

Regulations on Administration of Reinsurance Business

再保险业务管理规定

(The CIRC Ordinance No. 2 【2005】) (05-10-28)

Reviewed and adopted at the Chairman Meeting of the China Insurance Regulatory Commission on September 26, 2005, *Regulations on Administration of Reinsurance Business* is now promulgated and shall come into effect as of December 1, 2005.

Chairman Wu Dingfu
October 14, 2005

Regulations on Administration of Reinsurance Business

Chapter One General Principles

Article 1

In order to cultivate and develop the reinsurance market, strengthen administration of the reinsurance business, diversify the insurance operation risks and realize a healthy, coordinated and sustainable development of the insurance industry, these regulations are made in accordance with *Insurance Law of the People's Republic of China* (here in after referred to as "*Law of Insurance*"), *the Regulations of the People's Republic of China on Administration of Foreign-funded Insurance Companies* and relevant laws and administrative regulations.

Article 2

The term "reinsurance" under this Regulation refers to an insurance company transfers the insurance business it is undertaking partially to other insurance company.

The term "treaty insurance" under this Regulation refers to an insurance company signs a contract in advance with other insurance company and agrees to cover reinsurance for the insurance business it is undertaking in a certain period through other insurance company.

The term "facultative reinsurance" under this Regulation refers to an insurance company makes decision through consultation with other insurance company that it shall cover reinsurance through the latter for the insurance business it is undertaking.

Article 3

An insurance company under this Regulation refers to a commercial insurance company established under the approval of China insurance supervision and administration institutions and registered in accordance with relevant laws, including direct insurance company and reinsurance company.

A direct insurance company under this Regulation refers to an insurance company that issues policy to the insurance applicant and assumes insurance responsibilities directly; a reinsurance company under this Regulation refers to an insurance company who specializes in reinsurance business and doesn't issue a policy directly to the applicant.

A reinsurance ceding company under this Regulation refers to an insurance company that transfers part of its insurance business to other insurance company; a reinsurance-inward company under this Regulation refers to an insurance company that accepts insurance business transferred from other insurance company.

The term “ceding business” under this Regulation refers to insurance business transferred out by the reinsurance ceding company; the term “ceded business” under this Regulation refers to insurance business accepted by the reinsurance ceded company.

An insurance association under this Regulation refers to insurance organizations composed by at least two insurance companies carrying on insurance business together according to their regulations in order to deal with special risks or huge-amount of insurance business that cannot be assumed by a single insurer or established according to international conventions.

A foreign-funded insurance company under this Regulation refers to equity joint venture insurer, wholly foreign-owned insurer, and branch of foreign insurer established under the approval of China insurance supervision and administration institutions.

An insurance broker under this Regulation refers to an insurance brokerage organ which accepts the authorization of a reinsurance ceding company and provides reinsurance business agent services for the reinsurance ceding company and the reinsurance ceded company and gets commissions according to agreement.

Article 4

When carrying on reinsurance business, insurance companies, insurance associations, insurance brokers and other insurance institutions that located in the People’s Republic of China shall abide by this Regulation.

Article 5

When carrying on reinsurance business, insurance companies, insurance associations, and insurance brokers shall stick to the principle of "prudence and the utmost good faith".

Article 6

Reinsurance ceding companies, reinsurance ceded companies and insurance brokers shall perform confidentiality obligations for the business and finance conditions of the above bodies that are known to them in the process of carrying on reinsurance business.

Article 7

China Insurance Regulatory Commission (here in after referred to as "the CIRC") encourages insurance companies and insurance brokers to provide reinsurance services for agricultural insurance and disaster insurance such as earthquake and flood.

Article 8

The CIRC shall execute supervision and administration on reinsurance business in accordance with relevant laws.

Chapter Two Business Undertaking

Article 9

Reinsurance business includes life reinsurance and non-life reinsurance. The insurance company shall make separate business records and calculation for both life reinsurance and non-life reinsurance.

Article 10

The insurance company shall make sure the retentions of premium and the risk retention of each unit risk in accordance with rules and regulations in the *Law of Insurance*; it should cede the exceeding portion.

Article 11

Direct insurance companies that are in the business of treaty insurance and facultative reinsurance shall prior issue an offer to insurance companies located in China while in accordance with the following stipulations:

1. The offer shall be issued to at least two professional reinsurance companies located in China;
2. The total shares ceded from the offer shall not be lower than 50% of the ceded business;

Article 12

With the exception of aviation and space insurance, nuclear insurance, oil Insurance and credit insurance, direct insurance companies carrying on treaty insurance and facultative reinsurance shall be in accordance with the following stipulations:

1. The business of each risk unit ceded to the same reinsurance ceded company shall not exceed the insured amount or 80% of the liability of the direct insurance business;

2. The insured amount or limit of liability ceded to related enterprises in each facultative treaty shall not exceed the insured amount or 20% of the limit of liability of the direct insurance business.

Article 13

During the continuous period of legal reinsurance, direct insurance companies shall cover full-value legal reinsurance in time for the business they are undertaking in accordance with relevant regulations of China Insurance Regulatory Commission. The mandatory reinsurance ceded companies shall pay full-value indemnity in time according to the stipulations.

Article 14

The reinsurance ceding company shall inform the reinsurance ceded company as the latter requested of the former's self responsibility and information on direct insurance.

Article 15

Insurance companies and insurance brokers may develop and design new risk- transferring products by making use of financial tools and shall apply to the China Insurance Regulatory Commission to be examined and approved or to be put on record in accordance with relevant stipulations.

Article 16

Reinsurance ceded companies located in China shall appoint professional reinsurance underwriters and professional reinsurance claims specialists who are living in China.

Chapter Three The Reinsurance Brokerage

Article 17

Insurance brokers who are undertaking reinsurance brokerage shall not damage the credit standing and legal rights of insurance companies.

Article 18

Insurance brokers may introduce or design reinsurance contract as business required.

Article 19

Insurance brokers shall post or send bills, settle reinsurance funds and perform other obligations according to its agreement with the reinsurance company and shall not divert or withhold reinsurance premium, reinsurance recovery receivables, recovery handling charges and recovery expenses.

Article 20

As the reinsurance ceded company requested, an insurance broker shall inform of the former what he has known about the priority of the reinsurance ceding company and information on direct insurance according to the agreement between he and the reinsurance ceding company.

Article 21

Insurance brokers may participate in claim settlement practices as reinsurance ceding company or reinsurance ceded company requested.

Chapter Four Supervision and Administration

Article 22

A foreign-funded insurer shall not undertake reinsurance business with enterprises related to it unless otherwise approved by the CIRC.

Article 23

Insurance company carrying on reinsurance business shall evaluate reserves according to actuarial principles and methods, then draw and carry over each reserve exactly and in full value according to relevant regulations of the CIRC.

Article 24

Contents related to reinsurance business in the solvency report of an insurance company shall be in accordance with rules required for making solvency report of the insurance company.

Article 25

Solvency conditions of the branch of a foreign-funded reinsurance company shall be recognized in accordance with its head office's solvency conditions. Retention of the branch of a foreign-funded reinsurance company shall be limited by the direct warranted shares from its head office.

Article 26

Direct insurance companies shall submit the following documents to the CIRC before March 31 every year.

1. Excluding aviation and space insurance, nuclear insurance, oil insurance and credit insurance, direct insurance companies carrying on treaty insurance and facultative reinsurance shall submit information on trade if the business of each risk unit ceded to the same reinsurance-inward company exceeds insured amount or 50% of the limit of liability of the direct insurance business;
2. Shares ceded to each reinsurance ceded company during treaty insurance in the previous year;
3. List of insurance brokers and overseas reinsurance ceded companies for the previous year;
4. The property insurance company's reinsurance arrangement plan of the year, including policy on reinsurance, information on treaty reinsurance, dividing criterion of risk unit and retention limit for each risk unit;
5. The change of reinsurance arrangement plan of the year for the personal insurance company;
6. Conditions and standards for choosing an overseas reinsurance ceded company of the year.

Article 27

An insurance company shall submit the following reports to the CIRC before April 30 every year:

1. Operation of reinsurance business in the previous year;
2. Provisioning methods and amounts for each kind of reserve related to reinsurance business and signed by actuary.

Article 28

Direct insurance companies shall report in time to the CIRC major insurance claims and the reinsurance arrangements for these claims as well as important adjustments of policies on reinsurance.

The major insurance claims in the former article refer to claims in which the indemnity for property loss is over RMB 50,000,000 or the indemnity for personal injury is over RMB 30,000,000.

Article 29

Branch of a foreign-funded reinsurance company shall submit to the CIRC relevant reports according to the following requirements:

1. To submit consultation papers on the solvency conditions or operation conditions of its head office issued by insurance supervision institutions located in the head office registration place according to the local laws before July 30 every year;

2. To submit the limit of insurance and premium retention of the next year warranted by its head office before December 31 every year;

3. To submit reports on retrocession business including the names of retrocession ceded companies, business types, contract forms, premium ceded, recovery expenses and recovery handling charges etc. before January 31 and July 30 every year.

Article 30

Insurance companies carrying on reinsurance business shall submit reinsurance statistical information and other materials about the reinsurance business in time and accurately according to the regulations of the CIRC.

Article 31

Insurance associations shall submit to the CIRC finance report, business analysis report and information on overseas business ceding in the previous year before March 31 every year.

Chapter Five Legal Responsibilities

Article 32

Insurance companies violating this Regulation when dealing reinsurance ceding business shall be ordered to make corrections by the CIRC and a fine of not less than RMB50, 000 but not more than RMB300, 000 shall be simultaneously imposed; and if the circumstances are serious, the operators shall be limited on business scope, or be ordered to stop accepting new business, or their licenses for conducting insurance business shall be revoked.

Senior managers who are directly responsible and other direct liable persons for dealing reinsurance ceding business and violating this Regulation may be warned by the CIRC according to different conditions, or ordered to be dismissed and replaced, or a fine of not less than RMB20, 000 but not more than RMB 100,000 shall be imposed.

Chapter Six Supplementary Provisions

Article 33

A policy-related insurance company carrying on the reinsurance business shall refer to and apply the Regulation. If not applicable to it, the policy-related insurance company shall report to the CIRC relevant information within 3 months from the issuing day of this Regulation.

Article 34

The CIRC is responsible for the interpretation of the Regulation.

Article 35

The Regulation shall come into effect as of December 1, 2005.

End.