CLIENT ALERT

China Implements Revised Regulations Further Opening the Insurance Industry

OCTOBER 21, 2019

The PRC State Council promulgated a decision (the "***Decision***") on amending, among others, the *Regulations on the Administration of Foreign Invested Insurance Companies* (the "***Regulations***"). Effective 30 September 2019, the Regulations contain two key changes that the China Banking and Insurance Regulatory Commission ("***CBIRC***") announced early in 2018. Specifically, the Regulations have eliminated the two-year representative office and 30-year experience requirements which, previously, had either delayed or prevented potential foreign investors from entering the Chinese insurance market.

In addition to these two key changes,

a. the new Regulations now allow the parent holding or group company (which itself may not be an insurance company) of an insurance company to hold equity directly in the Chinese subsidiary insurance company rather than having to make the investment from an insurance company itself.

In the past, the CBIRC required that the parent itself had to be an insurance company and operate the same types of insurance as the to-be-formed Chinese subsidiary—this means the parent of a life insurance subsidiary in China had to be a life insurance company (not a travel or other kind of insurance company or an upper-level parent of the life insurance company if the parent itself was not a life insurance company). This change makes it easier to meet the USD 5 billion total asset value qualification requirement, because the upper-level holding or group company may have USD 5 billion total assets, although each insurance company alone subordinated to it may not have USD 5 billion in assets; and

b. the new Regulations now also allow foreign non-insurance financial institutions to co-invest with foreign insurance companies into a foreign-invested insurance company in China.

In the past, foreign non-insurance financial institutions were not allowed to co-invest with foreign insurance companies in any Chinese insurance company and could only co-invest with Chinese domestic investors or other foreign non-insurance financial institutions into Chinese insurance companies that have no more than 25% foreign ownership. The issues, including, among others, qualification requirements and the shareholding ratio cap for a foreign non-insurance institution investment in such foreign-invested insurance company, remain to be addressed and clarified by the CBIRC.

The Regulations provide that the CBIRC will be drafting and promulgating detailed measures implementing the above two changes.

For further details on the background to these changes (including the announcements), please refer to our 2018 year-end review and other news flashes: https://www.winston.com/en/thought-leadership/2018-china-insurance-review.html.

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