

Who is the new regulator of China insurance industry?

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On 8 April 2018, China Banking and Insurance Regulatory Commission (CBIRC) was formally unveiled in Beijing, marking the official launch of the new regulatory authority into operation. This merger of the former China Banking Regulatory Commission (CBRC) and the former China Insurance Regulatory Commission (CIRC) is considered the biggest reform of China's financial regulatory system in over fifteen years, bringing an end to the "One Bank, Three Commissions" (一行三会) regulation framework, and marking the start of the "One Committee, One Bank, Two Commissions" (一委一行两会) regulation framework (referring to the Financial Stability and Development Committee, PBOC, CBIRC and CSRC). Since then, Chinese insurance market has the new regulator. This huge change has not been completed because it not only brought the reorganization to CBRC and CIRC, but also to the local bureaus (branches) of CBRC and CIRC, and the latter should cost more time.

Guo Shuqing (郭树清), the former chair of CBRC, is the inaugural and current chair of CBIRC. One of the previous seven vice chairs, Chen Wenhui, the former vice chair of CIRC, was moved to the National Council for Social Security Fund.

According to the information disclosed at CBIRC's official site, the senior officials are as below:

Chair: Guo Shuqing (郭树清)

Vice Chairs: Wang Zhaoxing(王兆星), Huang Hong (黄洪), Cao Yu (曹宇), Zhou Liang (周亮), Liang Tao (梁涛), Zhu Shumin (祝树民)

Head of Discipline Inspection Team: Li Xinran (李欣然)

Based on the announcement of State Council, the CBIRC's department responsibilities are as below:

- **General Administration Department (办公厅/党委办公室):** Responsible for daily operation, including security, letters and visits, confidentiality, government affairs transparency, information and propaganda.
- **Policy Research Bureau (政策研究局):** Studies and implements reform and opening up policies for banking and insurance; researches domestic and international economic and financial circumstances, and the development, reform, method, and operation of international

banking and insurance supervision; and puts forth recommendations on banking and insurance supervision.

- **Legal Department (法规部)**: Drafts laws and rules for banking and insurance as well as related supervision regulations; conducts legal review work; and is responsible for administrative reconsideration, responses, and punishment etc.
- **Statistical Information and Risk Monitoring (统计信息与风险监测部)**: Responsible for the supervision of statistics, preparation and disclosure of regulatory statements, and the analysis and detection of early warnings of industry risks for banking and insurance; and responsible for information security, as well as information technology risk supervision of banking and insurance institutions.
- **Finance and Accounting (财务会计部/偿付能力监管部)**: Manages financial work, and edits and reports the budget and annual financial accounts of the system; establishes a solvency supervision indicator system and supervises the use of insurance protection funds.
- **Financial Inclusion Affairs Department (普惠金融工作部)**: Promotes banking and insurance financial inclusion affairs and formulates and implements related policies and rules; guides the financial services offered by banking and insurance institutions to small and medium companies, three rural issues, and special groups.
- **Corporate Governance Supervision (公司治理监管部)**: Formulates supervision regulations for banking and insurance institutions' governance; supervises equity management and corporate governance; and guides the work of strengthening equity management, regulating shareholder behaviors, and improving corporate governance.
- **Banking Institution Inspection (银行机构检查局)**: Formulates and implements the on-site inspection plan for banking institutions; and evaluates inspections and offers suggestions regarding correctness, supervision, and punishment.
- **Non-bank Financial Institutions Supervision (非银行机构检查部)**: Formulates and implements the on-site inspection plan for non-bank financial institutions; and evaluates inspections and offers suggestions regarding correctness, supervision, and punishment.
- **Major Risk Events and Cases Management (重大风险事件与案件处置局)**: Formulates the investigative rules for rule and law violation cases; leads the investigations for major and cross-region risky cases and rule and law violation cases; and guides and inspects banking and insurance institutions' security work.
- **Innovative Business Supervision (创新业务监管部)**: Supervises and guides banking and insurance institutions' asset management businesses; and studies new supervision measures for emerging businesses.
- **Consumer Rights Protection (消费者权益保护局)**: Studies and formulates plans and measures for consumer rights protection; and investigates and handles cases violating

consumer rights and addresses consumers' complaints.

- **Combating Illegal Financial Activities (打击非法金融活动局)**: Bans illegally-established financial institutions or financial businesses without licenses; and identifies, investigates and addresses, and bans illegal fundraising, as well as transfers such cases to relevant departments.
- **Policy Banks Supervision (政策性银行监管部)**: Manages the admission of policy banks and development banks; conducts off-site supervision, risk analysis, grading, and on-site investigation based on risk supervision requirements; and formulates and implements measures addressing the risk supervision and market exit of individual cases.
- **Large State-Controlled Commercial Bank Supervision (国有控股大型商业银行监管部)**: Manages the admission of large state-controlled commercial banks; conducts off-site supervision, risk analysis, grading, and on-site investigation based on risk supervision requirements; and formulates and implements measures addressing the risk supervision and market exit of individual cases.
- **National Shareholding Banks Supervision (全国性股份制商业银行监管部)**: Manages the admission of national shareholding banks; conducts off-site supervision, risk analysis, grading, and on-site investigation based on risk supervision requirements; and formulates and implements measures addressing the risk supervision and market exit of individual cases.
- **City Commercial Banks Supervision (城市商业银行监管部)**: Manages the admission of city commercial and private banks; conducts off-site supervision, risk analysis, grading, and on-site investigation based on risk supervision requirements; and formulates and implements measures addressing the risk supervision and market exit of individual cases.
- **Rural Medium and Small Banking Institution Supervision (农村中小银行机构监管部)**: Manages the admission of rural medium and small banking institutions; conducts off-site supervision, risk analysis, grading, and on-site investigation based on risk supervision requirements; and formulates and implements measures addressing the risk supervision and market exit of individual cases.
- **International Cooperation and Foreign-Invested Institution Supervision (Office of Hong Kong and Macau SARs & Taiwan Affairs) (国际合作与外资机构监管部/港澳台办公室)**: Responsible for international affairs and cooperation as well as Hong Kong, Macao, and Taiwan affairs. Manages the admission of foreign-owned banks and insurance institutions; conducts off-site supervision, risk analysis, grading, and on-site investigation based on risk supervision requirements; and formulates and implements measures addressing the risk supervision and market exit of individual cases.
- **Property Insurance Supervision (Reinsurance supervision) (财产保险监管部/再保险监管部)**: Manages the admission of asset insurance and reinsurance institutions; conducts off-

site supervision, risk analysis, grading, and on-site investigation based on risk supervision requirements; and formulates and implements measures addressing the risk supervision and market exit of individual cases.

- **Personal Insurance Supervision (人身保险监管部):** Manages the admission of personal insurance institutions; conducts off-site supervision, risk analysis, grading, and on-site investigation based on risk supervision requirements; and formulates and implements measures addressing the risk supervision and market exit of individual cases.
- **Insurance Intermediaries Supervision (保险中介监管部):** Manages the admission of insurance intermediary institutions; formulates the code of conduct and requirements for insurance intermediary practitioners; and manages insurance intermediary institutions' behavior and investigates and punishes rule violations.
- **Insurance Funds Investment Supervision (保险资金运用监管部):** Establishes the risk assessment, early warning, and supervision systems for insurance funds investment; manages the admission of insurance fund investment institutions; conducts off-site supervision, risk analysis, grading, and on-site investigation based on risk supervision requirements; and formulates and implements measures addressing the risk supervision and market exit of individual cases.
- **Trust Supervision (信托监管部):** Manages the admission of trust institutions; conducts off-site supervision, risk analysis, grading, and on-site investigation based on risk supervision requirements; and formulates and implements measures addressing the risk supervision and market exit of individual cases.
- **Other Non-Banking Financial Institution Supervision (其他非银行金融机构监管部):** Manages the admission of corporate group financial company, financial leasing company, auto finance company, consumer finance company, currency brokerage company; conducts off-site supervision, risk analysis, grading, and on-site investigation based on risk supervision requirements; and formulates and implements measures addressing the risk supervision and market exit of individual cases.
- **Personnel (Organization department of the CPC Committee) (人事部/党委组织部):** Drafts and develops rules and regulations for human resource management; and oversees cadre education and training.
- **CBIRC Headquarters CPC Committee (机关党委/党委宣传部):** Responsible for CBIRC's CCP relations.

According to comments from Xu Zhong (徐忠), the head of the People's Bank of China's research department, the merger of CBRC and CIRC into CBIRC is intended to improve the efficiency and coordination of Chinese financial regulation, as well as better deal with the increasingly "integrated" nature of China's finance sector and the overlap between banking and insurance operations.

After the research on the structure of CBIRC, we could find the changes and tendency brought by the reorganization towards to insurance regulation:

First, the specific market supervision departments, such as Property Insurance Supervision, Personal Insurance Supervision and Insurance Intermediaries Supervision, will be in charge of not only the concrete market behaviors, but also the license application and governance structure of insurers (Part of governance structure issues are handled by Corporate Governance Supervision together). Before the reorganization, the insurance license application and part of governance structure were handled by the Development and Reform department of CIRC.

Second, the Development and Reform department, which was treated as the most important department of CIRC, is not on the list of current departments of CBIRC.

Third, before the reorganization, some expected that Insurance Funds Investment Supervision will not exist. The contradictory reality stresses the importance of insurance funds utilization, and showcases the uniqueness of the insurance funds, comparing with banking assets.

Forth, Innovative Business Supervision attracts much attention, and this brand-new department shows PRC regulator's tendency to support the innovation and reform in the financial industry.

Lastly, International Cooperation and Foreign-Invested Institution Supervision is transformed through the International Department of CIRC, which is responsible for the regulation of foreign-invested insurers and intermediaries. This department demonstrates that dual regulation system, the separate regulation over the domestic and foreign-invested insurance entities, will exist for some time.