

INSURANCE NOTES

KPMG Hong Kong's monthly insurance news summary

September 2004

In the news:

- AVIVA-COFCO
- Beijing Jiaxin Insurance
- China Communications Insurance
- Hang Seng Insurance
- HSBC Insurance (Asia)
- HSBC Life (International)
- HSBC Medical Insurance
- Hua An Insurance
- Huatai Life
- Huatai Insurance
- Kyobo Life
- National Insurance Agent
- New China Life
- Ping An Insurance
- Willis Group Holdings
- Willis Pudong Insurance

Hong Kong

Hong Kong-based **HSBC Insurance (Asia)**, **HSBC Life (International)**, and **HSBC Medical Insurance** received 'AA-' credit ratings from Standard & Poor's Ratings Services on their long-term insurer financial strength and local currency while **Hang Seng Insurance** received an 'A+' rating.

It has recently been announced that **Ping An** will be included in the Hang Seng China Enterprises Index.

China Communications Insurance has opened a representative office in Shenzhen. The new office will be used to further prepare the company for entry into the Chinese market.

China

AVIVA-COFCO has recently obtained approval from the China Insurance Regulatory Commission (CIRC) to sell policies in Beijing. It plans to cooperate with **Beijing Jiaxin Insurance** to expedite access to potential buyers in China before it establishes its own distribution networks. The company has already signed a contract with **National Insurance Agent** to sell its own products in Beijing, and it has also signed a deal with Huaxia Bank to distribute its banking insurance products.

Kyobo Life is planning to establish a joint-venture life-insurance company in China by 2006. Its target is to tap the nation's educational insurance market. It is currently searching for joint-venture partners in China.

Hua An Insurance, China's first private insurance company, has obtained approval from the CIRC to operate. Hua An is 83 percent owned by private investors. It recently increased its capital base to CNY 600 million and expects to raise it again to CNY 1.2 billion by early 2005.

The establishment of **Huatai Life** by **Huatai Insurance** has been approved by the CIRC. **Huatai** is also applying for a licence to set up an insurance asset management corporation.

New China Life might have to delay its planned stock-market listing after the discovery of a CNY 600 million debt owed by China Southern Securities. Firms applying for a domestic listing must be profitable for at least three consecutive years and New China Life may not be able to meet the requirement unless it gets its money back from China Southern Securities.

Ping An plans to select a custodian bank for its domestic investment service, and it has started reviewing applications from the major four banks, the Industrial and Commercial Bank of China, Bank of China, Agricultural Bank of China, and China Construction Bank.

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Willis Pudong Insurance, a 50:50 joint venture between **Willis Group Holdings**, the world's number 3 insurance broker, and **Pudong Insurance** has recently obtained approval from the CIRC to broker the sale of insurance in China.

In brief

Hong Kong

- ◆ Beijing gave permission to Hong Kong banks to sell insurance in mainland China under a supplementary free-trade agreement signed between the two Governments in August.

China

- ◆ CIRC has recently approved 18 insurance companies, including five life, eight agricultural, three medical and two property and accident insurance companies.
- ◆ The State Administration of Foreign Exchange (SAFE) has discovered irregularities in foreign exchange business of the insurance industry in its first national inspection. Some insurance companies received foreign currency as premium payments and accepted foreign currency for commission payments as payment of commissions, which is a breach of the rules issued by both SAFE and the CIRC. SAFE will also introduce new rules to deal with future irregularities.
- ◆ The CIRC is working on new regulations that will require domestic insurers work with local reinsurance companies to boost their competitiveness against foreign rivals. The new rule will be rolled out by the end of the year.
- ◆ The CIRC and the People's Bank of China ("PBOC") have issued a rule allowing insurance companies to invest up to 80 percent of their foreign-currency holdings in offshore markets. Insurers must have at least CNY 5 billion in total assets and USD 15 million in foreign exchange denominated funds. This new rule is expected to benefit China's top three insurers the most, as they hold approximately 70 percent of the total foreign exchange assets of domestic insurance companies.
- ◆ Under two new regulations regarding medical and occupational injury insurance, which become effective on 1 September 2004, employers will have to pay the premiums for migrant workers' insurance. Nearly 3 million migrant workers in Beijing will have access to the same medical and work-related injury insurance scheme as city residents.

Sources: AFX Asia, AFX UK Focus, Business Daily Update, Dow Jones Chinese Financial Wire, Dow Jones International News, Dow Jones Newswires, Indian Business Insight, Reuters News, SinoCast China Business Daily News, SinoCast China Financial Watch, The Asian Banker, The China Post, The Wall Street Journal Europe, and various insurance websites.

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