

Order of the President of the People's Republic of China

中华人民共和国主席令

(No. 11)

The Insurance Law of the People's Republic of China was amended and re-adopted at the 7th Session of the Standing Committee of the Eleventh National People's Congress on February 28, 2009, and the amended Insurance Law of the People's Republic of China is hereby promulgated and shall take effect as of October 1, 2009.

President of the People's Republic of China Hu Jintao
February 28, 2009

Insurance Law of the People's Republic of China

中华人民共和国保险法

(Adopted at the 14th Session of the Standing Committee of the Eighth National People's Congress on June 30, 1995 Revised according to the "Decision Concerning the Amendment to the Insurance Law of the People's Republic of China" at the 30th Session of the Standing Committee of the Ninth National People's Congress on October 28, 2002 Amended at the 7th Session of the Standing Committee of the Eleventh National People's Congress on February 28, 2009)

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Chapter I General Introductory Provisions

Article 1

This Law is formulated for the purpose of regulating insurance activities, protecting the lawful rights and interests of the parties concerned, strengthening supervision and regulation of the insurance industry, safeguarding social and economic order as well as social and public interest, and promoting the healthy development of the insurance industry.

Article 2

"Insurance" as referred to in this Law means a commercial insurance transaction whereby an insurance proposer, under the terms and conditions of a contract, pays insurance premiums to an insurer, and the insurer assumes liability to make indemnity payments where property loss or damage is caused as a result of occurrence of an insured event that is agreed upon in the contract, or to pay insurance benefits upon the occurrence of death, injury, or illness of the insured or the attachment of certain age or time limit agreed upon in the contract.

Article 3

This Law is applicable to the conduct of insurance activities within the territory of the People's Republic of China.

Article 4

The conduct of insurance activities shall be in conformity with laws and administrative regulations as well as social morals, and shall never harm social and public interest.

Article 5

Parties concerned with insurance activities shall follow the principle of good faith when exercising rights and performing obligations.

Article 6

Insurance business shall be conducted by insurance companies incorporated in accordance with this Law and other insurance institutions prescribed by laws and administrative regulations; other entities or individuals shall not conduct insurance business.

Article 7

Any legal person or other entity within the territory of the People's Republic of China that needs domestic insurance coverage shall apply to insurance companies within the territory of the People's Republic of China .

Article 8

Insurance, banking, securities and trust businesses shall be operated and regulated separately; insurance companies shall be set up separately from banks, securities and trust business organizations, unless otherwise prescribed by the State.

Article 9

The insurance supervision and regulation authority of the State Council is responsible for the supervision and regulation of the insurance industry according to law.

The insurance supervision and regulation authority of the State Council sets up local branch offices according to the needs for performing its responsibilities. The local branch offices shall perform the responsibilities for supervision and regulation according to the authorization of the insurance supervision and regulation authority of the State Council.

Chapter II Insurance Contracts

Section 1 General Provisions

Article 10

An insurance contract is an agreement whereby the insurance rights and obligations are agreed upon by the proposer and the insurer.

An proposer means a party who enters into an insurance contract with an insurer and is obligated to pay the premiums under the contract.

An insurer means an insurance company which enters into an insurance contract with a proposer and is obligated to make indemnity payments or pay insurance benefits under the contract.

Article 11

Insurance contracts shall be entered into by agreement through consultations, and the parties' rights and obligations shall be allocated in line with the principle of fairness.

Insurance contracts shall be entered into on a voluntary basis, except for those insurances made compulsory by laws and administrative regulations.

Article 12

When entering into an insurance contract, a proposer of insurance of the person shall have an insurable interest in respect of the insured.

When an insured event occurs, the insured of property insurance shall have an insurable interest in respect of the insured subject matter.

Insurance of the person means the type of insurance where the person's life and body are the insured subject matter.

Property insurance means the type of insurance where properties and the interests therein are the insured subject matter.

An insured means a party whose property or person is covered by an insurance contract and who is entitled to make claims. A proposer may be the insured.

An insurable interest means an interest which the proposer or the insured has in respect of the insured subject matter and is legally recognized .

Article 13

An insurance contract is formed when a proposer makes an application and the insurer agrees to underwrite the business. The insurer shall issue to the proposer, on a timely basis, an insurance policy or other insurance certificate.

An insurance policy or other insurance certificate shall specify the contents of the contract as agreed by both parties. The parties may agree to specify the contents of the contract in other written forms as well.

A lawfully formed insurance contract shall take effect upon its formation. The proposer and the insurer may attach conditions or a term for the contract to take effect.

Article 14

Where an insurance contract is formed, the proposer shall pay the agreed premiums and the insurer begins to assume insurance liability from the agreed time.

Article 15

Unless otherwise prescribed in this Law or agreed in the insurance contract, where an insurance contract is formed, the proposer may rescind it and the insurer may not.

Article 16

When entering into an insurance contract, the insurer may make inquiries about the status of the insured subject matter or the insured, the proposer shall make a truthful disclosure thereof.

Where a proposer fails to fulfill the obligation of truthful disclosure provided in the preceding paragraph intentionally or in gross negligence so as to affect the decision by the insurer whether to underwrite the business or to increase the premium rate, the insurer shall have the right to rescind the insurance contract.

The right of recession provided in the preceding paragraph shall lapse where the insurer does not exercise it thirty (30) days after it knows that there is the cause for recession. Where over two (2) years have passed from the date of formation of a contract, the insurer may not rescind the contract; where an insured event occurs, the insurer shall be liable for making indemnity payments or paying insurance benefits.

Where a proposer fails to fulfill the obligation of truthful disclosure intentionally, the insurer shall not be liable for making indemnity payments or paying insurance benefits in respect of the insured event occurred before the recession of the contract and does not refund the premiums paid.

Where a proposer fails to fulfill the obligation of truthful disclosure in gross negligence so as to materially contribute to the occurrence of an insured event, the insurer shall not be liable for making indemnity payments or paying insurance benefits in respect of the insured event occurred before the recession of the contract but shall refund the premiums paid.

Where an insurer knows that the proposer fails to make a truthful disclosure at the time of entering into a contract, the insurer may not rescind the contract; where an insured event occurs, the insurer shall be liable for making indemnity payment or paying insurance benefits.

An insured event means an event falling within the scope of cover agreed under the insurance contract.

Article 17

When standard clauses provided by the insurer are adopted for concluding an insurance contract, the standard clauses provided by the insurer to the proposer shall be attached to the insurance policy, and the insurer shall explain contents of the contract to the proposer.

When concluding an insurance contract, the insurer shall make notes on clauses which exempt it of its liabilities on the application form, the insurance policy, or other insurance certificate that are so conspicuous as to draw the proposer's attention, and make specific and clear explanations thereof to the proposer orally or in writing; otherwise such clauses shall not be taken effect.

Article 18

An insurance contract shall contain the following particulars:

- (i) Name and address of the insurer;
- (ii) Names and addresses of the proposer and the insured and, in the case of insurance of the person, name and address of the beneficiary;
- (iii) Insured subject matter;
- (iv) Scope of cover and exclusions;
- (v) Period of insurance and commencement of insurance liability;
- (vi) Sum insured;
- (vii) Premium and method of premium payment;
- (viii) Method of payment of indemnity or insurance benefits;
- (ix) Liabilities arising from breach of contract and settlement of dispute;
- (x) Date, month and year of the signing of the contract.

The proposer and the insurer may include additional particulars for matters relating to insurance.

A beneficiary means a person designated by the insured or the proposer in a contract of insurance of the person, who is entitled to make claims for the insurance benefits. The proposer or the insured may be the beneficiary.

The sum insured means the maximum limit for which the insurer is liable as indemnify payment or insurance benefits.

Article 19

The following terms and conditions in an insurance contract concluded by adopting the standard clauses provided by the insurer shall be invalid:

- (i) those that exempt the insurer of the obligations that the insurer should have borne according to law or that aggravate the obligations of the proposer and the insured;
- (ii) those that deny the proposer, the insured or the beneficiary the rights that they should have been entitled to according to law.

Article 20

The proposer and the insurer may alter the contents of an insurance contract through consultation.

Where an insurance contract is altered, then the insurer shall endorse the original policy or any other insurance certificate or attach an endorsement slip to the insurance contract or insurance certificate, or the proposer and the insurer may enter into a written agreement on the alterations.

Article 21

Where either the proposer, the insured or the beneficiary knows the occurrence of an insured event, it shall notify the insurer thereof in a timely manner. Where notice is not sent in a timely manner intentionally or due to gross negligence, and as a result the nature, cause and extent of loss of the insured event are hard to be ascertained, the insurer shall not be liable for making indemnity payments or paying insurance benefits in respect of the portion that cannot be ascertained, but with the exception that the insurer has known in time or should have known in time the occurrence of the insured event through other channels.

Article 22

After the occurrence of an insured event, the proposer, the insured or the beneficiary, in making claims to the insurer for indemnity payments or insurance benefits, shall, to the best of their knowledge and ability, provide the insurer with evidence and information which is relevant in ascertaining the nature, cause and extent of loss of the insured event.

Where the insurer, based on the provisions of the insurance contract, considers the relevant evidence or information incomplete, the insurer shall, in a timely manner, advise the proposer, the insured or the beneficiary, once and for all, to provide additional evidence or information.

Article 23

After receipt of a claim for indemnity payment or insurance benefits from the insured or the beneficiary, the insurer shall make a determination in a timely manner; under complicated circumstances, the insurer shall make a determination within thirty (30) days, unless otherwise agreed on in the contract. The insurer shall notify the insured or the beneficiary of the result of determination; where the claim is covered, the insurer shall, within ten (10) days after reaching an agreement on indemnity payment or insurance benefits with the insured or the beneficiary, fulfil its liabilities therefor. Where there are provisions as to the period within which the indemnity or the payment of the insurance benefits should be effected in the insurance contract, the insurer shall fulfil its liabilities therefor as specified in the insurance contract.

Where the insurer fails to fulfil the liabilities specified in the preceding paragraph in a timely manner, , it shall compensate the insured or the beneficiary for any damage incurred therefrom, in addition to the payment of insurance benefits.

No entity or individual shall illegally interfere with the insurer's liabilities for indemnity payment or insurance benefits, or hinder the right of the insured or the beneficiary to obtain the payment.

Article 24

After making a determination according to the provisions in Article 23 herein, where the claim is not covered, the insurer shall, within three (3) days from the date after the determination is made, issue to the insured or the beneficiary a notice rejecting indemnity or payment of insurance benefits and specifying reasons therefor.

Article 25

If the amount of indemnity payment or insurance benefits cannot be determined within sixty (60) days of receipt of the claim for indemnity payment or insurance benefits and the evidence and information relevant thereto, the insurer shall effect payment of the amount determinable with the evidence and information available; the insurer shall pay the difference accordingly after the final amount of indemnity payment or insurance benefits is determined.

Article 26

For insureds and beneficiaries of the insurance products other than life insurance, the period of prescription for claims for indemnity payment or insurance benefits is two (2) years, starting to run from the date when the insured or the beneficiary knows or ought to know the occurrence of an insured event.

For insureds and beneficiaries of life insurance, the period of prescription for claims for indemnity payment or insurance benefits is five (5) years, starting to run from the date when the insured or the beneficiary knows or ought to know the occurrence of an insured event.

Article 27

Where no insured event has occurred, and the insured or the beneficiary fraudulently reports that an insured event has occurred and submits a claim for indemnity payment or insurance benefits, the insurer may rescind the contract and refuse to refund the premiums paid.

Where the proposer, the insured or the beneficiary intentionally causes the occurrence of an insured event, the insurer may rescind the contract, shall not be liable for indemnity payment or insurance benefits, and, except as provided under Article 43 of this Law, does not refund the premiums paid.

Where the proposer, the insured or the beneficiary, following the occurrence of an insured event, provides relevant evidence, information or other proof which are forged or falsified, fabricates false causes of the insured event or overstates the extent of loss, the insurer shall not be liable for indemnity payment or insurance benefits in respect of the portion which is fraudulently claimed.

Where either the proposer, the insured or the beneficiary has any of the acts provided in the three preceding paragraphs which leads the insurer to pay insurance benefits or incur expenses, it shall refund the insurance benefits paid or reimburse the expenses so incurred.

Article 28

Where an insurer transfers a portion of its written business to another insurer by way of cession, the transaction is reinsurance.

When requested by the reinsurer, the cedant shall inform the reinsurer in writing of the cedant's retained liability and the relevant information with respect to the primary insurance.

Article 29

The reinsurer shall not demand payment of premiums from the proposer of the primary insurance.

The insured or the beneficiary of the primary insurance shall not make claims to the reinsurer for indemnity payment or insurance benefits.

The cedant shall not decline or delay fulfillment of its liabilities of its primary insurance on the grounds that the reinsurer fails to fulfil the reinsurance liabilities.

Article 30 With respect to an insurance contract entered into by adopting the standard clauses provided by the insurer, where there is any dispute arising out of or in connection with the contract terms and conditions between the insurer and the insured or the beneficiary, the terms and conditions shall be interpreted in accordance with common sense. Where there are two or more interpretations of a term or condition of the contract, the people's court or arbitration organization shall interpret such term or condition in favour of the insured and the beneficiary.

Section 2 Contract of Insurance of the Person

Article 31

The proposer has insurable interests in respect of the following persons:

- (i) The proposer himself/herself;
- (ii) The proposer's spouse, children and parents;
- (iii) Either family members other than the above or close relatives with whom the proposer has a relationship of fosterage, support or and maintenance; or
- (iv) Workers with whom the proposer has a labor relationship.

Notwithstanding the foregoing, where an insured consents to have a contract entered into by the proposer on its behalf, it is deemed that the proposer an insurable interest in respect of the insured.

When a contract is concluded and the proposer does not have an insurable interest in respect of the insured, the contract shall be invalid.

Article 32

Where the age of the insured declared by the proposer is untruthful, and the actual age of the insured does not fall within the age limit specified in the contract, the insurer may rescind the contract and refund the cash value of the insurance policy according to the contract. Where the insurer exercises the right of rescission, the provisions in paragraphs three and six in Article 16 of this Law shall be applicable.

Where the age of the insured declared by the proposer is untruthful so that the insured has paid premiums less than they should have been, the insurer shall have the right to rectify the misrepresentation and request the proposer to make up the balance or at the time of payment, to pay the insurance benefits in proportion to the amount of premiums actually paid to the amount that should have been paid.

Where the age of the insured declared by the proposer is untruthful so that the insured has paid premiums more than they should have been, the insurer shall refund the overpaid portion to the proposer.

Article 33

A proposer shall not apply for an insurance of the person in respect of an incapacitated person under which payment of insurance benefits is on condition of death and the insurer shall not underwrite such business.

Insurance of the person applied for by parents in respect of their minor children shall not be subject to the preceding paragraph. Nevertheless, the total amount of the death benefits thereof shall not exceed the limit as provided by the insurance supervision and regulation authority of the State Council.

Article 34

A contract with death as the condition for payment of insurance benefits is invalid without the insured's consent thereto and acceptance of the sum insured in writing.

An insurance policy with death as the condition for payment of insurance benefits shall not be transferred or pledged without the written consent of the insured.

Insurance of the person applied for by parents in respect of their minor children shall not be subject to the first paragraph of this Article.

Article 35

The proposer may pay the insurer the premiums in a lump sum or in instalments in accordance with the contract.

Article 36

Where the contract specifies payment of the premiums in instalments and the proposer has paid the first instalment but fails to pay the current instalment over thirty (30) days from the date when the insurer presses for payment or over sixty (60) days from the agreed time limit, the contract shall suspend, or the insurer may reduce the sum insured in accordance with the contract, unless otherwise agreed in the contract.

Where an insured event occurs in respect of the insured within the time limits provided in the preceding paragraph, the insurer shall pay the insurance benefits according to the contract, but may deduct the outstanding premiums.

Article 37

A contract which lapses in accordance with Article 36 of this Law is reinstated where the insurer and the proposer have reached an agreement through consultations and the proposer has paid the outstanding premiums. However, the insurer has the right of recession where no agreement has been reached by the parties within two (2) years from the date of the lapse of the contract.

An insurer, in rescinding a contract in accordance with the preceding paragraph, shall refund the cash value of the policy to the proposer in accordance with the contract.

Article 38

With respect to life insurance, the insurer shall not resort to litigation to demand payment of the insurance premiums by the proposer.

Article 39

The beneficiary of insurance of the person shall be designated by the insured or the proposer.

Designation of beneficiary by the proposer is subject to the insured's consent. Where a proposer applies for insurance of the person in respect of workers with whom it has labor relationship, the proposer may not designate anyone other than the insured and the insured's close relatives as the beneficiary.

Where the insured is an incapacitated or partially incapacitated person, the beneficiary may be designated by the guardian of the insured.

Article 40

The insured or the proposer may designate one or more persons as the beneficiaries.

Where there are more than one beneficiaries, the insured or the proposer may specify the order of the beneficiaries and their respective proportions of insurance benefits; in the absence of such specification on proportions, all the beneficiaries shall be entitled to the benefits share and share alike.

Article 41

The insured or the proposer may change the beneficiary by written notice to the insurer. The insurer shall endorse the change on the policy or other insurance certificate or attach an endorsement slip to the insurance contract or insurance certificate upon receipt of the notice.

Change of the beneficiary by the proposer is subject to the insured's consent.

Article 42

Where the insured dies and there is any of the following circumstances, the insurance benefits shall be treated as part of the estate of the insured, and the insurer shall fulfil the obligations of payment of the insurance benefits in accordance with the Succession Law of the People's Republic of China:

- (i) no beneficiary has been designated, or the beneficiary has not been explicitly designated and cannot be determined;

- (ii) the beneficiary dies before the insured without designating other beneficiary; or
- (iii) the beneficiary loses the right by operation of law or abandons the right and there is no other beneficiary.

Where the beneficiary and the insured die in the same event, and the sequence of their deaths cannot be ascertained, it is presumed that the beneficiary dies first.

Article 43

Where the proposer has intentionally caused the death, disability or illness of the insured, the insurer shall not be liable for payment of the insurance benefits. Where the proposer has paid premiums for two (2) or more years, the insurer shall, in accordance with the contract, refund the cash value of the policy to other persons entitled thereto.

Where the beneficiary has intentionally caused the death, disability or illness of the insured, or attempted to murder the insured but failed, the beneficiary shall lose the right to receive payment as a beneficiary.

Article 44

With respect to a contract with death as the condition for payment of insurance benefits, where the insured commits suicide within two (2) years after the contract is formed or reinstated, the insurer shall not be liable for payment of insurance benefits, unless the insured is an incapacitated person at the time of committing suicide.

Where the insurer is no liable for payment of insurance benefits according to the preceding paragraph, it shall refund the cash value of the insurance policy in accordance with the contract.

Article 45

Where the insured is disabled or killed as a result of intentionally committing a crime or resisting a measure of compulsion taken according to law, the insurer shall not be liable for payment of the insurance benefits. If, however, the proposer has paid premiums for two (2) or more years, the insurer shall refund the cash value of the policy in accordance with the contract.

Article 46

Where an insured event, such as death, disability, or illness, etc. occurs in respect of the insured as a result of a third party's act, the insurer shall, after paying insurance benefits to the insured or the beneficiary, have no right of subrogation against the third party, and the insured or the beneficiary remains entitled to claim compensation from the third party.

Article 47

Where a proposer rescinds the contract, the insurer shall refund the cash value of the policy within thirty (30) days in accordance with the contract after receipt of notice of rescission.

Section 3 Property Insurance Contract

Article 48

Where an insured event occurs and the insured does not have an insurable interest in respect of the insured subject matter, the insured may not make a claim to the insurer for indemnity payments.

Article 49

Where the insured subject matter is transferred, the transferee of the insured shall assume the rights and obligations of the insured.

Where the insured subject matter is transferred, the insured or the transferee shall notify the insurer thereof in time, with the exception of cargo insurance contracts and those contracts which provide otherwise.

Where the insured subject matter is transferred and the level of risk increases substantially as a result, the insurer may increase the premiums in accordance with the contract or rescind the contract within thirty (30) days of receipt of the notice provided in the preceding paragraph. Where the insurer rescinds the contract, it shall refund to the proposer the premiums received after deducting the premiums in accordance with the contract for the period from the date of commencement of the insurance liability to the date of rescission.

Where the insured and the transferee fail to fulfill the obligation of notice provided in paragraph two of this Article, an insured event occurs due to the substantial increase in the level of risk in respect of the insured subject matter as a result of the transfer, the insurer shall not be liable for indemnity payment.

Article 50

With respect to cargo insurance contracts and voyage hull and machinery insurance contracts, the parties thereto shall not rescind the contracts after commencement of the insurance liability.

Article 51

The insured shall comply with all the provisions of the State with respect to fire prevention, safety, production operations and labor protection, etc. and ensure the safety of the insured subject matter.

The insurer may inspect the safety conditions of the insured subject matter in accordance with the contract and give written recommendations to the proposer and the insured for eliminating risky elements and latent problems.

Where the proposer or the insured fails to fulfil his/her duties to ensure the safety of the insured subject matter, the insurer shall have the right to demand increase of the premiums or to rescind the contract.

The insurer, with the insured's consent, may take preventive safety measures to protect the insured subject matter.

Article 52

Where the level of risk of the insured subject matter increases substantially during the period of the contract, the insured shall, in accordance with the contract, promptly notify the insurer and the insurer shall have the right to increase the premiums or rescind the contract. Where the insurer rescinds the contract, it shall refund to the proposer the premiums received after deducting the premiums in accordance with the contract for the period from the date of commencement of the insurance liability to the date of rescission.

Where the insured fails to fulfil the obligation of notice provided in the preceding paragraph, the insurer shall not be liable for indemnity in respect of an insured event which occurs due to the increased level of risk of the insured subject matter.

Article 53

Unless otherwise specified in the contract, the insurer shall decrease the premiums and refund the corresponding premiums calculated on the number of days passed, where there is either of the following circumstances:

- (i) a change occurs in the basis on which the insurance premium rate is calculated, so that the level of risk of the insured subject matter decreases substantially; or
- (ii) a material decrease in the insured value of the insured subject matter.

Article 54

Where a proposer requests to rescind the contract before commencement of the insurance liability, the proposer shall pay handling charges to the insurer and the insurer shall refund the premiums. Where a proposer requests to rescind the contract after commencement of the insurance liability, the insurer shall refund to the proposer the premiums received after deducting the premiums in accordance with the contract for the period from the date of commencement of the insurance liability to the date of rescission.

Article 55

Where the proposer and the insurer have agreed on the insured value of the insured subject matter and specified the value in the contract, and loss or damage occurs to the insured subject matter, the agreed insured value shall be the basis for calculating the amount of indemnity payment.

Where the proposer and the insurer have not agreed on the insured value of the insured subject matter, and loss or damage occurs to the insured subject matter, the actual value of the insured subject matter at the time of the occurrence of the insured event shall be basis for calculating the amount of indemnity payment.

The sum insured shall not exceed the insured value of the insured subject matter. Any portion in excess of the insured value is null and void, and the insurer shall refund the corresponding premiums.

Unless otherwise specified in the contract, where the sum insured is less than the insured value, the insurer shall assume liabilities for indemnity in proportion to the sum insured and the insured value.

Article 56

In the event of double insurance, the proposer shall notify all the insurers concerned of the relevant information with respect to such double insurance.

The total sum of indemnity payments made by all insurers concerned in double insurance shall not exceed the insured value. Unless specified otherwise in the contract, the insurers concerned shall be liable for indemnity payment in proportion to their respective sum insured and the total amount of the sum insured.

The proposer of double insurance may, with respect to the portion of the total amount of the sum insured which exceeds the insured value, request each insurer to return the premiums pro rata.

Double insurance means the insurance where a proposer enters into insurance contracts with two or more insurers in respect of the same insured subject matter, the same insurable interest and the same insured event, while the total sum insured exceeds the insured value.

Article 57

Following the occurrence of an insured event, the insured is obligated to take all necessary measures to prevent or mitigate loss or damage.

The insurer shall bear the necessary and reasonable expenses incurred by the insured for preventing or mitigating loss of or damage to the insured subject matter after occurrence of the insured event; the amount of such expenses borne by the insurer shall be calculated separately from the indemnity for the loss of or damage to the insured subject matter and the maximum amount shall not exceed the sum insured.

Article 58

Where partial loss occurs to the insured subject matter, the proposer may rescind the contract within thirty (30) days after making of indemnity payment by the insurer. Unless specified otherwise in the contract, the insurer may rescind the contract as well, provided that it shall give the proposer fifteen (15) days' prior notice.

Where the contract is rescinded, the insurer shall refund the proposer the premiums received for the part of the insured subject matter which is not lost or damaged after deducting the earned premiums in accordance with the contract from the date of the commencement of the insurance liability to the date of rescission.

Article 59

Where an insured event occurs, and the insurer pays in full the sum insured and the sum insured is equal to the insured value, all rights to the insured subject matter which is lost or damaged shift to the insurer; where the sum insured is less than the insured value, the insurer shall obtain partial rights to the insured subject matter which is lost or damaged in proportion to the sum insured and the insured value.

Article 60

Where an insured event occurs due to the loss of or damage to the insured subject matter caused by a third party, the insurer may, from the date when the indemnity payment is made, be subrogated into the insured's right of claim against the third party up to the amount of indemnity payment.

Where the insured event provided in the preceding paragraph occurs and the proposer has obtained indemnity from the third party, the insurer may, at the time of making indemnity payment, deduct therefrom a comparable amount which the insured has received as indemnity from the third party.

The exercising of the right of subrogation by the insurer in accordance with the first paragraph of this Article shall not affect the insured's right of claiming indemnity from the third party for the un-indemnified portion.

Article 61

Where the insured waives the right of claim against the third party after the occurrence of an insured event and before the insurer making the indemnity payment, the insurer shall not be liable for indemnity payment.

Where the insured, without the insurer's consent, waives the right of claim against the third party after the insurer makes indemnity payment to the insured, the act of waiver shall be null and void.

Where the insurer is unable to exercise the right of subrogation for claiming indemnity due to the intention or the gross negligence of the insured, it may deduct a corresponding amount of indemnity payment or request such an amount be returned.

Article 62

The insurer has no right of subrogation against any family member or member of household of the insured unless the occurrence of the insured event provided in the first paragraph of Article 60 of this Law is caused by the wilful misconduct of such a member.

Article 63

Where the insurer exercises the right of subrogation against a third party, the insured shall provide the insurer with necessary documents and information known to him/her.

Article 64

The necessary and reasonable expenses incurred by the insurer and the insured for investigating and ascertaining the nature and cause of the insured event and the extent of loss of or damage to the insured subject matter shall be borne by the insurer.

Article 65

The insurer may directly indemnify a third party for loss or damage caused by the insured of liability insurance in accordance with the provisions of laws or the insurance contract.

Where the insured of liability insurance causes loss or damage to a third party, and the indemnity liability of the insured to the third party is certain, upon request by the insured, the insurer shall directly make indemnity payment to the third party. Where the insured delays in making a request, the third party shall have the right to claim indemnity payment directly from the insurer for the portion it is entitled to.

Where the insured of liability insurance causes loss or damage to a third party, and the insured does not indemnify the third party, the insurer shall not make indemnity payment to the insured.

Liability insurance means the type of insurance the insured subject matter of which is the insured's liability to indemnify a third party according to law.

Article 66

Where an arbitration or litigation case is brought against the insured of liability insurance due to an insured event which causes loss or damage to a third party, the costs of such arbitration or legal proceeding and other necessary and reasonable costs paid by the insured shall be borne by the insurer, unless specified otherwise in the contract.

Chapter III Insurance Company

Article 67

The establishment of an insurance company is subject to the approval of the insurance supervision and regulation authority of the State Council.

When examining the application for the establishment of an insurance company, the insurance supervision and regulation authority of the State Council shall take into consideration the development of the insurance industry and the need for fair competition.

Article 68

The following conditions shall be present for the establishment of an insurance company:

- (i) the major shareholder has sustainable profitability and good reputation and has no record of serious violation of laws and regulations in the recent three years, its net assets are no less than RMB 200 million;
- (ii) Articles of Association in conformity with this Law and the Company Law of the People's Republic of China;
- (iii) a registered capital in conformity with this Law;
- (iv) directors, supervisors and senior management with professional expertise and operational experience for holding their respective positions;
- (v) a sound organizational structure and management system;
- (vi) business premises in conformity with requirements and other facilities needed for conduct of business; and
- (vii) other conditions provided by laws, administrative regulations and the insurance supervision and regulation authority of the State Council.

Article 69

The minimum amount of registered capital required for the establishment of an insurance company is two hundred millions (RMB 200,000,000).

The insurance supervision and regulation authority of the State Council may adjust the amount of the minimum registered capital of an insurance company on the basis of its scope of business and size of operation, provided, however, that it shall not be lower than the amount provided in the first paragraph of this Article.

The registered capital of an insurance company shall be paid-up monetary capital.

Article 70

For the establishment of an insurance company, a written application shall be submitted to the insurance supervision and regulation authority of the State Council, together with the following materials:

- (i) a formal application letter for the establishment of an insurance company, on which the name, registered capital and scope of business, etc. shall be specified;
- (ii) a feasibility study report;
- (iii) plan for establishment preparation;
- (iv) the investors' business licenses or other background information and accounting reports for the previous year audited by an accounting firm;
- (v) head of the preparation team and the list of the proposed board chairman and general manager approved by the investors and these persons' respective confirmation;
- (vi) other materials requested by the insurance supervision and regulation authority of the State Council.

Article 71

The insurance supervision and regulation authority of the State Council shall examine the application and, within six (6) months from the date of accepting the application, make a decision whether or not to approve the application and notify the proposer thereof in writing. Where it decides not to approve the application, the reasons therefor shall be given in writing.

Article 72

The proposer shall complete establishment preparation within one (1) year from the date of receipt of the approval notice; during the period of establishment preparation, the proposer shall not engage in insurance business activities.

Article 73

After completion of the establishment preparation, if the proposer satisfies the conditions to establish an insurance company as provided in Article 68 of this Law, the proposer may submit an application for conducting business with the insurance supervision and regulation authority of the State Council.

The insurance supervision and regulation authority of the State Council shall make a decision whether or not to approve the application within sixty (60) days from the date of accepting the application for conducting business. Where it decides to approve the application, an insurance business license shall be issued; where it decides not to approve the application, the proposer shall be notified in writing with the reasons therefor specified.

Article 74

An insurance company needs to obtain the approval of the insurance supervision and regulation authority before establishing any branch within the territory of the People's Republic of China.

The branches of an insurance company do not possess the status of a legal person, and their civil liability shall be borne by the insurance company.

Article 75

Where an insurance company applies for the establishment of a branch, it shall submit a written application with the insurance supervision and regulation authority, together with the following materials:

- (i) an application letter for establishment;
- (ii) three-year business development plan and market analysis materials of the branch to be established;
- (iii) resumés of senior management to be appointed and related certification materials; and
- (iv) other materials required by the insurance supervision and regulation authority of the State Council.

Article 76

The insurance supervision and regulation authority shall examine the application of the insurance company for establishing a branch and, within six (6) months from the date of accepting the application, make a decision whether or not to approve the application. Where it decides to approve the application, a branch insurance

business permit shall be issued; where it decides not to approve the application, the proposer shall be notified in writing with the reasons therefor specified.

Article 77

An insurance company and its branches established with approval shall, with the insurance business permit, register with and obtain a business license from the administration for industry and commerce.

Article 78

Where an insurance company and its branches established with approval fail to register with the administration for industry and commerce within six (6) months from the date of receipt of the insurance business permit without good cause, their business permits lapse automatically.

Article 79

Where an insurance company intends to establish subsidiaries, branches or representative offices outside the territory of the People's Republic of China, the approval of the insurance supervision and regulation authority of the State Council shall be obtained. Representative offices may not engage in insurance business activities.

Article 80

Where a foreign insurance institution intends to establish representative offices within the territory of the People's Republic of China, the approval of the insurance supervision and regulation authority of the State Council shall be obtained. Representative offices may not engage in insurance business activities.

Article 81

The directors, supervisors and senior management of an insurance company shall have good morals, be well-versed in insurance-related laws and administrative regulations, have operation and management ability needed for fulfilling their responsibilities, and have obtained the qualifications for holding a position verified by the insurance supervision and management authority before take the position.

The scope of senior management of an insurance company shall be provided by the insurance supervision and regulation authority of the State Council.

Article 82

A person in respect of whom there is any of the circumstances provided in Article 147 of the Company Law of the People's Republic of China or any of the following circumstances may not be the director, supervisor or senior manager of an insurance company:

- (i) any director, supervisor or senior manager of a financial institution who was disqualified by the financial supervision and regulation authority for violation of laws or regulations or disciplines, and five years have not elapsed since the date of disqualification;
- (ii) any lawyer, chartered public accountant or any professional of an assets evaluation agency or certification agency whose practicing license was revoked for violation of laws or regulations or disciplines, and five years have not elapsed since the date of revocation.

Article 83

Where the director, supervisor or senior manager of an insurance company causes loss to the company due to violation of laws, administrative regulations or provisions in the Articles of Association when performing their duties for the company, the director, supervisor or senior manager of the company shall be liable for compensation.

Article 84

Where there is any of the following circumstances in respect of an insurance company, the approval of the insurance supervision and regulation authority shall be obtained:

- (i) change of name;
- (ii) change in the amount of the registered capital;
- (iii) change of business premises of the company or its branches;
- (iv) closing of its branches;
- (v) division or merger of the insurance company;
- (vi) amendment to the Articles of Association of the company;
- (vii) change of shareholder(s) who holds more than five percent of the total amount of capital of a limited liability company or change of shareholder(s) who holds more than five percent of the total shares of a company limited by shares; or

(viii) other circumstances as specified by the insurance supervision and regulation authority of the State Council.

Article 85

An insurance company shall employ actuaries who are certified by the insurance supervision and administration authority of the State Council and establish an actuarial reporting system.

An insurance company shall employ professionals and establish a compliance reporting system.

Article 86

An insurance company shall, in accordance with the provisions of the insurance supervision and regulation authority, submit related reports, statements, documents and materials.

The solvency reports, accounting reports, actuarial reports, compliance reports and other related reports, statements, documents and materials of an insurance company must accurately record the insurance business activities, and there shall be no false entries, misleading statements or major omissions.

Article 87

An insurance company shall keep properly all the books about its business operations, original vouchers and related materials in accordance with the provisions of the insurance supervision and regulation authority of the State Council.

The safe-keeping period of the books, original vouchers and related materials provided for in the preceding paragraph shall be at least five (5) years in respect of the contracts whose period of insurance is under one (1) year, and at least ten (10) years in respect of the contracts whose period of insurance is above one (1) year, starting from the date of termination of insurance contracts.

Article 88

Where an insurance company retains or dismisses intermediary service agencies such as accounting firms, assets evaluation agencies and credit rating agencies, it shall report the matter to the insurance supervision and regulation authority; where intermediary service agencies such as accounting firms, assets evaluation agencies or credit rating agencies are dismissed, the reasons therefor shall be given.

Article 89

Where an insurance company is to be dissolved due to division, merger, or a resolution of a shareholders' meeting or a shareholders' general meeting or any cause for dissolution specified in the Articles of Association, such dissolution may be carried out only upon the approval of the insurance supervision and regulation authority of the State Council.

Insurance companies conducting life insurance business shall not be dissolved unless by reason of division, merger or revocation according to law.

Where an insurance company is dissolved, a liquidation team shall be formed to carry out the liquidation.

Article 90

Where in respect of an insurance company there are circumstances provided in Article 2 of the Law of the People's Republic of China on Enterprise Bankruptcy, with the approval of the insurance supervision and regulation authority of the State Council, the insurance company or its creditors may apply to the people's court for reorganization, scheme of arrangement or bankruptcy liquidation according to law; the insurance supervision and regulation authority of the State Council may apply to the people's court as well for the reorganization or liquidation of the insurance company according to law.

Article 91

The property of bankruptcy estate, after the expenses of bankruptcy proceedings and obligations of common interest are satisfied in priority, shall be distributed in the following order:

- (i) any salary, medical and disability allowances, and comforting expenses owed to the employees, any basic pension, basic medical insurance expenses owed that are payable to the employees' personal accounts, or any compensation payable to the employees as provided by laws and administrative regulations;
- (ii) making of indemnity or payment of insurance benefits;
- (iii) social insurance expenses owed and payable by the insurance company other than those provided in Item (i) and taxes owed;

- (iv) claims of ordinary bankruptcy creditors.

Where the property of the bankruptcy estate is insufficient to satisfy all the claims within the same order, payment shall be made on a pro-rata basis.

The salaries of the directors, supervisors and senior management of a bankrupt insurance company shall be calculated on the basis of the average salary of the employees in the company.

Article 92

Where an insurance company conducting life insurance business is revoked or declared bankrupt according to law, all of the life insurance contracts and reserves held by it must be transferred to other insurance companies conducting life insurance business; where no agreement in respect of such transfer can be reached with other insurance companies, the insurance supervision and regulation authority of the State Council shall designate insurance companies conducting life insurance business to accept such transfer.

Where any life insurance contract or reserve as provided for in the preceding paragraph is transferred or accepted according to the designation of the insurance supervision and administration authority of the State Council, the legitimate rights and interests of the insured and beneficiaries shall be safeguarded.

Article 93

Where an insurance company ceases business operation according to law, its insurance business license shall be revoked.

Article 94

The Company Law of the People's Republic of China shall be applicable to insurance companies, unless otherwise provided in this Law.

Chapter IV Insurance Business Operation Rules

Article 95

The scope of business of an insurance company shall be as follows:

- (i) insurance of the person business, including life insurance, health insurance and accident insurance, etc.;
- (ii) property insurance business, including property loss or damage insurance, liability insurance, credit insurance and surety bond, etc.; and
- (iii) other insurance-related business approved by the insurance supervision and administration authority of the State Council.

An insurer shall not engage in property insurance and insurance of the person business concurrently. However, an insurance company conducting property insurance business may conduct short-term health insurance and accident insurance businesses with the approval of the insurance supervision and administration authority of the State Council.

An insurance company shall engage in insurance business activities within the scope of business approved by the insurance supervision and administration authority the State Council according to law.

Article 96

With the approval of the insurance supervision and administration authority of the State Council, an insurance company may conduct the following reinsurance business in respect of the insurance business provided in Article 95 of this Law:

- (i) ceding reinsurance; and/or
- (ii) assuming reinsurance.

Article 97

An insurance company shall set aside twenty percent of its registered capital as the guarantee fund and deposit it with the banks designated by the insurance supervision and administration authority of the State Council, which fund may not be used unless for satisfying debts at the time of liquidation of the company.

Article 98

An insurance company shall set aside various kinds of reserves in accordance with the principles of safeguarding interests of the insured and maintaining solvency.

The specific rules for setting aside and carrying forward reserves by an insurance company shall be formulated by the insurance supervision and administration authority of the State Council.

Article 99

An insurance company shall set aside statutory surplus reserve according to law.

Article 100

An insurance company shall make contributions to an insurance protection fund.

The insurance protection fund shall be managed as a pool , and applied through overall planning in the following circumstances:

- (i) providing relief to the proposers, the insured or the beneficiaries where an insurance company is revoked or declared bankrupt;
- (ii) providing relief to the insurance company that assumes its life insurance contracts according to law where an insurance company is revoked or declared bankrupt; or
- (iii) other circumstances provided by the State Council.

The specific management rules for raising, managing and using the insurance protection fund shall be formulated by the State Council.

Article 101

An insurance company shall maintain a minimum solvency commensurate with the size of its business and risk profile. The balance of its admitted assets after deducting its admitted liabilities shall not be less than the amount provided by the insurance supervision and regulation authority of the State Council. Where the balance is less than the amount provided, measures shall be taken to reach the amount according to the requirements of the insurance supervision and regulation authority of the State Council.

Article 102

The retained premiums of an insurance company conducting property insurance business for the current year shall not exceed four times the total sum of its paid-up capital and its surplus reserve.

Article 103

The liability assumed by an insurance company in respect of each risk unit, i.e., the liability which might arise from the maximum loss or damage caused by the occurrence of a single insured event, shall not exceed ten percent of the total sum of its paid-up capital and its surplus reserve; reinsurance shall be arranged for the portion in excess of this limit.

The measurement of risk units by an insurance company shall be in conformity with the provisions of the insurance supervision and regulation authority of the State Council.

Article 104

The method of measuring risk units and the plan for arranging catastrophic risk of an insurance company shall be filed with the insurance supervision and regulation authority of the State Council.

Article 105

An insurance company shall make reinsurance arrangements according to the provisions of the insurance supervision and administration authority of the State Council and prudently select reinsurers.

Article 106

The fund investment of an insurance company shall be operated on a sound and prudent basis and in the principle of safety.

The fund investment portfolios of an insurance company shall be limited to the following forms:

- (i) bank deposits;
- (ii) trading of securities of value, such as bonds, stocks, and securities investment fund;
- (iii) investment in real estate; and
- (iv) other forms of investment provided by the State Council.

The specific management rules of fund investments of an insurance company shall be provided by the insurance supervision and regulation authority of the State Council in accordance with the provisions of the preceding two paragraphs.

Article 107

With the approval of the insurance supervision and regulation authority of the State Council in consultation with the securities supervision and regulation authority of the State Council, an insurance company may establish an insurance asset management company.

An insurance asset management company shall comply with the provisions of laws and administrative regulations such as *the Securities Law of the People's Republic of China* while engaging in securities investment activities.

The administrative rules on insurance asset management companies shall be formulated by the insurance supervision and regulation authority of the State Council and other related authorities of the State Council.

Article 108

An insurance company shall, in accordance with the provisions of the insurance supervision and regulation authority of the State Council, establish a management and information disclosure system in respect of affiliated transactions.

Article 109

The controlling shareholders, actual controlling persons, directors, supervisors and senior management of an insurance company may not damage the interests of the company through affiliated transactions.

Article 110

An insurance company shall truthfully, accurately and fully disclose major matters such as accounting reports, risk management status and the operation status of insurance products in accordance with the provisions of the insurance supervision and regulation authority of the State Council.

Article 111

The personnel engaged in insurance sales of an insurance company shall meet the qualifications provided by the insurance supervision and regulation authority of the State Council, and have obtained the qualification certificates issued by the insurance supervision and regulation authority.

The scope of insurance sales personnel and management rules thereof provided in the preceding paragraph shall be provided by the insurance supervision and regulation authority of the State Council.

Article 112

An insurance company shall establish an insurance agent registration and management system and strengthen training and management of insurance agents, and may not abet or induce them to carry out activities against the obligation of integrity.

Article 113

An insurance company and its branches shall use their insurance business license according to law, and may not transfer, rent or lend their insurance business permits.

Article 114

An insurance company shall, in accordance with the provisions of the insurance supervision and regulation authority of the State Council, fairly and reasonably formulate insurance clauses and determine premium rates, and may not harm the lawful rights and interests of the proposers, the insured and the beneficiaries.

An insurance company shall, in accordance with the contracts and the provisions of this Law, fulfill the obligation of paying indemnity or insurance benefits in a timely manner.

Article 115

An insurance company shall follow the principle of fair competition in its business operation and may not engage in unfair competition.

Article 116

An insurance company and its employees shall not have any of the following acts in the course of conducting business:

- (i) cheating the proposers, the insureds or the beneficiaries;
- (ii) concealing from the proposers material information relevant to the insurance contracts;
- (iii) preventing the proposers from fulfilling their obligation of making a truthful disclosure provided under this Law or inducing them not to fulfil such an obligation;
- (iv) giving or promising premium rebates or other benefits other than those provided for in the contracts to the proposers, the insureds or the beneficiaries;
- (v) refusing to fulfill the obligation of paying indemnity or insurance benefits agreed upon in an insurance contract according to law;
- (vi) deliberately fabricating insured events that have never occurred, making up insurance contracts or deliberately exaggerating insured events that have occurred to make false indemnities and defrauding the company of insurance benefits or seeking other illegitimate gains;
- (vii) diverting, retaining or encroaching on premiums;
- (viii) entrusting agencies or individuals that have not obtained lawful qualifications to engage in insurance sales activities;
- (ix) seeking illegitimate gains for other organizations or individuals by taking advantage of the insurance business;
- (x) using insurance agents, insurance brokers or insurance adjusting firms to engage in illegal activities such as siphoning off commission by making up insurance agency business or fabricating surrender of policies;
- (xi) damaging the commercial reputation of its rivals by fabricating and disseminating false facts or other acts of unfair competition, disturbing the order of the insurance market by other acts of unfair competition;
- (xii) divulging the business secrets of the proposers or the insureds that they become known in their business activities;
- (xiii) other acts violating laws, administrative regulations and provisions of the insurance supervision and regulation authority of the State Council.

Chapter V Insurance Agents and Insurance Brokers

Article 117

An insurance agent means an entity or an individual who is entrusted by and charges commissions from an insurer to transact insurance business on behalf of the insurer within the scope of the delegated authority.

Insurance agencies include professional insurance agencies specializing in insurance agency business and side-line insurance agencies that engage in insurance agency as a side-line business.

Article 118

An insurance broker means an entity which, based on the interests of the proposers, provides intermediary services to facilitate insurance contracting between proposers and insurers and receives commissions according to law.

Article 119

Insurance agencies and insurance brokers shall meet the conditions provided by the insurance supervision and regulation authority of the State Council, and obtain an insurance agency business license or an insurance brokerage business license issued by the insurance supervision and regulation authority. Professional insurance agencies and insurance brokers shall register with the administration of industry and commerce with the business license issued by the insurance supervision and regulation authority and obtain a business license.

Side-line insurance agencies shall register the change with the administration of industry and commerce with business license issued by the insurance supervision and regulation authority.

Article 120

Where a professional insurance agency or insurance broker is established in the form of company, the provisions in *the Company Law of the People's Republic of China* shall be applicable to the minimum amount of its registered capital.

The insurance supervision and regulation authority of the State Council may, according to the scope of business and operational size of a professional insurance agency or insurance broker, adjust the minimum amount of its registered capital, but the registered capital may not be lower than the minimum amount provided in *the Company Law of the People's Republic of China*. The registered capital or the capital contributions of a professional insurance agency or broker must be fully paid-up monetary capital.

Article 121

The senior management of a professional insurance agency or insurance broker shall have good morals, be well-versed in insurance laws and administrative regulations, have the operation and management ability needed for performing their responsibilities, and have obtained the qualifications for holding a position verified by the insurance supervision and regulations department before taking up their position.

Article 122

Individual insurance agents, practitioners of insurance agencies and practitioners of insurance brokers shall meet the qualifications provided by the insurance supervision and regulation authority of the State Council and have obtained qualification certificates issued by the insurance supervision and regulation authority.

Article 123

An insurance agency or an insurance broker shall have its own business premises, maintain separate accounting records solely for recording revenues and expenses in connection with the agency or the brokerage business.

Article 124

An insurance agency or an insurance broker shall pay a deposit or take out professional liability insurance according to the provisions of the insurance supervision and regulation authority of the State Council. Insurance agencies or insurance brokers may not use the deposit without the approval of the insurance supervision and regulation authority.

Article 125

An individual insurance agent, in conducting life insurance agency business, shall not accept entrustment of more than two insurers concurrently.

Article 126

In entrusting an insurance agent to conduct insurance business, an insurer shall sign an agency agreement with the insurance agent to provide for the rights and obligations of the parties according to law.

Article 127

An insurer shall be liable for the acts of its insurance agents when they transact insurance business on behalf of the insurer in accordance with the delegated authority.

Where an insurance agent enters into a contract in the name of an insurer, while the agent has no authority of agency or acts beyond the scope of authority, or his authority of agency ceases, in such a way that the proposer has reason to believe that the agent has authority, the act of agency is effective. The insurer may pursue the insurance agent for liabilities of ultra vires acts according to law.

Article 128

An insurance broker shall be liable for loss and damage caused to the proposer or the insured due to its fault.

Article 129

Parties to insurance activities may retain independent assessment agencies duly established such as an insurance adjusting firms or persons with related professional expertise to carry out adjustments and assessments of loss and damage resulting from the occurrence of insured events.

Institutions and persons retained to adjust and assess loss and damage resulting from the occurrence of insured events shall carry out adjustments and assessments legally, independently, objectively and fairly, no unit or individual shall intervene therewith.

An institution or person provided in the preceding paragraph shall be liable for any damage or loss caused to the insurer or the insured intentionally or negligently.

Article 130

Insurance commissions may only be paid to the insurance agents and insurance brokers with lawful qualifications and may not be paid to others.

Article 131

In handling insurance business, insurance agents, insurance brokers and their practitioners are not allowed to conduct any of the following acts:

- (i) cheating the proposers, the insureds or the beneficiaries;

- (ii) concealing material information relevant to the insurance contract;
- (iii) preventing the proposers from fulfilling their obligation of making a truthful disclosure provided under this Law or inducing them not to fulfil such an obligation;
- (iv) giving or promising any interests other than those provided for in the contracts to the proposers, the insureds or the beneficiaries;
- (v) using their administrative power, position or the advantage of their profession or any other illicit means to force, induce or restrict the insured to sign insurance contracts;
- (vi) forging or altering an insurance contract arbitrarily, or providing false certification materials to the parties to an insurance contract;
- (vii) diverting, retaining or encroaching on premiums or insurance benefits;
- (viii) seeking illegitimate gains for other organizations or individuals by taking advantage of the business;
- (ix) defrauding the insurer of insurance benefits by colluding with the proposers, the insureds or the beneficiaries;
- (x) divulging the business secrets of the proposers or the insureds that they have known in their business activities.

Article 132

The division, merger or change of organizational form, establishment of a branch or dissolution of a professional insurance agency or insurance broker shall be subject to the approval of the insurance supervision and regulation authority.

Article 133

The provisions of the first paragraph of Article 86 and Article 113 of this Law shall apply to insurance agencies and insurance brokers.

Chapter VI Supervision and Regulation of Insurance Industry

Article 134

The insurance supervision and regulation authority supervises and regulates the insurance industry, safeguards the order of the insurance market, and protects the lawful rights and interests of the proposers, the insureds and the beneficiaries in accordance with this Law and the competences provided by the State Council and in line with the principles of conformity with law, openness and fairness.

Article 135

The insurance supervision and regulation authority of the State Council formulates and promulgates administrative rules concerning the supervision and regulation of the insurance industry in accordance with laws and administrative regulations.

Article 136

The insurance clauses and premium rates of the insurance products that concern social and public interest, the compulsory insurance products and the newly developed life insurance products shall be submitted to the insurance supervision and administration authority of the State Council for approval. The insurance supervision and administration authority of the State Council shall follow the principles of protecting social and public interest and preventing unfair competition in the examination and approval. The insurance clauses and premium rates of other insurance products shall be filed with the insurance supervision and regulation authority.

The specific rules for examination and approval and filing of insurance clauses and premium rates shall be formulated by the insurance supervision and regulation authority of the State Council in accordance with the provisions in the preceding paragraph.

Article 137

Where the insurance clauses and premium rates used by an insurance company violate laws, administrative regulations or the related provisions of the insurance supervision and regulation authority of the State Council, the insurance supervision and regulation authority shall order it to stop using them and make corrections within a prescribed period; where the circumstances are severe, submission of new insurance clauses and premium rates may be forbidden within a certain period.

Article 138

The insurance supervision and regulation authority of the State Council shall establish and perfect a system for solvency supervision of insurance companies and monitor their solvencies.

Article 139

With respect to insurance companies with inadequate solvency, the insurance supervision and regulation authority of the State Council shall list them as key targets for regulation, and may adopt the following measures according to specific circumstances:

- (i) ordering them to increase capital and arrange reinsurance;
- (ii) restricting their scope of business;
- (iii) restricting their dividends distribution to shareholders;
- (iv) restricting their purchase of fixed assets or scale of operating expenses;
- (v) restricting their category and proportion of fund investments;
- (vi) restricting their establishment of additional branches;
- (vii) ordering them to auction off bad assets or to transfer their insurance business;
- (viii) restricting the remuneration level of their directors, supervisors and senior management;
- (ix) restricting business advertising;
- (x) ordering them to stop accepting new business.

Article 140

Where an insurance company fails to set aside or carry forward the various reserves, or arrange reinsurance in accordance with this Law, or seriously violates the provisions of this Law on fund investments, the insurance supervision and regulation authority shall order the insurance company to make corrections within a prescribed period, and may order the adjustment of its responsible senior management and the personnel concerned.

Article 141

In the event that an insurance company fails to make corrections within the prescribed period after the insurance supervision and regulation authority has issued a decision of correction within a prescribed period in accordance with Article 140 of this Law, the insurance supervision and regulation authority of the State Council may decide to select insurance professionals and designate relevant personnel of the insurance company to form a rectification task force to carry out the rectification work of the said insurance company.

The decision of rectification shall be publicized and shall specify the name of the insurance company, the reason for rectification, the composition of the rectification task force responsible for carrying out the rectification work as well as the date by which the rectification is to be completed.

Article 142

The rectification task force shall have the authority to supervise the day-to-day business operation of the said insurance company. The responsible senior management and relevant personnel involved of the insurance company shall perform their respective functions under the supervision of the rectification task force.

Article 143

In the course of the rectification, the existing business of the insurance company may continue. The insurance supervision and regulation authority of the State Council shall, however, have the authority to order the company to suspend part of its business, cease accepting new business or adjust its fund investments.

Article 144

Where an insurance company under rectification has already corrected its acts which are in violation of this Law and has resumed its normal business operation, the rectification shall cease and the cease of the rectification shall be publicized by the insurance supervision and regulation authority of the State Council after a report by the rectification task force is submitted and the approval by the insurance supervision and regulation authority of the State Council is obtained.

Article 145

Where there is any of the following circumstances with respect to an insurance company, the insurance supervision and regulation authority of the State Council may take over the company:

- (i) the solvency of the company is seriously inadequate;
- (ii) violating the provisions of this Law and hindering the social and public interest so that its solvency may be seriously threaten or have already been threatened.

The debtor-creditor relationships of the insurance company taken over do not change as a result of the take-over.

Article 146

The composition of the take-over task force and the take-over procedures shall be determined and publicized by the insurance supervision and regulation authority of the State Council.

Article 147

When the term of take-over is to expire, the insurance supervision and regulation authority of the State Council may determine to extend it. However, the maximum term of take-over may not exceed two (2) years.

Article 148

When the term of take-over expires and the insurance company has resumed its normal operational capacity, the insurance supervision and regulation authority of the State Council may decide to terminate the take-over and publicize the decision.

Article 149

Where there are the circumstances provided in Article 2 of *the Law of the People's Republic of China on Enterprise Bankruptcy* with respect to an insurance company rectified and taken over, the insurance supervision and regulation authority of the State Council may apply to the people's court to reorganize the said insurance company or liquidate it through bankruptcy proceedings.

Article 150

Where the insurance business permit of an insurance company is revoked due to illegal operation, or its solvency is lower than the standards provided by the insurance supervision and regulation authority of the State Council, and the company will seriously harm the order of the insurance market and damage public interest should it not be cancelled, the insurance supervision and regulation authority of the State Council shall cancel it, publicize the cancellation, and form a liquidation team to carry out liquidation in time according to law.

Article 151

The insurance supervision and regulation authority of the State Council shall have the right to demand the shareholders and the actual controlling parties of an insurance company to provide relevant information and materials within a designated period.

Article 152

Where the shareholders of an insurance company use affiliated transactions to seriously damage the interests of the company and endanger the solvency of the company, the insurance supervision and regulation authority of the State Council shall order them to make corrections. Before corrections are made as ordered, the insurance supervision and regulation authority of the State Council may restrict their shareholders' rights; where the shareholders refuse to make corrections, the authority may order them to transfer their equity-holding in the insurance company.

Article 153

The insurance supervision and regulation authority may, according to the needs for fulfilling its responsibilities of supervision and regulation, hold regulatory interviews with the directors, supervisors and senior management of an insurance company, and require them to explain major issues in the business activities and risk management of the insurance company.

Article 154

During the period when an insurance company is subject to rectification, take-over or liquidation by cancellation, or to major risks, the insurance supervision and regulation authority of the State Council may adopt the following measures with respect to the directly liable directors, supervisors and senior management of the said company as well as other personnel directly liable:

- (i) notifying the authorities for border control to prevent them from leaving the country according to law;
- (ii) applying to the judicial authorities to forbid them from removing, transferring their assets or disposing thereof by other means, or creating encumbrances thereon.

Article 155

In fulfilling its responsibilities according to law, the insurance supervision and regulation authority may adopt the following measures:

- (i) carrying out on-the-spot inspection of insurance companies, insurance agents, insurance brokers, insurance asset management companies, and representative offices of foreign insurance institutions;
- (ii) entering premises where a suspected illegal act has occurred to carry out investigation and take evidence;
- (iii) inquiring of parties involved and units or individuals related to the event under investigation, and requesting them to make explanations of matters related to the event under investigation;

- (iv) consulting and copying materials related to the event under investigation, such as property registers, etc.;
- (v) consulting and copying the accounting materials as well as other related documents and materials of the insurance companies, insurance agents, insurance brokers, insurance assets management companies, and representative offices of foreign insurance institutions as well as units or individuals related to the event under investigation; sealing up documents and materials that may be transferred, concealed or damaged;
- (vi) inquiring about and inspect the bank accounts of the insurance companies, insurance agents, insurance brokers, insurance asset management companies, and representative offices of foreign insurance institutions suspected of operation in violation of law as well as other units and individuals related to the suspected illegal matters.
- (vii) with respect to assets involved in the case such as illegal funds that can be proved with evidence or that may be transferred or concealed or for which important evidence is concealed, forged or damaged, with the approval of the senior officials of the insurance supervision and regulation authority, the authority may apply to the people's court to freeze or attach it.

Where the insurance supervision and regulation authority takes the measures provided in item (i), item (ii) and item (v) of the preceding paragraph, the approval of the responsible persons of the insurance supervision and regulation authority shall be obtained; where the measures provided in item (vi) are taken, the approval of the responsible persons of the insurance supervision and regulation authority of the State Council shall be obtained.

The insurance supervision and regulation authority shall carry out supervisory inspection or investigation according to law, and the number of the supervisory inspection and investigation personnel shall not be less than two, and their lawful certificates and notice for supervisory inspection and investigation shall be produced; where the number of the supervisory inspection and investigation personnel is less than two, and their lawful certificates and notice for supervisory inspection and investigation are not produced, the unit or individual to be inspected and investigated shall have the right to refuse.

Article 156

Where the insurance supervision and regulation authority fulfills its responsibilities according to law, the unit or individual to be inspected and investigated shall cooperate.

Article 157

The personnel of the insurance supervision and regulation authority shall be faithful to their duty, act in accordance with law, and be just and clean, they may not divulge the business secrets of the related units or individuals known them.

Article 158

The insurance supervision and regulation authority of the State Council shall establish a supervision and regulation information sharing system with the People's Bank of China and other financial supervision and regulation authorities of the State Council.

Where the insurance supervision and regulation authority fulfils its responsibilities according to law to carry out supervision, inspection and investigation, the related authorities concerned shall cooperate.

Chapter VII Legal Liability

Article 159

Those who establish insurance companies, insurance asset management companies or engage in commercial insurance activities without approval in violation of this Law shall be stopped by the insurance supervision and administration authority, their illegal gains shall be confiscated and a fine ranging from one time to five times the illegal gains shall be imposed; where there are no illegal gains or the illegal gains are less than two hundred thousand Renminbi yuan (RMB 200,000), a fine ranging from two hundred thousand Renminbi yuan (RMB 200,000) to one million Renminbi yuan (RMB 1,000,000) shall be imposed.

Article 160

Those who establish professional insurance agencies or insurance brokers without approval in violation of this Law or engage in insurance agency business or insurance brokerage business without an insurance agent license or an insurance brokerage license shall be stopped by the insurance supervision and administration authority, their illegal gains shall be confiscated, and a fine ranging from one time to five times the illegal gains shall be imposed; where there are no illegal gains or the illegal gains are less than fifty thousand Renminbi yuan (RMB 50,000), a

fine ranging from fifty thousand Renminbi yuan (RMB 50,000) to three hundred thousand Renminbi yuan (RMB 300,000) shall be imposed.

Article 161

Where an insurance company conducts insurance business outside the scope of business approved in violation of the provisions of this Law, the insurance supervision and regulation authority shall order it to make corrections in a prescribed period, confiscates its illegal gains derived therefrom and impose a fine of not less than one nor more than five times the illegal gains; where there are no illegal gains or the illegal gains are less than one hundred thousand Renminbi yuan (RMB 100,000), the insurance company shall be subject to a fine of not less than one hundred thousand Renminbi yuan (RMB 100,000) nor more than five hundred thousand Renminbi yuan (RMB 500,000). Where the company fails to make corrections as ordered within the prescribed period or where severe consequences ensue, the insurance supervision and regulation authority shall order it to suspend operation and the company be rectified, or revoke its business permit.

Article 162

Where an insurance company commits any of the acts provided in Article 116 of this Law, the insurance supervision and regulation authority shall order it to make corrections and impose a fine of not less than fifty thousand Renminbi yuan (RMB 50,000) nor more than three hundred thousand Renminbi yuan (RMB 300,000); where the circumstances are severe, the insurance supervision and regulation authority may restrict the scope of business, order the company to cease accepting new business or revoke the business license.

Article 163

Where an insurance company violates the provisions of Article 84 of this Law, the insurance supervision and regulation authority shall order it to make corrections and impose a fine of not less than ten thousand Renminbi yuan (RMB 10,000), nor more than one hundred thousand Renminbi yuan (RMB 100,000).

Article 164

Where an insurance company commits any of the following acts in violation of the provisions of this Law, the insurance supervision and regulation authority shall order it to make corrections and impose a fine of not less than fifty thousand Renminbi yuan (RMB 50,000), nor more than three hundred thousand Renminbi yuan (RMB 300,000):

- (i) writing excessive insurance business and the circumstances are severe; or
- (ii) insuring incapacitated persons with death as the condition for payment of insurance benefits.

Article 165

Where there is any of the following acts in violation of the provisions of this Law, the insurance supervision and regulation authority shall order that corrections be made and impose a fine of not less than fifty thousand Renminbi yuan (RMB 50,000) nor more than three hundred thousand Renminbi yuan (RMB 300,000); where the circumstances are severe, the insurance supervision and regulation authority may restrict the scope of business, order the company to cease accepting new business or revoke the business license:

- (i) failing to set aside the guarantee fund or using the guarantee fund in violation of the relevant provisions;
- (ii) failing to set aside or carry forward various reserves as provided;
- (iii) failing to make contributions to the insurance protection fund or set aside surplus reserve as provided;
- (iv) failing to arrange reinsurance as provided;
- (v) failing to operate the funds investment of the insurance company as provided;
- (vi) establishing branches or representative offices without approval; or
- (vii) failing to apply for approval of its insurance clauses or premium rates as provided.

Article 166

Where an insurance agent or an insurance broker commits one of the acts provided in Article 131 of this Law, the insurance supervision and regulation authority shall order it to make corrections and impose a fine of not less than fifty thousand Renminbi yuan (RMB 50,000), nor more than three hundred thousand Renminbi yuan (RMB 300,000). Where the circumstances are severe, the business license shall be revoked.

Article 167

Where an insurance agency or an insurance broker commits one of the following acts in violation of the provisions of this Law, the insurance supervision and regulation authority shall order it to make corrections and impose a fine of not less than twenty thousand Renminbi yuan (RMB 20,000), nor more than one hundred thousand Renminbi yuan (RMB 100,000). Where the circumstances are severe, the insurance supervision and regulation authority shall order it to suspend operation and the company be rectified, or revoke its business permit.

- (i) failing to make a deposit of guarantee fund or take out professional liability insurance as provided;

- (ii) failing to set up separate accounting records solely for recording revenues and expenses in connection with the agency or brokerage business as provided.

Article 168

Where a professional insurance agency or an insurance broker sets up a branch or changes its organizational form in violation of the provisions of this Law, the insurance supervision and regulation authority shall order it to make corrections and impose a fine of not less than ten thousand Renminbi yuan (RMB 10,000), nor more than fifty thousand Renminbi yuan (RMB 50,000).

Article 169

Where a person without qualifications for holding a position or practicing the profession is employed in violation of the provisions of this Law, the insurance supervision and regulation authority shall order corrections be made and impose a fine of not less than twenty thousand Renminbi yuan (RMB 20,000), nor more than one hundred thousand Renminbi yuan (RMB 100,000).

Article 170

Where a business license is transferred, leased or lent in violation of the provisions of this Law, the insurance supervision and regulation authority shall impose a fine of not less than ten thousand Renminbi yuan (RMB 10,000), nor more than one hundred thousand Renminbi yuan (RMB 100,000). Where the circumstances are severe, the insurance supervision and regulation authority shall order that business operation be suspended and the company be rectified, or revoke the business license.

Article 171

Where there is any of the following acts in violation of the provisions of this Law, the insurance supervision and regulation authority shall order corrections be made within a prescribed period and, where corrections are not made within the prescribed period, impose a fine of not less than ten thousand Renminbi yuan (RMB 10,000), nor more than one hundred thousand Renminbi yuan (RMB 100,000):

- (i) failing to submit or safe-keep relevant reports, statements, documents and information as provided, or failing to provide related information or materials as provided;
- (ii) failing to submit or file the insurance clauses and premium rates as provided; or
- (iii) failing to disclose information as provided.

Article 172

Where there is any of the following acts in violation of the provisions of this Law, the insurance supervision and regulation authority shall order that corrections be made and impose a fine of not less than one hundred thousand Renminbi yuan (RMB 100,000) nor more than five hundred thousand Renminbi yuan (RMB 500,000). If the conduct is considered to be severe, the insurance supervision and regulation authority may restrict the company's scope of business, order it to cease accepting new business or revoke the business license:

- (i) preparing or submitting false reports, statements, documents and information;
- (ii) refusing to accept or obstructing lawful inspection and supervision; or
- (iii) failing to use as provided the insurance clauses and premium rates that have been approved or filed.

Article 173

Where an insurance company, an insurance asset management company, a professional insurance agency or an insurance broker violates the provisions of this Law, the insurance supervision and regulation authority shall, besides punishing the unit according to the provisions of Article 161 to Article 172 of this Law, give warnings to the personnel in charge and other personnel directly liable, and impose a fine of not less than ten thousand Renminbi yuan (RMB 10,000) nor more than one hundred thousand Renminbi yuan (RMB 100,000) concurrently. Where the circumstances are severe, their qualifications for holding a position or practising the profession shall be revoked.

Article 174

The insurance supervision and regulation authority shall give warnings to an individual insurance agent who violates the provisions of this Law and may impose a fine of not more than twenty thousand Renminbi yuan (RMB 20,000) concurrently. Where the circumstances are severe, a fine of not less than twenty thousand Renminbi yuan (RMB 20,000) nor more than one hundred thousand Renminbi yuan (RMB 100,000) shall be imposed, and his/her qualification certificate may be revoked.

The insurance supervision and regulation authority shall give warnings to individuals who conduct insurance agency activities without lawful qualifications and may impose a fine of not more than twenty thousand Renminbi yuan (RMB 20,000) concurrently. Where the circumstances are severe, a fine of not less than twenty

thousand Renminbi yuan (RMB 20,000) nor more than one hundred thousand Renminbi yuan (RMB 100,000) shall be imposed.

Article 175

Where a foreign insurance institution sets up a representative office on its own within the territory of the People's Republic of China without the approval of the insurance supervision and regulation authority of the State Council, the insurance supervision and regulation authority of the State Council shall cancel it and impose a fine of not less than fifty thousand Renminbi yuan (RMB 50,000) nor more than three hundred thousand Renminbi yuan (RMB 300,000).

Where a representative office set up by a foreign insurance institution within the territory of the People's Republic of China engages in insurance business activities, the insurance supervision and regulation authority shall order it to make corrections, confiscate its illegal gains and impose a fine of not less than one, nor more than five times the illegal gains; where there are no illegal gains or the illegal gains are less than two hundred thousand Renminbi yuan (RMB 200,000), the insurance company shall be subject to a fine of not less than two hundred thousand Renminbi yuan (RMB 200,000) nor more than one million Renminbi yuan (RMB 1,000,000); its chief representative may be ordered to be replaced; where the circumstances are severe, the representative office may be cancelled.

Article 176

An proposer, an insured or a beneficiary who is involved in insurance frauds by conducting any of the following acts which does not constitute a crime shall be subjected to administrative sanctions according to law:

- (i) the proposer deliberately forges the insured subject matter and defraud the insurer of insurance payments;
- (ii) falsely alleging the occurrence of an insured event which in fact has not occurred and defraud the insurer of insurance payments; or
- (iii) deliberately causing the occurrence of an insured event which leads to property damage and defraud the insurer of insurance payments.

Any appraiser, assessor or attester, who deliberately provides false certification documents, thus providing conditions for the proposer, the insured or the beneficiary to carry out insurance frauds, shall be punished in accordance with the provisions in the preceding paragraph.

Article 177

Anyone who violates this Law and causes damage or loss to others shall assume civil liabilities according to law.

Article 178

Anyone who refuses or obstructs the insurance supervision and regulation authority and its personnel from exercising the power of supervisory inspections and investigations according to law and who has not resorted to violence or threat shall be subjected to administrative penalties for public security.

Article 179

Where the provisions of laws or administrative regulations are violated and the circumstances are severe, the insurance supervision and regulation authority of the State Council may prohibit the persons involved from joining the insurance industry within a certain period or for life.

Article 180

The personnel conducting supervision and regulation in the insurance supervision and regulation authority who commit any of the following acts shall be punished according to law:

- (i) approving the establishment of an institution in violation of regulations;
- (ii) carrying out examination and approval of insurance clauses and premium rates in violation of regulations;
- (iii) carrying out on-the-spot inspection in violation of regulations;
- (iv) inquiring of accounts or freezing funds in violation of regulations;
- (v) disclosing the business secrets of the units or individuals concerned which they have known;
- (vi) imposing administrative sanctions in violation of regulations; or
- (vii) other acts abusing their powers or neglecting their duties.

Article 181

Where the provisions of this Law are violated and the violation constitutes a crime, the perpetrator shall be pursued for criminal liabilities according to law.

Chapter VIII Miscellaneous

Article 182

An insurance company shall join the insurance industry association. An insurance agent, insurance broker or insurance adjusting firm may join the insurance industry association.

The insurance association is a self-regulatory organization of the insurance industry and is a social organization with legal person status.

Article 183

This Law shall be applicable to commercial insurance business conducted by other insurance institutions set up according to law other than insurance companies.

Article 184

Marine insurance is governed by *the Maritime Law of the People's Republic of China*. With respect to the matters which *the Maritime Law* does not specify, this Law shall be applicable.

Article 185

The provisions of this Law are applicable to Sino-foreign equity joint venture insurance companies, solely foreign-funded insurance companies and branches of foreign insurance companies; where laws or administrative regulations provide otherwise, those laws and regulations shall apply.

Article 186

The State supports the development of insurance undertakings which provide services for agricultural production. Matters on agricultural insurance shall be provided for by other laws and administrative regulations.

Where other laws and administrative regulations provide otherwise in respect of compulsory insurance, those provisions shall be applicable.

Article 187

This Law shall become effective as of October 1, 2009.

End.