人民共和国国民经济和社会发展第十四个五年规划和2035年远景目标纲要, the "**Outline**"). Specifically, the Outline requires comprehensive clearance of all restrictive policies, and enhancement of the inclusiveness of the labor market. It is expected that diversity and inclusion will become increasingly valued in the PRC.

35. Over the next five years what type of business do you see taking a market lead?

The insurance market in the PRC is one of the largest and fastest-growing in the world. In view of the development of online insurance platforms, and the adoption of new technologies such as big data, cloud computing, AI, blockchain, IoT, etc., we expect businesses that may take a market lead in the insurance industry over the next five years to include:

- Online health insurance providers that leverage digital platforms and ecosystems to offer comprehensive and personalized health care services to customers;
- InsurTech startups that use new technologies such as AI, blockchain, and IoT to create innovative products and services that disrupt traditional insurance models;
- Non-traditional players such as e-commerce platforms, tech giants, automakers, and telecom providers that offer insurance products or services as part of their offerings or partnerships.

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