Insurance Law of the PRC

Dan Young Business Consultancy — www.danyoungcpa.com

Unofficial English translation prepared for reference only. The official Chinese text prevails.

Contents

Table of Contents . . . 1

Chapter I — General Provisions . . . 2

Chapter II — Insurance Contracts . . . 2

Section 1 — General Provisions . . . 2

Section 2 — Property Insurance Contracts . . . 5

Section 3 — Personal Insurance Contracts . . . 6

Chapter III — Insurance Companies . . . 7

Chapter IV — Insurance Business Rules . . . 7

Chapter V — Insurance Agents and Insurance Brokers . . . 8

Chapter VI — Supervision and Regulation of the Insurance Industry . . . 8

Chapter VII — Legal Liability . . . 9

Chapter VIII — Supplementary Provisions . . . 9

Adopted at the 14th Session of the Standing Committee of the Eighth National People's Congress on June 30, 1995

Amended in accordance with the Decision on Amending the Insurance Law of the People's Republic of China adopted at the 7th Session of the Standing Committee of the Ninth National People's Congress on October 28, 2002; revised at the 28th Session of the Standing Committee of the Eleventh National People's Congress on February 28, 2009; amended in accordance with the Decision on Amending the Insurance Law of the People's Republic of China adopted at the 14th Session of the Standing Committee of the Twelfth National People's Congress on April 24, 2015

Effective: October 1, 2009 (2009 Revision)

Table of Contents

- Chapter I — General Provisions
- Chapter II — Insurance Contracts
- Chapter III — Insurance Companies
- Chapter IV — Insurance Business Rules
- Chapter V — Insurance Agents and Insurance Brokers

- Chapter VI — Supervision and Regulation of the Insurance Industry
- Chapter VII — Legal Liability
- Chapter VIII — Supplementary Provisions

Chapter I — General Provisions

Article 1 — This Law is enacted for the purposes of regulating insurance activities, protecting the legitimate rights and interests of the parties to insurance activities, strengthening the supervision and administration of the insurance industry, safeguarding the order of the social economy and the public interest, and promoting the sound development of the insurance sector.

Article 2 — For the purposes of this Law, "insurance" means a commercial insurance activity whereby an insurance applicant pays insurance premiums to an insurer in accordance with the terms of the contract, and the insurer shall bear the liability to pay insurance benefits for damage caused by the occurrence of a contingent event as agreed upon in the contract, or for the death, injury, disability, or reaching a specified age or time limit of the insured.

Article 3 — Insurance activities conducted within the territory of the People's Republic of China shall be governed by this Law.

Article 4 — Insurance activities shall be conducted in compliance with laws and administrative regulations, shall respect social morals, and shall not harm the public interest.

Article 5 — The parties to insurance activities shall follow the principle of good faith when exercising their rights and performing their obligations.

Article 6 — Insurance business within the territory of the People's Republic of China shall be operated by insurance companies established in accordance with this Law, and no other entity or individual may operate insurance business.

Article 7 — Legal persons and other organizations within the territory of the People's Republic of China that need to take out domestic insurance shall apply for insurance with insurance companies within the territory of the People's Republic of China.

Article 8 — The insurance industry shall practice the operation of property insurance business and personal insurance business on a separate basis. Unless otherwise provided by the State, no insurance company may concurrently engage in both property insurance business and personal insurance business.

Article 9 — The insurance regulatory authority of the State Council shall, in accordance with the law, exercise supervision and regulation over the insurance industry.

Chapter II — Insurance Contracts

Section 1 — General Provisions

Article 10 — An insurance contract is an agreement between an insurance applicant and an insurer defining their rights and obligations under the insurance. An insurance applicant means a person who enters into an insurance contract with an insurer and is obligated to pay the insurance premiums in accordance with the terms of the contract. An insurer means an insurance company that enters into an insurance contract with an insurance applicant and assumes the liability to pay insurance benefits or indemnify the applicant for losses in accordance with the terms of the contract.

Article 11 — An insurance contract shall be entered into on the basis of consultation and agreement, following the principle of fairness and determination of the rights and obligations of the parties. No entity or individual may compel others to enter into an insurance contract, except for insurance that is compulsory under laws or administrative regulations.

Source: https://www.danyoungcpa.com/insurance-law-prc-2015-amendment/

Article 12 — An insurance applicant shall have an insurable interest in the subject matter of the insurance when entering into an insurance contract. An insurable interest means a legally recognized interest that the insurance applicant has in the subject matter of the insurance. Where the insurance applicant has no insurable interest in the subject matter of the insurance, the insurance contract shall be null and void. The subject matter of the insurance means the subject of the insurance, such as the property and the property-related interests of the insurance applicant, or the life and body of the insured. An insured means a person whose property or person is protected by the insurance contract and who is entitled to claim the insurance benefits. The insurance applicant may be the insured.

Article 13 — An insurance contract shall be formed when the insurance applicant applies for insurance and the insurer accepts the application. The insurer shall issue an insurance policy or other insurance certificate to the insurance applicant in a timely manner. The insurance policy or other insurance certificate shall specify the terms of the contract agreed upon by the parties. The parties may agree to set out the terms of the contract in other written forms.

Article 14 — After an insurance contract is concluded, the insurance applicant shall pay the insurance premiums as agreed, and the insurer shall commence assuming the insurance liability at the time agreed upon.

Article 15 — After an insurance contract is concluded, the insurance applicant may rescind the contract, provided that this Law provides otherwise or the insurance contract provides otherwise.

Article 16 — When entering into an insurance contract, the insurer may make inquiries about the subject matter of the insurance or the insured, and the insurance applicant shall truthfully inform the insurer thereof. Where the insurance applicant intentionally or due to gross negligence fails to perform the obligation of truthful disclosure, thereby influencing the insurer's decision on whether to accept the insurance application or increase the insurance premium, the insurer shall have the right to rescind the contract. The right to rescind the contract as provided for in the preceding paragraph shall be exercised within 30 days from the date on which the insurer knows of the reason for rescission; if not exercised within two years from the date of the conclusion of the contract, the right shall be extinguished. Where the insurer knows that the insurance applicant has failed to truthfully disclose information at the time of the conclusion of the contract, the insurer shall not rescind the contract. Where an insured event occurs, the insurer shall not be liable to pay the insurance benefits.

Article 17 — An insurance contract shall be concluded using the standard terms provided by the insurer, and the insurer shall provide the insurance applicant with the standard terms and explain the contents of the contract to the insurance applicant. The insurer shall draw the insurance applicant's attention to the clauses that exempt the insurer from liability in the contract and provide a clear explanation of the contents of such clauses in writing or orally. If the insurer fails to do so, such clauses shall not take effect.

Article 18 — An insurance contract shall specify the following matters:

(1) the name and domicile of the insurer;

(2) the name and domicile of the insurance applicant and the insured, and the name and domicile of the beneficiary of a personal insurance contract;

(3) the subject matter of the insurance;

(4) the insurance liability and the exemption from liability;

(5) the insurance period and the commencement of the insurance liability;

(6) the sum insured;

(7) the insurance premiums and the method of payment; and

(8) the method of payment of insurance benefits.

Article 19 — The following clauses in an insurance contract using standard terms provided by the insurer shall be null and void:

(1) clauses exempting the insurer from statutory obligations or increasing the liability of the insurance applicant or the insured; or

(2) clauses excluding the rights of the insurance applicant, the insured or the beneficiary in accordance with the law.

Article 20 — The insurance applicant and the insurer may modify the insurance contract through consultation. When modifying an insurance contract, the insurer shall endorse the insurance policy or other insurance certificate or attach a rider thereto, or the insurance applicant and the insurer shall enter into a written agreement on the modification.

Article 21 — The insurance applicant, the insured or the beneficiary who knows of the occurrence of an insured event shall notify the insurer in a timely manner. Where the failure to notify the insurer in a timely manner intentionally or due to gross negligence makes it difficult to determine the nature, cause or extent of the loss of the insured event, the insurer shall not be liable to pay the insurance benefits for the part that cannot be determined, unless the insurer has already known or should have known of the occurrence of the insured event in a timely manner through other means.

Article 22 — When claiming insurance benefits after the occurrence of an insured event, the insurance applicant, the insured or the beneficiary shall provide the insurer with the proofs and materials relating to the confirmation of the nature, cause and extent of the loss of the insured event to the extent possible. Where the insurer considers that the relevant proofs and materials are incomplete, the insurer shall notify the insurance applicant, the insured or the beneficiary in a timely manner to provide supplementary proofs and materials.

Article 23 — After receiving a claim for insurance benefits from the insured or the beneficiary, the insurer shall make a timely assessment. Where the circumstances are complex, the assessment shall be made within 30 days, unless otherwise agreed upon in the contract. The insurer shall notify the insured or the beneficiary of the result of the assessment. In the case of an insurance liability, the insurer shall pay the insurance benefits within 10 days after reaching an agreement on the payment of insurance benefits with the insured or the beneficiary. Where the insurance contract provides otherwise for the time limit for the payment of insurance benefits, the contract shall prevail.

Article 24 — Where, after making an assessment in accordance with the provisions of Article 23, the insurer finds that the insured event does not fall within the scope of the insurance liability, the insurer shall issue a notice of refusal to pay the insurance benefits to the insured or the beneficiary within three days, with reasons given.

Article 25 — Where, 60 days after the insurer receives the claim for insurance benefits and the relevant proofs and materials, the insurer is still unable to determine the amount of the insurance benefits, it shall first pay the minimum amount that can be determined based on the existing proofs and materials, and after the final determination of the amount, it shall pay the corresponding difference.

Article 26 — The limitation period for an insured or a beneficiary other than a life insurance policy to claim insurance benefits from the insurer shall be two years, calculated from the date on which the insured or the beneficiary knows or should have known of the occurrence of the insured event. The limitation period for a beneficiary under a life insurance policy to claim insurance benefits from the insurer shall be five years, calculated from the date on which the beneficiary knows or should have known of the occurrence of the insured event.

Source: https://www.danyoungcpa.com/insurance-law-prc-2015-amendment/

Article 27 — Where the insured or the beneficiary fabricates a false cause of the insured event or exaggerates the extent of the loss, and the insurer pays the insurance benefits or incurs expenses for the false part, the insurer shall have the right to recover such benefits or expenses. Where the insurance applicant or the insured intentionally causes the occurrence of an insured event, the insurer shall have the right to rescind the contract and shall not be liable to pay the insurance benefits or return the insurance premiums.

Article 28 — Where the insurer transfers its insurance business, the transferee insurer shall continue to perform the insurance contract.

Article 29 — Where a reinsurance contract is concluded, the original insurance applicant shall not claim insurance benefits from the reinsurance acceptor. The original insurer shall not, on the ground that the reinsurance acceptor has not performed its reinsurance obligations, refuse to perform or delay the performance of its original insurance obligations.

Section 2 — Property Insurance Contracts

Article 30 — Where there is a dispute between the insurer and the insurance applicant, the insured or the beneficiary over the terms of an insurance contract, the terms shall be interpreted in their ordinary sense. Where there are two or more possible interpretations of the terms of the contract, the people's court or the arbitration institution shall adopt an interpretation favorable to the insured and the beneficiary.

Article 31 — The insured shall observe the relevant State provisions on fire prevention, safety, operational procedures, labor protection and other provisions to maintain the safety of the subject matter of the insurance. The insurer may, in accordance with the terms of the contract, inspect the safety of the subject matter of the insurance and make written suggestions to the insurance applicant or the insured on the elimination of unsafe factors and hidden dangers. Where the insurance applicant or the insured fails to fulfill its obligations to maintain the safety of the subject matter of the insurance as agreed upon in the contract, the insurer shall have the right to demand an increase in the insurance premiums or to rescind the contract.

Article 32 — Where the degree of danger of the subject matter of the insurance increases significantly during the term of the contract, the insured shall notify the insurer in a timely manner in accordance with the terms of the contract, and the insurer may increase the insurance premiums or rescind the contract. Where the insured fails to perform the notification obligation set out in the preceding paragraph and an insured event occurs as a result of the significant increase in danger, the insurer shall not be liable to pay the insurance benefits.

Article 33 — Unless otherwise agreed upon in the contract, the insurer shall reduce the insurance premiums and refund the corresponding premiums calculated on a daily basis if the degree of danger of the subject matter of the insurance is clearly reduced or the insured value is clearly reduced.

Article 34 — Where the insurance applicant requests the rescission of the contract before the commencement of the insurance liability, the insurance applicant shall pay a handling fee to the insurer as agreed upon in the contract, and the insurer shall refund the insurance premiums. Where the insurance applicant requests the rescission of the contract after the commencement of the insurance liability, the insurer shall refund the premiums for the period from the date of the rescission to the expiry of the insurance period to the insurance applicant.

Article 35 — The insured value of the subject matter of the insurance may be agreed upon by the insurance applicant and the insurer and specified in the contract, or may be determined based on the actual value of the subject matter of the insurance at the time of the occurrence of the insured event. The sum insured shall not exceed the insured value. Where the sum insured exceeds the insured value, the part exceeding the insured value shall be null and void, and the insurer shall refund the corresponding insurance premiums.

Article 36 — In the case of double insurance, the insurance applicants shall notify all insurers of the relevant information on the double insurance. Where the sum of the sums insured under the double insurance exceeds the insured value, the total amount of insurance benefits that may be received by the insured shall not exceed the insured value. Unless otherwise agreed upon in the contract, the insurers shall assume the liability for compensation in proportion to their respective sums insured.

Article 37 — After the insurer pays the insurance benefits, the insurer shall, within the amount of the insurance benefits, be subrogated to the right of the insured to claim compensation against a third party. Where, after the occurrence of an insured event, the insured has already obtained compensation from a third party before the insurer pays the insurance benefits, the insurer may deduct the amount of compensation already obtained by the insured from the third party.

Article 38 — After the insurer pays the insurance benefits, the insured shall not, without the consent of the insurer, waive the right to claim compensation against the third party. Where the insured waives the right to claim compensation against a third party after the occurrence of the insured event and before the payment of insurance benefits by the insurer, the insurer shall not bear the liability to pay the insurance benefits.

Section 3 — Personal Insurance Contracts

Article 39 — An insurance applicant shall have an insurable interest in the following persons:

(1) the insurance applicant;

(2) the insurance applicant's spouse, children and parents; or

(3) other family members and close relatives who have a relationship of support or maintenance with the insurance applicant.

In addition, the insured who agrees that the insurance applicant takes out an insurance contract for the insured shall be deemed to have an insurable interest in the insured.

Article 40 — Where the age of the insured is incorrectly stated by the insurance applicant, and the true age does not meet the age limit stipulated in the contract, the insurer may rescind the contract and refund the cash value of the policy. Where the insurance applicant falsely declares the age of the insured, causing the insurance applicant to pay insurance premiums less than the amount payable, the insurer shall have the right to correct the error and request the insurance applicant to make up for the difference, or to pay the insurance benefits in proportion to the insurance premiums actually paid and the insurance premiums payable when paying the insurance benefits.

Article 41 — An insurance applicant shall not take out personal insurance with death as a condition for the payment of insurance benefits for a person who has no capacity for civil conduct, and the insurer shall not accept the insurance application. However, parents may take out personal insurance with death as a condition for the payment of insurance benefits for their minor children. A contract of personal insurance with death as a condition for the payment of insurance benefits shall not be assigned or pledged without the written consent of the insured.

Article 42 — The beneficiary of a personal insurance contract shall be designated by the insured or the insurance applicant. The insurance applicant may also be the beneficiary. Where the insurance applicant designates the beneficiary, the consent of the insured shall be obtained. The insured or the insurance applicant may change the beneficiary and notify the insurer in writing. The insurer shall endorse the insurance policy or rider after receiving the written notice of the change.

Article 43 — Under any of the following circumstances, the insurer shall not be liable to pay insurance benefits to the beneficiary, but shall pay the insurance benefits to the heirs of the insured as part of the estate of the insured:

(1) the beneficiary intentionally causes the death or injury of the insured; or

Source: https://www.danyoungcpa.com/insurance-law-prc-2015-amendment/

(2) the beneficiary kills the insured in an attempt to obtain insurance benefits.

Article 44 — Where a contract of personal insurance with death as a condition for the payment of insurance benefits is concluded, and the insured commits suicide within two years from the date of the conclusion of the contract, the insurer shall not be liable to pay the insurance benefits, except where the insured was a person without capacity for civil conduct at the time of the suicide. Where the insurer is not liable to pay the insurance benefits in accordance with the preceding paragraph, the insurer shall refund the cash value of the policy.

Chapter III — Insurance Companies

Article 45 — An insurance company shall meet the following conditions:

(1) the principal shareholders have sustained profitability, good reputation, no record of major violations of laws and regulations in the last three years, and net assets of not less than 200,000,000 yuan;

(2) the registered capital meets the provisions of this Law;

(3) directors, supervisors and senior management personnel have the professional knowledge and business experience required for their positions;

(4) there is a sound organizational structure and management system; and

(5) there are business premises that meet the requirements and other facilities relating to the business.

Article 46 — The minimum registered capital for the establishment of an insurance company shall be 200,000,000 yuan. The insurance regulatory authority of the State Council may, based on the scope of business and scale of operation of the insurance company, increase the amount of the minimum registered capital, which shall not be lower than the limit specified in the preceding paragraph. The registered capital of an insurance company shall be paid-in monetary capital.

Article 47 — An application for the establishment of an insurance company shall be subject to the examination and approval of the insurance regulatory authority of the State Council. The insurance regulatory authority of the State Council shall examine the application for the establishment of an insurance company, and make a decision on whether to approve the establishment within six months from the date of receipt of the application. Where it decides to grant approval, it shall issue an insurance business permit.

Article 48 — Where an insurance company needs to establish a branch within or outside the territory of the People's Republic of China, it shall be subject to the approval of the insurance regulatory authority of the State Council.

Chapter IV — Insurance Business Rules

Article 49 — The scope of business of an insurance company shall be subject to the approval of the insurance regulatory authority. An insurance company shall only engage in insurance business within the approved scope of business. No insurance company shall concurrently engage in both property insurance business and personal insurance business.

Article 50 — An insurance company shall have minimum solvency commensurate with its scale of business and degree of risk. The difference between the admitted assets and the admitted liabilities of an insurance company shall not be lower than the amount prescribed by the insurance regulatory authority of the State Council.

Article 51> — An insurance company shall, in accordance with the provisions of the insurance regulatory authority of the State Council, set aside a guarantee fund for the protection of the interests of the insured and the beneficiary.

Article 52 — An insurance company shall set aside a reserve fund in accordance with the provisions of the State. The insurance regulatory authority of the State Council shall formulate specific measures for the setting aside, carrying forward and use of the reserve fund.

Article 53 — An insurance company shall, in accordance with the provisions of the insurance regulatory authority of the State Council, determine the amount of capital it uses. An insurance company shall use its funds in a sound and prudent manner. The use of funds by an insurance company shall be limited to the following forms:

(1) bank deposits;

(2) trading of negotiable securities such as government bonds and financial bonds;

(3) investment in real estate; and

(4) other forms of fund use as prescribed by the State Council.

Article 54 — An insurance company shall, in accordance with the provisions of the State, extract and carry forward the liabilities for the outstanding claims, the unearned premium reserve and the long-term liability reserve.

Article 55 — An insurance company shall carry out reinsurance in accordance with the provisions of the State. When arranging reinsurance, the insurance company shall give priority to domestic insurance companies.

Chapter V — Insurance Agents and Insurance Brokers

Article 56 — An insurance agent is an institution or individual that, based on the entrustment of an insurer, collects handling fees from the insurer and handles insurance business on behalf of the insurer within the scope of authorization of the insurer. An insurance broker is an institution that, based on the interests of the insurance applicant, provides intermediary services for the conclusion of an insurance contract between the insurance applicant and the insurer and collects commissions in accordance with the law.

Article 57 — Insurance agents and insurance brokers shall obtain the qualification permits issued by the insurance regulatory authority and obtain a business license from the administrative authority for industry and commerce and pay a bond or obtain professional liability insurance.

Article 58 — Insurance agents and insurance brokers shall have their own business premises, establish special account books recording the receipts and payments of insurance agency business or brokerage business, and shall not misappropriate or withhold insurance premiums.

Chapter VI — Supervision and Regulation of the Insurance Industry

Article 59 — The insurance regulatory authority shall establish and improve the supervision and regulation indicator system for the solvency of insurance companies and implement supervision and regulation over the minimum solvency of insurance companies.

Article 60 — The insurance regulatory authority shall have the right to require insurance companies, insurance agents and insurance brokers to provide relevant written reports and materials. The insurance regulatory authority shall have the right to inspect the business and financial positions of insurance companies and to require them to provide relevant written reports and materials within the prescribed period.

Article 61 — Where an insurance company fails to set aside or carry forward various reserves or carry out reinsurance in accordance with the provisions of this Law, or seriously violates the provisions of this Law on the use of funds, the insurance regulatory authority shall order the insurance company to take the following measures within the prescribed period:

(1) adjusting the responsible persons and relevant management personnel in accordance with the law;

(2) restricting the payment of dividends to shareholders;

(3) restricting the remuneration of directors, supervisors and senior management personnel;

(4) restricting commercial advertising;

(5) ordering the cessation of accepting new business; or

(6) ordering the transfer of insurance business.

Article 62 — Where an insurance company needs to be taken over or undergo bankruptcy reorganization, the insurance regulatory authority of the State Council shall, in accordance with the law, carry out the takeover or organize the implementation of the bankruptcy reorganization of the insurance company.

Chapter VII — Legal Liability

Article 63 — Where an insurance applicant, insured or beneficiary engages in insurance fraud by any of the following means, and the circumstances are minor and do not constitute a crime, an administrative penalty shall be imposed in accordance with the law:

(1) the insurance applicant intentionally fabricates the subject matter of the insurance to defraud insurance benefits;

(2) fabricating a false cause of an insured event or exaggerating the extent of the loss to defraud insurance benefits; or

(3) intentionally creating an insured event that results in property loss to defraud insurance benefits.

Article 64 — Where an insurance company or its staff conceals important information relating to the insurance contract from the insurance applicant, or induces the insurance applicant to fail to perform the obligation of truthful disclosure, or refuses to perform the obligation to pay insurance benefits as stipulated in the contract, and the case constitutes a crime, criminal liability shall be pursued in accordance with the law. If the case does not constitute a crime, the insurance regulatory authority shall impose a fine on the insurance company and a sanction on the directly responsible person in charge and other directly responsible persons.

Article 65 — Where an entity, without approval, engages in insurance business activities without authorization, the insurance regulatory authority shall ban it, confiscate the illegal gains and impose a fine. If the case constitutes a crime, criminal liability shall be pursued in accordance with the law.

Chapter VIII — Supplementary Provisions

Article 66 — Maritime insurance shall be governed by the relevant provisions of the Maritime Code of the People's Republic of China. Matters not covered by the Maritime Code shall be governed by the relevant provisions of this Law.

Article 67 — This Law shall apply to foreign-invested insurance companies, unless otherwise provided for by laws or administrative regulations.

Article 68 — The State shall support the establishment of insurance companies that provide insurance services for agricultural production. The specific measures shall be formulated by the State Council separately.

Article 69 — The insurance regulatory authority of the State Council may formulate implementing rules in accordance with this Law.

Article 70 — This Law shall come into force on October 1, 1995. The revised version shall come into force on October 1, 2009.

Disclaimer: This translation is provided for informational purposes only and has been prepared by Dan Young Business Consultancy for the convenience of our clients and readers. While every effort has been made to ensure accuracy, this is an unofficial translation and should not be relied upon as a legal document. For legal purposes, the original Chinese text shall prevail. No liability is accepted for any errors, omissions, or inaccuracies in this translation. The adoption and amendment dates are recorded to the best of our knowledge based on publicly available information and may be subject to correction. Readers should consult the official Chinese version or seek professional legal advice for matters requiring authoritative interpretation.