

# Administrative Regulations on Insurance Companies (Draft Revision – Opinion Solicitations Draft)

## Chapter 1      General Principles

Article 1      These Regulations are formulated pursuant to the Insurance Law of the People's Republic of China (the "Insurance Law"), the Company Law of the People's Republic of China (the "Company Law") and other laws and regulations in order to strengthen supervision and administration of insurance companies, maintain normal order in the insurance market, protect the legal rights and interests of insureds, and promote the healthy development of the insurance industry.

Article 2      The China Insurance Regulatory Commission ("CIRC") is authorized by law and the State Council to carry out the supervisory and administrative responsibilities with respect to insurance companies.

CIRC's subordinate offices [*paichujigou*] represent CIRC in the conduct of their responsibilities within the scope of authorization of CIRC.

Article 3      As referred to in these Regulations, insurance companies shall mean commercial insurance companies which are established with the approval of the insurance supervisory and administrative authority and registered in accordance with law.

Branches and sub-branches of insurance companies as referred to in these Regulations shall mean institutions of an operational nature including branch companies, central sub-branch companies, sub-branch companies and business offices established by insurance companies to conduct insurance business in accordance with law.

Insurance institutions as referred to in these Regulations shall mean insurance companies and their branches and sub-branches.

## Chapter 2      Insurance Institutions

### Section 1      Establishment of Institutions

Article 4      The establishment of an insurance company shall be approved by CIRC.

No unit or individual may engage or covertly engage in the commercial insurance business within the People's Republic of China without the approval of CIRC.

---

1285 Avenue of the Americas  
New York, New York 10019-6064  
(212) 373-3000

1615 L Street, NW  
Washington, DC 20036-5694  
(202) 223-7300

Alder Castle, 10 Noble  
Street  
London EC2V 7JU England  
(44-20) 7367 1600

2, rue du Faubourg Saint-Honoré  
75008 Paris, France  
(33-1) 53.43.14.14

Fukoku Sei mei Building 2<sup>nd</sup> Floor  
2-2, Uchisawaicho 2-chome  
Chiyoda-ku, Tokyo 100, Japan  
(81-3) 3597-8120

2918 China World Tower II  
No. 1, Jianguomenwai Dajie  
Beijing 100004, People's Republic of China  
(86-10) 6505-6822

12<sup>th</sup> Fl., Hong Kong Club Building  
3A Chater Road, Central  
Hong Kong  
(852) 2536-9933

Article 5 The establishment of an insurance company shall comply with laws and administrative regulations, shall be beneficial to fair competition in and healthy development of the insurance industry, and shall be beneficial to the stability of the State's financial system.

Article 6 The establishment of an insurance company shall satisfy the following conditions:

- (a) the articles of association shall comply with the provisions of the Insurance Law and the Company Law;
- (b) minimum registered capital shall be no less than RMB200 million and registered capital shall be the actual paid-in capital;
- (c) senior management personnel shall be in compliance with the professional qualifications stipulated by CIRC;
- (d) possess a sound organizational structure and management system; and
- (e) have a place of business and office facilities which are compatible with its business development.

Article 7 To establish an insurance company, the applicant shall submit an application in writing to CIRC with three copies of the following documents:

- (a) establishment application;
- (b) feasibility study report;
- (c) preparatory establishment plan;
- (d) promoters' subscription agreement and materials evidencing approval of the investment by the board of directors or department in charge;
- (e) business licenses or other background materials on the promoters, most recent year's profit and loss statements and balance sheets audited by registered accountants, and photocopies of the identification cards and tax certificates of natural person promoters;
- (f) a share offer plan if the company is established by means of share offer; and
- (g) such other documents as may be required by CIRC.

Article 8 CIRC shall conduct a preliminary examination of the application for establishment of an insurance company. After confirming that the application materials are complete, CIRC shall issue a hearing letter, and shall decide whether to grant or deny approval within six months after issuance of the hearing letter. If it decides to deny approval, it shall notify the applicant in writing and explain the reasons.

Article 9 After approval by CIRC to prepare for the establishment of the insurance company, the applicant shall complete such preparatory work within one year. If the preparatory work is not completed on time, such preparatory period may be extended by three months upon application by the applicant and approval by CIRC. If the preparatory work has still not been completed before the expiration of preparatory period, the original preparatory work approval document shall automatically become invalid.

Preparatory organizations may not engage in any insurance business activities.

If there is a change of promoters during the preparatory period, the original preparatory work approval document shall automatically become invalid.

Article 10 Upon completion of the preparatory work for establishment, the applicant shall submit an application to CIRC for commencement of business with three copies of the following documents:

- (a) application for commencement of business;
- (b) minutes of the establishment meeting;
- (c) company's articles of association;
- (d) names of the shareholders and their shareholding percentages, investment verification certificates issued by an investment verification authority of sound credit, and photocopies of original vouchers evidencing that the capital funds have been deposited in the company's account;
- (e) background materials on the shareholders and their most recent year's profit and loss statement and balance sheet, and photocopies of the identification cards and tax certificates of natural person promoters;
- (f) resumes and relevant evidentiary materials of the proposed senior management personnel of the company, the company's department structure and the basic composition of the company's personnel, as well as the resumes and relevant evidentiary materials of the company's actuaries;
- (g) documents evidencing ownership rights to or use rights in the place of business;
- (h) three-year operations plan and reinsurance plan;
- (i) plans for conducting the proposed types of insurance risks; and
- (j) a report on the deployment of computing equipment and network construction.

Article 11 An insurance company may apply to establish branches and sub-branches pursuant to its business development requirements.

Insurance companies which propose to operate business in provinces, autonomous regions and municipalities directly under the central government outside the place where the head office is located shall establish branch companies. The establishment of central sub-branch companies, sub-branch companies and business offices shall be determined by insurance companies in accordance with their actual conditions.

The establishment of sales and services departments, by insurance companies shall be conducted in accordance with the relevant regulations of CIRC.

Article 12 For insurance companies established with the minimum capital amounts set forth in Article 6(b) of these Regulations, an increase of registered capital in an amount of no less than RMB20,000,000 is required to be contributed every time an application is made to add a branch company.

When applying to establish a branch company, an insurance company whose registered capital has already met the abovementioned capital increase amount need not further increase the corresponding amount of registered capital.

An insurance company whose its capital has reached RMB500 million need not further increase its registered capital provided that it has full solvency capacity.

Article 13 An insurance company applying to establish a branch or sub-branch shall comply with the following conditions:

- (a) Solvency quota complies with the relevant requirements of CIRC;
- (b) sound internal control systems, operating in a normal fashion, and no material violations of laws or regulations; and
- (c) senior management personnel of the branch or sub-branch who meet the qualifications for their positions stipulated by CIRC.

Article 14 An insurance company applying to establish a branch or sub-branch shall submit to CIRC an application by its head office with three (3) copies of the following documents:

- (a) establishment application;
- (b) report on solvency;
- (c) three-year business development plan and market analysis of the institution proposed to be established; and
- (d) resumes and relevant evidentiary materials of the person-in-charge of the institution proposed to be established.

Article 15 CIRC shall conduct a preliminary examination on the application by an insurance company to establish a branch or sub-branch. After confirming that the application materials are complete, CIRC shall issue a hearing letter and decide whether to grant or deny approval within three months after issuance of the hearing letter. If it decides to deny approval, it shall notify the insurance company in writing and explain the reasons.

After approval, an insurance company shall complete the preparatory work for the branch or sub-branch within six months. If the preparatory work is not completed on time, such preparatory period may be extended by three months upon application by the applicant and approval by CIRC. If the preparatory work has still not been completed before the expiration of the aforementioned preparatory period, the original approval document automatically become invalid.

Preparatory organizations may not engage in any insurance business activities.

Article 16 Upon completion of the preparatory work for establishment of the branch or sub-branch, an insurance company shall submit to CIRC three (3) copies of the following documents:

- (a) application for commencement of business;
- (b) a report on the completion of the preparatory work;
- (c) resumes and relevant evidentiary materials of the proposed senior management personnel; and

(d) documents evidencing ownership rights to or use rights in the proposed place of business, the deployment of computing equipment and network construction, as well as the internal organizational structure and information on employees.

Article 17 Within sixty days after receipt of complete application documents to establish an insurance institution for commencement of business, CIRC shall decide whether to grant or deny verification. If it decides to verify, an insurance permit will be issued; if it decides not to verify, it shall notify the applicant or the insurance company and explain the reasons.

An insurance company which has been verified business shall be issued a Legal Person Insurance Company License by CIRC; and a branch or sub-branch of an insurance company which has been verified to commence business shall be issued an Insurance Business Operating License Permit by CIRC. Insurance companies and branches and sub-branches of insurance companies shall take the verification document and license to handle registration procedures with the competent Administration of Industry and Commerce. An insurance company shall commence its business only upon receipt of its business license.

Article 18 The examination and administration of the qualifications for the positions of senior management personnel of insurance institutions shall be carried out in accordance with relevant regulations stipulated by CIRC.

Article 19 Upon verification by CIRC, an insurance company may establish representative offices. Representative offices may not engage in any insurance business activities.

Article 20 To establish a business institution or representative office outside the PRC, an insurance company shall report to CIRC for approval.

## Section 2 Change of Organization

Article 21 The following changes in relation to an insurance company shall be reported to CIRC for approval:

- (a) change of the form of the organization;
- (b) change of registered capital;
- (c) division or merger;
- (d) change of investors or transfer of equity interests; and
- (e) cancellation of a branch or sub-branch.

Article 22 The following changes in relation to an insurance company shall be reported to CIRC for verification:

- (a) change of name of the company;
- (b) amendment of the articles of association;
- (c) adjustment of the scope of business; and
- (d) change of place of business.

Article 23 Any change of the place of business by a branch or sub-branch of an insurance company shall be reported to CIRC for the record.

Article 24 The following changes in relation to an insurance company shall be reported in writing to CIRC within fifteen (15) days after their occurrence:

- (a) change in the name of the company's shareholders; and
- (b) merger or change of name of branches or sub-branches of the company.

Article 25 Insurance companies shall make a public announcement with respect to any changes set out in Articles 21 to 24 of these Regulations in a newspaper designated by CIRC, and shall report the contents of such announcement to CIRC.

Article 26 When an insurance company cancels a branch or sub-branch, it shall explain the reasons to CIRC and shall submit a follow-up settlement plan with respect to the business of such institution.

When an insurance company cancels a branch or sub-branch, it shall notify the relevant policy owners and insureds by public announcement, written notice and other appropriate means, fully informing them with respect to premium payments, obtaining insurance proceeds and other matters.

The insurance license of a canceled branch or sub-branch shall automatically become invalid, and shall be handed back within fifteen days.

Article 27 When any matter recorded on an insurance license is changed, the insurance institution shall take the relevant document and original and duplicate copies of the insurance license to the issuing authority to change its license within one month after obtaining of the approval, verification, filing or written report.

### Section 3 Insurance Licenses

Article 28 Insurance licenses are Legal Person Insurance Company Licenses and Insurance Business Operating Licenses. A Legal Person Insurance Company License is the document evidencing that an insurance company operates insurance business in accordance with law, and an Insurance Business Operating License is the document evidencing that a branch or sub-branch of an insurance company operates the insurance business in accordance with law.

Article 29 Insurance licenses are uniformly designed, printed, issued, confiscated, recovered or revoked by CIRC.

Insurance licenses may not be forged, altered, leased, lent or transferred by insurance companies.

Article 30 Insurance institutions shall display their insurance licenses in a prominent position in their place of business for the purpose of examination and verification.

Article 31 If an insurance license is lost, [the insurance company] shall declare it invalid in a newspaper designated by CIRC within ten days after discovery of the loss, simultaneously explain the reasons to the issuing authority, and apply for a replacement.

### Section 4 Termination and Liquidation

Article 32 An insurance company which dissolves itself in accordance with law shall establish a liquidation committee. The liquidation committee shall be supervised and guided by CIRC.

With respect to an insurance company which is canceled in accordance with law, CIRC shall timely organize shareholders, relevant government departments and professionals to establish the liquidation committee.

With respect to an insurance company which is declared bankrupt, a liquidation committee shall be organized by the People's Court.

Article 33 The liquidation committee shall notify creditors within ten days after its establishment, and make at least three announcements in a newspaper designated by CIRC within sixty (60) days after its establishment. The contents of such announcements shall be verified by CIRC.

The liquidation committee shall entrust accounting firms, actuarial firms and law firms of sound credit to evaluate the credits and debts and assets of the insurance company.

Article 34 An insurance company which is to be dissolved pursuant to its articles of association or by resolution of its shareholders' meeting shall apply to CIRC for approval and submit three copies of the following documents:

- (a) application for dissolution;
- (b) resolution of its shareholders meeting;
- (c) liquidation procedures;
- (d) plan for the disposition of creditors' rights and debtors' obligations;
- (e) organization and person-in-charge of the liquidation committee;
- (f) plan for the distribution of assets;
- (g) such other documents as may be required by CIRC.

Article 35 An insurance company that has dissolved itself or been canceled in accordance with law shall immediately cease to accept new business, and shall return its insurance license.

Article 36 When an insurance company dissolves itself or is canceled in accordance with law, the transfer of its assets shall proceed by way of public auction or public tender or in any other way that is recognized by CIRC; and the assets transfer plan shall be reported to CIRC for approval.

Article 37 When an insurance company dissolves itself or is canceled or declared bankrupt in accordance with law, the plan for the transfer of [its] insurance contracts shall be reported to CIRC for approval.

Article 38 When an insurance company dissolves itself in accordance with law, the shareholders of the company may not distribute assets of the company or derive any interest from the company before settlement of [the company's] liabilities under its insurance contracts has been completed.

Article 39 When an insurance company dissolves itself in accordance with law, if during liquidation [its] assets are found to be less than the company's liabilities, the company shall apply

for bankruptcy. The liquidation of its assets and handling of its creditors' rights and debtors' obligations shall be carried out in accordance with mandated bankruptcy procedures.

### Section 5 Investment in Insurance Companies

Article 40 Natural persons, enterprise legal persons and other entities permitted by law and regulation may invest in and purchase shares of insurance companies.

Article 41 An enterprise legal person that wishes to invest in an insurance company shall satisfy the following conditions:

- (a) compliance with provisions of laws and regulations;
- (b) lawful sources of funding and sound business operating conditions;
- (c) such other conditions as may be specified by CIRC based on the principles of prudential supervision and administration.

Any natural person who wishes to invest in an insurance company shall be creditworthy and have a lawful source of funding for share investment.

Article 42 Any enterprise legal person other than a state-owned or state-controlled enterprise who invests in an insurance company shall hold less than 15% of the total shares of such insurance company.

When any natural person invests in an insurance company, an individual natural person shall hold less than 5% of the total shares of such insurance company and the aggregate shareholdings of natural persons shall be less than 15% of the total shares of such insurance company.

Article 43 Any affiliate relationship among shareholders of an insurance company shall be reported to CIRC and shall be disclosed to the public.

Article 44 Foreign financial institutions that satisfy the conditions under Article 41(a) and that have been approved by CIRC may invest in or purchase shares of an insurance company. Total foreign shareholdings shall be less than 25% of the total shares of an insurance company.

When the percentage of foreign shareholdings is more than 25% of the total shares of an insurance company, equity investment matters shall be governed by relevant provisions for the administration of foreign-invested insurance companies.

### Chapter 3 Insurance Operations

Article 45 Subject to verification by CIRC, a property insurance company may engage in all or part of the following businesses:

- (a) property casualty insurance;
- (b) general liability insurance;
- (c) statutory liability insurance;
- (d) credit and guarantee insurance;



- (e) agricultural insurance;
- (f) other property insurance businesses;
- (g) short-term health insurance and accidental injury insurance;
- (h) reinsurance business with respect to the above insurance businesses.

Article 46 Subject to verification by CIRC, a life insurance company may engage in all or part of the following businesses:

- (a) accidental injury insurance;
- (b) health insurance;
- (c) traditional life insurance;
- (d) new life insurance products;
- (e) traditional annuity insurance;
- (f) new annuity insurance products;
- (g) other life insurance businesses;
- (h) reinsurance business with respect to the above insurance businesses.

Article 47 When an insurance company applies to expand its scope of business, its capitalization, solvency, etc. shall be in compliance with the relevant requirements of CIRC.

Article 48 When an insurance institution operates foreign exchange insurance businesses, it shall comply with regulations on the administration of foreign exchange businesses of CIRC and the State Administration of Foreign Exchange.

Article 49 A branch company of an insurance company may conduct business through its branches and sub-branches or through insurance intermediaries.

Article 50 An insurance institution shall conduct insurance business within its verified territorial boundaries.

Article 51 Insurance institutions which participate in the joint insurance or conduct large-scale commercial insurance business or conduct insurance policy consolidation and undertake insurance businesses across regions through the internet or other means, shall comply with the relevant regulations of CIRC.

Article 52 Insurance institutions may not, by any means overtly or covertly coerce a party seeking insurance to buy insurance.

Article 53 An insurance institution may not entrust an illegal insurance agent to develop its business; may not accept insurance business introduced by an illegal insurance broker; and may not pay insurance handling fees, insurance commissions or similar fees to any illegal insurance agent or insurance broker.

Article 54 An insurance institution may not engage in destructive competition by reducing, without authorization, insurance premiums or reducing insurance premiums in a disguised form or by developing insurance business by [abnormally] expanding the scope of its insurance liabilities.

Article 55 An insurance institution may not forge or disseminate false statements to damage the credit reputation of other insurance companies.

An insurance institution may not attack its competitors by exploiting the sanction decisions of CIRC or other government departments or court judgments.

Article 56 An insurance institution may not induce a party seeking insurance or an insured to dissolve insurance contracts with other insurers.

Article 57 An insurance institution may not illegally squeeze out other insurance companies or obstruct other insurance companies from engaging in insurance business activities by exploiting government departments or their subordinate departments, monopoly enterprises or organizations.

Article 58 An insurance institution may not provide or commit to provide kickbacks of insurance premiums or other benefits in violation of law or regulation, a party seeking insurance, insured, beneficiary or interested party thereof.

Article 59 An insurance institution shall establish a specific customer service department or consultation or complaint department and make known to the public telephone numbers for information and for the lodging of complaints.

An insurance institution shall resolve insurance complaints by policyholders, insureds and beneficiaries in a conscientious manner and shall timely inform complainants of their opinions on resolution.

Article 60 Promotional materials for the insurance business of an insurance institution shall be objective, complete and truthful, and shall set out the insurance institution's name, telephone numbers for information and for the lodging of complaints, and [its] address.

Article 61 Insurance advertisements or promotional materials may not forecast the company's profits or unconfirmed interests under [its] insurance policies such as profit sharing under insurance policies and the refund of surplus interests.

Insurance institutions may not disseminate misleading propaganda with respect to the contents of insurance policies and service quality by way of advertising or other means.

Article 62 An insurance company shall take explicit and reasonable measures in its insurance contracts to highlight terms concerning liability exclusions, refund of premiums and deductions upon cancellation, cash value, hesitation period, etc.

An insurance company may not make one-sided comparisons of its insurance terms and premiums with similar insurance terms and premiums of other insurance companies or with interest rates of financial institutions.

Article 63 An insurance institution shall supervise and administer the business development activities of its insurance agents, and upon discovery that an insurance agent's behavior is in violation of law or regulation shall immediately stop or rectify [such behavior].

An insurance institution shall bear liability in accordance with law for any action such as untruthful representation or misleading [behavior] etc., conducted by its insurance agents in the process of business development that cause damage to the interests of the insured.

Article 64 Related transactions of an insurance company shall be conducted only upon resolution by the shareholders' meeting or board meeting. Such related transactions of an insurance company shall be reported to CIRC within 15 days after their occurrence.

Related transactions as referred to in the preceding paragraph shall mean the following activities among an insurance company and its affiliates:

- (a) ceding reinsurance or assuming reinsurance business;
- (b) asset management, guarantee and agency business;
- (c) fixed asset sales or purchases, or the transfer of creditors' rights or debtors' obligations.

An enterprise with any of the following relationships with an insurance company shall be deemed to be affiliated to such insurance company:

- (a) control relationship exists with respect to shares or capital contributions;
- (b) under the common control of a third party with respect to shares or capital contributions;
- (c) under the direct control of a principal individual investor, senior officer of the insurance company or closely-related family member of the individual investor or senior officer.

A principal individual shareholder, senior officer of an insurance company or closely-related family member of the shareholder or the senior officer shall be deemed to be affiliated to such insurance company.

Article 65 An insurance company shall establish a sound corporate governance structure, strengthen its internal management and establish strict internal control systems.

Article 66 With respect to an insurance company that proposes to be listed, CIRC shall, in accordance with law, issue supervision and administration opinions regarding the legal compliance of business operation during the most recent three years.

#### **Chapter 4 Insurance Terms and Insurance Premiums**

Article 67 Insurance terms and insurance premiums used by insurance companies shall be submitted to CIRC for approval or filed with CIRC for the record in accordance with law.

Article 68 Insurance terms and insurance premiums for the following risks shall be submitted to CIRC for examination and approval:

- (a) risks that shall be insured as mandated by law;
- (b) risks with respect to new types of life insurance products and property insurance of guaranteed investment types;

- (c) other risks related to public and social interests as determined by CIRC.

A catalogue of types of risks in insurance to be examined and approved by CIRC shall be formulated and adjusted by CIRC.

Article 69 Insurance terms and insurance premiums used by insurance companies other than those specified in the preceding paragraph shall be reported to CIRC for the record.

If an insurance company wishes to use any insurance terms or insurance premiums of any other insurance institution that have already been approved or filed for the record, or use internationally recognized property insurance standards, it shall file such with CIRC for the record.

Article 70 In carrying out the examination and approval or the filing for the record procedure of insurance terms and insurance premiums, CIRC shall abide by the principles of protecting public and social interests and preventing unfair competition. In case of any of the following, CIRC may require that the insurance company amend the insurance terms or insurance premiums or demand that the insurance company cease use of the same:

- (a) violation of the proscriptive provisions of laws, regulations or administrative rules ;
- (b) violation of relevant financial and monetary policies of the State;
- (c) damage social and public interests;
- (d) the contents are obviously unfair or contain monopolistic prices and infringe upon the legitimate rights of policyholders, insureds or beneficiaries;
- (e) the premium rates are below cost, constituting unfair competition;
- (f) the designed terms, stipulated premium rates or predetermined interest rates are inappropriate, potentially endangering the solvency of the insurance company;
- (g) such other situations as may be determined by CIRC based on the principles of prudential supervision and administration.

Article 71 Any change in insurance terms and insurance premiums that have already been approved or filed for the record shall be resubmitted for examination and approval or refiled for the record by insurance companies.

When concluding a specific insurance contract, an insurance company may enter into a separate agreement with the relevant party with respect to particular issues, provided that no additional substantive obligations of the policyholder, insured or beneficiary shall be imposed and the substantive rights of such parties shall not be limited.

Article 72 When an insurance company applies for examination and approval or files for the record with respect to insurance terms and insurance premiums for group insurance, the practice norm for calculating risks for such group insurance implemented by the insurance company shall simultaneously be submitted.

Article 73 An insurance company shall prepare accounting measures, financial management systems, customer revisit systems and business management systems for new types of insurance products in accordance with relevant provisions before such company applies to conduct new

types of life insurance products and guaranteed investment and property insurance type business, and shall file such systems with CIRC for the record.

Article 74 CIRC may publish model forms for property insurance or personal insurance terms.

CIRC may publish guiding insurance premiums for the industry in accordance with to the actual situation.

Article 75 Pre-policy interest rates of long-term personal insurance terms and other factors on the basis of which prices are determined by insurance companies shall comply with relevant provisions stipulated by CIRC.

## **Chapter 5 Management of Insurance Funds and Solvency of Insurance Companies**

Article 76 An insurance company shall provide a security bond in accordance with law and deposit it in a commercial bank designated by CIRC. Without CIRC's written approval, the insurance company shall not use or dispose of such security bond without authorization.

Article 77 An insurance company shall make allocations for insurance guarantee funds in accordance with law. Insurance guarantee funds should be centrally managed and comprehensively utilized pursuant to relevant CIRC regulations.

Article 78 An insurance company pursuant to relevant CIRC regulations shall make allocations to various portfolio reserves for insured liabilities. The reserves set aside by an insurance company against its various insured liabilities must be genuine and sufficient.

Article 79 The utilization of insurance funds shall be limited to:

- (a) bank deposits;
- (b) purchase and sale of government bonds;
- (c) purchase and sale of financial bonds;
- (d) purchase and sale of bonds of enterprises with credit ratings of AA or above as recognized by CIRC;
- (e) purchase and sale of securities investment funds;
- (f) such other fund utilization methods as may be prescribed by the State Council.

The specific proportion of funds utilized by an insurance company or the specific proportion of a specified item to aggregate funds shall be in compliance with the relevant CIRC regulations.

Article 80 The utilization of funds outside the PRC by an insurance company shall be in compliance with relevant State regulations.

Article 81 An insurance company may establish an insurance assets management company and entrust such insurance assets management company to operate insurance funds.

Article 82 An insurance company, in accordance with the principles of protecting the interests of insureds and guaranteeing the solvency of the company and stable and healthy operations, shall ensure that the actual solvency quota at any time is not lower than the minimum solvency quotas.

Article 83 The actual solvency of an insurance company shall mean the balance of the value of its actual assets less its actual liabilities.

Actual assets referred to in the preceding paragraph shall be the sum of the acceptable values of the various types of acceptable assets, and actual liabilities shall be the sum of the acceptable values of the various types of acceptable liabilities. The confirmation, calculation and report of acceptable assets and acceptable liabilities shall be in compliance with relevant CIRC regulations.

Article 84 The minimum solvency quota of an insurance company shall be established and adjusted by CIRC.

Article 85 When the actual solvency quota is less than the minimum solvency quota, the insurance company shall take effective measures to ensure that its solvency reaches the standard for minimum solvency and shall provide an explanation to CIRC.

Article 86 The solvency adequacy ratio of an insurance company is equal to the actual solvency quota divided by the minimum solvency quota. If an insurance company's solvency adequacy ratio is less than 100%, CIRC may list such company as a key target under supervision and inspection, and may adopt the following supervision and inspection measures in accordance with actual conditions:

(a) with respect to a company whose solvency adequacy ratio is above 70%, CIRC may order such company to propose a plan for rectification and improve its solvency to reach the minimum solvency quota within the prescribed time limit, or CIRC otherwise may adopt necessary supervision and inspection measures to require the company to increase its capitalization or obtain reinsurance, restrict its scope of business, limit its profit distribution to shareholders, restrict its purchase of fixed assets, restrict its scale of operating funds, and restrict its expansion through branches and sub-branches to cause the company to improve its solvency.

(b) with respect to a company whose solvency adequacy ratio is between 30% and 70%, in addition to the measures in the preceding paragraph, CIRC may adopt necessary supervision and inspection measures to order the company to sell bad assets by auction, transfer insurance businesses, restrict its senior officers' remuneration level and on-the-job consumption levels, restrict company commercials, adjust its capital utilization and cease acceptance of new business.

(c) with respect to a company whose solvency adequacy ratio is less than 30%, in addition to the measures in the preceding paragraphs, CIRC may take over such insurance company in accordance with law.

## **Chapter 6      Supervision and Inspection**

Article 87 Supervision and administration of the insurance industry by CIRC shall follow the principles of combining supervision and administration of solvency and market behavior.

Insurance companies shall accept supervision and inspection by CIRC in accordance with law.

Article 88 Supervision and inspection of insurance institutions by CIRC shall take the form of combining on-site and off-site supervision and administration.

Article 89 CIRC shall implement on-site inspections of insurance institutions, which may include all or part of the following contents:

- (a) whether the examination and approval or filing for the record procedures for the establishment of, or any changes in, the institution have been completed;
- (b) whether the contents of the materials submitted are consistent with the actual situation;
- (c) whether capital funds and various reserve funds are actual and sufficient;
- (d) whether solvency conforms with requirements; whether the utilization of funds is in compliance with law;
- (e) whether business operations and financial situation are sound, and whether reports and statements are complete and truthful;
- (f) whether businesses have been conducted beyond the approved scope or territory in violation of regulations;
- (g) whether insurance terms and insurance premiums have been applied for approval or filed for the record in accordance with regulations;
- (h) whether the procedures for appointment or replacement of the institution's person-in-charge have been completed;
- (i) whether the matters required to be reported after occurrence have been reported in a timely manner;
- (j) such other items deemed by CIRC to require inspection.

Article 90 When an insurance institution falls into one of the following circumstances, CIRC may list it as a key target for inspection:

- (a) behavior which constitutes a material violation of law or regulations;
- (b) inadequate solvency;
- (c) abnormal financial situation;
- (d) failure to submit various reports and statements in accordance with regulations;
- (e) failure to implement insurance terms, insurance premiums, reinsurance plans or other plans and schemes approved by or filed for the record with CIRC;
- (f) such other circumstances deemed by CIRC to require key inspection.

Article 91 When CIRC conducts on-site inspection of an insurance institution, the insurance institution shall cooperate and provide relevant documents and materials pursuant to CIRC's demands.

Article 92 When CIRC personnel conducts inspection work, they shall present relevant identification; when CIRC entrusts social intermediary institutions such as accounting firms or auditing firms, etc., to conduct inspection work on its behalf, such appointment shall be in writing.

Article 93 An insurance company shall submit to CIRC its business reports, actuarial reports, financial accounting reports and relevant business supervision and administration reports and tables in a timely manner in accordance with regulations.

Article 94 The various statements and reports submitted by an insurance company to CIRC shall be complete, truthful, accurate and timely.

Article 95 An insurance company's business report, financial accounting report and relevant reports and tables shall bear the signatures of the company's legal representative or general manager, and the financial accounting report shall be audited by a registered accountant. An insurance company's actuarial report shall bear the signature of a CIRC-certified actuary. Reports and statements of an insurance company's branch or sub-branch shall bear the signature of the person authorized by the company at a higher level to be in charge of the institution and the company seal.

Article 96 Resolutions of shareholders' meetings and board meetings shall be reported to CIRC within fifteen days after such meetings.

Article 97 When an insurance institution is discovered to engage in behavior constituting a violation of law and regulation, CIRC may direct inquiries to or conduct supervision and administration discussions with its senior management officers in accordance with the specific circumstances.

Article 98 Where an insurance institution or its staff violate these Regulations, CIRC may issue an order to rectify and may impose an administrative penalty in accordance with relevant laws and regulations; if a criminal offence is constituted, such case shall be removed to a judicial organ and criminal liability shall be pursued in accordance with law.

## Chapter 7      Supplementary Provisions

Article 99 Except where laws, administrative regulations or CIRC provide otherwise, these Regulations shall be applicable to the administration of foreign-invested insurance companies.

Article 100 Except where laws, administrative regulations or CIRC provide otherwise, these Regulations shall be applicable to the administration of reinsurance companies.

These Regulations shall be applicable to the administration of insurance companies of a policy nature such as export credit insurance before relevant State regulations are issued.

Article 101 Various statements and tables and materials submitted by an insurance company to CIRC shall be written in Chinese. When the original is in foreign language, a Chinese translation shall be attached; when there is any inconsistency in the meaning between the Chinese and foreign language versions, the Chinese version shall prevail.

Article 102 "Examination and Approval" or "Approval" referred to in these Regulations shall mean that CIRC examines the items submitted by an applicant, and determines whether to grant or deny approval; "Verification" referred to in these Regulations shall mean that CIRC checks the items submitted by an applicant in accordance with prescribed standards, and grants an approval if such items conform to standards; "File for the Record" referred to in these Regulations shall mean that the application is approved if CIRC does not raise any objection within the prescribed time limit after relevant materials are submitted by an applicant in accordance with relevant regulations.

Article 103 These Regulations shall be interpreted by CIRC.



Article 104 These Regulations shall come into effect from \_\_\_\_\_. The original "Insurance Companies Administrative Regulations" (*bao jian fa*[2000] No. 2) shall concurrently be repealed.