

China to Further Open Insurance Industry to Foreign Investment

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Following up on announcements made towards the end of 2017, Chinese President, Xi Jinping, has pledged to further open China's economy, including the insurance sector.

President Xi announced these reforms during the April 8 – 11 Boao Forum for Asia, and, on April 11, the People's Bank of China provided details concerning their implementation.

With respect to insurers, the key reforms are:

- **Representative Office:** In 2018, the State Council will repeal the requirement that foreign insurance companies have a representative office in China for two consecutive years prior to establishing a foreign invested insurer. This is a major reform that will significantly streamline foreign investment into China's insurance industry; and
- **Removal of Equity Cap:** The equity cap on foreign investments in life insurance companies will rise from 50% to 51% within a few months (likely by June), and be eliminated entirely in three years. This is significantly sooner than the original timetable, announced in November 2017, to raise the cap to 51% in three years and fully eliminate it in five years.

With respect to insurance intermediaries, the key reforms are:

- **Business Scope:** China will remove the limitations on the business scope of foreign-invested insurance brokers, which Chinese regulations have limited to large-scale commercial, international maritime, aviation, and transportation insurance brokerage and reinsurance. Removing this limitation will allow foreign-invested insurance brokers to expand their business to deal with individuals and small and medium-sized businesses; and
- **Insurance Agencies & Valuation:** China will allow qualified foreign institutional investors to operate insurance agencies and loss-adjustment businesses.

As discussed in our [2017 China Insurance Review](#), recent economic and regulatory developments have created ideal conditions for foreign insurers and insurance intermediaries to enter, or expand in, China's insurance industry. These recent announcements are an important continuation of this trend and markets are reacting: though the prospect of defused trade tensions caused Chinese stocks to rise overall, anticipated foreign competition caused

the stock of several of China's largest insurers to dip significantly (China Life Insurance Co Ltd down 0.8%, and Ping An Insurance Group down nearly 1% as of the time of writing).

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