



**Communique of the China Insurance Regulatory Commission "CIRC"  
Concerning the Solicitation of Opinions on the Trial Implementing Rules on the Regulations of  
the People's Republic of China on the Administration of Foreign-Invested Insurance Companies  
(these "Implementing Rules") (03-07-31)**

Since the implementation of the Regulations of the People's Republic of China on the Administration of Foreign-Invested Insurance Companies (the "Regulations") since February 1, 2002, the Regulations have played an active role in strengthening the administration of foreign-invested insurance companies.

In order to better implement the Regulations, we have commenced drafting of the Implementing Rules and fully hope to hear opinions of various circles of society. Opinions may be delivered to CIRC by letter or e-mail by August 15.

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## Trial Implementing Rules on the Regulations of the People's Republic of China for the Administration of Foreign-Invested Insurance Companies (Opinions Solicitation Draft)

Article 1. These Implementing Rules are formulated to improve market entry and supervision and administration of foreign-invested institutions in accordance with the Regulations of the People's Republic of China on the Administration of Foreign-Invested Insurance Companies (the "Regulations").

Article 2. For the purpose of these Implementing Rules, "foreign insurance companies" shall refer to insurance companies registered outside the People's Republic of China which engage directly in the operation of insurance businesses.

Article 3. A foreign personal insurance company may apply to establish an equity joint venture personal insurance company with a Chinese company or enterprise (a "Joint Venture Personal Insurance Company"), but the percentage of foreign investment therein may not exceed 50% of the total amount of share capital of the Joint Venture Personal Insurance Company.

Article 4. With respect to a joint venture insurance company, a foreign insurance company may not hold shares of such company in excess of the percentage restriction provided in these Rules by any direct or indirect means.

Article 5. A foreign-invested insurance company which has been established in China or has been approved for establishment but has not commenced its business before the effectiveness of the Regulations and the registered capital or working capital of which is less than RMB200 million or its equivalent in a freely convertible currency, shall make up its registered capital or working capital within two years from the effectiveness of these Implementing Rules. If such amount is not made up within the prescribed time limit, the foreign-invested insurance company may not establish any additional branches or subbranches.

If the working capital of a branch company of a foreign-invested insurance company is less than RMB200 million or its equivalent in a freely convertible currency and

such amount is not made up within the prescribed time limit, such branch office may not be converted into a wholly foreign-owned insurance company.

Article 6. The registered capital of a foreign-invested insurance company and the working capital of the branch company of a foreign insurance company must be paid in actual currency.

Article 7. The capital contribution of a foreign insurance company shall be made in a freely convertible currency. After the establishment of a foreign-invested insurance company or the branch company of a foreign insurance company, the foreign insurance company may not withdraw its registered capital or working capital in any name or any manner.

Article 8. The parent company of the branch company of a foreign property insurance company satisfying the relevant conditions of these Implementing Rules may apply to convert such branch company into a wholly foreign-owned property insurance company.

Article 9. In addition to the relevant conditions for the establishment of an insurance company as stipulated in the Insurance Law, a branch company of a foreign property insurance company to be converted into a wholly foreign-owned property insurance company shall comply with the following conditions:

(1) the branch company of the foreign property insurance company shall have been in business for one year or longer;

(2) the branch company of the foreign property insurance company shall have a sound internal control system and properly operating organization and its parent company shall comply with the solvency standards of the country or territory in which it is located;

(3) no material violations of laws or regulations operating its business in China;

(4) shall have senior management personnel complying with the qualifications stipulated by CIRC; and

(5) such other conditions as may be required by CIRC.

Article 10. A foreign property insurance company applying to CIRC for the conversion of its branch company in China into a wholly foreign-owned property insurance company must submit the following materials:

- (1) application submitted by the applicant for the conversion;
- (2) conversion report, including a feasibility study report and detailed conversion plan;
- (3) articles of association of the company to be converted;
- (4) business license (duplicate copy) and evidence of compliance with solvency standards issued by the relevant supervisory authority of the country or territory where the applicant is located;
- (5) capital verification certificate issued by an accounting firm certified by CIRC;
- (6) list, resumes and qualification certificates of senior management personnel of the company to be converted and power of attorney of the principal person of the parent company responsible for conversion of the company;
- (7) business plans and reinsurance plans for the next three years of the company to be converted; and
- (8) such other materials as may be required by CIRC.

Article 11. CIRC shall decide whether to grant or deny approval within two months after receipt of complete formal application documents. If the decision is made to grant approval, it shall issue a legal person institution license and simultaneously withdraw the insurance business operating permit originally issued to the branch company of the foreign property insurance company. If the decision is made to deny approval, it shall inform the applicant in writing and state the reasons therefor.

Article 12. After the branch company of a foreign property insurance company is converted into a wholly foreign-owned insurance company, the original claims and liabilities shall be assumed by the post-conversion company.

Article 13. A branch company of a foreign property insurance company may apply to establish branch and subbranch entities three months after conversion into a wholly foreign-owned property insurance company.

Article 14. Operation of an insurance business for 30 years or longer as referred to in Article 8(1) of the Regulations means the foreign insurance company which has applied for the establishment of a foreign-invested insurance company in China has continuously operated an insurance business for 30 years or longer and its reorganization, acquisition or merger with another institution shall not affect the calculation of the term of its operation of the insurance business. However, the term of operation of an insurance business by a subsidiary which it has established or a new joint venture insurance company which it has jointly established with another institution shall only be calculated from the establishment of such subsidiary or new joint venture company.

Article 15. A representative entity as referred to in Article 8(2) of the Regulations means a representative entity of a foreign insurance company in China approved to be established and supervised by CIRC in accordance with laws and which must be established by a foreign insurance company itself applying for entry into the Chinese market.

Article 16. Notwithstanding that the representative office of a group holding company or one of its subsidiaries simultaneously engaging in the operation of property insurance, personal insurance and reinsurance business was established by application in the name of such group company or one of its subsidiaries, such representative office may only be used to apply for the establishment of one property insurance or personal insurance or reinsurance company.

Article 17. "As of the end of the year preceding the application" as referred to in Article 8(3) of the Regulations means the end of the accounting year preceding the date of application.

Article 18. "Other prudential conditions" as referred to in Article 8(7) of the Regulations means the detailed materials required by CIRC to evidence the sound financial position, solid operation and management and adequate solvency of the applicant when the applicant or its affiliated institutions has a sudden material change or may be materially affected by other events.

Article 19. Business license (duplicate copy) as referred to in Article 9(2) of the Regulations may be a certified copy of the business license or a certificate issued by the

company registration authority evidencing the applicant's right to operate an insurance business.

Article 20. Evidence of compliance with solvency standards issued by the relevant supervisory authority of the foreign applicant's home country or territory as referred to in Article 9(2) of the Regulations shall contain the following information:

- (1) the applicant's solvency during the accounting year preceding the application date complies with the supervisory requirements of the country or territory; and
- (2) the applicant has no record of non-compliance with the solvency standards of the country or territory during the accounting year preceding the application date.

Article 21. The opinion regarding the application issued by the relevant supervisory authority of the foreign applicant's home country or territory as referred to in Article 9(2) of the Regulations shall contain the following information:

- (1) whether the establishment of a business entity by the applicant in the PRC complies with the laws of the country or territory;
- (2) whether or not the relevant supervisory authority consents to the applicant's application; and
- (3) that the applicant committed no material violation during the three consecutive accounting years preceding the application date; if the applicant committed any material violation, relevant sanctions shall be indicated.

Article 22. Annual report as referred to in Article 9(3) of the Regulations shall include the applicant's balance sheet, statement of profit and cash flow statement for the accounting year preceding the application date.

The statements set forth in the preceding paragraph shall be included in the audit opinion issued by an accounting firm certified by CIRC.

Article 23. Except as otherwise provided by laws and regulations or approved by the State Council, the Chinese applicant as referred to in Article 9(4) of the Regulations shall satisfy the following conditions:

- (1) it has been registered with a PRC administration for industry and commerce as a company or enterprise with legal person status unless it is a commercial bank,

securities institution or wholly foreign-owned enterprise established under the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises;

(2) it has been approved by its regulatory authority, shareholders' meeting or board of directors;

(3) it has good operating conditions and was profitable during the accounting year preceding the application date;

(4) the capital to be invested is its own capital and comes from a legitimate source; and

(5) its contribution shall be paid in currency.

Article 24. If the Chinese party to an equity joint venture insurance company is a Chinese-foreign equity joint venture, Chinese-foreign cooperative joint venture or foreign-invested company limited by shares, the total amount of foreign shareholdings shall not exceed the percentage limit set forth in these Implementing Rules.

Article 25. If an equity joint venture insurance company is to be established, the information regarding its Chinese applicant shall include the following contents:

- (1) business license (duplicate copy);
- (2) organizational structure;
- (3) business structure;
- (4) operating history;
- (5) information regarding its capital and assets;
- (6) information regarding its investments;
- (7) information regarding its profits;
- (8) record of material violations; and
- (9) annual reports for the most recent three years.

Article 26. The person in charge of the preparation of the proposed company shall have the following qualifications:

- (1) graduate of a university or college;
- (2) engaged in insurance or related work for two years or longer; and
- (3) no criminal record or other negative record.

Article 27. Other information and documents required under Articles 9(7) and 11(12) of the Regulations shall mean other supplemental information that CIRC deems necessary during its review of the information submitted by the applicant under the Regulations.

Article 28. If the applicant applies for an extension of the preparatory period as referred to in Article 11 of the Regulations, it shall submit a written application within one month prior to the expiration of the preparatory period and explain the reasons therefor.

Article 29. Report on preparations as referred to in Article 11(1) of the Regulations shall summarize the completion of other matters contemplated by Article 11 of the Regulations.

Article 30. The proposed articles of association of an equity joint venture insurance company must be a detailed, accurate and separate document.

Article 31. Authorized capital verification institution as referred to in Article 11(4) of the Regulations shall mean an accounting firm certified by CIRC.

Article 32. Evidence of capital verification as referred to in Article 11(4) of the Regulations shall include the following contents:

- (1) capital verification report issued by a legally-authorized capital verification institution; and
- (2) photocopies of original bank receipts evidencing the deposit of its registered capital or working capital.

Article 33. The primary responsible person specified in Article 11(5) of the Regulations shall have the qualifications referred to in the Provisions on the Administration of Qualifications of Senior Management of Insurance Companies.

The letter of authorization for the proposed primary responsible person of an equity joint venture insurance company shall mean the letter of authorization granted by the parties to the equity joint venture company to the proposed chairman of such joint venture company. Such letter of authorization shall be signed by the chairmen or legal representatives of the parties to the joint venture company.

The letter of authorization for the primary responsible person of a branch company of a foreign insurance company shall mean the letter of authorization issued by the parent company to the proposed general manager of the branch company. Such letter of authorization shall be signed by the chairman or general manager of the parent company.

The letter of authorization for the primary responsible person of a wholly foreign-owned insurance company shall mean the letter of authorization issued by its parent company to the proposed chairman of the wholly foreign-owned insurance company. Such letter of authorization shall be signed by the chairman of the parent company.

A letter of authorization shall clearly set forth the authority of the authorized person.

Article 34. The explanation of insurance terms, premium rates and the calculation of liability reserves as referred to in Article 11(8) of the Regulations shall mean a list of relevant insurance terms and premium rates.

Article 35. Information regarding other related facilities as referred to in Article 11(9) of the Regulations shall include basic information regarding [the applicant's] information management system, including hardware and software systems.

Article 36. The business license (duplicate copy), the letter of authorization and the guarantee letter issued by a foreign insurance company for the tax and debt obligations of its branch company in the PRC as referred to in the Regulations and these Implementing Rules shall be notarized by a notary public approved by the foreign country or territory or certified by the Chinese embassy or consulate in the foreign country or territory (except for the business license (duplicate copy) issued by a PRC administration for industry and commerce).

Article 37. After a foreign-owned insurance company has been established for one year, it may apply to establish branch and subbranch entities. In addition to minimum capital of RMB200,000,000, a foreign-owned insurance company must increase its capital by RMB20,000,000 for each new branch company that it intends to establish.

At the time it applies to establish a branch company, if the amount of capital of an insurance company has already reached the amount of capital increase set forth in the preceding paragraph, the insurance company is not required to further increase its capital.

When its capital reaches RMB500,000,000 and its solvency requirements are satisfied, an insurance company is not required to further increase its capital when applying to establish a new branch company.

Article 38. Applications to establish a branch or subbranch entity shall satisfy the following conditions:

- (1) sound internal control system, normal business operations and adequate solvency capacity;
- (2) no material violations of law or regulations during the past year;
- (3) senior management with qualifications for offices in the branch or subbranch entity comply with CIRC requirements;
- (4) successful preparation and normal operation of the most recent branch or subbranch entity approved to be established; and
- (5) such other conditions as may be required by CIRC.

Article 39. If a foreign-invested insurance company applies to establish a branch or subbranch entity, the following materials shall be submitted:

- (1) application for establishment;
- (2) report on solvency capacity;
- (3) conditions of internal management control, internal control systems and company operations;
- (4) scope of business;
- (5) three-year business development plan and market analysis;
- (6) resume and relevant evidentiary certificates of personnel responsible for preparation;
- (7) computer and equipment plan; and
- (8) proposed office location.

Article 40. CIRC shall examine and approve an application of an insurance company to establish a branch or subbranch entity in accordance with the principle of prudent supervision and taking into consideration the solvency capacity, operational efficiency, level of operations management, and internal control system.

Article 41. CIRC shall decide to grant or deny approval within three months from the date of receipt of an application to establish a branch or subbranch entity. If the decision is made to deny approval, it shall inform the insurance company and state the reasons therefor.

Article 42. After approval of the application, the insurance company shall carry out preparation and construction of the branch or subbranch entity. The term of preparation and construction shall be six months. The original approval document will automatically lose effect if preparation and construction work is not completed before the expiration date. The term of preparation and construction may be extended for three months upon application by the insurance company and approval by CIRC.

Article 43. Upon completion of the preparation and construction work of the branch or subbranch entity, the insurance company shall submit to CIRC the official application documents which shall include the circumstances of completion of the preparation and construction work, scope of business, responsible personnel of the entity, office premises and relevant certificates, deployment of computers and equipment, internal organizational structure and the circumstances of personnel engaged in the insurance industry.

Article 44. CIRC shall decide whether to grant or deny approval within two months after the date of receipt of the official application documents from the foreign-invested insurance company applying to establish a branch or subbranch entity. If the decision is made to deny approval, it shall inform the applicant in writing and state the reasons therefor.

If approval is issued to establish a branch or subbranch entity, the applicant shall register with the administrative department for industry and commerce and obtain a business license on the strength of the permit to operate an insurance business.

Article 45. If a foreign-invested property insurance company applies for voluntary dissolution, it shall submit the following materials to CIRC:

- (1) application signed by the chairman or general manager of the parent company;
- (2) resolutions of the shareholders' meeting or the directors' meeting of the parent company;

(3) confirmation letter signed by the chairman or general manager of the parent company agreeing to the voluntary dissolution of such entity;

(4) composition of the proposed liquidation team and liquidation plan;  
and

(5) plans for proper handling of outstanding liabilities.

Article 46. A foreign-invested property insurance company which has been granted approval to dissolve shall immediately terminate new business activities from the date on which the decision by CIRC to approve the dissolution of the foreign-invested property insurance company becomes effective and shall return to CIRC the Insurance Legal Person License or the License to Operate an Insurance Business. Its senior management, the board of directors and the shareholders' meeting must immediately cease to exercise their powers and shall establish a liquidation team within 10 working days.

Article 47. The liquidation team within five working days after its establishment shall notify in writing the administrative department for industry and commerce, the tax department, and the labor and social security department of the status of the company's entry into liquidation.

Article 48. The liquidation team within one month after the date of its establishment shall engage an accounting firm certified by CIRC to conduct an audit and shall submit an audit report to CIRC within three months after the date of engagement of the accounting firm.

Article 49. The liquidation team shall submit a report to CIRC on the latest developments concerning debt repayments and assets disposal on or before the tenth day of each month.

Article 50. If a foreign-invested insurance company dissolves due to reasons referred to in Article 26 of the Regulations, CIRC shall be responsible for supervising the dissolution and liquidation process and the liquidation team shall report material matters and the liquidation results to CIRC.

Article 51. Newspapers as referred to in Article 28 of the Regulations shall mean newspapers designated by CIRC.

Article 52. If a foreign-invested insurance company violates relevant provisions of these Implementing Rules, the CIRC shall impose sanctions by reference to the sanctions measures set forth in the relevant provisions of the Regulations.

Article 53. Any materials required to be submitted by the Regulations and these Implementing Rules shall be accompanied by Chinese translation. If there is any inconsistency between the Chinese and foreign language versions, the Chinese version shall prevail.

Article 54. With respect to any materials required to be submitted by the Regulations and these Implementing Rules, time shall be calculated from the date of delivery to CIRC. If the application documents submitted by the applicant are not complete and additional materials are required, the period of receipt shall be calculated from the date of the applicant's delivery of the additional materials to CIRC.

Article 55. If the provisions of the Regulations and these Implementing Rules do not cover the administration of foreign-invested insurance companies and foreign-invested reinsurance companies, other laws and regulations and CIRC regulations shall apply.

Article 56. The Regulations and these Implementing Rules shall be applied by reference to insurance companies established in the Mainland by insurance companies from the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan region.

Article 57. These Implementing Rules shall be implemented as of \_\_\_\_\_, 2003.

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