

## Update

# China's CIRC categorises insurance business

The China Insurance Regulatory Commission (**CIRC**) recently promulgated the *Administrative Measures on Classification of Business Scope of Insurance Companies* ("**Administrative Measures**"), which came into force on 2 May 2013. The Administrative Measures provide for new rules in relation to market entry thresholds. The CIRC also starts to regulate insurers in the market by categorising different insurance business.

### Categories of Insurance Business

Under the PRC Insurance Law, insurance business is generally categorised into property and casualty ("**P&C**") insurance and personal insurance. The Administrative Measures have further categorised insurance business into basic category ("**Basic Business**") and expanded category ("**Expanded Business**"), details of which are set out in the tables below.

**Table 1 – Category of P&C Insurance Business**

P&C Insurance Business	
Basic Business	Expanded Business
i. Motor insurance	i. Agricultural insurance
ii. Enterprise / household property insurance and engineering insurance (excluding special risk insurance)	ii. Special risk insurance
iii. Liability insurance	iii. Credit and surety insurance
iv. Marine hull / cargo insurance	iv. Investment type insurance
v. Short-term healthcare / accident insurance	

**Table 2 – Category of Personal Insurance Business**

Personal Insurance Business	
Basic Business	Expanded Business
i. Normal insurance (including annuities and life insurance)	i. Unit linked insurance
ii. Healthcare insurance	ii. Variable annuity insurance
iii. Accident insurance	
iv. Participating insurance	
v. Universal insurance	

Please note that the above categories of business only apply to direct insurance business. Reinsurance business, utilisation of insurance funds and sales of other insurers' products under an agency relationship are not subject to the Administrative Measures.

## New Requirements

New market entrants are only allowed to engage in Basic Business. The tables below set out the capital requirements for a new insurer who wants to apply for carrying on a single or multiple types of Basic Business.

**Table 3 – Capital Requirements for P&C Insurers**

	P&C Insurer	Paid-up Capital
1.	Applying for only one type of the Basic Business (i) to (v)	A minimum paid-up capital of RMB200 million
2.	Applying for any additional type of the Basic Business (i) to (v)	A minimum paid-up capital of RMB200 million for each type of Basic Business added

**Table 4 – Capital Requirements for Life Insurers**

	Life Insurers	Paid-up Capital
1.	Applying for only one type of the Basic Business (i) to (iii)	A minimum paid-up capital of RMB200 million
2.	Applying for any additional type of the Basic Business (i) to (iii)	A minimum paid-up capital of RMB200 million for each type of Basic Business added
3.	Applying for the Basic Business (i) to (iii) and either of the Basic Business (iv) and (v)	A minimum paid-up capital of RMB1 billion
4.	Applying for all the Basic Business	A minimum paid-up capital of RMB1.5 billion

## Further information

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The CIRC also imposes the following general requirements for insurers to apply for carrying on the Expanded Business: -

- a. the applicant must already have an operational licence covering the Basic Business (i) to (iii);
- b. separate application needs to be submitted for each type of the Expanded Business; and
- c. the interval of two applications must not be less than six months.

In addition, there are also additional requirements on trading history, net assets, solvency etc for application for each type of the Expanded Business, which need to be met by the applicant.

According to the CIRC, it intends to introduce a reasonable classification of insurance business and to encourage insurance companies to develop business which provide basic coverage. Since the solvency of an insurer will be taken into consideration by the CIRC when the insurer applies for any Expanded Business, the Administrative Measures will hopefully help insurance companies improve its capital management and risk control.