

Notice of China Insurance Regulatory Commission on Strengthening the Information Disclosure of the Reinsurance Transactions between Foreign-funded Insurance Companies and Their Affiliated Enterprises

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Notice of China Insurance Regulatory Commission on Strengthening the Information Disclosure of the Reinsurance Transactions between Foreign-funded Insurance Companies and Their Affiliated Enterprises

(No. 116 [2006] of China Insurance Regulatory Commission)

All foreign-funded insurance companies:

In order to strengthen the supervision and administration of the reinsurance transactions between foreign-funded insurance companies and their affiliated enterprises, this Commission decides to further raise the requirements on the disclosure of the relevant information. We hereby notify the specific contents as follows:

1. Where a foreign-funded insurance company has transactions of facultative reinsurance (including facultative obligatory reinsurance) with its affiliated enterprises, it shall, within 30 days upon the end of each quarter, report all the transactions of facultative reinsurance which become effective within the quarter to China Insurance Regulatory Commission. The report shall include:

- (1) Particulars of the inquiries and the offers of its opponents;
- (2) Reasons for choosing these affiliated enterprises;
- (3) Major reinsurance terms, including the insurance products involved, the risk status of the insurance objects, form of reinsurance, and the premium ceded in or out;
- (4) Explanation on whether the insurance liabilities undertaken by the ceding party and the ceded party are the same;
- (5) Amount of the premium ceded in or out, mode of payment and amount of commission charge as for a proportional reinsurance; and
- (6) Arrangement of all the proportional reinsurances related to a nonproportional reinsurance.

2. Where a foreign-funded insurance company has any transaction of contract reinsurance with any of its affiliated enterprises, it shall report it to China Insurance Regulatory Commission within three months since the day when the contract becomes effective. The report shall contain:

- (1) Particulars of the inquiries and the offers of its opponents;
- (2) Reasons for choosing this affiliated enterprise;
- (3) Major reinsurance terms, including the insurance products involved and the form of reinsurance;
- (4) Amount and mode of payment of commission charge as for a proportional reinsurance, the calculating method and mode of payment of profit commission;

(5) As for a proportional reinsurance, if the insurance liabilities undertaken by the ceding party and the ceded party are not the same, a pricing report signed by a responsible actuary or provided by a third party (such as an actuarial consultation company, same as below) shall be submitted, which shall include the insurance liabilities of both the ceding party and the ceded party, the pricing of the original guarantee slip and the pricing of the reinsurance;

(6) As for a nonproportional insurance, a pricing report signed by a responsible actuary or provided by a third party shall be submitted.

With regard to Items (5) and (6) of this Article, if any of the following requirements is satisfied, it is only necessary to report the price of the contract reinsurance and the quota of the reinsurer:

a. the affiliated party is not the top reinsurer of the contract;

b. the quota occupied by the affiliated party in the contract is not more than 50%, as for a multilayer nonproportional contract, the quota occupied by the affiliated party in each layer shall be not more than 50%.

3. As for a transaction of contract reinsurance between a foreign-funded insurance company and any of its affiliated enterprise, the following contents shall be reported in light of different accounting methods:

(1) As for a transaction of contract reinsurance of health insurance, accident insurance or life insurance (except YRT) conducted on a business year basis, the insurance period of the original guarantee slip on long-term health insurance, long-term accident insurance or long-term life insurance shall be reported;

(2) As for a transaction of contract reinsurance (except excess of loss reinsurance per risk and excess of loss reinsurance per accident) conducted on an accident year basis, the undue liability reserve report which is related to this contract and signed by a responsible actuary or provided by a third party shall be submitted, which shall include the preparation method and the transfer-in amount of the undue liability reserve;

(3) As for a transaction of contract reinsurance conducted on an accounting year basis, the undue liability reserve report and the outstanding loss reserve report which are related to this contract and signed by a responsible actuary or provided by a third party shall be submitted, which shall include the preparation method and the transfer-in amount of the undue liability reserve, and the preparation method and the transfer-in amount of the outstanding loss reserve.

4. As for a reinsurance under which the ceding company draws some or all reserves that shall be drawn by the ceded company, in addition to the contents prescribed in Article 1 or 2, the following contents shall also be reported:

(1) Hypothetical interest rate based on which the pricing of the original guarantee slip is made; and

(2) Interest rate on the reserves drawn by the ceding company.

5. A foreign-funded insurance company shall, within 30 days upon the end of each quarter, file the written and electronic documents of the Quarterly Statistics of the Reinsurance Transactions

Between Foreign-funded Insurance Companies and Their Affiliated Enterprise with China Insurance Regulatory Commission. The Statistics shall list all the transactions conducted from the beginning of the year till the end of the said quarter and separately list the transactions conducted with each affiliated enterprise.

7. A reinsurance transaction approved by China Insurance Regulatory Commission shall be conducted in strict accordance with the relevant requirements of the Provisions on the Administration of Reinsurance Business (Order No.2 [2005] of China Insurance Regulatory Commission).

8. The term “foreign-funded insurance company” as mentioned in this Notice refers to the exclusively foreign-funded insurance companies, Chinese and foreign equity joint insurance companies and branches of foreign insurance companies which are established or operate within the territory of China upon approval and in accordance with the relevant laws and administrative regulations of the People’s Republic of China.

9. This Notice shall come into force as of January 1st, 2007. In case any previous provision of China Insurance Regulatory Commission on the affiliated reinsurance transactions of foreign-funded insurance companies conflicts with this Notice, the latter shall prevail.

Annex: 1. Quarterly Statistics of the Reinsurance Transactions Between Foreign-funded Insurance Companies and Their Affiliated Enterprise

2. Annual Statistics of the Reinsurance Transactions Between Foreign-funded Insurance Companies and Their Affiliated Enterprise

November 17th, 2006