

INSURANCE NOTES

KPMG Hong Kong's monthly insurance news summary

April 2004

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- Hang Seng Insurance
- Heng An Standard Life
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- ING
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- In brief

Hong Kong

HSBC Insurance plans to team up with **Hang Seng Insurance** to tap the Chinese market, taking advantage of Hong Kong's free-trade pact with China to gain entry to China's market. The HSBC – Hang Seng alliance plans to apply for an insurance licence in July or August.

China Life, which recently listed in Hong Kong and New York is facing lawsuits from investors who claim that they were misled when buying their shares. The case arose after China's National Audit Office published a report on its web page, which said that an investigation found several cases of irregular and illegal behaviour, involving a total of RMB 5.4 billion. China Life has denied any wrongdoing.

China

Taikang Life, Beijing Branch has set up an insurance product store with Beijing Municipal Post Bureau. The store sells a number of the insurance products from five companies, including **Taikang Life**, **China Life**, **China Pacific Life**, **Ping An** and **New China Life**. This is the first time that a store of this kind has been set up in a post office.

PICC, the biggest general insurer in China has rolled out China's first credit card insurance to Citibank – Shanghai Pudong Development Bank credit card holders. The credit card provides insurance for shopping and travelling expenses made through the credit card.

Heng An Standard Life, a joint venture between the UK's **Standard Life** and China's TEDA Investment Holding reported over RMB 100 million in premium income for the first two months of its operation in January and February 2004. The joint venture, which started operations in December 2003, has a registered capital of RMB 1.3 billion and plans to sell insurance products and services all around China.

It has been reported that the **Carlyle Group** is considering buying up to 25 percent of **China Pacific Life**. The **Carlyle Group** may team up with a foreign insurance company to pay up to US\$ 400 million for the stake. It is reportedly in talks with potential partners including **ING** and **US Prudential**.

China's first dedicated agricultural insurance company, **Anxin** is expected to start operations soon, after obtaining approval from the China Insurance Regulatory Commission at beginning of March. **Anxin**, will have the backing of the Chinese government for its insurance services in crop production and livestock breeding, while commercially operating agriculture-related property insurance, liability insurance, short-term accidental injury insurance and medical insurance for farmers

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PICC has now secured second place in the accident insurance market. It started accident insurance business on 1 January 2003, after a change in regulations allowed property insurers to sell short-term life insurance policies.

CITIC Prudential, a joint venture between **UK Prudential** and CITIC has received approval from CIRC to open a new branch in Suzhou. **Citic Prudential** Suzhou branch is expected to open for business in the third quarter of 2004.

Sino-US Met-Life Insurance, a joint venture between **Metropolitan Life Insurance** and Beijing Capital International Airport has recently started business in Beijing. **Sino-US Met-Life** will offer insurance products including individual life insurance, saving products and self-service financial solutions.

AIG has signed a cooperation agreement with China Merchants Bank. The deal will allow the two companies to jointly develop occupational pension management in China.

In brief

Hong Kong

- ◆ Insurance against the risk of terrorist attack is now getting cheaper due to more competition as the September 11 attacks in the United States fade from corporate memory.
- ◆ CIRC has joined forces with the Commissioner of Insurance of Hong Kong and the Monetary Authority of Macau to prevent illegal insurance policies that insurance companies in Hong Kong and Macau have offered to customers in China. Currently, the Chinese government prohibits Hong Kong and Macau insurance companies from offering insurance policies to residents in China. Officials of the CIRC stated that insurance salesmen of Hong Kong and Macau insurance companies who sell insurance policies to residents in China, will either be prosecuted criminally or receive administrative punishment.

China

- ◆ It has been reported that five Taiwanese firms are currently seeking approval to set up representative offices in China, following an announcement by the CIRC that it will reduce the application screening time for foreign insurers. Under the new CIRC rule, the screening of applicants will take no more than 20 days.
- ◆ The Chinese government will extend its group insurance market to foreign life insurance companies before December 2004. Foreign insurers will be permitted to provide life insurance products to both Chinese and foreign customers. In China, foreign insurers will also be allowed to participate in joint ventures, annuity insurance and pensions.
- ◆ According to figures released by the CIRC, insurance premium growth dropped to 6.26 percent for the first two months of the year from 44.3 percent last year. Overall, the insurance industry collected RMB 74.4 billion in premiums in the period. Premiums from life policies alone fell by 1.05 percent for the first two months of 2004 compared with a 49.3 percent growth during the same period last year. Premiums from property insurance amounted to RMB 15.84 billion, representing growth of 26.2 per cent compared with 21.1 percent a year before.

Sources: Insurance Day, South China Morning Post, Xinhua Economic News Services, Asia Insurance Review and various insurance websites.

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