

CHINA

INSURANCE MARKET OVERVIEW

by Hussein Elsayed



Official Name: *The People's Republic of China (PRC)*

Location: *China is located in East Asia, bordered by the Pacific Ocean on its east coast and by 14 countries, including North Korea, Russian Federation, Mongolia, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Pakistan, India, Nepal, Bhutan, Burma, Laos and Vietnam.*

Surface Area: *9.6 mn Sq km. (China is the world's third largest country, after Russia and Canada).*

Time Zone: *UTC/GMT +8 hours.*

Income Category: *upper middle income*

Religion: *30-80% of the populations practice some kinds of Chinese folk religions and Taoism, 10-16% are Buddhists, 2-4% are Christians, and 1-2% are Muslims.*

Language: *The official language of China is the Mandarin, which known as 'Hanyu' or 'Putonghua', belonging to Sino-Tibetan. | English is commonly used as a second language, especially in commerce.*

Political System: *The National People's Congress (NPC) is the national legislature of China. With 2,977 members in 2023, it is the largest parliamentary body in the world. Under China's current Constitution, the NPC is structured as a unicameral legislature, with the power to legislate, to oversee the operations of the government, and to elect the major officials of state. Its delegates are elected for a five-year term through a multi-tiered electoral system. According to the Constitution, the NPC is the highest state institution within China's political system.*

Each year, Chinese government agencies—including ministries, commissions, and other key organizations—announce priorities and goals for their work for the coming 12 months. These priorities provide guidance about how policymakers seek to implement high-level government plans and meet development goals. Such reports provide important information for companies as they conduct strategic business and government affairs planning in China.

Climate: *Its climate ranges from extremely dry, desertlike conditions in the northwest to tropical monsoon in the southeast, and China has the greatest contrast in temperature between its northern and southern borders of any country in the world..*

Natural Hazards: *China is one of the countries in the world that suffers the most natural disasters. The main natural perils include flood, windstorm, earthquake, drought and typhoon. The natural disasters in China have the characteristics of wide scope of distribution, high frequency/fatalities and cause enormous economic losses.*

River flood: High | Urban flood: High | Coastal flood: High | Earthquake: High | Landslide: High | Tsunami: High | Volcano: High | Cyclone: High | Water scarcity: High | Extreme heat: High | Wildfire: High

(I) CHINA: Socio-Economic Information

Region	Eastern Asia	UN membership date	24 October 1945			
Population (000, 2023)	1 425 887 ^{a,b,c}	Surface area (km ²)	9 600 000 ^d			
Pop. density (per km ² , 2023)	148.5 ^{a,b,c}	Sex ratio (m per 100 f)	104.2 ^{a,b,c}			
Capital city	Beijing	National currency	Yuan Renminbi (CNY)			
Capital city pop. (000, 2023)	20 035.5 ^{e,f}	Exchange rate (per US\$)	7.0 ^{b,c}			
Economic indicators	2010	2015	2023			
GDP: Gross domestic product (million current US\$) ^b	6 087 188	11 061 570	17 734 131 ^d			
GDP growth rate (annual %, const. 2015 prices) ^b	10.6	7.0	8.1 ^d			
GDP per capita (current US\$) ^b	4 515.1	7 936.7	12 437.2 ^d			
Economy: Agriculture (% of Gross Value Added) ^{g,h}	9.9	8.7 ⁱ	7.6 ^{i,d}			
Economy: Industry (% of Gross Value Added) ^h	46.4	41.0 ^{g,i}	39.6 ^{g,i,d}			
Economy: Services and other activity (% of GVA) ^{g,h}	43.7 ^k	50.3 ^l	52.8 ^{l,d}			
Employment in agriculture (% of employed) ^{b,m}	36.7	28.6	24.4 ^d			
Employment in industry (% of employed) ^{b,m}	28.7	29.2	28.2 ^d			
Employment in services & other sectors (% employed) ^{b,m}	34.6	42.2	47.3 ^d			
Unemployment rate (% of labour force) ^{b,m}	4.5	4.6	4.6			
Labour force participation rate (female/male pop. %) ^b	63.7 / 78.1	62.7 / 75.8 ^m	60.4 / 72.0 ^m			
CPI: Consumer Price Index (2010=100)	100	115	115 ^{n,c}			
Agricultural production index (2014-2016=100) ^b	88	101	109 ^d			
International trade: exports (million current US\$) ^b	1 577 764	2 273 468	3 593 601 ^c			
International trade: imports (million current US\$) ^b	1 396 002	1 679 564	2 715 998 ^c			
International trade: balance (million current US\$) ^b	181 762	593 904	877 604 ^c			
Balance of payments, current account (million US\$) ^b	237 810	293 022	401 855 ^c			
Major trading partners			2022			
Export partners (% of exports)	United States	16.2	China, Hong Kong SAR	8.3	Japan	4.8
Import partners (% of imports)	Other Asia, nes	8.8	Republic of Korea	7.4	Japan	6.8
Social indicators	2010	2015	2023			
Population growth rate (average annual %) ^b	0.7	0.6	--0.0 ^{a,c}			
Urban population (% of total population) ^b	49.2	55.5	60.3 ^f			
Urban population growth rate (average annual %) ^{b,o}	3.5	2.9	...			
Fertility rate, total (live births per woman) ^b	1.7	1.7	1.2 ^{a,c}			
Life expectancy at birth (females/males, years) ^b	78.3 / 73.1	79.8 / 74.4	81.3 / 76.0 ^{a,c}			
Population age distribution (0-14/60+ years old, %) ^b	18.5 / 12.8	18.4 / 15.6	17.2 / 18.6 ^{a,c}			
International migrant stock (000/% of total pop.) ^{b,p}	849.9 / 0.1	978.0 / 0.1	1 039.7 / 0.1 ^q			
Refugees and others of concern to the UNHCR (000)	301.1 ^{b,p}	301.6 ^b	1.1 ^{r,c}			
Infant mortality rate (per 1 000 live births) ^b	13.0	8.9	5.9 ^{a,c}			
Health: Current expenditure (% of GDP)	4.2	4.9	5.6 ^q			
Health: Physicians (per 1 000 pop.)	1.5	1.8	2.4 ^q			
Education: Government expenditure (% of GDP)	3.8	3.8	3.5 ^s			
Education: Primary gross enrol. ratio (f/m per 100 pop.)	98.0 / 99.8	96.4 / 96.2	104.6 / 103.7 ^d			
Education: Low. sec. gross enrol. ratio (f/m per 100 pop.)	100.8 / 99.8	... / / ...			
Education: Upr. sec. gross enrol. ratio (f/m per 100 pop.)	76.1 / 77.5	81.1 / 77.4	85.5 / 83.8 ^d			
Intentional homicide rate (per 100 000 pop.)	1.0	0.7	0.5 ^q			
Seats held by women in the National Parliament (%)	21.3	23.6	24.9 ^t			
Environment and infrastructure indicators	2010	2015	2023			
Individuals using the Internet (per 100 inhabitants) ^b	34.3	50.3 ^{u,v,w}	73.0 ^d			
Research & Development expenditure (% of GDP) ^b	1.7	2.1	2.4 ^q			
Threatened species (number) ^b	859	1 040	1 419 ^c			
Forested area (% of land area)	21.4	22.4	23.4 ^q			
CO ₂ emission estimates (million tons/tons per capita) ^b	7 943.8 / 5.8	9 248.0 / 6.6	10 190.6 / 7.2 ^q			
Energy production, primary (Petajoules) ^b	88 642	100 963	111 744 ^q			
Energy supply per capita (Gigajoules) ^b	75	86	98 ^q			
Tourist/visitor arrivals at national borders (000) ^b	55 664	56 886	7 967 ^q			
Important sites for terrestrial biodiversity protected (%)	8.6	9.5	10.1 ^c			
Pop. using safely managed drinking water (urban/rural, %)	89.7 / ...	93.8 / ...	97.9 / ... ^c			
Pop. using safely managed sanitation (urban/rural %) ^b	53.4 / 15.3	69.8 / 24.0	84.7 / 36.7 ^c			
Net Official Development Assist. received (% of GNI) ^b	0.01	0.00	0.00 ^d			

^a Projected estimate (medium fertility variant). ^b For statistical purposes, the data for China do not include those for the Hong Kong Special Administrative Region (Hong Kong SAR), Macao Special Administrative Region (Macao SAR) and Taiwan Province of China. ^c 2022. ^d 2021. ^e Refers to all city districts (excluding Yanqing District) meeting the criteria such as contiguous built-up areas, being the location of the local government, being a Street or Having a Resident Committee. ^f 2019. ^g Includes taxes less subsidies on production and imports. ^h Data classified according to ISIC Rev. 4. ⁱ Excludes irrigation canals and landscaping care. ^j Excludes publishing activities, recycling. Includes irrigation canals. ^k Excludes repair of motor vehicles and motorcycles, personal and household goods. ^l Excludes repair of personal and household goods. ^m Estimate. ⁿ Index base: 2015=100. ^o Data refers to a 5-year period preceding the reference year. ^p Refers to foreign citizens. ^q 2020. ^r Indo-Chinese population is no longer considered as refugees since June 2022. ^s 2018. ^t Data are as at 1 January of reporting year. ^u Population aged 6 years and over. ^v Users in the last 6 months. ^w Data refer to permanent residents.

(II) CHINA: Insurance Market

KEY HIGHLIGHTS

- On 18 May 2023 NAFR officially became the regulatory and supervisory body of the insurance industry. Before this, the CBIRC had been put into operation for more than five years. With the formation of the NAFR, the CBIRC dissolved effectively.
- VAT is imposed at a rate of 6% on insurance products replacing business tax of 5%.
- Non-admitted insurance is not permitted in the Chinese insurance industry.
- Aviation liability insurance, motor third-party liability insurance and social security are the key classes of compulsory insurance in China.
- FDI is permitted up to 100% in non-life insurance and 51% in life insurance business.

(A) Historical Landmarks and Regulatory Environment

- In 1805, insurance was first introduced to China from Britain when merchants established the Jiandan Marine Insurance Co in Guangzhou.
- In 1865, the first Chinese company, the Shanghai Yihe Insurance Co, was formed in Shanghai.
- In October 1949, following the establishment of the People's Republic of China, all insurance operations were nationalized under the state owned People's Insurance Company of China (PICC) which ceased its domestic business from 1959 to 1979 and has gradually resumed its domestic business since 1979.
During the next few decades, a number of insurance subsidiaries were established as a result of the reorganization of PICC, and other domestic commercial insurance companies were also established.
- In the 1970s and 1980s PICC started to write an inwards reinsurance account which left its successor, China Re.
- In 1992, The first foreign licence was granted to the American International Group (AIG) to open life and property branches in Shanghai in 1992.
- In 1995, The first Insurance Law of China was enacted. It developed a segregated insurance market structure between the life and non-life insurance businesses by prohibiting the same insurer from engaging in both life and non-life insurance.
- In 1999, The China Insurance Regulatory Commission (CIRC) became the insurance supervisor in place of the People's Bank of China (PBOC).
- In 2001, Establishment of the Insurance Association of China (IAC).
China joined the World Trade Organization and agreed to extend equal treatment to foreign insurance companies over a period of three years.
- In 2005, The compulsory cession to China Re (Group) Co was phased out and replaced with a priority cession to domestic reinsurers.
- In 2006, Compulsory motor third party liability (MTPL) was introduced on a nationwide basis.
- In 2009, A revised insurance law came into effect on 1 October and the priority cession to domestic reinsurers was abolished.
- In 2013, Foreign insurers were allowed to enter the MTPL market.
- In 2014, On 10 August the State Council released its Opinions on Accelerating the Development of a Modern Insurance Industry, otherwise known as the New Opinions. The New Opinions act as a blueprint for the development of the insurance industry to 2020.
- In 2015, The CIRC started to part-liberalise voluntary motor rating.
- In 2016, The new solvency system known as the China Risk-Oriented Solvency System (C-ROSS) came into full effect on 1 January.

- **On March 7 2018**, the China Banking and Insurance Regulatory Commission (CBIRC) announced new rules (which took effect from April 10 2018) under which a single shareholder cannot control more than one-third of an insurance firm's registered capital, and investors cannot entrust others to hold shares in an insurer.
- **In July 2019**, changes were made to encourage more foreign investment in financial services. Insurers are no longer required to have a minimum of 30 years' operating history before entering the Mainland Chinese market.
- **In January 2020**, Beijing removed its 51% foreign ownership limit on insurance companies, allowing foreign entities to wholly own insurance companies in Mainland China. The CBIRC is also planning to scrap foreign ownership limits on insurance asset management companies.
- **In November 2021**, the CBIRC updated the regulations governing the supervision of insurance groups, with a focus on tightening risk management requirements.
- **In April 2022**: The Chinese regulatory authority has agreed to promote and guide insurance companies in the development and marketing of online motorcycle insurance policies.
- **In April 2023**, the China Banking and Insurance Regulatory Commission announced new regulations on a trial basis to improve the agricultural insurance actuarial system. The regulation stipulates actuarial rules related to agricultural insurance, which mainly include the composition of premium rates, retroactive adjustment of premium rates, and assessment of insufficient premium reserves. Moreover, insurers are required to decide the premium rates based on non-life insurance actuarial principles.
- **In May 2023**, the Insurance Association of China issued new standards to unify the online operation of agricultural insurance underwriting and settlement. The implementation of new guidelines will help local regulatory agencies and insurance institutions with faster underwriting and claim settlements and improve the overall management of agricultural insurance.
- **On 18 May 2023**, the National Administration of Financial Regulation (NAFR) was formed on the basis of the China Banking and Insurance Regulatory Commission (CBIRC). In the overhaul, the NAFR absorbed the China Banking and Insurance Regulatory Commission (CBIRC) and some functions from the securities regulator and the central bank. The enlarged NAFR will have 27 departments - one more than the former CBIRC. Most of the commission's departments have been retained but some have been combined, making way for new ones. The changes give the NAFR greater responsibility to combat illegal financial practices, including giving advice on cases that involve new business models and multiple localities and ministries. The powers of the Financial Consumer Protection Bureau have also been expanded under the NAFR following a number of high-profile scandals, including last year's Henan rural bank run in which 40 billion yuan (HK\$43.2 billion) in deposits disappeared. The National Administration of Financial Regulation (NAFR) will consider lowering the bar for foreign financial institutions to become shareholders of mainland insurers based on the principle of equal treatment
- **On 17 July 2023**; China has released a guideline to boost the healthy development of the cybersecurity insurance sector. The guideline was jointly released by the Ministry of Industry and Information Technology and the National Financial Regulatory Administration. As a new type of insurance service, cybersecurity insurance will improve enterprises' ability to cope with cybersecurity issues, thus promoting the digital transformation of the country's small and medium-sized enterprises.
- **October 2023**: China Re has completed the creation of China Reinsurance Digital Technology, a subsidiary dedicated to providing technology services to the Chinese group's member companies. The new entity has a registered capital of 200 million CNY (27.4 million USD), fully financed by the reinsurer. China Re is building a powerful technology engine with the aim of becoming a major global reinsurance group.

- In 2024 The Insurance Association of China (IAC) has issued rules to regulate the bancassurance operations of life insurers, complementing moves made in the past six months by the National Administration of Financial Regulation (NAFR).
- The National Administration of Financial Regulation (NAFR) has issued the "Notice on Matters Related to Regulating the Bancassurance Business of Life Insurance Companies".

Industry Regulators

On April 8 2018, the **CBIRC** was formally unveiled in Beijing. The banking and insurance regulators were merged in an effort to improve the macro-prudential framework, alongside the People's Bank of China and the securities regulator. The insurance sector is regulated by the CBIRC, which operates under the State Council. Previously, the sector was supervised by the CIRC, with the CIRC also an agency of the State Council, taking over the role that was previously held by the central bank.



On 18 May 2023, the **National Administration of Financial Regulation (NAFR)** was formed on the basis of the China Banking and Insurance Regulatory Commission (CBIRC). It incorporates the daily regulatory responsibilities of the People's Bank of China over financial holding companies and other financial groups, as well as relevant responsibilities for financial consumer protection. As of the transfer of said responsibilities, NAFR officially becomes the regulatory and supervisory body of the insurance industry. The dissolution of the CBIRC takes effect as a result of these changes after over five years of operation.

Key Legislation: Sources of Insurance and Reinsurance Law:

The key legislation for the regulation of insurance activities in Mainland China is the Insurance Law, which was first adopted at the 14th Meeting of the Standing Committee of the Eighth National People's Congress on June 30 1995. The law has been amended twice since it was adopted, which included a major overhaul in 2009 and revised in 2015.



There are also additional documents that are regularly issued by the Mainland Chinese regulators that govern the conduct of the insurance sector.

- The Insurance Law of the People's Republic of China .
- Judicial Interpretations on Several Issues Concerning the Application of the Insurance Law issued by the Supreme People's Court (hereinafter referred to as the "Interpretations of the Insurance Law");
- The Civil Code of the People's Republic of China and its related Interpretations promulgated by the Supreme People's Court, which mainly governs the general rules and regulations not specified in the Insurance Law and issues regarding the reinsurance;
- Other relevant laws promulgated by the National People's Congress (for instance, the Maritime Law of the People's Republic of China is applicable to marine cargo insurance and marine hull insurance); and
- Regulations and guidelines issued by the National Administration of Financial Regulation (NAFR) and other relevant authorities.

Additionally, procedural issues are mainly governed by the Civil Procedural Law of the People's Republic of China (referred to as the "Civil Procedural Law") and its relevant Interpretation promulgated by the Supreme People's Court. For specific industries, respective laws apply, for instance, with respect to marine insurance disputes, the Special Maritime Procedure Law of the People's Republic of China applies.

Industry Association

Insurers in Mainland China are also represented by the insurance trade association, the **Insurance Association of China (IAC)**, which was established in February 23, 2001.



In accordance with Article 182 of the Insurance Law, companies shall join the IAC. Insurance agents, insurance brokers and insurance appraisers are allowed to join the IAC.

As of April 2023, there are 347 members of the Insurance Association of China (IAC), among which are 13 insurance group (holding) companies, 86 property insurance companies, 93 life insurance companies, 14 reinsurance companies, 18 insurance asset management companies and 69 insurance intermediaries.

▪ Form and Structure of Insurers

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.

To incorporate an insurance company in the mainland of China, the following requirements shall be met:

1. *The principal shareholders shall have sustainable profitability and no record of significant violations of laws and regulations in the past three years and the net assets shall be more than CNY 200 million.*
2. *The articles of association are in conformity with the Insurance Act and the Company Law of the People's Republic of China.*
3. *The minimum registered capital shall be more than CNY 200 million.*
4. *The directors, supervisors and senior management personnel shall have professional knowledge and experience in business operations and related licences.*
5. *A sound organisational structure and management system.*
6. *Business premises and other facilities relative to the insurance business that conform to the requirements.*

The application shall be submitted to CBIRC who shall determine within 60 days. In case CBIRC permits, the insurance company shall be established within one year and apply to CBIRC for license.

▪ Capital Requirements

The minimum registered and paid-in capital of an insurer is RMB 200 million or its equivalent in a foreign currency.

A broker with a nationwide business permit must have a paid-in capital of no less than RMB 50 million, whereas a broker with only a regional business permit must have a paid-in capital of no less than RMB 10 million.

For a professional agent, the paid-in capital must be no less than RMB 50 million for nationwide business and no less than RMB 20 million for regional business.



▪ Foreign ownership of subsidiaries or establishment of branches

- *FDI is permitted up to 100% in non-life insurance and 51% in life insurance business.*
- *In order to be considered for a branch, joint venture or subsidiary licence, foreign insurers must have total assets of at least USD 5bn; and meet other conditions which China Banking and Insurance Regulatory Commission (CBIRC) deems prudently necessary.*

There is a minimum number of mandatory positions that a foreign insurance/reinsurance entity in China must fulfil, which is considered high compared with other international jurisdictions. CBIRC has removed the requirement for the persons in these positions to take the qualification exam as of 1 February 2021.

▪ Distribution of Products

Insurance products are commonly distributed through:

- an individual employed or engaged by insurer;
- an insurance agency, including professional insurance agency and sideline insurance agency (such as bancassurance);
- an insurance broker; or
- online platforms or over the telephone.



▪ Compulsory Insurances

List of Compulsory Insurances

- Motor third party liability (national).
- Liability for transport of hazardous materials (most municipalities and provinces).
- Inter-city carriers' liability for injury to passengers and damage to their personal property (national).
- Local carriers' liability for injury to passengers and damage to their personal property (most municipalities and provinces).
- Nuclear liability (national).
- Shipowners' liability against marine oil pollution (financial guarantee or insurance) (national).
- Third party liability of general aviation operators for damage on the ground.
- Liability for international air carriage.
- Workers' compensation (local government schemes in urban areas).
- Work-related injury insurance for coal miners (national).
- Work-related injury insurance for construction work (national).
- Employers' liability for workers in hazardous industries (known as production safety liability insurance) (national).
- Employers' liability and third party liability for high-risk industries (Beijing).
- Third party liability for spread of fire in public venues such as cinemas and hotels (some municipalities).
- Third party liability for boiler or gas explosion (some municipalities).
- Third party liability for schools (national).
- Third party liability for travel agents (national).
- Food safety liability (some municipalities and provinces).
- Medical malpractice for hospitals and doctors (national).
- Pharmaceutical liability (some provinces and municipalities).
- Clinical trials liability (some municipalities).
- Professional indemnity for lawyers, architects, engineers etc (some municipalities).
- Professional indemnity for accounting firms (national).
- Professional indemnity for insolvency practitioners (national).
- Professional indemnity (or a cash guarantee) for insurance agencies and insurance brokers (national).
- Environmental liability insurance (some provinces and municipalities).
- Elevator safety insurance (Jiangsu Province).
- Inherent defects liability insurance (some provinces and municipalities)..



▪ Pools:

- China Agricultural Reinsurance Pool (CARP)
- China Residential Earthquake Insurance Pool (CREIP)
- China Nuclear Insurance Pool (CNIP)
- Other pools: Most experimental compulsory liability insurances are written by local coinsurance groups which might be described as pools.

▪ Position of Non-Admitted Insurers

Non-admitted insurance is not permitted in the Chinese insurance industry.

▪ Risk Based Capital –insurers:

China's Solvency II type regime has been fully implemented since 2016, which includes a three-pillar structure. One of the three pillars is the requirement of capital quantification, which obliges an insurer to identify and quantify categories of risks (such as insurance risks, market risks, credit risks, reputation risks, etc.) and support such risks with a comparable amount of capital.

The regime keeps developing – CBIRC officially implemented a phase II update on the Solvency II type regime from late 2017. The amended Solvency Measures on Insurance Companies was implemented by CBIRC effective from March 1, 2021, which has been long awaited by the market. Also, on December 30, 2021, CBIRC officially issued the Solvency Regulatory Rules II, which signalled a successful completion of the phase II update.

▪ Policyholder Protection:

Funded by industry levies. In the event of insolvency or revocation of licence of a non-life insurer whose assets are insufficient to pay benefits, a non-life policyholder protection fund covers 100 per cent of losses up to RMB50,000 and thereafter, 90 per cent of losses for individual policyholders and 80 per cent for corporate policyholders.

In the event of insolvency or revocation of licence of a life insurer, the policies are required to be transferred to a new insurer and the policyholder protection fund will make up the shortfall in supporting assets to 90 per cent of individual policyholder liabilities and 80 per cent of corporate policyholder liabilities.

Notwithstanding the above, CBIRC is currently in the process amending the rules on the policyholder protection fund. In January 2022, a draft regulation on this topic was published by CBIRC for market comments.

▪ Taxation of Premiums

Insurance companies can be authorised to collect the following taxes and surcharges on behalf of tax authorities:

- VAT (currently 6%);
- urban maintenance and construction tax (7% for a taxpayer in a city; 5% for a taxpayer in a county town or town; 1% for a taxpayer living in a place other than a city, county-level town, or town); and
- education and local education surcharges payable by individual insurance agents for providing insurance agency services to insurance companies (3%).

Property insurance contracts, including property, liability, guarantee and credit insurance contracts, are subject to stamp duty (0.3% of the insured amount). Personal insurance companies are not subject to stamp duty.

Insurers and reinsurers are subject to enterprise income tax of 25%.

▪ Reinsurance Business:

- Direct insurers may write inwards reinsurance without an additional licence, though they must meet the eligibility requirements to be registered with the reinsurance registration system established by the CBIRC.
- The onshore market is dominated by the state-owned China Re P&C.

- Inwards reinsurance written by direct insurance companies must be identified in a way that distinguishes it from direct business.
- The reinsurance market in China had been growing steadily in recent years, driven by increasing demand for risk management solutions and the Chinese government's initiatives to support the development of the insurance industry. CBIRC had implemented policies to encourage foreign reinsurers to enter the market and to support the growth of domestic reinsurers.
- Inwards reinsurance may only be written at head office level by appropriately experienced underwriters and not by branches.
- In order to be successfully registered a reinsurer must meet the following requirements:
 - if a reinsurance treaty leader or the largest reinsurer on a treaty, a minimum rating by Standard & Poor's of "A-", by AM Best of "A-", by Moody's of "A3" or by Fitch of "A-"
 - if writing treaty business in a non-leading capacity, a minimum rating by Standard & Poor's of "BBB", by AM Best of "B++", by Moody's of "Baa" or by Fitch of "BBB"
 - capital and surplus of at least CNY 200mn (USD 30.23mn) if a professional reinsurer, or CNY 100mn (USD 15.12mn) if a treaty-leading direct insurer
 - meeting the solvency standards of the jurisdiction where the reinsurer is registered
 if the reinsurer is a branch, its head office should meet the requirements listed above
- Under C-ROSS Phase II (effective from 1 January 2022), in order to avoid a credit risk charge of 49.9% (Phase I previously 58.8%) for all cessions, offshore reinsurers will need to collateralise their reinsurance assets upon requirement from the ceding company (it is not mandatory). Doing so will lower the credit risk charge they face to 7.7% (Phase I previously 8.7%), assuming they meet the additional solvency requirement.
- In recent years, China has also established several reinsurance hubs, such as the Shanghai International Insurance Hub and the Beijing-Tianjin-Hebei Insurance Exchange, to promote the development of the reinsurance market.

▪ Alternative Risk Transfer (ART)

ART transactions are relatively uncommon in China; in practice, the more prevalent approaches involve insurance-linked securities and captive insurance.

Catastrophe Bonds

These are the most common insurance-linked securities. Chinese insurance companies have issued catastrophe bonds overseas. The CBIRC issued the Notice on Matters Concerning Domestic Insurance Companies Issuing Catastrophe Bonds in the Hong Kong Market to support domestic insurance companies in issuing catastrophe bonds in the Hong Kong market. According to this Notice, the issuance of catastrophe bonds will involve reinsurance arrangements (contracts) between domestic insurance companies and their special-purpose insurance companies established in Hong Kong. However, catastrophe bonds themselves are not recognised as insurance or reinsurance contracts by regulators.

Captive Insurance Company

Insurance products issued by captive insurance companies are recognised as insurance contracts. According to the Notice on Issues Concerning the Supervision of Captive Insurance Companies, the business scope of captive insurance companies is limited to property insurance related to the group's parent company, as well as accident and short-term health insurance for employees.





(B) CHINA: Insurance Market Statistics & Performance



➤ Market Structure:

The number of registered insurance companies in China has steadily increased in the last decade.

As of the end of 2020, there were 245 insurance companies, including 12 insurance groups, 88 property insurance companies, 14 reinsurance companies, 76 life insurance companies, 10 pension insurance companies, 7 health insurance companies, 33 insurance asset management companies, and 5 other companies.

In addition, there were 2,639 professional insurance intermediaries nationwide, including 5 insurance intermediary groups, 1,764 professional insurance agencies, 497 insurance brokers, and 373 insurance adjusters. There were approximately 8.44 million registered individual insurance agents nationwide.

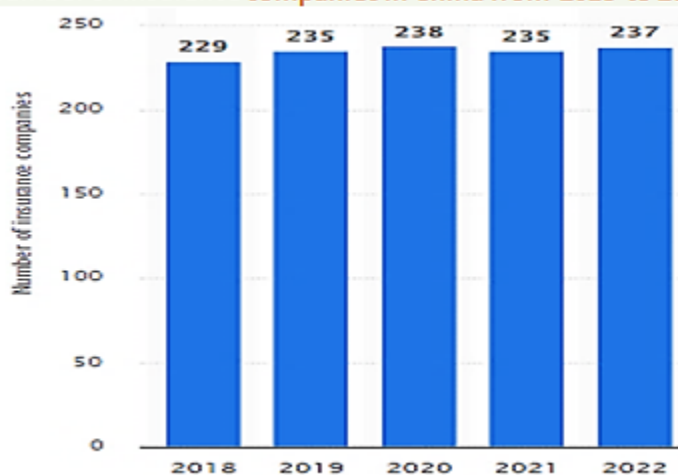
Among the 245 insurance companies as of December 2020, 66 are foreign or Sino-foreign joint venture insurance companies. In addition, there are 117 foreign representative offices, and 17 foreign professional insurance intermediaries. In 2020, the original insurance premium income of foreign insurance companies was CNY 352.44 billion (\$49.19 billion), accounting for a market share of 7.8%.

In 2022, China's insurance industry recorded 237 providers. According to industry experts, the size of the Chinese insurance market was projected to surpass that of the United States by the end of the decade. Chinese insurance providers were among the world's largest enterprises.

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- 86 property insurance companies;*
- 93 life insurance companies;*
- 14 reinsurance companies;*
- 18 insurance asset management companies;*
- and 69 insurance intermediaries.*

Number of insurance companies in China from 2018 to 2022

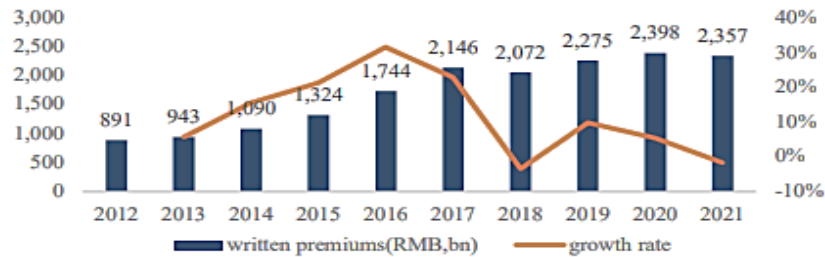


Source: National Financial Regulatory Administration.

➤ **China: Economic and Technical Indicators of Insurance**

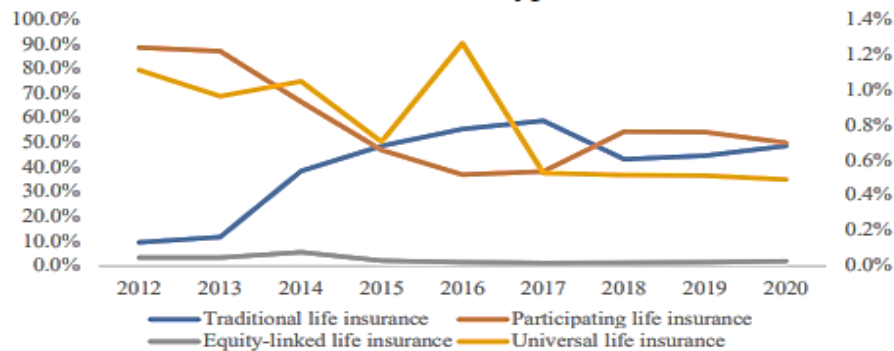
▪ **Life and Nonlife Insurance Market:**

Life Insurance Premiums and Growth Rate: 2012-2021



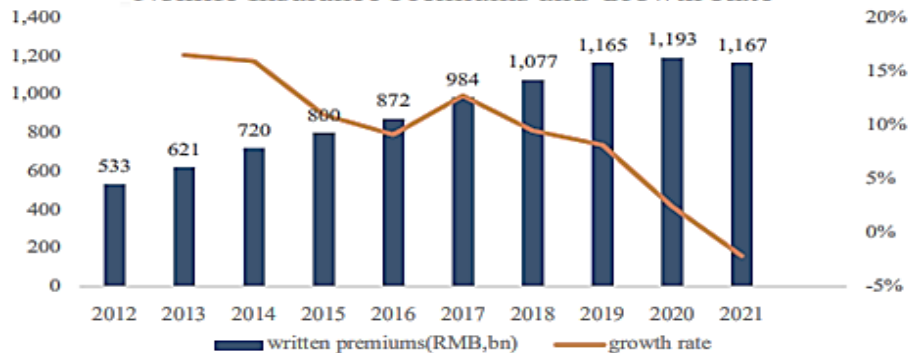
Source: China National Financial Regulatory Administration.

Market Share of Different Types of Life Insurance



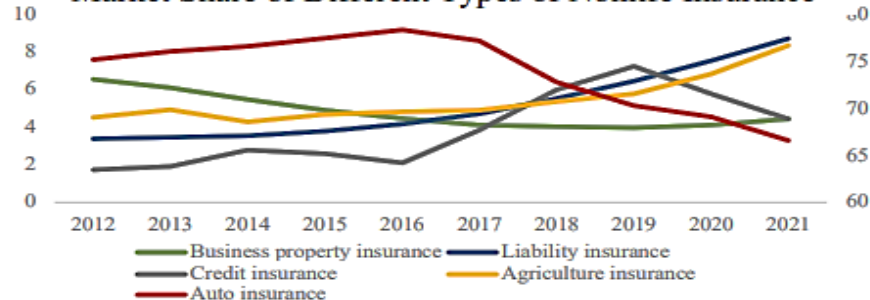
Source: Insurance Statistics Yearbook 2013-2021.

Nonlife Insurance Premiums and Growth Rate



Source: China National Financial Regulatory Administration.

Market Share of Different Types of Nonlife Insurance



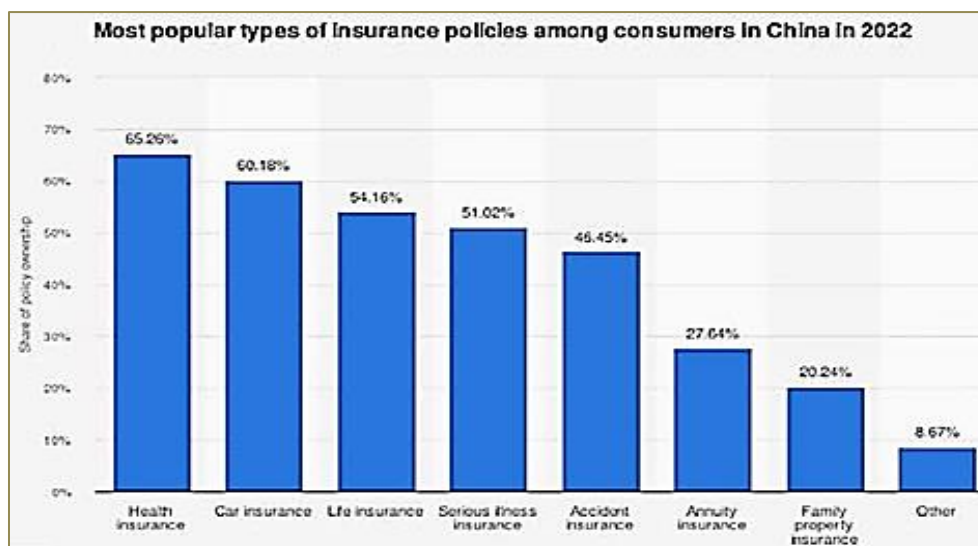
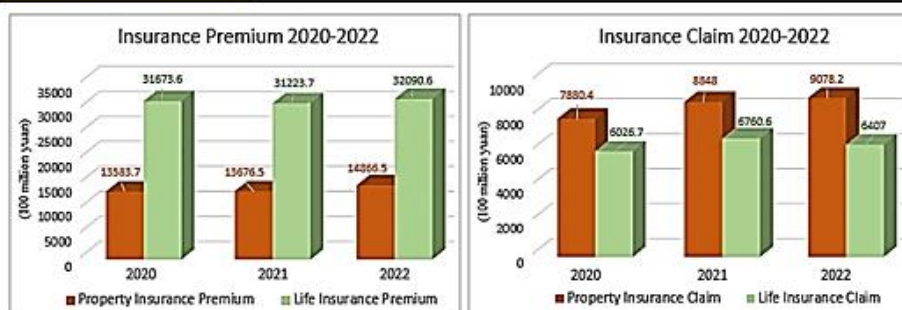
Source: China National Financial Regulatory Administration.

The premium of primary insurance received by the insurance companies totaled 4,695.7 billion yuan in 2022, up by 4.6 percent over that of the previous year on a comparable basis.

Of this total, life insurance premium of primary insurance amounted to 2,451.9 billion yuan, health and casualty insurance premium of primary insurance 972.6 billion yuan, and property insurance premium of primary insurance 1,271.2 billion yuan.

Insurance companies paid an indemnity worth of 1,548.5 billion yuan, of which life insurance indemnity was 379.1 billion yuan, health and casualty insurance indemnity 393.7 billion yuan, and property insurance indemnity 775.7 billion yuan.

Item	2020		2021		2022	
	Premium	Claim and Payment	Premium	Claim and Payment	Premium	Claim and Payment
Total	45257.3	13907.1	44900.2	15608.6	46957.2	15485.1
Property Insurance Companies	13583.7	7880.4	13676.5	8848.0	14866.5	9078.2
Enterprise Property Insurance	490.3	245.1	519.8	290.6	553.4	256.8
Family Property Insurance	90.8	33.6	98.2	39.4	164.1	32.5
Motor Vehicle Insurance	8244.8	4725.5	7772.7	5343.8	8210.2	5138.1
Engineering Insurance	138.4	63.3	143.7	81.4	145.1	71.4
Liability Insurance	901.1	395.1	1018.4	460.3	1147.5	508.0
Export Credit Insurance	204.9	138.4	203.9	131.2	236.8	105.6
Guarantee Insurance	688.6	559.1	521.2	397.4	551.7	512.1
Ship Insurance	57.7	39.5	57.8	38.7	66.2	33.9
Freight Transport Insurance	136.0	69.0	167.7	74.6	177.9	82.5
Special Risks Insurance	72.2	45.0	72.7	21.2	61.0	27.9
Agriculture Insurance	814.9	592.5	975.8	720.2	1219.3	868.9
Health Insurance	1114.2	757.7	1378.1	959.8	1580.1	1121.9
Accident Injury Insurance	540.9	168.0	627.3	200.7	574.1	199.3
Other Insurance	89.0	48.7	119.3	88.4	179.1	119.2
Life Insurance Companies	31673.6	6026.7	31223.7	6760.6	32090.6	6407.0
Life Insurance	23981.9	3715.1	23571.8	3540.3	24518.6	3791.4
Health Insurance	7058.5	2163.5	7068.9	3068.7	7072.8	2477.7
Personal Accident Insurance	633.2	148.1	582.9	151.7	499.2	137.9



Source: www.gov.cn – 1 March 2023

China: Insurance Companies' GWP & Solvency Ratio:

S&P Global
Ratings

P/C insurers' market position						
	Gross premium (mil. RMB)		Market share (%)		Core solvency ratio (%) 2022 *	Comprehensive solvency ratio (%) 2022 *
	2021	2022	2021	2022		
PICC Property & Casualty Insurance Co. Ltd.	449,533	487,533	32.90	32.80	201.90	229.30
Ping An P&C Insurance Company of China Ltd.	270,113	298,074	19.80	20.10	177.60	220.00
China Pacific Property Insurance Co. Ltd.	154,237	170,377	11.30	11.50	166.10	202.40
China Life Property & Casualty Insurance Co. Ltd.	91,606	98,343	6.70	6.60	209.10	248.10
China United Property Insurance Co. Ltd.	55,716	60,343	4.10	4.10	153.50	192.50
China Continent P&C Insurance Co. Ltd.	43,496	46,361	3.20	3.10	235.00	260.00
Sunshine Property and Casualty Insurance Co. Ltd.	40,933	40,409	3.00	2.70	142.80	223.90
Taiping General Insurance Co. Ltd.	27,971	28,667	2.00	1.90	110.30	186.10
ZhongAn Online P&C Insurance Co. Ltd.	20,480	23,660	1.50	1.60	285.20	299.10
Yingda Taihe Property Insurance Co. Ltd.	10,682	11,657	0.80	0.80	238.10	257.10
Huatai Property & Casualty Insurance Co. Ltd.	7,946	9,020	0.60	0.60	236.90	253.30
Bank of China Insurance Co. Ltd.	5,771	5,800	0.40	0.40	312.80	337.90
AXA Tianping Property & Casualty Insurance Co. Ltd.	5,944	6,075	0.40	0.40	202.60	202.60
Alltrust Property Insurance Co. Ltd.	7,666	7,254	0.60	0.50	214.30	214.30
Allianz Jingdong General Insurance Co. Ltd.	4,335	5,257	0.30	0.40	156.80	174.00

RMB--Renminbi. P/C--Property and casualty. C-ROSS--China Risk-Oriented Solvency System.

Source: Companies' quarterly C-ROSS solvency reports, National Financial Regulatory Administration.

*2022 solvency ratios are under C-ROSS II. RMB--Renminbi. P/C--Property and casualty. C-ROSS--China Risk-Oriented Solvency System.

Source: Companies' quarterly C-ROSS solvency reports, National Financial Regulatory Administration

Life insurers' market position						
	Gross premium (mil. RMB)		Market share (%)		Core solvency ratio (%) 2022 *	Comprehensive solvency ratio (%) 2022 *
	2021	2022	2021	2022		
China Life Insurance Co. Ltd.	618,327	615,200	19.80	19.20	143.50	206.80
Ping An Life Insurance Company of China Ltd.	457,035	439,277	14.60	13.70	124.10	219.70
China Pacific Life Insurance Co. Ltd.	211,685	225,343	6.80	7.00	132.00	218.00
Taiping Life Insurance Co. Ltd.	149,129	154,002	4.80	4.80	96.80	193.70
New China Life Insurance Co. Ltd.	163,470	163,099	5.20	5.10	140.50	238.20
*Taikang Life Insurance Inc.	164,722	170,840	5.30	5.30	105.80	211.60
PICC Life Insurance Co. Ltd.	96,847	92,702	3.10	2.90	118.00	204.00
China Post Life Insurance Co. Ltd.	85,809	91,434	2.70	2.80	74.00	133.70
ICBC-AXA Assurance Co. Ltd.	46,574	49,122	1.50	1.50	94.00	154.00
Sunshine Life Insurance Co. Ltd.	60,827	68,295	1.90	2.10	107.70	156.20
AIA Co. Ltd. (China)	45,330	51,037	1.50	1.60	231.20	383.90
CCB Life Insurance Co. Ltd.	48,397	50,016	1.50	1.60	73.00	124.00
ABC Life Insurance Co. Ltd.	29,400	33,266	0.90	1.00	82.90	151.50
CITIC-Prudential Life Insurance Co. Ltd.	26,827	31,189	0.90	1.00	127.80	218.40
BoComm Life Insurance Co. Ltd.	16,941	18,144	0.50	0.60	108.50	197.10

RMB--Renminbi. C-ROSS--China Risk-Oriented Solvency System.

Source: Companies' quarterly C-ROSS solvency reports, National Financial Regulatory Administration

*2022 solvency ratios are under C-ROSS II. RMB--Renminbi. C-ROSS--China Risk-Oriented Solvency System. Source: Companies' quarterly C-ROSS solvency reports, National Financial Regulatory Administration

Ref: *China Insurance: Change Is Painful* - by S&P Global Ratings, 21 Jun, 2023

China's insurance sector total assets

The total assets of China's insurance sector amounted to 27.1 trillion yuan (3.97 trillion U.S. dollars) at the end of 2022, official data showed Wednesday.

This figure was 2.3 trillion yuan more than that at the beginning of 2022, said CBIRC.

Assets of Insurance Companies (100 million yuan)						
Year	Total Assets	Property Insurance Companies	Life Insurance Companies	Reinsurance Companies	Domestic Funded Insurance Companies	Foreign-funded Insurance Companies
2020	232984.30	23422.59	199789.74	4956.29	216367.12	17076.79
2021	248874.05	24512.74	213894.93	6057.45	228766.77	20107.28
2022	271467.47	26707.95	233744.86	6719.45	248909.94	22557.53

The total assets of the sector grew steadily in 2022 as it continued to strengthen efforts to serve the real economy, the commission said.

Combined insurance premium incomes stood at 4.7 trillion yuan, while expenditure on compensation and payment reached 1.5 trillion yuan in 2022.

Reinsurance Business:

The reinsurance market in China had been growing steadily in recent years, driven by increasing demand for risk management solutions and the Chinese government's initiatives to support the development of the insurance industry. CBIRC had implemented policies to encourage foreign reinsurers to enter the market and to support the growth of domestic reinsurers.



According to a report by Swiss Re, the reinsurance market in China grew by 8.5% in 2020, outpacing the global reinsurance market's growth rate of 5.5%. The report also highlighted that China is the world's fourth-largest reinsurance market and the second largest one in the Asia-Pacific region, behind Japan.

According to NFRA, at the end of 2021, the total assets of reinsurance companies were CNY 605.7 billion (\$84.6 billion), and the annual compound growth rate was 12.5% from 2013 to 2021.

In recent years, China has also established several reinsurance hubs, such as the Shanghai International Insurance Hub and the Beijing-Tianjin-Hebei Insurance Exchange, to promote the development of the reinsurance market.



Strengths	<ul style="list-style-type: none"> ▪ In absolute terms, Mainland China's insurance sector is huge, with a potential consumer market of about 1.4bn people. ▪ Both the life and non-life sub-sectors are at an early stage of development, with penetration and density still low. ▪ Rising salaries and household income levels provide a longterm platform for growth in motor vehicle and other insurance lines. ▪ Demographic changes, including a rapidly ageing population, are driving demand for health and life insurance coverage.
Weaknesses	<ul style="list-style-type: none"> ▪ Despite the overall size of the population, the market for insurance products remains largely confined to urban, middleclass residents. ▪ With the exception of the motor insurance market, awareness of and demand for non-life products remain quite limited. ▪ Competition is extremely fierce in more mature segments, including motor insurance. ▪ Rising capital requirements make it difficult for smaller insurers to expand into new markets.
Opportunities	<ul style="list-style-type: none"> ▪ Health insurance is a rapidly growing segment, with longterm potential. A rise in morbidity will increase the uptake of private health insurance. ▪ Product innovation and investments in e-commerce sales channels will support momentum. ▪ The new rules pertaining to foreign ownership of life insurance companies that came into effect in 2020 will result in increased foreign capital. ▪ Property insurance remains a small line, indicating that there is considerable potential in this segment of the market. ▪ The continued urbanisation of China's population will create rising demand for property and other insurance lines. ▪ Uncertainty surrounding the stability of China's pension system will drive consumers to the life insurance market. ▪ The market's rapidly expanding financial services sector will drive demand for credit and financial guarantee, general liability and other corporate insurance lines.
Threats	<ul style="list-style-type: none"> ▪ The authorities continue to exert pressure on online insurance providers by tightening the compliance framework. ▪ Adverse regulatory changes could hamper foreign investors and create barriers for new entrants. ▪ An economic slowdown remains a key source of downside risk. ▪ A slowdown in the property market could affect property premiums and have contagion effects throughout the wider economy. ▪ Further Covid-19-related restrictions could affect economic growth and household spending. ▪ Life insurance faces competition from other conduits for organised savings, both in the mainstream financial system and in China's sprawling shadow finance system.

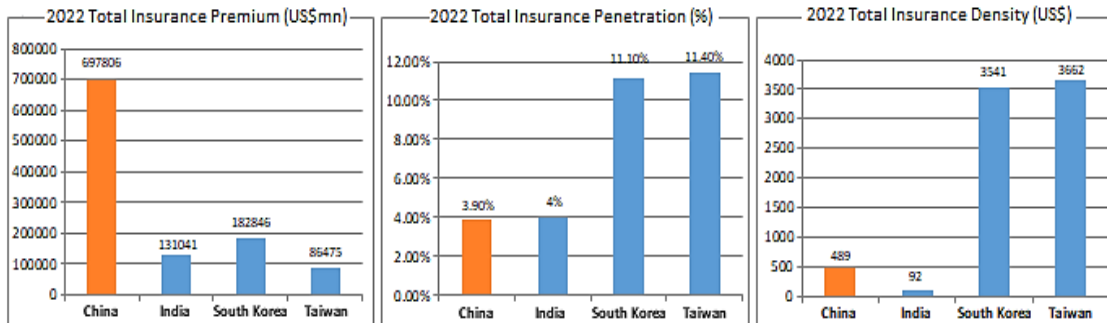
➤ CHINA Insurance Market: Regional Comparison

ASIA-PACIFIC INSURANCE RISK/REWARD INDEX

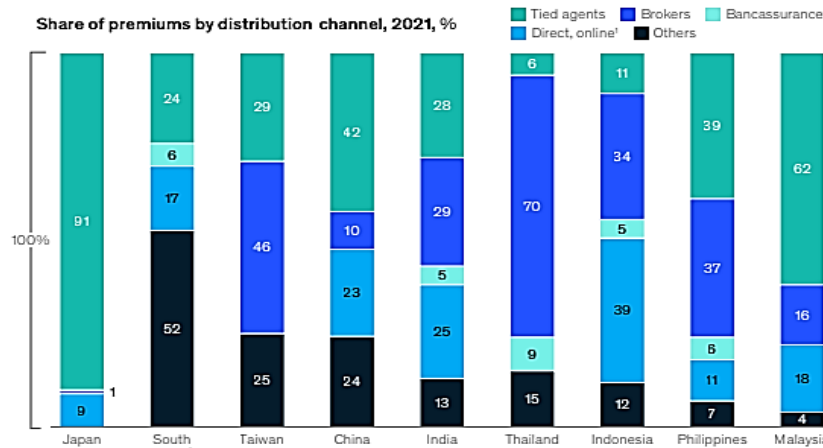
	Industry Rewards	Industry Rewards Non-Life	Industry Rewards Life	Country Rewards	Rewards	Industry Risk	Country Risks	Risks	Insurance Risk/Reward Score	Rank
Singapore	83.75	75.00	92.50	71.62	78.90	95.00	77.11	84.27	80.51	1
Hong Kong, China	76.25	60.00	92.50	71.28	74.26	100.00	67.47	80.48	76.13	2
South Korea	83.75	82.50	85.00	63.16	75.51	60.00	78.92	71.35	74.27	3
Australia	70.00	80.00	60.00	62.08	66.83	90.00	84.64	86.78	72.82	4
Taiwan, China	78.75	75.00	82.50	59.71	71.13	70.00	75.62	73.37	71.81	5
Japan	77.50	72.50	82.50	53.57	67.93	65.00	81.12	74.67	69.95	6
New Zealand	51.25	57.50	45.00	67.66	57.81	90.00	80.45	84.27	65.75	7
Mainland China	72.50	70.00	75.00	43.49	60.90	55.00	60.30	58.18	60.08	8
Malaysia	52.50	47.50	57.50	61.06	55.93	75.00	61.20	66.72	59.16	9
Thailand	60.00	55.00	65.00	53.35	57.34	70.00	58.44	63.07	59.06	10
India	65.00	60.00	70.00	42.99	56.20	45.00	64.31	56.59	56.31	11
Macao, China	40.00	27.50	52.50	64.27	49.71	65.00	55.67	59.40	52.61	12
Philippines	45.00	40.00	50.00	46.40	45.56	75.00	56.21	63.72	51.01	13
Indonesia	48.75	42.50	55.00	47.68	48.32	55.00	57.12	56.27	50.71	14
Vietnam	46.25	40.00	52.50	42.53	44.76	55.00	50.14	52.08	46.96	15
Sri Lanka	18.75	15.00	22.50	40.16	27.32	45.00	46.13	45.68	32.82	16
Mongolia	11.25	15.00	7.50	48.56	26.17	40.00	53.45	48.07	32.74	17
Fiji	18.75	20.00	17.50	42.28	28.16	50.00	32.63	39.58	31.59	18
Pakistan	21.25	17.50	25.00	37.23	27.64	40.00	35.75	37.45	30.59	19
Bangladesh	21.25	22.50	20.00	36.93	27.52	20.00	46.74	36.04	30.08	20
Cambodia	7.50	15.00	0.00	39.96	20.48	40.00	30.24	34.14	24.58	21
Regional Average	50.00	47.14	52.86	52.19	50.88	61.90	59.70	60.58	53.79	

Note: May include territories, special administrative regions, provinces and autonomous regions.
Scores out of 100; higher score = lower risk.

Source: BMI



Source: www.sigma-explorer.com



Source: Global Insurance Report 2023: The future of Asia P&C insurance - by McKinsey & Company

➤ CHINA: Insurance Market Forecast:

- We forecast growth of 8.2% y-o-y for total gross premiums written in Mainland China in 2023, up from growth of 4.4% in 2022. Growth will be slightly faster in the smaller non-life insurance segment, which will account for 48.6% of total premiums written, although from 2027 this sector will be the larger of the two. Total premium growth will slow to 7.7% y-o-y in 2024.
- For the life sector, we forecast premium growth of 4.9% and 5.5% y-o-y in 2023 and 2024 respectively, compared to 4.0% in 2022. We forecast annual average premium growth of 6.4% across our 10-year forecast period to 2032, down from a pre-pandemic five-year average of 16.5%. Growth will be mostly driven by market liberalization and rising household incomes.
- We forecast premium growth in the slightly smaller non-life insurance sector of 11.9% and 10.0% y-o-y in 2023 and 2024 respectively, up from 4.9% in 2022. A We forecast average annual premium growth of 9.8% between 2023 and 2027, thus outperforming the life sector and the insurance sector as a whole, but still below pre-pandemic five-year average growth of 15.8% y-o-y.



Gross Insurance Premiums Written (Mainland China 2022-2027)

Indicator	2022	2023e	2024f	2025f	2026f	2027f
Total gross premiums written, CNYbn	4,623.80	5,014.05	5,380.60	5,786.53	6,270.20	6,785.69
Total gross premiums written, CNY, % y-o-y	4.4	8.4	7.3	7.5	8.4	8.2
Gross life premiums written, CNYbn	2,451.90	2,599.51	2,713.46	2,878.52	3,093.95	3,325.45
Gross life premiums written, CNY, % y-o-y	4.0	6.0	4.4	6.1	7.5	7.5
Gross non-life premiums written, CNYbn	2,171.90	2,414.54	2,667.14	2,908.01	3,176.25	3,460.24
Gross non-life premiums written, CNY, % y-o-y	4.9	11.2	10.5	9.0	9.2	8.9

e/f = BMI estimate/forecast. Source: CBIRC, BMI

Gross Insurance Premiums Written (Mainland China 2028-2032)

Indicator	2028f	2029f	2030f	2031f	2032f
Total gross premiums written, CNYbn	7,321.84	7,899.07	8,496.60	9,127.39	9,737.97
Total gross premiums written, CNY, % y-o-y	7.9	7.9	7.6	7.4	6.7
Gross life premiums written, CNYbn	3,573.12	3,835.90	4,114.97	4,406.46	4,708.37
Gross life premiums written, CNY, % y-o-y	7.4	7.4	7.3	7.1	6.9
Gross non-life premiums written, CNYbn	3,748.72	4,063.18	4,381.64	4,720.93	5,029.60
Gross non-life premiums written, CNY, % y-o-y	8.3	8.4	7.8	7.7	6.5

f = BMI forecast. Source: CBIRC, BMI

References & Resources

