ACKNOWLEDGEMENTS

The publisher acknowledges and thanks the following for their assistance throughout the preparation of this book:

ADVOKATFIRMAET SCHJØDT AS
ANJIE LAW FIRM
BUN & ASSOCIATES
CLAYTON UTZ
CLYDE & CO LLP
DAC BEACHCROFT LLP
GFB ATTORNEYS-AT-LAW LTD
GOUVEIA PEREIRA, COSTA FREITAS & ASSOCIADOS, SOCIEDADE DE ADVOGADOS, SP, RL
GROSS ORAD SCHLIMOFF & CO
GÜN + PARTNERS
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INCE
JORQUIERA & ROZAS ABOGADOS
KENNEDYS
LC RODRIGO ABOGADOS
MAMO TCV ADVOCATES
MAPLES GROUP
MATHESON
NADER, HAYAUX & GOEBEL
NISHIMURA & ASAHI
PINHEIRO NETO ADVOGADOS
POUL SCHMITH
Acknowledgements

RUSSELL MCVEAUGH
SCHÖNHERR RECHTSANWÄLTE GMBH
STOEVA, TCHOMPALOV & ZNEPOLSKI
STUDIO LEGALE GIORGETTI
TROUTMAN SANDERS LLP
TULI & CO
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I INTRODUCTION

In 2019, the Chinese insurance industry embraced several changes. First, China further opened up the financial sector of the Chinese market by amending the administrative regulations on foreign-funded insurance companies. These new policies loosen certain restrictions on foreign insurance investors and encourage more insurance institutions to enter the Chinese insurance market. Allianz established the first wholly foreign-owned insurance holding company in China. Secondly, health insurance has seen new developments in China. The China Banking and Insurance Regulatory Commission (CBIRC) released certain new administrative measures on health insurance. Compared with the original regulatory measures, the latest health insurance measures have made innovations in many aspects, including the adjustable rate of long-term medical insurance products. Thirdly, the CBIRC has further strengthened and improved its supervision of property insurance products, further adjusted the scope of examination and approval towards insurance products, and changed the approval mechanism of automobile insurance, credit insurance and guarantee insurance products with a term of more than one year to a filing-for-record mechanism, to avoid the repeated examination and approval of standardised products and vague supervision focus. Lastly, Chinese authorities continue to strengthen the supervision of internet insurance. Under the premise of controllable risk and safe isolation, insurance institutions can actively use the internet, big data, artificial intelligence, blockchain and other new technologies to explore internet insurance business innovation and service innovation, enhance insurance operation efficiency, improve the insurance experience for consumers, and develop a digital ecosystem for the application of insurance technology.

Based on data released by the CBIRC on its official website on 22 January 2020, overall original insurance premium income reached 4.2645 trillion yuan, rising by 12.17 per cent year on year; insurance indemnities and other expenditures reached 1.2894 trillion yuan, rising by 4.85 per cent; the total assets of the insurance industry reached 20.5645 trillion yuan, rising by 12.18 per cent; the net assets of the insurance industry reached 2.4808 trillion yuan, rising by 24.66 per cent; and the overall amount of insurance funds reached 18.5271 trillion yuan, rising by 12.91 per cent.

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1 Zhan Hao is the managing partner and Wang Xuelei, Yu Dan, Chen Jun, Wan Jia and Zhang Xianzhong are partners at AnJie Law Firm.
2 http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=887993&itemId=954.
II REGULATION

In 2019, several new regulations were issued by the CBIRC and other government authorities to press ahead with the reform and development of the insurance industry.

i Measures for Further Opening up the Financial Sector

On 20 July 2019, the Financial Stability and Development Committee under the State Council (FSDC) released the Measures for Further Opening up the Financial Sector. As prescribed in the Measures, China has further expanded the degree of opening up the financial industry and launched 11 measures to open up the financial industry to foreign investors. In terms of the insurance industry, these measures include:

a advancing the transitional period from the originally scheduled 2021 to 2020. From 1 January 2020, the original 51 per cent restriction on the proportion of foreign investment in joint venture life insurance companies will be officially removed, and 100 per cent investment will be allowed;

b abolishing the limit that domestic insurance companies shall hold no less than 75 per cent of the shares in an insurance asset management company in total, and permitting overseas investors to hold over 25 per cent of the shares in such companies; and

c easing the access conditions for foreign insurers by removing the requirement of over-30-year operation experiences.

ii Measures on Health Insurance

On 31 October 2019, the CBIRC released the Measures on Health Insurance. The Measures put forward the basic requirements for insurance companies to operate and develop health insurance. According to the Measures, health insurance mainly includes medical insurance, disease insurance, loss of income insurance, nursing insurance and medical accident insurance. Health insurance companies, life insurance companies and endowment insurance companies may operate health insurance business with the approval of the CBIRC. Insurance companies are encouraged to provide innovative health insurance products to meet the multi-level and diversified health insurance needs of insurance consumers. Insurance companies may adjust the premium rate of the long-term medical insurance products, but must clearly indicate the trigger conditions of the rate adjustment.

iii Administrative Measures on Connected Transactions of Insurance Companies

On 25 August 2019, the CBIRC released the Administrative Measures on Connected Transactions of Insurance Companies (the Connected Transaction Measures). In recent years, the CBIRC has paid great attention to regulating the transfer of interests through illegal connected transactions. Prior to the promulgation of the Connected Transaction Measures, the CBIRC formulated a number of regulatory measures on the identification and management of connected transactions. Compared with the previous regulatory measures, the Connected Transaction Measures optimise the original system from the aspects of improving the management of related parties, strengthening the internal control mechanism of connected transactions, strengthening the external supervision of connected transactions, strengthening the penetration supervision of connected transactions, and strengthening the
supervision responsibility. This will help to prevent related parties from using their special status to infringe the interests of insurance companies, insurance investors or insurance consumers through connected transactions.

iv CBIRC Notice on Further Strengthening the Supervision of Automobile Insurance

On 14 January 2019, the CBIRC released the Notice on Further Strengthening the Supervision of Automobile Insurance. Although the proportion of automobile insurance business is gradually decreasing, the automobile insurance business is still the development focus and main pillar of the Chinese insurance industry, and the competition in this field is also very fierce. The Notice mainly aims at the two outstanding problems of not using approved vehicle insurance terms and rates as required and unfair disclosure of business and financial data. The Notice further promotes the orderly development of automobile insurance.

III INSURANCE AND REINSURANCE LAW

i Sources of law

As China is a civil law country, the sources of law are statutory codes. The sources of insurance law mainly consist of:

a the Insurance Law;
b judicial explanations issued by the Supreme People’s Court;
c other relevant laws promulgated by the National People’s Congress; and
d regulations and guidelines issued by the CBIRC and other relevant government institutions.

ii Making the contract

The Insurance Law does not define a reinsurance contract. In practice, a reinsurance contract is deemed to be a special type of insurance contract concluded between the ceding insurer and the reinsurer.

Pursuant to the Law, an insurance contract is defined as an agreement in which an applicant and an insurer set out their respective rights and obligations under the insurance policy. The term ‘applicant’ refers to the party that concludes the insurance contract with the insurer, and who must pay the premium in accordance with the contract. The term ‘insurer’ refers to the insurance company that concludes the insurance contract with the applicant, and that is liable for paying insurance indemnities in accordance with the contract.

The Law classifies insurance contracts into personal insurance contracts and property insurance contracts classes. A personal insurance applicant shall have an insurable interest in the insured at the time when the insurance contract is formed, while an insured in property insurance shall have an insurable interest in the subject insured at the time when an incident covered by the insurance occurs.

An insurance contract is formed when an insurance applicant applies for insurance and the insurer accepts the application. The insurer shall issue to the insurance applicant an insurance policy or any other insurance certificate in a timely manner.
Pursuant to Article 18 of the Law, an insurance contract shall contain the following:

a the name and address of the insurer;
b the names and addresses of the insurance applicant and the insured, and the name and address of the beneficiary in the case of insurance of a person;
c the subject insured;
d insurance liability and liability exemption;
e the period of insurance and commencement date of insurance liability;
f the amount insured;
g the premium and payment method;
h the method for paying indemnity or insurance benefits;
i liabilities for breaches of contract and resolution of disputes; and
j the day, month and year of the conclusion of the contract.

The insurance applicant and the insurer may agree upon other particulars related to insurance in the insurance contract.

In concluding an insurance contract, the applicant shall make an honest disclosure when the insurer enquires about the subject insured or relevant circumstances concerning the insured. The insurer shall have the right to rescind the insurance contract if the applicant intentionally or with gross negligence fails to perform his or her obligation of making an honest disclosure, thereby materially affecting the decision of the insurer about whether to provide the insurance or whether to increase the premium rate. If an applicant intentionally fails to perform his or her obligation of making an honest disclosure, the insurer shall bear no insurance liability as regards the insured incident occurring prior to the rescission of the contract, or for returning the paid premiums. If an applicant fails to perform his or her obligation of making an honest disclosure out of gross negligence, and this has a material effect on the occurrence of an incident covered by the insurance, the insurer shall, with respect to the incidents occurring prior to the rescission of the contract, bear no insurance liability, but shall return the paid premiums. If an insurer enters into an insurance contract with an applicant knowing that the applicant has failed to disclose a material fact, the insurer shall not rescind the contract, and if an insured incident occurs, the insurer shall bear the insurance liability.

For those clauses in the insurance contract that exempt the insurer from liability, the insurer shall give sufficient warning to the applicant of those clauses in the insurance application form, the insurance policy or any other insurance certificate, and expressly explain the contents of those clauses to the applicant in writing or orally; if the insurer fails to give a warning or explicit explanation thereof, those exemption clauses shall not be effective.

iii Interpreting the contract

The provisions of the insurance contract become ambiguous when the insurer and the insurance applicant, the insured or the beneficiary, have different interpretations of the policy. If a provision is found to be ambiguous, it should be interpreted in accordance with the following interpretation methods.
Semantic interpretation

Semantic interpretation means interpreting the policy with common knowledge in accordance with the common sense of ordinary people. The interpretation cannot deviate from the wording of the policies, and other methods of interpretation can be applied only when the outcome of a semantic interpretation is still unclear. The semantic interpretation method is also the fundamental method.

Systemic interpretation

Systemic interpretation refers to interpreting the provisions based on the entire contents of the contract, and taking into consideration the connection of each provision with the other provisions in the contract.

Contract aim-based interpretation

Contract aim-based interpretation means interpreting the policy in accordance with the real intention of the parties to the insurance contract.

Good faith interpretation

Good faith interpretation is based on the utmost good faith principle, and will interpret the insurance contract by applying the waiver and estoppel rules. The good faith principle is an essential principle in the civil law system, and is similar to the utmost good faith doctrine in the common law system.

Special interpretation

Under a special interpretation, the contents of the schedule outweigh the policy clauses; the handwritten clauses outweigh the printed clauses; and a special exception is that the contents of the application form outweigh the insurance policy and schedule even if the application form is formed earlier than the latter two parts of the insurance contract.

Unfavourable interpretation

Where the insurer and applicant, insured or beneficiary have a dispute over a clause in an insurance contract concluded by using the standard clauses provided by the insurer, the clause shall be interpreted as commonly understood. If there are two or more possible interpretations of the clause, a court or arbitration institution shall interpret the clause in favour of the insured and beneficiary.

iv Insurance intermediaries

Insurance intermediaries include insurance brokerage companies, insurance agencies and insurance assessment institutions. China has adopted the Regulatory Provisions on Insurance Brokerages, the Regulatory Provisions on Professional Insurance Agencies and the Regulatory Provisions on Insurance Adjusters to regulate insurance brokerage companies, insurance agencies and insurance adjusters.

Insurance brokerage companies and insurance agencies have to be in the form of either a limited liability company or a joint-stock limited company. Brokers provide intermediary services to insurance applicants and insurance companies to execute insurance contracts based on the interests of insurance applicants, while insurance agencies are, based on authorisations by insurance companies, authorised to handle insurance business on their behalf. The two
regulations on insurance brokerage companies and insurance agencies respectively provide the requirements on market access, operation rules, market exit, supervision and inspection, and legal liabilities. Further details are also provided regarding the business establishment, qualifications of personnel, scope of business and prohibited acts.

For instance, an insurance brokerage company must meet the following conditions to be established:

\( a \) Shareholders, promoters and sponsors must have a good reputation, and must have no record of major irregularities in the immediately preceding five years.
\( b \) The registered capital must reach a minimum requirement. The minimum registered capital of an insurance brokerage company must be 50 million yuan if it operates beyond a province, autonomous region, centrally administered municipality or the municipality with unilateral planning at the place of its industry and commerce registration. The minimum registered capital of an insurance brokerage company must be 10 million yuan if it operates in within a province, autonomous region, centrally administered municipality or the municipality with unilateral planning at the place of its industry and commerce registration. The registered capital of an insurance brokerage company must be paid in cash.
\( c \) The articles of association must comply with the relevant provisions.
\( d \) The chair of the board of directors, the executive director and senior management must comply with the qualifications specified in the Regulatory Provisions mentioned above.
\( e \) It must have a sound organisational structure and management system.
\( f \) It must have a fixed domicile commensurate with the scale of its business.
\( g \) It must have business, financial and other computer hardware and software facilities commensurate with its business.
\( h \) It must meet other conditions specified in laws, administrative regulations and provisions of the CBIRC.

The same conditions apply for a professional insurance agency.

An insurance brokerage company may engage in the following business:

\( a \) drafting insurance application proposals, selecting insurance companies and handling the insurance application formalities for insurance applicants;
\( b \) assisting the insured or beneficiaries in claiming compensation;
\( c \) reinsurance brokerage business;
\( d \) providing clients with disaster, loss prevention, risk assessment or management consulting services; and
\( e \) other business approved by the CBIRC.

To engage in insurance brokerage business, an insurance brokerage must enter into a written brokerage contract with a client agreeing to the rights and obligations of both parties and other relevant matters. A brokerage contract may not violate any laws or administrative regulations, or the provisions issued by the CBIRC.

In conducting business, an insurance brokerage company must prepare a standard client notification letter. This letter must, at minimum, include basic information about the company, such as its name, business premises, scope of business and any contact methods. If there is any affiliation between the company or its director or senior executive and an insurance company or insurance intermediary institution related to its brokerage business, this must be explained in the client notification letter.
An insurance brokerage practitioner must present the client notification and, at the request of the client, explain the manner of collection and the rate of commissions. The practitioner must also inform the clients of the insurer of an insurance product, make a full and fair analysis of any similar products recommended, and clearly alert an insurance applicant to the clauses in the insurance contract regarding, inter alia, liability exemptions or exceptions, surrender, deduction of other expenses, cash value and the cooling-off period.

A professional insurance agency may engage in the following insurance agency business:

a. selling insurance products as an agent;
b. collecting insurance premiums as an agent;
c. conducting damage surveys and claim settlements for the relevant insurance business as an agent; and
d. other business approved by the CBIRC.

To engage in insurance agency business, a professional insurance agency must enter into a written agency contract with an insurance company, agreeing on the rights and obligations of both parties and other relevant matters. An agency contract may not violate any laws or administrative regulations, or the provisions issued by the CBIRC.

A professional insurance agency must prepare a standard client notification letter and present it to the client while conducting business. The client notification letter must, at a minimum, include basic information about the full-time insurance agency and the represented insurance company, such as their names, business premises, scope of business and contact methods. If there is any affiliation between the professional insurance agency or its director or senior executive and the represented insurance company or the relevant insurance intermediary company, this must be explained in the client notification letter. A professional insurance agency must also clearly alert an insurance applicant of the clauses in the insurance contract regarding, inter alia, liability exemptions or exceptions, surrender, deduction of other expenses, cash value and the cooling-off period.

v. Claims

Under the Insurance Law, the applicant, insured or beneficiary shall, in a timely manner, notify the insurer after becoming aware of the occurrence of an incident covered by the insurance. Where an applicant, insured or beneficiary fails to notify the insurer in a timely manner either intentionally or out of gross negligence, making it difficult to ascertain the nature, cause and extent of the loss of the incident covered by the insurance, the insurer will not be liable for indemnification or payment of the insurance benefits for the indeterminable part, unless the insurer has known or should have known about the incident in a timely manner through other channels. An applicant also has a duty to cooperate with the insurer that is defending a claim on its behalf. The applicant must keep the insurer informed of all major case developments, respond to the insurer’s reasonable enquiries and notify the insurer.

After receiving an insured’s or beneficiary’s claim for indemnity payment, the insurer must assess the claim in a timely manner. If the circumstances are complex, the insurer must complete the assessment within 30 days, unless otherwise agreed upon in the insurance contract. The insurer must notify the insured or beneficiary of the assessment result. For a claim that falls within the insurance coverage, the insurer must perform the obligation of paying the indemnity within 10 days of after reaching an agreement on the payment of indemnity with the insured or beneficiary. If the insurance contract provides otherwise for the time limit for indemnity payment, the insurer must perform the obligation of paying the
indemnity as agreed upon therein. If the insurer fails to perform the obligation as prescribed, it shall, in addition to paying the insurance indemnity, pay compensation for the insured’s or beneficiary’s loss suffered.

In cases where an insurer cannot determine the amount of indemnity to be paid within 60 days of receiving a claim for indemnity and the relevant certificates and materials, it must first pay the amount that can be determined according to the current certificates or materials, and after it finally determines the amount of indemnity to be paid, it shall pay the difference.

IV DISPUTE RESOLUTION

i Jurisdiction, choice of law and arbitration clauses

Jurisdiction

China’s court hierarchy consists of four levels. The primary courts, intermediate courts, high courts and Supreme Court all have jurisdiction as courts of first instance over civil cases, including insurance litigation, in accordance with the amount of a dispute and the influence of the case.

Generally speaking, the primary courts act as the first instance courts in most insurance cases. On 30 April 2015, the Supreme People’s Court issued the Notice of the Supreme People’s Court on Adjusting the Standards for the Jurisdiction of the Higher People’s Courts and Intermediate People’s Courts over Civil and Commercial Cases of the First Instance, and this can be referred to for the hierarchical jurisdiction of insurance disputes.

In terms of territorial jurisdiction, a lawsuit brought on an insurance contract dispute will usually be under the jurisdiction of the court where the domicile of the defendant or the insured object is located. Further, pursuant to Article 21 of the Interpretation of the Supreme People’s Court on the Application of the Civil Procedure Law, which was issued on 30 January 2015, for an action instituted for a dispute arising from a property insurance contract, if the subject matter insured is a transport vehicle or goods that were in transit, the case may be under the jurisdiction of the people’s court at the place where the transport vehicle is registered, the place of destination or the place where the insurance accident occurs. A case of dispute over a personal insurance contract may be under the jurisdiction of the people’s court of the place of the domicile of the insured.

For litigation involving marine insurance, the court of first instance is the professional marine court, and the Marine Special Procedure Law is applied in such procedure.

Choice of law

As a common rule, the parties to a contract can choose the governing law in a contract. However, pursuant to Article 8 of General Principles of the Civil Law, Chinese law shall apply to civil activities within China, except as otherwise stipulated by law. According to Article 3 of the Insurance Law, this Law shall also govern insurance activities conducted within the territory of China.

For an insurance contract concluded within the territory of mainland China, and where both the insurance applicant and insurer are Chinese entities or Chinese citizens, Chinese laws will usually be applied compulsorily.
Arbitration clauses

More and more insurance companies are choosing arbitration as their dispute resolution method, and the most popular arbitration institution in China is the China International Economic and Trade Arbitration Commission.

However, in the insurance contracts of some foreign-invested insurance companies, a dispute resolution clause gives the parties the right to select the method of dispute resolution, either by arbitration or litigation.

Article 7 of the Interpretation of the Supreme People’s Court on Certain Issues Concerning the Application of the Arbitration Law states that an arbitration agreement will be invalid if the parties thereto agree that disputes may be resolved either through submission to an arbitration institution for arbitration or by filing an action with a people’s court, unless one of the parties applies to an arbitration institution for arbitration and the other party fails to raise an objection within the time limit specified in Article 20, Paragraph 2 of the Arbitration Law.

Consequently, a dispute resolution clause will usually be deemed invalid. If either the insured or the insurer submits a dispute in connection with an insurance policy for arbitration, the other party may argue for the invalidity of the clause and refuse arbitration, which means that the dispute will ultimately be resolved by litigation.

ii Litigation

Pursuant to Article 26 of the Insurance Law, the statute of limitation for an insured or beneficiary to claim the insurance indemnity against the insurer in any insurance other than life insurance shall be two years, which shall be counted from the day when the insured or beneficiary knew or should have known of the occurrence of the insured accident.

The statute of limitation for an insured or beneficiary in life insurance to claim indemnity against the insurer shall be five years, which shall be counted from the day when the insured or beneficiary knew or should have known of the occurrence of the insured accident.

The litigation procedure for insurance disputes is no different from that of other kinds of civil disputes, and the Civil Procedure Law and Interpretation of the Supreme People’s Court on the Application of the Civil Procedure Law will be applied. The court must complete trials of first instance cases within six months. It must complete trials of appeal cases against a judgment within three months of the appeal being docketed, but for an appeal case against a ruling, the court shall issue a final ruling within 30 days of the appeal being docketed.

If any party is unsatisfied with the judgment or verdict of the first instance court, the party can appeal to the appellate court at the higher level. The judgment or verdict of the appellate court is binding. The remedy for a binding judgment and verdict is legal review, but this procedure is rarely initiated.

The judge plays an active role in court hearings. He or she will direct the trial process and is responsible for finding the facts. It is very much an inquisitorial approach. During the civil procedure, the party shall submit evidence to prove the facts upon which its own litigation requests are based or upon which its refutation of the counterparty’s litigation requests is based. However, in insurance disputes, the insurer shall bear the burden of proof under several conditions based on the Interpretations of the Supreme People's Court on
Several Issues Concerning the Application of the Insurance Law (II). For instance, if the parties concerned have any dispute over the scope and content of the inquiry at the time of concluding the insurance contracts, the insurer will bear the burden of proof.

iii Arbitration

There is no difference between the arbitration procedure of an insurance dispute and that of other kinds of commercial disputes. The parties shall refer to the arbitration institution's arbitration rules and evidence guidelines in an arbitration procedure. The costs for an arbitration procedure are decided by the arbitration rules of each arbitration institution.

iv Mediation

On 18 December 2012, the former CIRC and the Supreme People's Court jointly issued the Notice of the Supreme People's Court and the China Insurance Regulatory Commission on Carrying out Pilot Work of Establishing the Mechanism for Linking Insurance Dispute Litigation with Mediation in Some Regions of China to establish a mediation system for insurance litigation in some cities. The local courts and insurance associations oversee this system.

Pursuant to the Notice, the courts in the pilot regions can, in accordance with the spirit of the Overall Plan of the Supreme People's Court on Expanding the Pilot Reform of the Mechanism for Settling Disputes by the Linkup of Litigation and Non-Litigation, establish registers of mediation organisations and mediators that are specially invited. Where conditions permit, the courts can also provide mediation organisations and invited mediators with mediation rooms that are specifically provided to carry out the work required for settling insurance disputes.

The courts in pilot regions must, under the precondition of respecting the parties' will and in accordance with the relevant provisions of the Several Opinions of the Supreme People's Court on Establishing a Sound Mechanism for Settling Disputes by the Linkup of Litigation and Non-Litigation, guide parties in effectively settling disputes with low costs through the mechanism for linking insurance dispute litigation with mediation by means of appointed mediation before a case is docketed, and by means of authorised mediation after a case is docketed.

In 2016, the Supreme People's Court and the former China Insurance Regulatory Commission jointly issued the Opinions on Comprehensively Advancing the Building of the Mechanism Linking Litigation with Mediation for Insurance Disputes. With the exception of regions carrying out the pilot programme at the earlier stage, the Opinions will actively expand the scope of the regions carrying out the pilot programme to include all municipalities directly under controlled by the central government and all provincial capitals (capitals of autonomous regions).

After receiving the bill of complaint and before registering a case, a people's court shall guide the parties to resolve insurance disputes via mediation. If the parties agree to this, they must complete relevant mediation forms or sign a letter of consent; if the parties do not agree, the people's court will register the case. After the case is registered, the people's court can still appoint mediation organisations to mediate the dispute with the consent of

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3 No. 116 [2012] of the Supreme People's Court.
4 No. 45 [2009] of the Supreme People's Court.
the parties based on the development of the case. The mediation organisations must finish mediating the dispute within 20 working days of being assigned the case. The mediation period can be extended by seven working days in special circumstances, with the consent of the parties. The mediation organisations can consult with the people’s court when dealing with complicated cases.

If a contract is civil in nature, the mediation agreement concluded by the parties to insurance disputes will take place under the mediation of a mediation organisation or mediators. With the signatures and seals of the organisation or mediators, the parties may apply to the court with jurisdiction to confirm the validity of the mediation agreement. A mediation agreement that is confirmed to be valid by the court will have enforceability.

V YEAR IN REVIEW

On 13 December 2019, the CBIRC issued the latest version of the Administrative Measures on Internet Insurance (draft for comments). Compared with the Interim Measures for the Regulation of Internet Insurance Businesses issued in 2015, this draft more comprehensively reflects the latest supervision trend and thinking of the CBIRC on internet insurance. The draft focuses on the following issues:

a Clarifying the essence of internet insurance. Internet insurance changes the mode of human-human interaction into the mode of human-computer interaction in the insurance industry. Therefore, internet insurance should focus on the authenticity of participants’ identities, the full and accurate transmission of information, high-quality consumer services and network security.

b Strengthening the qualification management of internet insurance business, and strengthening the main responsibilities of self-capacity evaluation, marketing publicity, information disclosure, foreign cooperation management, after-sales service, etc.

c Reconstructing the third-party network platform. In developing internet insurance, it shall give full play to the advantages of customer resources of the third-party network platform, but at the same time it shall pay attention to the problems of illegally operating insurance business and sales misleading existed in the third-party network platform.

d Regulating the behaviours of insurance practitioners and making fair disclosure via the internet.

The draft is an effective and prompt response to the existing problems in developing internet insurance.

On 4 December 2019, the CBIRC issued a Notice on Issues related to Regulating Endowment Insurance Products. The Notice is conducive to further enriching the supply of endowment insurance products, regulating the development and design of endowment insurance products and protecting the legitimate rights and interests of insurance consumers. According to the Notice, an insurance company developing and designing an endowment insurance product shall ensure that the insurance period of the product is consistent with the actual duration. An insurance company shall not carry out any of the following acts during the product design:

a changing the actual duration of a product in a disguised manner through designing clauses such as insurance policy-pledged loans, partial receipt, receipt upon survival, and reduction of sum insured;
changing the actual duration of a product in a disguised manner through designing the pricing parameters of the product such as fees for surrender of an insurance policy and continuous reward; or

ingcreasing or reducing the cash value of a product in a disguised manner through adjusting the interest rate of cash value and other methods.

An insurance company selling endowment insurance products shall concentrate on business with an insurance period of five years or more. For liquidity management or asset-liability matching management needs, an insurance company may develop and design endowment insurance products with an insurance period of not shorter than three years but no more than five years.

An insurance company selling endowment insurance products with an insurance period of not more than five years shall maintain a comprehensive solvency adequacy ratio of not lower than 120 per cent. An insurance company with a comprehensive solvency adequacy ratio lower than 120 per cent shall immediately cease the sale of endowment insurance products with an insurance period of not more than five years.

VI  OUTLOOK AND CONCLUSIONS

The year 2020 will play an important role in achieving the goals of the people-centred development philosophy and serving the real economy, which is the main industry policy of the CBIRC. Based on the idea proposed by the former CIRC that ‘the main function of the insurance industry is to insure, the main function of CIRC is to regulate’, 2020 will see the intensifying of insurance regulations, the active and prudent disposal of potential risks, and the promotion of supply-side structural reform, which will in turn give full play to safeguarding the real function of insurance, and further ensure that the insurance industry contributes to the development of the economy and society in China. Meanwhile, further reforms and innovations concerning the insurance market system, auto-insurance premiums and insurance asset utilisation will take place.

Thus, by 2021, a modern and mature insurance industry will be established step by step according to the blueprint of CBIRC, and China hopes to have a stronger insurance industry overall.