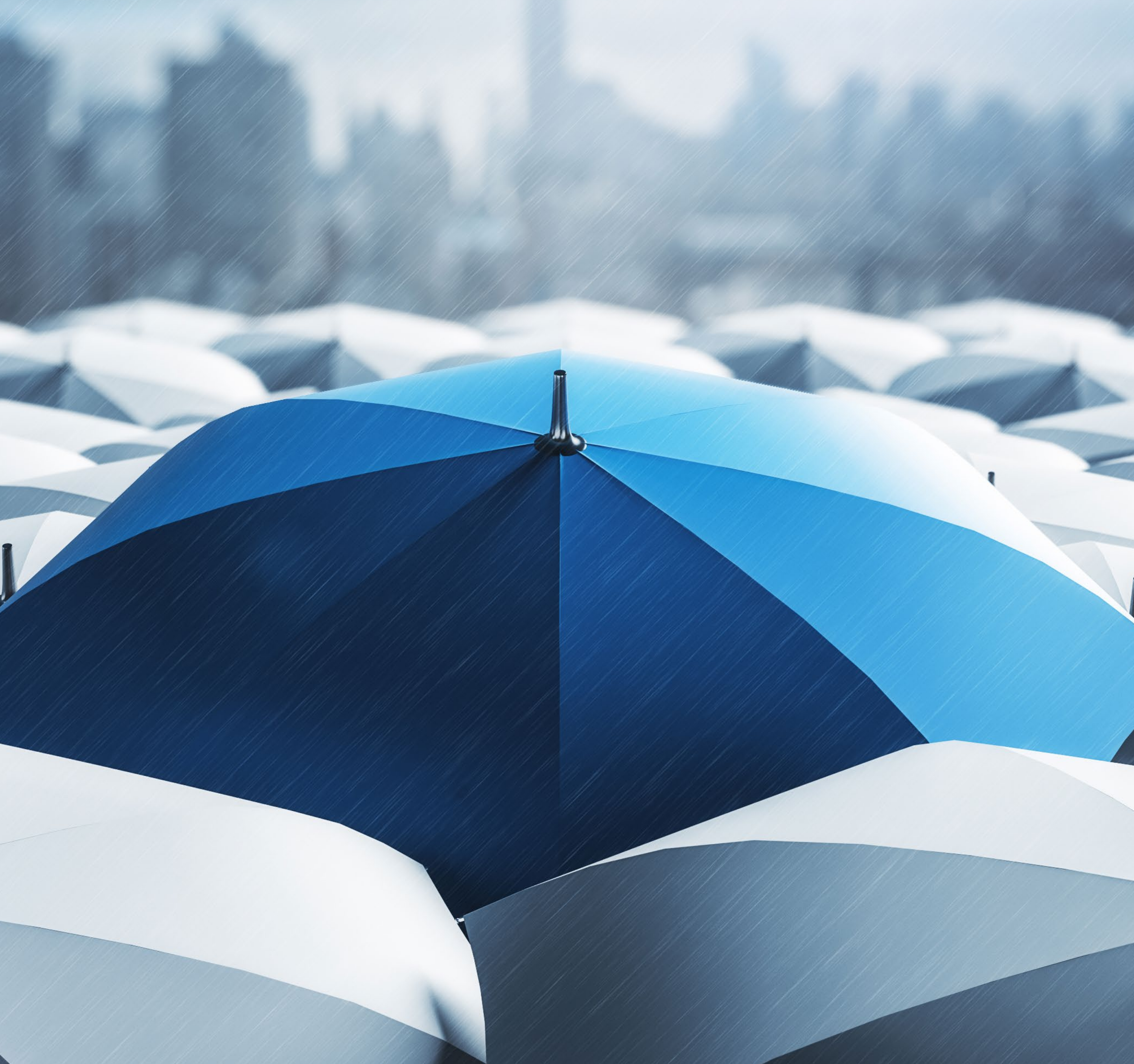
# PRC Financial Regulation: Annual Report (2022)
# Insurance



# 2021 Key Dates

## January 15
The *Provisions on the Administration of the Solvency of Insurance Companies* was issued, improving the regulatory framework of China Risk-Oriented Solvency System (C-ROSS)

## February 1
The *Measures for the Regulation of the Internet Insurance Business* took effect, as internet insurance business regulation enters a new era

## March 10
The CBIRC amended the *Detailed Rules for the Implementation of the Regulation on the Administration of Foreign-Funded Insurance Companies*

## April 7
The CBIRC issued the *Notice of Profoundly Conducting the Special Work to Address Irregularities in the Personal Insurance Market*, addressing typical issues and key risks in the market

## May 20
The CBIRC issued the *Measures for the Evaluation of Performance of Duties by Directors and Supervisors of Banking or Insurance Institutions (for Trial Implementation)*

## June 1
The Pilot Program of Exclusive Commercial Pension Insurance was launched

## June 2
The CBIRC issued the *Corporate Governance Standards for Banking or Insurance Institutions*, reshaping the superstructure of corporate governance of insurance institutions

## July 21
The *Provisions on the Administration of the Reinsurance Business* was issued

## July 27
Allianz Insurance Asset Management Co., Ltd was approved to open for business, becoming the first wholly foreign-owned insurance asset management company

## July 27
The CBIRC reviewed regulation of insurance in its mid-year forum, including reviewing inspection and supervision

## August 16
The *Guiding Opinions on Promoting the Development of Shanghai into an International Reinsurance Center* was issued, developing Shanghai into an international reinsurance center and launching the digital reinsurance registration and settlement platform

## September 2
National Pension Insurance Company received approval to set up, boosting the "third pillar" of pension insurance

## September 30
The CBIRC issued the *Measures for the Supervision of the Conduct of Principal Shareholders of Banking or Insurance Institutions (for Trial Implementation)*

## October 12
The CBIRC issued the *Notice of Issues Concerning Further Regulating the Internet Personal Insurance Business of Insurance Institutions*, to strengthen the regulation of internet personal insurance business

## November 12
The transfer of 49% equity in Allianz China Life Insurance Co., Ltd has received approval, making it the first wholly foreign-owned life insurance company developed from a joint venture

## November 24
The CBIRC issued the *Measures for the Supervision and Administration of Insurance Group Companies*

## December 3
The CBIRC issued the *Notice of Relevant Measures for Clarifying the Opening up of the Insurance Intermediary Market*, loosening investment requirements for insurance intermediary institutions

## December 10
The CBIRC held the (enlarged) meeting of the Party Committee to convey and study the guiding principles of the Central Economic Work Conference, and arrange implementation measures in light of the regulatory work of the banking and insurance industries actually carried out

# 2021 Regulatory Observations

## 01 Gradual unification of banking and insurance regulatory frameworks

Since the merger of the former China Banking Regulatory Commission and China Insurance Regulatory Commission in 2018, the CBIRC has successively launched a centralized cleanup of regulations and regulatory documents for the banking and insurance sectors and gradually unified the two sectors' regulatory frameworks. In 2021, multiple regulatory documents applicable to both the banking and insurance sectors were issued, covering corporate governance, supervision of the conduct of principal shareholders, undertakings of major shareholder undertaking, license management, recovery and resolution plans, reputation risk administration, related party transactions (as a consultation paper), evaluation of performance of duties by directors and supervisors, recourse and deduction of performance-based compensation, protection of consumer rights and interests and other key aspects.

In the new regulations, many of the banking industry standards have been transplanted to the insurance industry. The *Corporate Governance Standards for Banking or Insurance Institutions* ("Governance Standards") issued in June incorporates many corporate governance requirements of commercial banks and reshapes the rules for nomination of directors and supervisors, as well as the composition of boards of directors and boards of supervisors of insurance institutions. The Governance Standards aims to strengthen the set-up of boards of directors, strengthen the role of boards of supervisors, give greater powers to independent directors, and ensure that executives carry out their duties more rigorously.

The *Measures for the Supervision of the Conduct of Principal Shareholders of Banking or Insurance Institutions (for Trial Implementation)* ("Principal Shareholders Measures") issued in September also draws on the regulations of commercial banks to control the pledging of equity interests by shareholders of insurance institutions for the first time, and to prevent principal shareholders from borrowing excessively or limiting their voting rights. In addition, the *Measures for the Evaluation of Performance of Duties by Directors and Supervisors of Banking or Insurance Institutions (for Trial Implementation)* issued in July transplanted the comparable requirements of the banking sector, filling the regulatory gap for insurance institutions in terms of directors' and supervisors' duties.

Work on the unification of the regulations continues, with the *Measures for the Regulation of IT Outsourcing Risks of Banking and Insurance Institutions* released at the beginning of 2022 and the new regulation on related party transactions still under public consultation. There still remain a number of areas where the regulations covering the banking and insurance sectors are not yet unified, including compliance management, information disclosure, rules for independent directors, and compensation practices.

## 02 Reshaping corporate governance

Guo Shuqing, Secretary of CPC Committee of the PBOC and Chairman of the CBIRC, in his article *Improving Corporate Governance is the Top Priority of Financial Enterprise Reform*, confirmed that there had been significant improvements in corporate governance in the banking and insurance sectors since the 18th CPC National Congress, highlighting the streamlining of the responsibilities of financial enterprises, the leadership of the CPC, and cleaning up and regulating the shareholding relationship of financial enterprises. The issuance of the Governance Standards and the Principal Shareholders Measures in 2021 consolidated these reforms.

One of the significant features of the new regulations is the strengthening of supervision of shareholders imposing constraints on what shareholders are permitted to do. The Governance Standards and the Principal Shareholders Measures have added "Major Shareholder" and "Principal Shareholder" to the classification of shareholders of insurance institutions. Major shareholders are required to provide long-term commitments to replenish the capital of insurance institutions and to make three types of written undertakings to the regulator: covering "declaration", "compliance", and "due diligence". Principal Shareholders are required to comply with a series of additional restrictions on their conduct as set out in the *Measures for the Administration of Equities of Insurance Companies*.

Another notable feature of the new regulations is reflected in the governance of insurance institutions. The Governance Standards limits the powers of sole shareholders, such that the same shareholder and its related parties is not able to nominate more than one-third of the board of directors, may not nominate both independent and non-independent directors, and may not nominate both directors and supervisors. Under the changed governance rules, the controlling party of an insurance institution (whether Chinese-funded or foreign-funded) can no longer achieve absolute control over the board of directors through its nominated directors.

The Governance Standards also stipulates, for the first time, the need for special resolutions of the board of directors of insurance institutions when effecting some changes of business (some resolutions must be adopted by directors representing more than two-thirds of the voting rights) to ensure that decisions on such matters do not become the "monopoly" of the controlling party and to protect the rights of minority shareholders to be informed, to make decisions and to supervise important matters of the company. The new regulation allows for some flexibility by wholly-owned insurance institutions (such as wholly-owned subsidiaries of insurance groups or wholly foreign-owned insurance companies), but the changes in regulations are likely to have a direct impact on most foreign-owned insurance companies and Chinese insurance companies which have just a small number of shareholders.

In practice, we have already noted that many institutions are planning or have already amended their articles of association to adjust to the new requirements. Considering the extensive impact of the new regulations, reallocating shareholder rights and improving corporate governance will continue to be high priorities for investors and insurance companies.

To date, regulators have been relatively lenient when it comes to the corporate governance of insurance companies, with governance failings being reflected mostly in downgradings of ratings. There have been improvements with fewer institutions in 2021 being given poor ratings from the year before (although there are no A-rated institutions). With the unification of the regulations and the drawing of red lines, the regulators may become stricter in enforcing the regulations, including restricting shareholders' rights and against principal shareholders' violations). So far as high-risk institutions affected by shareholder violations are concerned, regulators may favor market-based solutions (i.e. acquisition) or even bankruptcy as ways of addressing illegal behavior.

## 03 New round of insurance sector regulators, mirrored by a string of new investment projects

When China joined the World Trade Organization in 2001, insurance premiums in China were about 3% of those in the world's largest market, the US. Today, China is the second largest insurance market in the world. The sector has been gradually opening up since 2018, and 2021 saw a centralization of regulations confirming that opening-up.

In March, the CBIRC revised the *Detailed Rules for the Implementation of the Regulation of Foreign-Funded Insurance Companies* (the "Detailed Rules") by removing the "tail" of the existing restriction on the percentage limit of foreign investment in life insurance companies. The newly revised *Regulation on the Administration of Foreign-Funded Insurance Companies* in 2019 allowed "foreign insurance group companies" and "overseas financial institutions" to acquire shares in foreign-funded insurance companies. On this basis, the Detailed Rules provided the definition of these two types of institutions, but still allowed regulators discretion in practice. Considering that the standards for classifying the institutions under different financial regulatory systems are different, and few cases existed where overseas non-insurance financial institutions acquired shares in Chinese-funded insurance companies, it remains to be explored in practice whether the non-traditional financial licenses can satisfy the licensing criteria, and whether the insurance investment platform within an integrated group can reach the requirement as a group. In addition, the Detailed Rules unified the applicable laws and regulations for Chinese-funded and foreign-funded insurance group companies (which are also mentioned in the *Measures for the Supervision and Administration of Insurance Group Companies* issued in November). The Detailed Rules also clarify that investment by overseas non-insurance financial institutions or by Chinese investors in Chinese-funded and foreign-funded insurance companies applies the same set of rules in relation to the shareholder qualification, which further reflects the important feature of "internal and external consistency" in this round of opening-up.

There was more good news for those companies in the insurance sector looking to develop their business. First, regulators started the process of revising the rules applying to insurance asset management companies (after a lapse of 17 years) in order to remove the 25% shareholding limit for foreign investors. Second, the regulator issued a notice to lower the threshold when applying for an insurance brokerage license by overseas insurance brokerage companies, removing the requirements for the number of operating years and total assets of the shareholders, as well as getting rid of the requirement for the establishment of representative offices. Changes to regulations also allowed the establishment of insurance intermediary institutions by foreign insurance group companies and domestic foreign-invested insurance group companies, providing new guidance on foreign funds entering the businesses of insurance agency, brokerage and assessment. On removal of the above-mentioned restrictions on foreign shareholding in insurance asset management companies, the "11 Measures" issued by the State Council in 2019 and a series of measures for opening up the insurance sector proposed by the CBIRC from 2018 to 2019 will all be implemented at the level of laws and regulations.

Even as the regulatory changes came thick and fast, the new investment projects developed in a more orderly fashion.

(i) After obtaining the first foreign-controlled life insurance license, AIA actively prepared to create regional branches;

(ii) An investment of RMB12 billion by AIA into China Post Life Insurance was approved in January 2022;

(iii) Allianz set up an insurance asset management company through its domestic insurance group company in 2021, marking a change from the previous practice whereby foreign investors could only obtain insurance asset management licenses through subsidiaries of joint ventures;

(iv) In November, Allianz gained approval to become the sole owner of Sino-German Allianz Life, making Sino-German Allianz Life the second approved foreign-controlled life insurance company after AIA China, and the first wholly foreign-owned company developed from a joint venture;

(v) Following Allianz, in December HSBC gained approval from regulators increase its shareholding in HSBC Life China to 100%;

(vi) In terms of group companies and property insurance, the Chubb Group announced that it planned once more to increase its investment in Huatai Insurance Group, just short of becoming the absolute controller;

(vii) Starr Group also said it intended to increase its investment in the property insurance company.

(viii) Ergo Group, which has long been operating in the domestic life insurance market, said it planned to become the second largest shareholder of Taishan Property & Casualty Insurance.

Added to these market developments, there were examples of investment by domestic companies filling gaps left by foreign investors withdrawing from the China market. Contrasted with the rush of foreign investment into China's insurance sector after China joined the WTO, this time around foreign investors are more cautious in their approach to the China market, which is more competitive and more highly regulated. However, we still believe that the scale of foreign investment in the domestic insurance market will grow steadily in the next few years.

## 04 C-ROSS Phase II Project completed, and insurance companies may have additional methods to raise capital

In March, the newly revised *Provisions on the Administration of the Solvency of Insurance Companies* came into effect, and the China Risk-Oriented Solvency System (C-ROSS) was officially written into departmental rules. Under C-ROSS, insurance companies have to adjust their balance sheets, to make sure their assets are in step with their liabilities, rather than simply benchmarking assets against their business volume as was the case before. There are three requirements that an insurance company needs to meet in order to become an "eligible" company for solvency purposes: meeting the core solvency adequacy ratio; meeting the comprehensive solvency adequacy ratio; and satisfying the comprehensive risk rating. Those companies that are classified as "ineligible" for solvency purposes may have restrictions on the business they can do, on setting up branches, and on how much they can pay directors, among other restrictions.

After going through the initial stage from scratch, regulators launched the C-ROSS Phase II Project in 2017. The *Solvency Regulatory Rules II for Insurance Companies* (the "Rules II") issued in December 2021 marked the successful completion of the second phase of this project, and the new rules will apply to the whole insurance sector starting with the quarterly solvency report in the first quarter of 2022. With experience from practice, the regulator has designed the Rules II to be more suitable for local conditions but based on international standards.

In respect of how capital is measured, the Rules II incorporate "exogenous" factors, allocating any future surplus of the policy to different levels of capital according to the remaining policy term and adjusting the recognition method of, and accrual requirement for, the value of assets such as investment real estate and long-term equity investment in order to filter out "fake" capital. Meanwhile, the Rules II have imposed new methods for calculating the minimum capital that insurance companies need to maintain and preventing them from inflating the value of assets held.

In terms of risk identification, the Rules II include a new risk measurement, calculating the minimum capital based on the underlying assets. Regarding the use of funds and product development, the Rules II encourage insurance companies to focus on their main business and to be more rigorous when developing new insurance products.

The Rules II will play a positive role in promoting the insurance sector, by preventing risk, encouraging insurance companies to concentrate on their core business and aiding international integration. However, the rules will also present some challenges for insurance companies. Because it may be difficult for some companies to meet the new solvency ratios, the regulators have given a grace period, with the Rules II being fully implemented by 2025 at the latest. In addition, the regulator also plans to allow insurance companies to inject more capital to boost their balance sheets. Currently, insurance companies can only raise capital through capital replenishment bonds and subordinated bonds. In November, the PBOC and the CBIRC sought public consultation on the rules that needed to be in place for insurance companies to issue unfixed term capital bonds. Tools such as perpetual bonds (that have been used in the banking sector) are also expected to be introduced as a capital-raising option for insurance companies in future.

## 05 Insurers encouraged to develop new products, especially in healthcare, but under strict conditions

Auto insurance has undergone significant improvements in recent years, leading to lower premiums, greater coverage and higher quality. However, there was a decline in the auto insurance sector in 2021, as there was in the property insurance market. Some insurance companies are diversifying, for example looking at new energy auto insurance for new energy vehicles (NEVs). In December, the Insurance Association of China issued the *New Energy Vehicle Commercial Insurance Exclusive Clauses (for Trial Implementation)*, and, following that, a new energy vehicle insurance trading platform was launched on the Shanghai Insurance Exchange with the first batch of listed products from 12 property insurance companies.

Added to this, some insurance companies turned to the non-auto insurance market, particularly to health insurance and accident insurance, both of which grew rapidly in 2021. The CBIRC issued the *Notice on Issues Concerning Regulating the Short-Term Health Insurance Business* and the *Notice on Effectively Providing Customs Services regarding the Short-term Health Insurance Business* in January and May, to regulate the renewal, pricing and loss ratio of short-term health insurance products, as well as addressing problems such as combined sales, and prohibiting automatic renewable clauses in the contract.

The *Measures for Regulating the Accident Insurance Business* issued in October unifies the regulation for property and life insurance companies operating accident insurance and establishes a product pricing adjustment mechanism linked to the insurance claim. In addition, the CBIRC revised the *Measures for the Administration of the Insurance Clauses and Premium Rates of Property Insurance Companies* in August, clarifying the principle of jurisdictional supervision for property insurance products and improving the application of regulations to product development and the internal rules needed by insurance companies.

Another area that received attention from regulators in 2021 was that of life insurance, as well as from the insurance sector itself. Customized commercial medical insurance products were launched in many cities, providing opportunities for patients with pre-existing conditions to gain access to insurance, as well as the elderly who would not otherwise meet the criteria to be eligible to buy commercial medical insurance. In June, the CBIRC issued the *Notice on Regulating Urban Customized Commercial Medical Insurance Business of Insurance Companies* to regulate the market for these new types of products. In addition, new regulations were issued for the pilot program covering long-term care insurance as well as critical illness insurance.

The CBIRC also issued a notice in October to encourage insurance companies to bring onto the market more life insurance products, to actively develop products with lower thresholds for purchasing, simpler underwriting, affordable prices, and with clear protections for such groups as the elderly, farmers, low-income groups, and the disabled.

One other significant development was the end of the mutual aid platforms, which had been popular. The regulatory authorities do not recognize the insurance nature of online mutual aid products. However, looking back at the development path of mutual insurance in China, it is worth reviewing and considering how this business model can really play a role in meeting the needs of the masses for insurance protection.

## 06 The “third pillar” of pension insurance continues to develop, although problems still need to be tackled

In March 2021, Premier of the State Council Li Keqiang proposed in the report on the work of the government to "work toward unified national management of basic pension insurance funds, and develop the private pensions, as the third pillar, in a well-regulated way”. As China’s population has got older, the demand for elderly care services has increased, in turn requiring refinements to pension schemes. A previous attempt to launch tax-deferred pension insurance failed to achieve the desired result of increasing take-up of pension policies. In 2021, the CBIRC started a pilot program of commercial pension insurance in Zhejiang province (including the city of Ningbo) and Chongqing. Different from the commercial pension insurance products currently provided on the market, the pilot products are more flexible in the payment methods and the fee structures. The products are particularly suitable for those working in new industries or those working flexibly, and these products have filled a gap in the market.

PBOC released the *China Financial Stability Report* in September and proposed establishing a system which bases on accounts. PBOC further proposed to expand the range of products in which the “third pillar” could invest, which would include financial products such as bank wealth management products, deposit savings products, commercial pension insurance products, and publicly offered fund products. In mid-2021, many leading financial institutions, including bank wealth management subsidiaries, securities companies, insurance companies, and state-owned capital holding platforms jointly invested in the establishment of the National Pension Insurance Co., Ltd. This new company should play an important part in the next round of reforms.

Regulators have also insisted that commercial pension companies address some key failings. The CBIRC issued the *Notice on Regulating and Promoting the Development of Pension Insurance Institutions* in December, requiring pension insurance institutions to focus on their main business. The Notice stipulates that pension insurance institutions shall not engage in asset management and shall reduce and clean up existing pension security management products.

## 07 Internet insurance regulation refined

On February 1, the *Measures for the Regulation of the Internet Insurance Business* took effect. On the basis of clarifying the nature of Internet insurance business, the Measures not only intended to prevent risks but also supported innovation. A rule system adapting to the development of Internet insurance has been established for various market players. From "zero supervision" to "third-party network platform" and to "self-operated network platform", China’s internet insurance regulatory system has entered into a new era. The regulations mainly include clarifying the nature of internet insurance business, strictly stipulating the requirements on the Internet insurance business operation, classifying the regulations according to the business entities, regulating Internet insurance marketing and publicity activities, and optimizing internet insurance after-sales service, among others.

The CBIRC started to focus on the Internet personal insurance business in 2021. The *Notice of Issues Concerning Further Regulating the Internet Personal Insurance Business of Insurance Institutions* was issued in October, and the supporting regulation on product price backtracking was issued in November. The Notice clarified the conditions on the access and operation of the Internet personal insurance business. At the same time, it specifies the limit to the scope of products, refines the exclusive regulatory rules for products, strengthens consumer protection, and requires the relevant institutions to complete “rectification” (i.e. make sure their operations comply with the regulations) before the end of 2021. Price tracing should start to be done from 2022. However, various institutions failed to complete the rectification within the specified time limit. In December, many products were removed from the market, and many life insurance companies announced that they would suspend their Internet insurance business from January 2022.

Meanwhile, regulators have also sought to clamp down on mis-selling, forced tie-in sales, inflated fees and failure to protect user information, including fining some of those found to have been in breach.

## 08 Insurance funds benefit from loosening of restrictions on their investments, coupled with more regulation based on a rating system

Insurance funds continued to come under the spotlight of regulators through 2021, with the goal of improving the quality and efficiency of insurance funds serving the real economy.

First, the scope of financial products that the insurance funds can invest in was enlarged. In the middle of the year, the CBIRC issued the pilot rules for the investment of insurance funds in publicly offered real estate infrastructure funds (REITs), and allowed insurance funds to participate in the securities lending business.

Second, regulators scrutinized more closely fund application. In September, the "registration system" was changed to the "*enrollment* system" (i.e., initial approval and subsequent enrollment) for the asset-backed plans and insurance private funds promoted by insurance asset management companies. While implementing the policy of “delegation and decentralization”, insurance companies had to demonstrate their responsibilities.

Third, investment restrictions were loosened in many ways. The regulator first cancelled the requirements for the “whitelist” (i.e approved) of financial enterprise bonds that can be invested in by insurance funds and the requirements for external credit ratings. At the end of the year, the regulator provided a series of preferential policies relating to insurance funds. Major adjustments include allowing insurance funds to invest in equity investment funds that are controlled by non-insurance financial institutions, and cancelling the limit on the scale of insurance funds investing in a single venture capital fund. There are no longer limits on the level of funds contributed by insurance private fund sponsors and their affiliated insurance institutions.

Regulatory standards will no longer be "one-size-fits-all" for equity investment, investment in financial products or establishment of asset management products. In early 2021, insurance asset management companies implemented the regulatory rating management, in which institutions are divided into four categories: A, B, C, and D. The indicators such as the regulatory rating results of asset management companies, the solvency level of insurance companies, comprehensive risk rating, and asset and liability management capability determine the corresponding regulatory requirements for the use of funds. The higher the evaluation result is, the more investment space and flexibility the institution enjoys. This idea of differentiated supervision is expected to be used in the follow-up market-oriented reforms of insurance funds.

# 2022 Regulatory Outlook

## 01 Equal attention will be paid to the development and standardization of insurance products

China's insurance sector is witnessing adjustment to make sure that insurance products are more closely aligned with the many needs of the public. Regulation in 2022 may encourage insurance companies to invest more in digital transformation and technology empowerment, and develop more life insurance products. The regulatory authorities are formulating supporting policies and measures for individual pension accounts. The effective supply of commercial endowment insurance products is an important step in the reform. After several years of building systems, establishing institutions, issuing licenses and giving policy instructions, endowment insurance products may usher in a period of development and innovation. With the proposed goals of "carbon emissions peaking" and "carbon neutrality" (the 30:60 policy), green insurance may also take off.

In early 2021, CBIRC supplemented the negative list for life insurance and released a new version. Unreasonable and non-standard circumstances listed in the "negative list" and previous issue circulars will be the focus of future inspection and supervision.

## 02 The issuing of intermediary licenses is expected to be resumed

The CBIRC issued the *Measures for the Implementation of Administrative License and Recordation for Insurance Intermediaries*, ending the long-standing position where intermediary licenses were separately regulated, and refining and unifying the administrative approval and filing requirements of insurance agents, insurance brokers, insurance assessors and insurance intermediary groups. The new rules have raised the entry requirements for companies applying for intermediary licenses, and have set up very strict qualification requirements on the senior managers of insurance agencies and brokers. We can expect the market to be enthusiastic about taking up intermediary licenses.

Local branch offices of the CBIRC deregistered thousands of insurance intermediaries' licenses to conduct insurance agency business in 2021, and the clean-up work is expected to continue. As the practices associated with intermediary services mature and the regulators issue favorable signals, we expect there to be more uptake in the coming year of those entering this market given the accumulated market demand.

## 03 Tougher penalties likely

The CBIRC is increasingly taking a hard line on enforcing regulations, which includes imposing administrative penalties. The *Administrative Penalties Measures of the CBIRC* took effect on August 1, 2020, which not only marks the official implementation of the Measures, but also speeds up the implementation of unified standards for administrative penalties procedures in the banking and insurance sectors. According to the principle of "imposing punishment on the higher instead of the lower", more stringent penalties standards previously applied to banking institutions will also be applied to the insurance sector. It can be expected that in the coming year, the supervision and penalties meted out in the insurance sector will be stepped up, and the number and amount of penalties will be in line with those imposed in the banking sector.

According to incomplete data, the number of punishments issued by the CBIRC and its local branch offices in 2021 increased significantly compared with that in 2020, and top-level penalties such as suspension or restriction of business, removal of, or prohibition from, the industry to persons liable for violations were issued frequently, and the proportion of penalties imposed on liable persons also increased compared with that imposed last year. Local branches of the CBIRC have also actively issued regulatory documents to point out the focus and requirements of compliance management in their respective jurisdictions. It is believed that the intensity of inspection and supervision in the future practice will be correspondingly increased.

## 04 Consumer protection rules are expected to be released

In June, the Consumer Protection Bureau of the CBIRC issued a notification relating one insurance company's infringement of the legitimate rights and interests of consumers. In July, the CBIRC issued the *Measures for the Regulatory Evaluation of Banking or Insurance Institutions' Protection of Consumer Rights and Interests*, summing up and establishing the best-practice consumer protection and supervision.

In the next phase, we expect the regulatory authorities may introduce corresponding administrative measures for banking and insurance companies in relation to consumer protection. For the moment, the regulatory authorities have released the *Guidelines for the Sale of Insurance* for public consultation. The administrative measures related to the sale of insurance may be released soon, in which the protection of consumers' rights and interests will be an important part.

With the initial establishment of the Internet insurance regulations in 2021, consumer protection in the Internet insurance business is sure to be a high priority in 2022. By reference to the efforts made to crack down on unqualified internet life insurance products, the issues regarding mis-selling and inadequate after-sales service raised by consumers are likely to receive more attention and be solved centrally. In addition, the protection of personal data of insurance consumers may also be put on the agenda under the general environment of building and improving the legal system of personal information protection.

## 05 An important year coming for the reinsurance sector, with focus on Shanghai

The year 2021 is an important year for the development of China's reinsurance sector. The CBIRC has revised the *Provisions on the Administration of the Reinsurance Business* after an interval of six years, adjusted many provisions that are no longer applicable with the development of the market, and emphasized the strategic management of reinsurance. In the C-ROSS Phase II rules, the counterparty default risk factors of overseas reinsurance have been lowered.

In August, the CBIRC and the Shanghai Municipal People's Government jointly issued the *Guiding Opinions on Promoting the Development of Shanghai into an International Reinsurance Center*, specifying that Shanghai will develop into an international reinsurance center, with pilot cross-border reinsurance transactions carried out in the Shanghai Pudong Free Trade Zone. The digital reinsurance registration and settlement platform, together with groundwork laid to build the International Reinsurance Center, put in place the platform to create a sound reinsurance sector. During the year, several foreign-funded reinsurance branches were given approval to increase their registered capital, which signalled the strong demand for business expansion of the institutions.

It is expected that there will be more policies encouraging cross-border reinsurance transactions and investment by cross-border reinsurance institutions.

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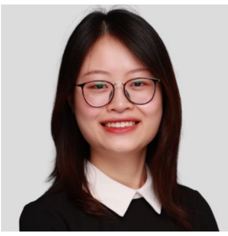

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