

Is the foreign-invested insurance agency license now open to foreign investors?

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For foreign investors, who are eager for an admission ticket into the Chinese insurance market, obtaining an insurance intermediary license in China would be one of the considerable options. A Chinese insurance agency company, as an investable target, undoubtedly has a great attraction to foreign investors. Comparing with insurance brokerage license, it is more difficult for foreign investor to get an insurance agency license in China. In practice, the China Banking and Insurance Regulatory Commission (the “CBIRC”) has classified as foreign-invested insurance agency companies for those companies with the total foreign shareholding ratio of more than 25%. Therefore, for those foreign investors, who prefer to hold control over a Chinese insurance agency, it is logical to consider either way of setting up a new foreign-invested insurance agency company or acquiring an existing foreign-invested agency company. This article is aimed to give a brief introduce on the current situation of foreign-invested insurance agencies in China.

Overall, the opening-up of the Chinese insurance market has been accelerated during the recent two years. On June 19th, 2018, for the purpose of promoting development of Chinese insurance agent industry, the CBIRC announced a notice (the “Notice”) on allowing foreign investors to operate insurance agent business in China. The Notice indicated that 1) professional insurance agencies established in China by **foreign professional insurance agencies which have three or more years of experience in operating insurance agent business** may operate insurance agent business; the relevant provisions on professional insurance agencies shall apply to their scope of business and market entry standards; 2) professional insurance agencies established in China by **foreign-funded insurance companies in China which have operated business for three or more years** may operate insurance agent business; the relevant provisions on professional insurance agencies shall apply to their scope of business and market entry standards.

In addition, in order to consolidate a closer economic partnership, several special arrangements have been reached between the mainland of China and Hong Kong & Macao, which give greenlights to

certain entities of Hong Kong & Macao with different criteria:

- 1) **Hong Kong Insurance Agency companies** are allowed to set up wholly-owned insurance agency companies in the mainland;
- 2) **Hong Kong Insurance brokerage companies** are allowed to set up wholly-owned insurance agency companies in Guangdong Province (including Shenzhen), and the place of operation should be in Guangdong Province (including Shenzhen);
- 3) **Macao Insurance brokerage companies** are allowed to set up wholly-owned insurance agency companies in Guangdong Province (including Shenzhen) on a pilot basis, and the place of operation should be in Guangdong Province (including Shenzhen).

Although the above-mentioned foreign investors are all theoretically eligible to set up or invest in foreign-invested insurance agency companies, in fact according to the preliminary research, there may be only one foreign-invested insurance agency company on the market at present, which is Zhongsheng (Tianjin) insurance sales Co.,Ltd., and we found further that since July 11, 2018, the CBIRC has suspended issuing any new license for insurance agency companies(including the domestic and the foreign-invested). **It explicitly appears that at present, the CBIRC's control over foreign-invested insurance agency companies is still very stringent, and our inclination is that the set-up of a foreign-invested insurance agency company, access to the CBIRC approval is difficult. In the meanwhile, only one target company option would also prevent from an acquisition plan of an existing foreign-invested insurance agency company for foreign investors.**

Provided that foreign investors wish to acquire control over an existing domestic insurance agency company, the nature of such insurance agency company will be changed from a domestic insurance agency company to a foreign-invested insurance agency company (with the foreign shareholding ratio exceeding 25%), under this circumstance, the qualification requirements and approval procedures are virtually the same as the setup of a new foreign-invested insurance agency company, that is, to meet the relevant requirements for **the set-up of new foreign-invested** insurance agency companies, rather than the relevant requirements for **the acquisition of domestic** insurance agency companies. Foreign investors, then, will have to face the various qualification requirements mentioned above which seems difficult to circumvent.

In conclusion, the Chinese insurance agency market further opens to foreign investors but has not been fully liberalized yet, at this stage it is still negative for foreign investors to set up a new foreign-invested insurance agency company. On the other hand, acquiring an existing domestic insurance agency company with controlling power will also trigger the procedures for setup application of a foreign-invested insurance agency license. It is uncertain and unforeseeable for an accurate timescale of the CBIRC formally restarting the examination and approval for new licenses, however, with the further implementation of the opening measure, we believe the reopening date is approaching.