

Update

China suspends approving new insurance agencies

On 26 March 2012, China Insurance Regulatory Commission ("CIRC") issued the *Notice on Suspension of Market Entry Approval of Regional Insurance Agencies and Certain Part-time Insurance Agencies* ("Notice").

Pursuant to the Notice, the CIRC and its local offices will suspend granting new licences to full-time insurance agencies operating on a regional basis ("**Regional Insurance Agencies**") as well as to branch offices of existing Regional Insurance Agencies. In addition, no new licences for part-time insurance agency businesses will be granted unless the respective applicant is a financial institution or a China Post office.

The CIRC emphasised in the Notice that its local offices shall continue to support the establishment of insurance intermediary groups and full-time insurance agencies operating on a nationwide basis, as well as continue to support their respective branch offices.

Under the *Provisions on Supervision of Full-time Insurance Agencies* (which came into force on 1 October 2009), the paid-up capital threshold for a full-time insurance agency is RMB 2 million. However, the CIRC indicated that the majority of the Regional Insurance Agencies in the market do not meet the above mentioned minimum paid-up capital requirement. Most of the Regional Insurance Agencies only engage in the auto insurance business. The CIRC had previously required full-time insurance agencies established prior to 1 October 2009 to increase their paid-up capital to meet the minimum statutory requirement (i.e. RMB 2 million). If they failed to do so, their operational licences could only be extended until 1 October 2012.

On the other hand, there are currently more than 190,000 part-time insurance agencies in China. Amongst those part-time insurance agencies, more than 130,000 are local offices of banks and the China Post Office. The other 50,000 part-time insurance agencies are mainly involved in the auto insurance business.

It appears that the CIRC is aiming to increase the entry thresholds of Regional Insurance Agencies and part-time insurance agencies with a view to reducing the number, as well as, enhancing the quality of insurance agencies in the market. Officials of the CIRC indicated that the suspension of the approval is merely a transitional measure and the CIRC intends to further amend the *Provisions on Supervision of Full-time Insurance Agencies* to set higher market entry requirements. It has also been indicated that the CIRC may also consider removing Regional Insurance Agencies as a type of insurance agency in the future.

Further information

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