China: Trends & Developments
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Insurance and Reinsurance in China
In 2022, the Chinese insurance industry maintained its status of opening up to the global market while continuing its development of reliance on the domestic market – which is all the more remarkable considering the impact of the COVID-19 pandemic. In assessment of the development of the Chinese insurance industry, this article conducts an overall review of the milestone policies and events that have shaped the industry’s development in the last two years, and forecasts where the Chinese insurance industry may be heading.

Further Expansion of Market Access for Foreign Investors

Insurance companies
In 2021, the China Banking and Insurance Regulatory Commission (CBIRC) released its Decision on Amending the Implementing Rules of the Regulations of the People’s Republic of China on Foreign-Invested Insurance Companies (CBIRC Decree (2021) No 2) («关于修改<中华人民共和国外资保险公司管理条例实施细则>的决定»(中国银行保险监督管理委员会令2021年第2号)). The amendment provides for:

• implementing rules on the expansion of “foreign shareholders” of Chinese foreign-invested insurance companies to include foreign insurance group companies and other overseas financial institutions according to the Regulations of the People’s Republic of China on Foreign-Invested Insurance Companies (amended in 2019) («中华人民共和国外资保险公司管理条例(2019)»); and

• specific qualifications for the two types of shareholders.

After the amendment became effective, foreign investors have been seen scaling up investment in the industry. For instance, Allianz China Life Insurance Co, Ltd became the first Chinese joint-venture life insurance company to be converted into a life insurance company wholly owned by a foreign investor (Allianz China Holding).

After 20 years of establishing its footprint in China, Chubb Limited was approved to increase its stake in Huatai Insurance Group to 83.22%. Prudential Financial also entered the Chinese reinsurance segment by acquiring a 10% stake in Qianhai Reinsurance. Tian Yuan Law Firm has assisted both Huatai Insurance Group and Prudential Financial in closing these investments.

Insurance asset management companies
The Administrative Provisions on Insurance Asset Management Companies (CBIRC Decree (2022) No 2) («保险资产管理公司管理规定»(中国银行保险监督管理委员会令2022年第2号)) that went into effect on 1 September 2022 removes the 25% cap on foreign ownership percentage, expands the scope of qualified shareholders for this, and sets unitary qualification standards for domestic and foreign shareholders alike.

On 27 July 2021, Allianz Insurance Asset Management Company Limited obtained approval from the CBIRC to become the first wholly foreign-owned insurance asset management company. Meanwhile, more foreign-invested
insurance asset management companies are awaiting approval for establishment.

**Insurance brokerage companies**

China’s commitments to the World Trade Organization (WTO) involved imposing a series of restrictions on foreign investors in setting up insurance brokerage companies in China. Namely, a foreign investor must:

- have more than 30 years of market presence in any WTO member country;
- have established a representative office in China for two consecutive years; and
- have total assets of not less than USD200 million in the fiscal year previous to filing the setup application.

On 3 December 2021, the CBIRC published the *Notice of the CBIRC General Office on Clarifying Relevant Measures for the Opening-up of the Insurance Intermediary Market* (Yin Bao Jian Ban Fa (2021) No 128) that significantly lowered the restrictions on foreign investors’ market access to this market segment, revoking requirements on foreign shareholders’ market presence experience and total asset value, and allowing foreign insurance groups and domestic foreign-invested insurance groups to operate in this segment through firms they establish.

**Domestic Insurance Companies**

**Domestic insurance licences scaled back**

Since 2018, the CBIRC has tightened up on granting licenses for domestic insurance companies. Between 2018 and 2022, insurance licences have been issued only to:

- Guomin Pension & Insurance, China Rong Tong Property & Casualty Insurance, and
- China Agriculture Reinsurance Corporation, which were set up to address key national policy problems;
- Dajia Insurance Group, a newly created insurance company succeeding the restructured Anbang Insurance Group; and
- several insurance companies invested by foreign-invested insurers.

**Slow equity trading market of domestic insurance companies**

Facing market downturn and tight cash flow, increasingly more shareholders of insurance companies have opted to sell their equity interest, or have been forced to sell their shares through judicial auctioning. Compared with the past few years, however, the appeal of insurance company equities has remarkably declined, with the market showing little interest in the equities of most insurance companies.

**Chinese insurance companies going overseas**

Despite the challenge from market slowdown, Chinese insurance companies have not ceased going overseas. In 2021, Taikang Life Insurance established a subsidiary in Hong Kong, China Taiping Insurance Group launched a subsidiary in Luxembourg and China Reinsurance Group increased capital investment in its subsidiary in the UK. In 2020, China Life Reinsurance Company also established a subsidiary in Hong Kong and closed capital injection in 2021.

These overseas subsidiaries are set up by Chinese insurance companies to better serve the increasing number of Chinese companies “going abroad” and, in co-ordination with China’s national strategy, to provide insurance services to meet the needs of the state, enterprises and key projects of the Belt and Road Initiative.
In addition to setting up foreign subsidiaries, Chinese insurers have also been proactive in exploiting the international capital market to spread out insurance risks. On 1 October 2021, China Property & Casualty Reinsurance, a subsidiary of China Reinsurance Group, successfully issued the first catastrophe bond in Hong Kong, in response to the release of the Circular of the General Office of the China Banking and Insurance Regulatory Commission on Relevant Matters Concerning the Issuance of Catastrophe Bonds by Domestic Insurance Companies in the Hong Kong Market (Yin Bao Jian Ban Fa (2021) No 102) («关于境内保险公司在香港市场发行巨灾债券有关事项的通知») that permits Chinese insurance companies to shift risks of catastrophe caused by natural disasters (such as earthquakes, typhoons or floods) or public health emergencies by offering catastrophe bonds in Hong Kong through SPVs.

Strengthening the Compliance Management Capability of Insurance Companies, and Regulating Shareholders

Between 2021 and 2022, the CBIRC issued a series of regulations that aim to streamline the corporate governance system of insurance companies – for instance:

• the Corporate Governance Guidelines for Banking and Insurance Institutions (Yin Bao Jian Fa (2021) No 14) («银行保险机构公司治理准则»(银保监发 (2021) 14号));
• the Measures for the Supervision and Administration of Insurance Group Companies (CBIRC Decree (2021) No 13) («保险集团公司监督管理办法»(中国银行保险监督管理委员会令2021年第13号));
• the Interim Measures on Regulation of Conduct of Major Shareholders of Banking and Insurance Organisations (For Trial Implementation) (Yin Bao Jian Fa (2021) No 43) («银行保险机构大股东行为监管办法»(试行)(银保监发 (2021) 43 号));
• the Interim Measures on Performance Evaluation of Directors and Supervisors of Banking and Insurance Institutions (For Trial Implementation) (CBIRC Decree (2021) No 5) («银行保险机构董事监事履职评价办法»(试行)(中国银行保险监督管理委员会令2021年第5号)); and
• the Administrative Measures on Related-party Transactions of Banking and Insurance Institutions (CBIRC Decree (2022) No 1) («银行保险机构关联交易管理办法»(中国银行保险监督管理委员会令(2022) 1号)).

Compared with the general company law of China, the CBIRC imposes even stricter rules on shareholders – especially major shareholders of insurance companies – and closely monitors their directors and supervisors in the administration of their duties, with a view to providing better protection of minority shareholders and insurance companies.

In the near future, corporate governance of insurance companies will remain an issue of key concern for the CBIRC, with the conduct of insurance company shareholders, affiliated transaction management and independent directors administering their duties under continuous supervision of the regulator.

Solvency Supervision Strengthened


• the core solvency adequacy ratio;
• the comprehensive solvency adequacy ratio; and
• the comprehensive risk rating.

On the whole, the implementation of China’s second-generation solvency regulatory system would raise higher requirements on asset allocation and debt structure adjustment of insurance companies. Leveraging solvency regulation, the CBIRC is in a better position to guide the insurance industry in focusing on service of the Chinese real economy and capital market development.

Insurance Business

Pension schemes
With increased aging in the Chinese population, pension schemes have become one of the most promising insurance product categories in China.

Policy-wise, on 8 April 2022 the State Council released its opinion encouraging development of private pension plans, built on the principles of voluntary participation and market-oriented management, in dovetail with the existing basic pension insurance, enterprise annuity and occupational pensions to create a comprehensive Chinese pension system.

To implement the State Council’s policy on private pension plans, on 21 November 2022 the CBIRC issued the Notice regarding the Launch of Private Pension Plans of Insurance Companies (Yin Bao Jian Gui (2022) No 17) permitting qualified insurance companies to operate a private pension plan business and to provide insurance products such as annuity insurance, endowment insurance and other insurances that are recognised by the CBIRC as private pension plan insurance products. The notice heralds an era where a qualified insurer is permitted to provide certain insurance products as the subject of investment from a private pension plan account.

As regards institutional setups, in 2021 HASL Pension Limited Company was approved by the CBIRC to become the first pension company invested by a joint-venture life insurance company. On 21 March 2022, Guomin Pension Co, Ltd was approved by the CBIRC to become a new giant in the pension market segment.

As stated repeatedly by the CBIRC, foreign investors and capital are encouraged to establish pension institutions in China, and foreign-invested life insurance companies are encouraged to operate pension businesses in China as well. With the further development of private pension plans and their liberalisation, it is believed that the Chinese pension market will continue to attract market entry of qualified and experienced foreign life and pension institutions.

Agriculture insurance
The Rural Revitalisation Strategy is a key national strategy in China. Under its guidance, agriculture insurance (“agri-insurance”) has been the focus of development of the Chinese property insurance segment in recent years, and has achieved some remarkable progress.

In June 2021, the CBIRC, in conjunction with several other ministries, promulgated a new regulation that aims to further improve the full coverage of input cost insurance and harvest income insurance for three major staple crops. In April 2022, the CBIRC issued a new notice, reiterating the need to encourage development of agri-insurance in better service to the Rural Revitalisation Strategy.
The Rural Revitalisation Strategy offers broad growth opportunities to the agri-insurance sector, driving the growth of property insurance. Although the CBIRC maintains an encouraging stance towards experienced foreign insurers offering agri-insurance services in China, most foreign investors choose to tap into the market segment through reinsurance, given the policy-driven nature and high risks of such type of insurance. With the development of Chinese agri-insurance, new needs for reinsurance and opportunities for co-operation between Chinese insurance companies and foreign reinsurers are expected to emerge.

Progress in Risk Disposal of Insurance Companies
On 17 July 2020, the CBIRC issued an announcement on the receivership of six institutions. Accordingly, Tian’an Property Insurance, Hunxia Life Insurance, Tian’an Life Insurance and Yi’an Property Insurance will stay in receivership for two years.

On 29 June 2022, the CBIRC approved a bankruptcy and reorganisation plan involving Yi’an Property Insurance, marking the first Chinese insurance company entering bankruptcy proceedings. In July 2022, the insurance asset package of Tian’an Property Insurance was publicly listed and traded at the Shanghai United Assets and Equity Exchange.

At present, the disposals of Huaxia Life Insurance and Tian’an Life Insurance are still in progress.

Since the receivership of Anbang Insurance Group in 2018, China’s insurance regulatory authorities have relied on receivership to mitigate financial systematic risks. Since 2022, the risks related to AnBang Insurance Group, Mr Xiao Jianhua and their affiliates have basically been dissipated. Tian Yuan has been deeply involved in the related receivership and risk dispositions.

Evolving Green Insurance
ESG is a new idea for investment and financing in international currency. This concept evaluates the sustainability of enterprise operations and the impact of investment and financing on social values from three dimensions: environment, social responsibility and corporate governance. Implementation of ESG by the Chinese insurance industry has highlighted the concept of green insurance as a key factor in green financial management.

Ever since publication of the financial regulator’s opinion on buildup of a green system of finance, Chinese insurers have proactively pursued the idea of green insurance. From a policy perspective, on 1 June 2022 the CBIRC issued the Guidelines for Green Finance in Banking and Insurance Sectors (Yin Bao Jian Fa (2022) No 15) («银行业保险业绿色金融指引»(银保监发 (2022) 15号)) for Chinese insurers to follow, covering such issues as organisational management, policy and capacity buildup, investment and financing process management, internal control and disclosure.

With a deepening understanding of green insurance and ESG, Chinese insurance companies have begun to develop more green insurance products, including:

- compulsory liability insurance for environmental pollution;
- environmental protection technology and equipment insurance;
• product quality and safety liability insurance for low-carbon and environment-friendly consumer goods;
• liability insurance for ship pollution damage;
• forest insurance;
• agri-insurance;
• animal husbandry insurance; and
• disaster insurance.

More insurance companies are also expected to direct insurance funds to the fields of green and low-carbon development. According to the Insurance Asset Management Association of China, insurance fund investment directed towards green projects had reached CNY1071.6 billion by the end of August 2021.

Green finance, peak CO2 emissions, carbon neutrality and ESG are vital concepts gaining currency in the international financial market. The Chinese insurance industry will also follow this trend by proactively putting these ideas into practice. For instance, in terms of liability, the industry is expected to develop more green insurance products; and in terms of assets, green projects will become a new focal point of insurance funds.
Tian Yuan Law Firm is a general-service Chinese law firm. Founded in 1992, it was one of the earliest partnership law firms in China. Tian Yuan has headquarters in Beijing and branch offices in Shanghai, Shenzhen, Chengdu, Hangzhou, Xi’an, Haikou, Suzhou, Guangzhou, Hefei, Kunming, Nanjing and Hong Kong. Tian Yuan is one of several law firms in China with a standalone insurance team, and offers comprehensive legal services tailored to the needs of clients. Its insurance team is comprised of many lawyers who specialise in the insurance industry. The firm’s team is led by partner Wei Xu, and the team’s lawyers all have extensive experience in the insurance sector and the capital market. The team’s clients include major types of insurance institutions and supervisory authorities in China. A recent highlight of the team’s work includes having assisted Huatai Insurance Group and Prudential Financial in closing their respective investments.

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