

China insurance update

Measures on supervision of internet insurance business of insurance agencies and brokers (for trial implementation)

On 20 September 2011, China Insurance Regulatory Commission (“CIRC”) issued the *Measures on Supervision of Internet Insurance Business of Insurance Agencies and Brokers (For Trail Implementation)* (“Measures”). The Measures are set to come into force on 1 January 2012.

It was indicated by the CIRC that the Insurance Core Principles on the supervision of insurance activities on the internet issued by the International Association of Insurance Supervisors (IAIS) have been used as a source of reference for formulation of the Measures. The Measures aim to regulate the insurance activities carried out by insurance agencies and brokers on the internet.

Post-reporting

For the purpose of conducting insurance business on the internet, insurance agencies and brokers do not have to obtain prior approval from the CIRC. Instead, they are only required to report to the CIRC within 10 working days after their business was kick-started online. A copy of the reporting documents will also need to be submitted to the CIRC’s local office in the place where the agency or broker concerned is registered.

Qualifications and requirements

Insurance agencies and brokers wanting to jump on the internet insurance bandwagon are expected to fulfill a number of qualifications:

1. must have a sound management for internet insurance business;
2. must have a reasonable operational procedure for conducting internet insurance business;
3. must hold registered capital which is not less than RMB10 million and its approved operational area is not restricted to its registered place.

Insurance agencies and brokers shall also comply with other requirements such as a safe and reliable e-commerce system, an instant information exchange with insurers’ core data system etc.

Operation Rules

The Measures require for a centralised operation and management of the internet insurance business. Employees of insurance agencies and brokers are prohibited from selling insurance products in their individual names on internet.

Insurance agencies and brokers shall disclose the information in relation to their identifications, branch offices, authorisation from insurers, insurance products and services etc. This will hopefully provide the same level of transparency and disclosure which are applied to insurance products sold through other distribution channels.

At the request of the policyholder, a hardcopy of the insurance certificate and premium invoice shall be delivered by the insurance agency or broker within 48 hours. The same shall be delivered to the policyholder within 10 working days upon the conclusion of the insurance contract.

Insurance agencies and brokers are required to keep all the information, documents and materials in relation to the insurance contract during the term of the insurance contract. After the expiry or termination of the insurance contract, such information, documents and materials must be kept in good conditions for a further 5 years or more if the insurance period under the contract was one year or shorter, or for a further 10 years or more if the insurance period was more than one year.

Note

It is worth pointing out that when the draft version of the Measures entitled *Regulation on Supervision of Internet Insurance Business* was released on 15 April 2011 for public comment, it covered the internet insurance business carried out by insurance companies in addition to those by intermediaries. However, the relevant provisions regulating the insurance companies have now been removed from the Measures. It may need further clarifications from the CIRC as how to regulate internet insurance business of insurance companies after the Measures become effective.

Clyde & Co
Level 23, Shanghai Two IFC
8 Century Avenue
Shanghai 200120
PR China

T: +86 21 6035 6188
F: +86 21 6035 6199

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Further information

If you would like further information on any issue raised in this update please contact:



Carrie Yang
Partner
E: carrie.yang@clydeco.com.cn



Amanda Li
Associate
E: amanda.li@clydeco.com.cn