

PRC Insurance Brokerage Market Further Opens to Foreign Investors

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The Opening-up of the PRC insurance market has been accelerated during the recent two years.

Since the release of the *Notice of the State Council on Several Measures for Opening Wider to the Outside World and Making Active Use of Foreign Investment* on January 1st, 2017, the China Banking and Insurance Regulatory Commission ("CBIRC", including the former China Insurance Regulatory Commission ("CIRC")) has issued several provisions and guidance to further attract foreign investors to enter PRC insurance market. Relevant regulations include the *Notice of the CBIRC on Liberalizing the Business Scope of Foreign-invested Insurance Brokerage Companies*, *Notice of the CBIRC on Allowing Overseas Investors to Operate Insurance Adjuster Business in China*, *Notice of the CBIRC on Allowing Overseas Investors to Operate Insurance Agent Business in China*, etc.

Under the general trend of expanding opening-up of the PRC financial market, according to the official news of the CBIRC¹ on May 1st, recently, in a press interview of People's Daily, Xinhua and Economic Daily, the CBIRC Chairman, Mr. GUO Shuqing, announced CBIRC's plan to release 12 new measures to further lower the entry threshold for foreign companies investing in the PRC banking and insurance industries.

The insurance brokerage companies have been a hot target for investment for several years. However, due to the license supervision of the CBIRC and the high standard for obtaining license in the insurance industry, it's not easy for investors to successfully get an insurance brokerage license, especially for foreign investors.

Good news is, after liberalizing the business scope of foreign-invested insurance brokerage companies by the CBIRC on April 27th, 2018, this year, CBIRC is planning to abolish two requirements for foreign insurance brokerage companies to operate business in China, i.e. 30 years of business operation history and 200 million USD of total assets. **If this reform is put into place, the equal status of domestic investors and foreign investors in entering the PRC insurance brokerage market is expected to be reached.**

The timeline on the foreign investment threshold in the PRC insurance brokerage market and its abolishment is as follows:

Threshold	Issuing Date	Title of Regulation or Guidance
1. Upon accession Foreign insurance brokerage companies shall be	March 12, 2002	<i>Notice of the CIRC on Printing and Distributing</i>

¹ CBIRC General Office: GUO Shuqing Accepted the Interview on Expanding Opening-up in the Banking and Insurance Industries, <http://www.cbirc.gov.cn/chinese/newShouDoc/BA010F215FBE45D1A26A91AD046A3C83.html>, 2019-05-01

<p>permitted to undertake cross-border brokerage for insurance of large-scale commercial risks, brokerage for insurance, and brokerage for international marine, aviation, and transport insurance and reinsurance. Foreign insurance brokerage companies shall be permitted to establish joint ventures in Shanghai, Guangzhou, Dalian, Shenzhen and Foshan, with foreign ownership of no more than 50%. The abovementioned companies shall be permitted to undertake brokerage for insurance of large-scale commercial risks, brokerage for reinsurance, brokerage for international marine, aviation, and transport insurance and reinsurance. Meanwhile, foreign insurance brokerage companies are permitted to provide "master policy" brokerage services in accordance with the national treatment.</p> <p>The issuing of business permits shall not be subject to economic needs tests or quantitative restrictions. The qualifications for establishing a foreign insurance brokerage institution in China are the same as those for life insurance companies, except that the foreign insurance brokerage company shall have the total assets of no less than USD 5 billion at the end of the year prior to application.</p> <p>(The establishment conditions for a foreign-invested life insurance company are:</p> <p>(i) the foreign investor shall be a foreign insurance company with an operating history of more than 30 years in the territory of WTO members;</p> <p>(ii) the foreign investor shall have representative offices in China for two consecutive years; and</p> <p>(iii) the total assets of the foreign investor at the end of the year prior to the year in which the application is filed shall not be less than USD 5 billion.)</p> <p>2. Within one year after accession</p> <p>To apply for the establishment of a company in China, a foreign insurance brokerage company shall at least have the total assets of USD 400 million at the end of the year prior to the application.</p> <p>3. Within two years after accession</p> <p>To apply for the establishment of a company in China, a foreign insurance brokerage company shall at least have the total assets of USD 300 million at the end of the year prior to the application.</p> <p>4. Within three years after accession</p>	<p><i>Insurance-related Contents of Legal Documents Concerning China's Accession to WTO</i></p>
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<p>Geographic restrictions will be lifted, and the foreign equity therein shall not exceed 51%.</p> <p>5. Within four years after accession To apply for the establishment of a company in China, a foreign insurance brokerage company shall at least have the total assets of USD 200 million at the end of the year prior to the application.</p> <p>6. Within five years after accession A foreign insurance brokerage company shall be permitted to establish wholly foreign-owned subsidiaries in China (there are no other restrictions except for the establishment conditions and restrictions on business scopes)</p>		
<p>Liberalizing the business scope of foreign-invested insurance brokerage companies until there is no difference between foreign-invested and domestic-invested brokerage companies in this regard:</p> <p>A foreign-invested insurance brokerage institution may engage in the following types of insurance brokerage business in China:</p> <p>(1) Developing insurance application plans, selecting insurers and handling insurance application procedures for insurance applicants;</p> <p>(2) Assisting the insured or beneficiaries to make claims;</p> <p>(3) Reinsurance brokerage business;</p> <p>(4) Providing clients with disaster prevention, loss prevention or risk assessment and risk management consulting services; and,</p> <p>(5) Other business approved by the CBIRC.</p>	<p>April 27th, 2018</p>	<p><i>Notice of the CBIRC on Liberalizing the Business Scope of Foreign-invested Insurance Brokerage Companies</i></p>
<p>Abolishing the requirement of two years of representative office before set-up of foreign-invested insurance institutions</p> <p>Note: it is not consistent in CBIRC regulations whether “insurance institutions” includes insurance intermediary institutions or not. So, the definition of “insurance institutions” is still subject to the explanation of the CBIRC.</p>	<p>April 27th, 2018</p>	<p>CBIRC official news: <i>CBIRC Accelerates the Implementation of Opening-up Measures in the Banking and Insurance Industries</i>²</p>
<p>Abolishing the requirement of 30 years of business operation history and 200 million USD of total assets for foreign brokerage companies operating insurance brokerage business in China</p>	<p>May 1st, 2019</p>	<p>CBIRC official news: <i>GUO Shuqing Accepted the Interview on Expanding Opening-up in the Banking and Insurance Industries</i></p>

² CBIRC General Office: CBIRC Accelerates the Implementation of Opening-up Measures in the Banking and Insurance Industries, <http://www.cbrc.gov.cn/chinese/newShouDoc/BEE68B1C27C04D6CBF04233814F9B7C8.html>, 2018-04-27

At present, there are only a few foreign-invested insurance brokerage companies in China. The foreign-invested insurance brokerage companies here refer to companies with foreign ownership of no less than 25%. According to official statistics, PRC insurance market has only 6 foreign-invested insurance brokerage companies³³, including Marsh China(wholly foreign-owned), Guy Carpenter Beijing(wholly foreign-owned), Willis Shanghai(90% of foreign capital), Aon-COFCO(50% of foreign capital), etc. the foreign shareholder of those companies are all famous insurance brokerage companies in this industry with long history. According to CBIRC, the purpose of abolishing the requirement of 30 years of business operation history and 200 million USD of total assets is to encourage and attract the comparatively young but high-quality and competitive foreign insurance brokerage companies to enter PRC market and to deepen the communication and cooperation between PRC companies with advanced foreign brokers. As the next step, CBIRC will start the revision of current regulations to put the opening measures into place.

It is predictable that an increasing number of foreign investors will start to try applying for PRC insurance brokerage licenses.

³³ Xinhua News Agency LI Yanxia: CBIRC Press Spokesman XIAO Yuanqi Explains the New Opening-up Measures in the Banking and Insurance Industries, http://www.xinhuanet.com/fortune/2019-05/02/c_1124443991.htm, 2019-05-02