



Order of the China Insurance Regulatory Commission 2004 No.3

The Administrative Regulations on Insurance Companies were examined and adopted by the Chairman's meeting of the China Insurance Regulatory Commission on March 15, 2004. The Regulations are hereby promulgated and shall come into effect from June 15, 2004.

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Chairman
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Attached: Administrative Regulations on Insurance Companies

Administrative Regulations on Insurance Companies

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Chapter 1 General Principles

Article 1 These Regulations are formulated pursuant to the Insurance Law of the People's Republic of China (the "Insurance Law"), the Company Law of the People's Republic of China (the "Company Law") and other laws and administrative regulations in order to strengthen supervision and administration of insurance companies, maintain normal order in the insurance market, protect the legal rights and interests of policy holders, and promote the healthy development of the insurance industry.

Article 2 The China Insurance Regulatory Commission ("CIRC") is authorized by law and the State Council to carry out the overall supervision and administration of insurance companies.

CIRC's subordinate offices shall carry out their responsibilities within the scope of authorization of CIRC.

Article 3 As referred to in these Regulations, insurance companies shall mean commercial insurance companies which are established with the approval of the insurance supervisory and administrative authority and registered in accordance with law.

Branches and sub-branches of insurance companies as referred to in these Regulations shall mean business institutions and sales services institutions including branch companies, central sub-branch companies, sub-branch companies, business offices and sales services departments established by insurance companies in accordance with law.

Insurance institutions as referred to in these Regulations shall mean insurance companies and their branches and sub-branches.

Chapter 2 Insurance Institutions

Section 1 Establishment of Institutions

Article 4 The establishment of an insurance company shall be approved by CIRC.

No unit or individual may engage or covertly engage in the commercial insurance business within the People's Republic of China without the approval of CIRC.

Article 5 The establishment of an insurance company shall comply with the following principles:

- (a) it shall comply with laws and administrative regulations,
- (b) it shall comply with the State's macro economic policies and development strategies for the insurance industry; and
- (c) it shall be beneficial to fair competition in and healthy development of the insurance industry.

Article 6 The establishment of an insurance company shall satisfy the following conditions:

- (a) it shall have qualified investors and a reasonable shareholding structure;
 - (b) the articles of association shall comply with the provisions of the Insurance Law and the Company Law;
 - (c) minimum registered capital shall be no less than RMB200 million and such registered capital shall be the actual paid-in currency capital;
 - (d) senior management personnel shall be in compliance with the professional qualifications stipulated by CIRC;
 - (e) it shall possess a sound organizational structure and management system;
- and
- (f) it shall have a place of business and office facilities which are compatible with its business development.

Article 7 To establish an insurance company, the applicant shall submit an application in writing to CIRC with three copies of the following documents:

- (a) establishment application that sets forth the name of the proposed company, amount of registered capital and scope of business;
 - (b) feasibility study report that includes its business development planning, draft of its articles of association and operating and management strategies;
 - (c) preparatory establishment plan;
 - (d) investors' subscription agreement and materials evidencing approval of the investment by the board of directors or department in charge;
 - (e) business licenses or other background materials on the investors and the preceding year's profit and loss statements and balance sheets audited by registered accountants;
 - (f) a list of persons in charge of the preparatory committee and proposed chairman and general manager as approved by investors, as well as their identification documents;
- and
- (g) such other documents as may be required by CIRC.

Article 8 CIRC shall conduct an examination of the application for establishment of an insurance company. Within 6 months after receipt of complete application materials, CIRC shall decide whether to grant or deny approval. If it decides to deny approval, it shall notify the applicant in writing and explain the reasons.

Article 9 During its examination of an application for establishing an insurance company, CIRC shall remind its investors of investment risks of the insurance industry.

CIRC shall listen to the thoughts of the proposed chairman and general manager in connection with the market development strategies, business development planning and establishment of internal control systems of the proposed company and shall use such thought as reference for its decision of whether to approve the preparation for establishing the insurance company

Article 10 After approval by CIRC to prepare for the establishment of the insurance company, the applicant shall complete such preparatory work within one year. If the preparatory work is not completed within the stipulated period, such preparatory period may be extended by 3 months upon approval by CIRC provided that proper reasons are given. If the preparatory work is not completed within the extended period, the original preparatory work approval document issued by CIRC shall automatically become invalid.

Preparatory organizations may not engage in any insurance business activities.

In principle, investors shall not be changed during the preparatory period. If investors are changed without approval, the original preparatory work approval document shall automatically become invalid.

Article 11 Upon completion of the preparatory work for establishment, the applicant shall submit an application to CIRC for commencement of business with three copies of the following documents:

- (a) application for commencement of business;
- (b) minutes of the establishment meeting;
- (c) company's articles of association;
- (d) names of the shareholders and their shareholding percentages, investment verification certificates issued by an investment verification authority of sound credit, and photocopies of original vouchers evidencing that the capital funds have been deposited in the company's account;
- (e) business licenses of the shareholders or background materials on the shareholders and the preceding year's profit and loss statements and balance sheets of such shareholders;
- (f) resumes and relevant evidentiary materials of the proposed senior management personnel of the company, the company's department structure and the basic composition of the company's personnel, as well as the resumes and relevant evidentiary materials of the company's actuaries;
- (g) documents evidencing ownership rights to or use rights in the place of business;
- (h) three-year operations plan and reinsurance plan;
- (i) plans for conducting the proposed types of insurance risks; and
- (j) a report on the deployment of computing equipment and network construction.

Article 12 Within 60 days after receipt of complete application documents for commencement of business, CIRC shall decide whether to grant or deny approval. If it decides to grant approval, an insurance business operating license shall be issued. If it decides to deny approval, it shall notify the applicant in writing and explain the reasons.

An insurance company that is approved for commencement of business shall handle registration procedures with the administration for industry and commerce by presenting

its approval document and insurance license and may not conduct business until a business license is obtained.

Article 13 An insurance company may apply to establish branches and sub-branches pursuant to its business development requirements.

Insurance companies shall establish branch companies in provinces, autonomous regions and municipalities directly under the central government outside its domicile. Insurance companies shall apply for establishing central sub-branch companies, sub-branch companies, business offices or sales services departments in accordance with their actual conditions.

If CIRC has separate provisions governing the establishment and management of sales services departments by insurance companies, such provisions shall prevail.

Article 14 For insurance companies established with the minimum capital amounts set forth in Article 6(c) of these Regulations, an increase of registered capital in an amount of no less than RMB20,000,000 is required to be contributed every time an application is made to add a branch company in each of the provinces, autonomous regions and municipalities directly under the central government outside its domicile.

When applying to establish a branch company, an insurance company whose registered capital has already met the aforementioned capital increase amount need not further increase the corresponding amount of registered capital.

An insurance company whose capital has reached RMB500 million is not required to increase its registered capital provided that it has full solvency capacity.

Article 15 An insurance company applying to establish a branch or sub-branch shall comply with the following conditions:

- (a) solvency quota complies with the relevant requirements of CIRC;
- (b) sound internal control systems, operating in a normal fashion, and no record of penalties (if the insurance company has been operated for over two years, a record showing that it has not been subject to penalties in the most recent two years); and
- (c) senior management personnel of the branch or sub-branch who meet the qualifications for their positions stipulated by CIRC.

Article 16 An insurance company applying to establish a branch or sub-branch shall submit to CIRC an application by its head office with three copies of the following documents:

- (a) establishment application;
- (b) unaudited report on solvency as of the end of the preceding year and the most recent quarter;
- (c) three-year business development plan and market analysis of the institution proposed to be established; and
- (d) resumes and relevant evidentiary materials of the person-in-charge of the institution proposed to be established.

Article 17 CIRC shall conduct an examination on the application for establishing a branch or sub-branch. Within 20 days after receipt of complete application materials, CIRC shall decide whether to grant or deny approval. If CIRC decides to deny approval, it shall notify the applicant in writing and explain the reasons.

After approval, the applicant shall complete the preparatory work for the branch or sub-branch within 6 months. If the preparatory work is not completed within the stipulated period, such preparatory period may be extended by 3 months upon approval by CIRC provided that proper reasons are given. If the preparatory work is not completed within the extended period, the original approval document shall automatically become invalid.

Preparatory organizations may not engage in any insurance business activities.

Article 18 Upon completion of the preparatory work for establishment of a branch or sub-branch, the applicant shall submit to CIRC an application for commencement of business and provide three copies of the following documents:

- (a) application for commencement of business;
- (b) a report on the completion of the preparatory work;
- (c) resumes and relevant evidentiary materials of the proposed senior management personnel; and
- (d) documents evidencing ownership rights to or use rights in the proposed place of business, the deployment of computing equipment and network construction, as well as the internal organizational structure and information on employees.

Article 19 Within 20 days after receipt of complete application documents to establish a branch or sub-branch for commencement of business, CIRC shall decide whether to grant or deny approval. If CIRC decides to grant approval, an insurance business operating license for such branch or sub-branch shall be issued. If CIRC decides to deny approval, it shall notify the applicant or the insurance company and explain the reasons.

An insurance company branch that is approved for commencement of business shall handle registration procedures with the administration for industry and commence by presenting its approval document and insurance license and may begin operations after it has obtained its business license.

Article 20 The examination and administration of the qualifications for the positions of senior management personnel of insurance institutions shall be carried out in accordance with relevant regulations stipulated by CIRC.

Article 21 An insurance company may establish representative offices in the PRC upon approval by CIRC. Representative offices may not engage in any insurance business activities.

Article 22 To establish a business institution or representative office outside the PRC, an insurance company shall report to CIRC for approval.

Section 2 Change of Organization

Article 23 The following changes in relation to an insurance company shall be reported to CIRC for approval:

- (a) change of the form of the organization;
- (b) change of registered capital;
- (c) division or merger;
- (d) change of investors or shareholders of 10% or above of the equity interests of the company; and
- (e) cancellation of a branch or sub-branch.

Article 24 The following changes in relation to an insurance company shall be reported to CIRC for verification:

- (a) change of name of the company;
- (b) amendment of the articles of association;
- (c) adjustment of the scope of business; and
- (d) change of its domicile.

Article 25 The following changes in relation to an insurance company shall be reported to CIRC for the record:

- (a) change of shareholders of less than 10% of the equity interests of an insurance company that is not a listed insurance company ; and
- (b) change of place of business of a branch or a sub-branch.

Article 26 The following changes in relation to an insurance company shall be reported in writing to CIRC within 15 days after their occurrence:

- (a) change in the name of shareholders of an insurance company that is not a listed insurance company; and
- (b) merger or change of name of branches or sub-branches of the company.

Article 27 When an insurance company cancels a branch or sub-branch, it shall explain the reasons to CIRC and shall submit a follow-up settlement plan with respect to the business of such institution.

When an insurance company merges or cancels a branch or sub-branch, it shall notify the relevant policy owners, policy holders and beneficiaries in writing fully informing them with respect to premium payments, obtaining insurance proceeds and other matters.

The insurance license of a canceled branch or sub-branch shall automatically become invalid, and shall be handed back within 15 days.

Article 28 When any matter recorded on an insurance license is changed, the insurance institution shall take the relevant document and the insurance license to the issuing authority to change its license within one month after obtaining of the approval, verification, filing or report.

Section 3 Insurance Licenses

Article 29 Insurance licenses as referred to in these Regulations are licenses granted to insurance companies or their branches or sub-branches to operate the insurance business.

Insurance licenses are legal documents issued by CIRC in accordance with its legal authority that permit insurance companies to conduct insurance business and such licenses are certificates evidencing that insurance companies may conduct insurance business in accordance with law.

Article 30 Insurance licenses are uniformly designed, printed, issued, confiscated, recovered or revoked by CIRC.

Insurance licenses may not be forged, altered, leased, lent or transferred by insurance companies.

Article 31 Insurance institutions shall display their insurance licenses in a prominent position in their place of business for the purpose of examination and verification.

Article 32 If an insurance license is lost, the insurance company shall declare it invalid in a newspaper designated by CIRC within 10 days after discovery of the loss, simultaneously explain the reasons to the issuing authority, and apply for a replacement.

Section 4 Termination and Liquidation

Article 33 An insurance company which dissolves shall establish a liquidation committee. The liquidation committee shall be supervised and guided by CIRC.

With respect to an insurance company which is canceled in accordance with law, CIRC shall organize shareholders, relevant government departments and professionals in a timely manner to establish the liquidation committee.

With respect to an insurance company which declares bankruptcy, a liquidation committee shall be organized by the People's Court.

Article 34 The liquidation committee shall notify creditors within 10 days after its establishment, and make at least three announcements in a newspaper designated by CIRC within 60 days after its establishment. The contents of such announcements shall be verified by CIRC.

The liquidation committee shall entrust accounting firms and law firms of sound credit to evaluate the credits and debts and assets of the insurance company.

Article 35 An insurance company which is to be dissolved pursuant to its Articles of Association or by resolution of its shareholders' meeting shall apply to CIRC for approval and submit three copies of the following documents:

- (a) application for dissolution;
- (b) resolution of its shareholders meeting;
- (c) organization of the liquidation committee and responsible person;
- (d) liquidation procedures;
- (e) plan for the disposition of creditors' rights and debtors' obligations;
- (f) plan for the distribution of assets and plan for the disposal of assets;
- (g) such other documents as may be required by CIRC.

Article 36 An insurance company that has been dissolved or canceled in accordance with law shall immediately cease to accept new business, and shall return its insurance license.

Article 37 When an insurance company is dissolved or canceled in accordance with law, the disposition of its assets shall proceed by way of public auction or agreed transfer, or in any other manner recognized by CIRC.

Article 38 When an insurance company is dissolved, canceled or declared bankrupt in accordance with law, the plan for the transfer of its insurance contracts shall be reported to CIRC for approval.

Article 39 When an insurance company dissolves itself in accordance with law, the shareholders of the company may not distribute assets of the company or derive any interest from the company before settlement of the company's liabilities under its insurance contracts has been completed.

Article 40 When an insurance company is dissolved in accordance with law, if during liquidation its assets are found to be less than the company's liabilities, the company shall apply for bankruptcy. The liquidation of its assets and handling of its creditors' rights and debtors' obligations shall be carried out in accordance with mandated bankruptcy procedures.

Section 5 Investment in Insurance Companies

Article 41 Enterprise legal persons and other entities permitted by law and administrative regulation may invest in and purchase shares of insurance companies.

Article 42 An enterprise legal person that wishes to invest in an insurance company shall satisfy the following conditions:

- (a) compliance with provisions of laws and administrative regulations;
- (b) lawful sources of funding and sound business operating conditions;
- (c) such other conditions as may be specified by CIRC based on the principles of prudential supervision and administration.

Article 43 Except for insurance holding companies or insurance companies approved by CIRC, no enterprise legal persons or other organizations (including their related parties) may individually hold more than 20% of the total number of shares of an insurance company.

Article 44 Any affiliate relationship among shareholders of an insurance company shall be reported to CIRC by the insurance company in writing.

Article 45 Foreign financial institutions that satisfy the conditions under Article 42 and that have been approved by CIRC may invest in or purchase shares of an insurance company. Total foreign shareholdings shall be less than 25% of the total shares of an insurance company. When the percentage of foreign shareholding is more than 25% of the total shares of an insurance company, relevant provisions for the administration of foreign-invested insurance companies shall apply.

Investment by overseas shareholders in a listed insurance company shall not be subject to the restriction set forth in the preceding paragraph.

Article 46 An insurance company issuing shares in a public offering in the PRC shall comply with the restriction on shareholders' investment percentage set forth in Article 43.

Chapter 3 Insurance Operations

Article 47 Subject to verification by CIRC, a property insurance company may engage in all or part of the following businesses:

- (a) property casualty insurance;
- (b) liability insurance;
- (c) statutory liability insurance;
- (d) credit insurance and guarantee insurance;
- (e) agricultural insurance;
- (f) other property insurance businesses;
- (g) short-term health insurance and accidental injury insurance;
- (h) reinsurance business with respect to the above insurance businesses.

Article 48 Subject to verification by CIRC, a life insurance company may engage in all or part of the following businesses:

- (a) accidental injury insurance;
- (b) health insurance;
- (c) traditional life insurance;
- (d) new life insurance products;
- (e) traditional annuity insurance;
- (f) new annuity insurance products;
- (g) other life insurance businesses;
- (h) reinsurance business with respect to the above insurance businesses.

Article 49 When an insurance company applies to expand its scope of business, its registered capital, solvency, etc. shall be in compliance with the relevant requirements of CIRC.

Article 50 When an insurance institution operates foreign exchange insurance businesses, it shall comply with regulations on the administration of foreign exchange businesses of CIRC and the State Administration of Foreign Exchange.

Article 51 Apart from the circumstances set forth in Article 52 hereof, a branch institution of an insurance company shall not conduct business across provinces, autonomous regions or municipalities directly under the control of the central government.

Article 52 Insurance institutions which engage in joint insurance or conduct large-scale commercial insurance business or conduct insurance policy consolidation and undertake insurance businesses across provinces, autonomous regions and municipalities directly under the control of the central government through the internet or other means, shall comply with the relevant regulations of CIRC.

Article 53 An insurance company shall decide the amount retained from the insurance business in accordance with law and the liability for provision for potential losses which may result from each risk unit; re-insurance shall be obtained for any portion in excess of the statutory limit.

Article 54 Under equal conditions, insurance companies requiring reinsurance shall place priority on obtaining reinsurance from domestic insurance companies within China.

Article 55 Insurance institutions may not, by any overt or covert means, coerce a party seeking insurance to buy insurance.

Article 56 An insurance institution may not entrust an illegal insurance agent to develop its business; may not accept insurance business introduced by an illegal insurance broker; and may not pay handling fees, commissions or similar fees to any illegal insurance agent or insurance broker.

Article 57 An insurance institution may not forge or disseminate false statements to damage the reputation of other insurance companies.

Article 58 An insurance institution may not induce a party seeking insurance or a policy holder to dissolve insurance contracts with other insurance institutions.

Article 59 An insurance institution may not illegally squeeze out other insurance companies or obstruct other insurance companies from engaging in insurance business activities by exploiting government or its subordinate departments, monopoly enterprises or organizations.

Article 60 An insurance institution may not provide or commit to provide kickbacks to insurance premiums or other benefits in violation of law or regulation, to a party seeking insurance, policy holders, beneficiary or interested party thereof.

Article 61 An insurance institution shall establish a specialized customer service department or consultation or complaint department and make known to the public telephone numbers for information and for the lodging of complaints.

An insurance institution shall resolve insurance complaints by policyholders, policy holders and beneficiaries in a conscientious manner and shall inform complainants of their resolutions in a timely manner.

Article 62 Promotional materials for the insurance business of an insurance institution shall be objective, complete and truthful, and shall set out the insurance institution's name, address and telephone numbers for information and for the lodging of complaints.

Article 63 Insurance advertisements or promotional materials may not forecast the company's profits or unconfirmed interests under insurance policies such as profit sharing under insurance policies and the refund of surplus interests.

Insurance institutions may not disseminate misleading information with respect to the contents of insurance policies and service quality by way of advertising or other means.

Article 64 An insurance company shall take explicit measures in its insurance contracts to highlight terms concerning liability exclusions or exemption of liabilities, refund of premiums and deductions upon cancellation, cash value, hesitation period, etc.

An insurance company may not make one-sided comparisons of its insurance terms and premiums with similar insurance terms and premiums of other insurance companies or with interest rates of financial institutions.

Article 65 An insurance institution shall supervise and administer the business development activities of its insurance agents, and upon discovery that an insurance agent's actions are in violation of law or regulation shall immediately stop or correct such actions.

An insurance institution shall bear liability in accordance with law for any action such as untruthful representation or misleading actions etc., conducted by its insurance agents in the process of business development that cause damage to the interests of the insured.

Article 66 An insurance company shall establish a system to control and manage related transactions. Material related transactions of an insurance company shall be reported to CIRC within 15 days after their occurrence.

Related transactions as referred to in the preceding paragraph shall mean the following activities among an insurance company and its affiliates:

- (a) ceding reinsurance or assuming reinsurance business;
- (b) asset management, guarantee and agency business;
- (c) fixed asset sales or purchases, or the transfer of creditors' rights or debtors' obligations.

An enterprise with any of the following relationships with an insurance company shall be deemed to be affiliated to such insurance company:

- (a) control relationship exists with respect to shares or capital contributions;
- (b) under the common control of a third party with respect to shares or capital contributions;

(c) under the direct control of a senior officer of the insurance company or closely-related family member of the individual investor or senior officer.

A senior officer of an insurance company or closely-related family member of the shareholder or the senior officer shall be deemed to be affiliated to such insurance company.

Article 67 An insurance company shall establish a sound corporate governance structure, strengthen its internal management and establish strict internal control systems.

Article 68 An insurance company that proposes to be listed should obtain a supervision and administration opinion issued by CIRC.

Chapter 4 Insurance Terms and Insurance Premiums

Article 69 Insurance terms and insurance premiums used by insurance companies shall be submitted to CIRC for approval or filed with CIRC for the record in accordance with law.

Article 70 Insurance terms and insurance premiums for the following risks shall be submitted to CIRC for examination and approval:

- (a) risks that shall be insured as mandated by law;
- (b) risks with respect to newly developed life insurance products;
- (c) other risks related to public and social interests as determined by CIRC.

A catalogue of types of risks in insurance to be examined and approved by CIRC shall be formulated and adjusted by CIRC.

Article 71 Insurance terms and insurance premiums used by insurance companies other than those specified in the preceding paragraph shall be reported to CIRC for the record.

Article 72 In carrying out the examination and approval or the filing for the record procedures of insurance terms and insurance premiums, CIRC shall abide by the principles of protecting public and social interests and preventing unfair competition. In case of any of the following, CIRC may require that the insurance company amend the insurance terms or insurance premiums or demand that the insurance company cease use of the same:

- (a) violation of the proscriptive provisions of laws, administrative rules or CIRC;
- (b) violation of relevant financial and monetary policies of the State;
- (c) damage to social and public interests;
- (d) the contents are obviously unfair or constitute monopolistic prices and infringe upon the legitimate rights of policy holders or beneficiaries;
- (e) the designed terms, stipulated premium rates or predetermined interest rates are inappropriate, potentially endangering the solvency of the insurance company;

(f) such other situations as may be determined by CIRC based on the principles of prudential supervision and administration.

Article 73 Any change in insurance terms and insurance premiums that have already obtained approval or been filed for the record shall be resubmitted for examination and approval or refiled for the record by insurance companies in accordance with the regulations.

When concluding a specific insurance contract, an insurance company may enter into a supplemental agreement with the relevant party with respect to particular issues, provided that such issues are not those as stipulated in Items (1) to (6) of the second paragraph of the preceding article.

Article 74 Pre-policy interest rates of long-term personal insurance terms and other factors on the basis of which prices are determined by insurance companies shall comply with relevant provisions stipulated by CIRC.

Article 75 An insurance company shall endeavor to develop insurance products that fulfill the needs of society and create new products and services.

The insurance terms and insurance premiums should be expressed in language that can be understood easily and is explicit and clear.

Article 76 The insurance industry association may publish model forms for property insurance or personal insurance terms.

The insurance industry association may publish guidance on insurance premiums in accordance with the actual situation.

Chapter 5 Insurance Funds and Solvency of Insurance Companies

Article 77 An insurance company shall provide a security bond in accordance with law. Apart from the payment of debts at the time of liquidation in accordance with law, the insurance company shall not use or dispose of such security bond without authorization.

Article 78 An insurance company shall make allocations for insurance guarantee funds in accordance with law. Insurance guarantee funds should be centrally managed and comprehensively utilized pursuant to relevant CIRC regulations.

Article 79 Pursuant to relevant CIRC regulations, an insurance company shall make allocations to various portfolio reserves for insured liabilities. The reserves set aside by an insurance company against its various insured liabilities must be genuine and sufficient.

Article 80 The forms of utilization of insurance funds shall be limited to:

- (a) bank deposits;
- (b) purchase and sale of government bonds;
- (c) purchase and sale of financial bonds;
- (d) purchase and sale of corporate bonds;

- (e) purchase and sale of securities investment funds;
- (f) such other fund utilization methods as may be prescribed by the State Council.

The specific form of investment of insurance funds utilized by or the proportion of specific types and the approved minimum rating of an insurance company shall be in compliance with the relevant CIRC regulations.

Article 81 The utilization of funds outside the PRC by an insurance company shall be in compliance with relevant State regulations.

Article 82 An insurance company may establish an insurance assets management company and entrust such insurance assets management company to utilize insurance funds.

Article 83 An insurance company, in accordance with the principles of protecting the interests of policy holders and guaranteeing the solvency of the company and stable and healthy operations, shall ensure that the actual solvency quota at any time is not lower than the minimum solvency quotas.

Article 84 The actual solvency of an insurance company shall mean the balance of the value of its approved assets less its approved liabilities.

The confirmation, calculation and report of approved assets and approved liabilities shall be in compliance with relevant CIRC regulations.

Article 85 The standard of minimum solvency quota of an insurance company shall be established and adjusted by CIRC.

Article 86 When the actual solvency quota is less than the minimum solvency quota, the insurance company shall take effective measures to improve the status of its solvency and report to CIRC its relevant plan for rectification, specific measures and the results at the end of the prescribed time limit.

Article 87 The solvency adequacy ratio of an insurance company is equal to the actual solvency quota divided by the minimum solvency quota. If an insurance company's solvency adequacy ratio is less than 100%, CIRC may list such company as a key target under supervision and inspection, and may adopt the following supervision and inspection measures in accordance with actual conditions:

- (a) with respect to a company whose solvency adequacy ratio is above 70%, CIRC may order such company to propose a plan for rectification and improve its solvency to reach the minimum solvency quota within the prescribed time limit; in case of any failure to do so by the prescribed time limit, CIRC may otherwise adopt supervision and inspection measures to require the company to increase its capitalization or obtain reinsurance, restrict its scope of business, limit its profit distribution to shareholders, restrict its purchase of fixed assets, restrict its scale of operating funds, and restrict its expansion through branches and sub-branches to cause the company to reach the minimum solvency quota.
- (b) with respect to a company whose solvency adequacy ratio is between 30% and 70%, in addition to the measures in the preceding paragraph, CIRC may adopt necessary supervision and inspection measures to order the company to sell bad assets by auction, transfer insurance businesses, restrict its senior officers' remuneration level and on-the-job consumption

levels, restrict company commercials, adjust its capital utilization and cease acceptance of new business.

(c) with respect to a company whose solvency adequacy ratio is less than 30%, in addition to the measures in the preceding paragraphs, CIRC may take over such insurance company in accordance with law.

Chapter 6 Supervision and Inspection

Article 88 Supervision and administration of the insurance industry by CIRC shall follow the principles of combining supervision and administration of solvency and market behavior.

Insurance companies shall accept supervision and administration by CIRC in accordance with law.

Article 89 Supervision and administration of insurance institutions by CIRC shall take the form of combining on-site and off-site supervision and administration.

Article 90 When an insurance institution falls into one of the following circumstances, CIRC may list it as a key target for inspection:

- (a) behavior which constitutes a material violation of law or regulations;
- (b) inadequate solvency;
- (c) abnormal financial situation;
- (d) submission of forged reports, statements, documents and materials; or
- (e) other situations deemed by CIRC as key targets for inspection.

Article 91 CIRC shall implement on-site inspections of insurance institutions, which may include all or part of the following contents:

- (a) whether the examination and approval or filing for the record procedures for the establishment of, or any changes in, the institution have been completed;
- (b) whether the contents of the materials submitted are consistent with the actual situation;
- (c) whether capital funds and various reserve funds are actual and sufficient;
- (d) whether solvency is sufficient;
- (e) whether the utilization of funds is in compliance with law;
- (f) whether business operations and financial situation are sound, and whether reports and statements are complete and truthful;
- (g) whether insurance terms and insurance premiums have been applied for approval or filed for the record in accordance with regulations;
- (h) whether the business transactions with insurance intermediaries

are in compliance with laws and regulations;

(i) whether the procedures for appointment or replacement of the senior management officers have been completed;

(j) whether the matters required to be reported after occurrence have been reported in a timely manner;

(k) such other items deemed by CIRC to require inspection.

Article 92 When CIRC conducts on-site inspection of an insurance institution, the insurance institution shall cooperate and provide relevant documents and materials pursuant to CIRC's demands.

Article 93 When CIRC personnel conducts on-site inspection work, there shall not be less than 2 inspectors, who they shall present relevant identification and notice of inspection; when CIRC entrusts social intermediary institutions such as accounting firms, etc., to conduct inspection work on its behalf, such appointment shall be through an entrustment made in writing.

Article 94 An insurance company shall submit to CIRC its business reports, actuarial reports, financial accounting reports, insolvency reports and relevant business supervision and administration reports and tables in a timely manner in accordance with regulations.

Article 95 The various statements and reports submitted by an insurance company to CIRC shall be complete, truthful and accurate.

Article 96 An insurance company's business reports, financial accounting reports, insolvency reports and relevant reports and tables shall be signed by the company's legal representative or general manager, and the annual financial accounting reports and insolvency reports shall be audited by a registered accountant. An insurance company's actuarial report shall be signed by a CIRC-certified actuary. Reports and statements of an insurance company's branch or sub-branch shall be signed by the person authorized by the company at a higher level to be in charge of the institution and affixed with the company seal of the branch.

Article 97 Material resolutions of shareholders' meetings and board meetings of an insurance company shall be reported to CIRC within thirty days after the resolutions are adopted.

Article 98 To fulfill the requirement of supervisory duties, CIRC may conduct supervision and administration discussions with or direct inquiries to its senior management officers or require them to give explanation to material issues in connection with the operation activities and risk management of insurance business.

Article 99 Where an insurance institution or its staff violate these Regulations, CIRC may give warning, issue an order to rectify and may impose an administrative penalty in accordance with relevant laws and administrative regulations; if a criminal offense is suspected, such case shall be removed to a judicial organ and criminal liability shall be pursued in accordance with law.

Chapter 7 **Supplementary Provisions**

Article 100 Except where laws, administrative regulations or CIRC provide otherwise, these Regulations shall be applicable to the administration of foreign invested insurance companies and reinsurance companies.

Article 101 These Regulations shall be applicable, by reference, to insurance companies of a policy nature such as export credit insurance before relevant State regulations are issued.

Article 102 Various statements and tables and materials submitted by an insurance institution to CIRC shall be written in Chinese. When the original is in foreign language, a Chinese translation shall be attached; when there is any inconsistency in the meaning between the Chinese and foreign language versions, the Chinese version shall prevail.

Article 103 Except for those expressed as years and months, all periods are calculated in terms of business days in these Regulations, excluding the statutory holidays.

Article 104 These Regulations shall be interpreted by CIRC.

Article 105 These Regulations shall come into effect from June 15, 2004. The "Insurance Companies Administrative Regulations" (*bao jian fa* [2000] No. 2) issued by CIRC on January 3, 2000 and "Decision on the Amendment of Relevant Provisions of the Administrative Regulations of Insurance Companies" (*bao jian hui ling*[2002] No. 3) issued by CIRC on March 15, 2002 shall concurrently be repealed.

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