

Thoroughly modern: China's plans to accelerate growth of insurance market

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State Council's vision on bringing China's insurance industry into the modern age



Earlier this year the State Council of the People's Republic of China promulgated its Several Opinions on Accelerating the Development of Modern Insurance Industry.

The overall aim of the opinions is for the Chinese insurance market to keep pace with the modern developed insurance market. The opinions contain 10 main clauses each further divided into sub-clauses, covering various issues from strategies of the insurance and reinsurance industry, insurance intermediary services and plans for an insurance credit system and data system, to key insurance areas to develop such as medical, elder care, liability, catastrophe and agriculture insurance.

The key points of the opinions are:

- commercial insurance should become "an important pillar of the social security system". Commercial

insurance will gradually become the main provider of the security plans for individuals, families and for enterprises that intend to launch elder care or medical insurance schemes;

- the importance of developing various health insurance products, including medical, illness, and health-related income loss insurance, and to connect these commercial medical insurance products with basic medical service provision under the social security system. Insurance companies are also encouraged to provide health management services and even to invest in or set up medical institutions to combine the insurance and medical industries;
- elder care insurance is also mentioned, which reflects the concerns of the Chinese government over the growing ageing population in China. The Opinions encourage insurance companies to develop elder person bank deposit insurance products and elder person household reverse mortgage insurance products. Insurance companies are encouraged to invest in the elder care services industry. In addition, the Opinions also provide that local governments should commit a sufficient provision of land for elder care and medical usage;
- China is also exploring a catastrophe and accident system. The aim is to gradually establish cat funds and a cat reinsurance mechanism with the ultimate goal of putting a multi-layer cat risk undertaking system in place. Local insurers are encouraged to develop an effective coverage for risks arising from natural disasters such as typhoon, earthquake, landslides, mudslides, flood, and forest fire. Promulgation legislation regarding cat is also listed in the government's agenda;
- the Opinions mention the State Council encourages the development of the reinsurance market and regional reinsurance centres, as well as the increase of reinsurance market players (which might be of interest for those overseas reinsurers that do not have a presence in China). It also mentions that reinsurance should provide protections for large risks and special risks arising from agriculture, transportation, energy, aviation, nuclear and other major projects of the state, as well as providing coverage for Chinese overseas entities; and
- insurance fund usage is also covered. Insurance funds are now encouraged to invest in enterprise equity, bonds, securities investment funds and asset plans, and also to support large infrastructure projects and property developments by way of equity or bond investment plans. Insurance funds may also be invested in technical enterprises and new booming industries.

The opinions have provided direction for the Chinese insurance industry going forward. They may also affect insurance market players both inside and outside China.

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