

# Order of the President of the People's Republic of China

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President of the People's Republic of China: Jiang Zemin  
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## Insurance Law of the People's Republic of China

### Chapter I General Provisions

**Article 1** This Law is enacted for the purpose of regulating insurance activities, protecting the legitimate rights and interests of the parties to insurance, strengthening supervision and control over the insurance industry and bringing about a healthy advance in the insurance business.

**Article 2** Insurance as the term used in this Law refers to a commercial insurance action whereby an applicant for insurance, as contracted, pays a premium to an insurer, and the insurer is obligated to indemnify for the property damage or loss caused by a possible accident that is agreed upon in the contract, or to pay insurance when the insured is dead, injured or disabled, suffers diseases or attains the age or the term agreed upon in the contract.

**Article 3** This Law applies to all insurance activities within the territory of the People's Republic of China.

**Article 4** Whoever engages in insurance activities shall abide by laws and administrative regulations and follow the principle of voluntariness, honesty and trustworthiness.

**Article 5** Whatever engages in the commercial insurance business shall be an insurance company which is established in accordance with this Law. No other unit or individual may engage in the commercial insurance business.

**Article 6** Any legal person or other organization within the territory of the People's Republic of China, when necessary to insure within the territory, shall make an insurance contract with an insurance company within the territory of the People's Republic of China.

**Article 7** Any insurance company, when conducting insurance business, shall observe the principle of fair competition and may not engage in unfair competition.

**Article 8** The financial supervision and control department of the State Council shall be responsible for supervising and regulating the insurance industry in accordance with this Law.

### Chapter II Insurance Contract

#### Section 1 General Provisions

**Article 9** An insurance contract is an agreement whereby an applicant for insurance and an insurer agree the relation of rights and obligations of insurance.

An applicant for insurance refers to a person who makes an insurance contract with an insurer and bears the liability to pay the insurance premium, as

contracted.

An insurer refers to an insurance company which makes insurance contracts with applicants for insurance and bears the liability to indemnify or to pay the insurance.

**Article 10** In making insurance contracts, an applicant for insurance and an insurer shall follow the principles of fairness, mutual benefits, unanimity through negotiation and voluntariness, and may not harm the social public interests.

With the exception of those that shall be insured as provided by laws and administrative regulations, any insurance company and other unit may not force other people to make insurance contracts.

**Article 11** An applicant for insurance shall have an insurable interest in the subject-matter insured.

Where an applicant for insurance has no insurable interest in the subject-matter insured, the insurance contract shall be invalid.

An insurable interest refers to a legalized interest that an applicant for insurance has in the subject-matter.

An insurable subject-matter insured refers to the property and its related interests, or the life expectancy and human body which serve as insurance objects.

**Article 12** When an applicant for insurance proposes an insurance request, and an insurer agrees to accept the proposal, and after an agreement on contract clauses is reached, the insurance contract shall be deemed as concluded. The insurer shall promptly issue an insurance policy or other certificates of insurance to the applicant for insurance, and the insurance policy or other certificates of insurance shall clearly state the contents of the contract agreed upon by both parties.

By common consent through consultation, an applicant for insurance and an insurer may also make an insurance contract by other form of written agreement than those provided in the preceding paragraph.

**Article 13** After an insurance contract is concluded, the applicant for insurance shall pay the insurance premium as contracted, and the insurer shall bear the insurance liability from the time as contracted.

**Article 14** Unless this Law otherwise provides or the insurance contract otherwise stipulates, an applicant for insurance may terminate an insurance contract after its conclusion.

**Article 15** Unless this Law otherwise provides or the insurance contract otherwise stipulates, an insurer may not terminate an insurance contract after its conclusion.

**Article 16** When an insurance contract is made, the insurer shall explain the contents of the contract clauses to the applicant for insurance and may make inquiries of him about the conditions relating to the subject-matter to be insured or the person to be insured, and the applicant for insurance shall really inform thereof.

If the applicant for insurance intentionally conceals the truth, fails intentionally to perform the obligation of really informing, or fails to perform the obligation of really informing due to mistake, and the case is enough to influence the insurer to decide whether or not to agree to the insurance or to raise the insurance premium, the insurer has the right to terminate the insurance contract.

Where the applicant for insurance fails intentionally to perform the obligation of really informing, the insurer does not bear the liability to indemnify or to pay the insurance for the insurance accident occurring prior to

the termination of the insurance contract, and does not return the insurance premium.

Where the applicant for insurance fails to perform the obligation of really informing due to mistake and the failure has serious influence on the happening of the insurance accident, the insurer does not bear the liability to indemnify or to pay the insurance for the insurance accident occurring prior to the termination of the insurance contract, however, may return the insurance premium.

An insurance accident refers to an accident that is within the limits of insurance liability as contracted.

**Article 17** Where an insurance contract contains a clause of exemption from liability of the insurer, the insurer shall explain it clearly to the applicant for insurance when making an insurance contract, if the insurer fails to explain it clearly, that clause does not take effect.

**Article 18** An insurance contract shall contain the following particulars:

- (1) name and address of the insurer;
- (2) names and addresses of the applicant for insurance and the insured, as well as the name and address of the beneficiary to a life insurance policy;
- (3) subject-matter insured;
- (4) insurance liability and exemption from liability;
- (5) insurance period and the time of commencement of the insurance liability;
- (6) insurable value;
- (7) insured amount;
- (8) insurance premium and mode of payment;
- (9) payment of insurance or mode of payment;
- (10) responsibility for breach of contract and settlement of disputes; and
- (11) the day, month and year on which the contract is made.

**Article 19** An applicant for insurance and an insurer may make other stipulations on matters and items related to the insurance than those particulars of the insurance contract as provided in the preceding article.

**Article 20** Within the term of validity of an insurance contract, the applicant for insurance and the insurer may, upon agreement through consultation, modify relevant contents of the insurance contract.

Where an insurance contract is modified, the insurer shall mark notes or attach a slip on the original insurance policy or other insurance certificates, or the applicant for insurance and the insurer shall make a written agreement on such modifications.

**Article 21** On learning about the happening of an insurance accident, the applicant for insurance, the insured or the beneficiary shall notify the insurer of the accident in time.

An insured refers to a person whose property or body is secured by an insurance contract and who has a claim to the insurance. An applicant for insurance may be an insured.

A beneficiary refers to a person who, designated by an insured or an applicant for insurance in a life insurance contract, has a claim to the insurance. An applicant for insurance or an insured may be a beneficiary.

**Article 22** At the time of requesting an insurer, in accordance with an insurance contract, for indemnity or payment of insurance after the happening of an accident insured, an applicant for insurance, an insured or an beneficiary shall provide to the insurer relevant proofs and materials, as many as he can, so as to determine the nature and cause of the accident and the degree of loss of the accident incurred.

The insurer who considers the relevant proofs and materials incomplete according to the stipulations of the insurance contract shall notify the

applicant for insurance, the insured or the beneficiary to submit additional relevant proofs and materials.

**Article 23** An insurer shall, after receiving a claim for indemnity or payment of insurance from an insured or a beneficiary, make an examination and decision in time; as for those within the realm of insurance liability, he shall perform the liability of indemnity or payment of the insurance within 10 days after coming to an agreement on indemnity or payment of the insurance with the insured or the beneficiary. If the insurance contract contains the stipulations on insured amount and the period for indemnity or payment, the insurer shall, as contracted, perform the liability of indemnity or payment of the insurance.

Apart from paying insurance, an insurer who fails to perform in time the liability provided in the preceding paragraph shall indemnify the insured or the beneficiary for the loss incurred.

Any unit or individual may neither illegally interfere in the liability performed by an insurer of indemnity or payment of insurance, nor restrict the right of an insured or a beneficiary to obtain insurance.

An insured amount refers to the maximum measure of the liability undertaken by an insurer of indemnify or payment of insurance.

**Article 24** After an insurer receives a request made by an insured or a beneficiary for indemnity or payment of insurance, as for those not belonging to the realm of the insurance liability, the insurer shall issue a notice of refusal to indemnify or to make payment of insurance to the insured or the beneficiary.

**Article 25** An insurer who fails to determine the amount of indemnity or payment of insurance within 60 days counted from the date on which the request for indemnity or payment of the insurance as well as relevant proofs and materials were received, shall pay the minimum amount which can be determined by the proofs and materials already received; after determining eventually the amount of indemnity or payment of the insurance, the insurer shall pay the corresponding difference.

**Article 26** The right of claim for indemnity or payment of insurance of an insured or a beneficiary of any other insurance than life insurance shall, if not exercised within two years counted from the date of learning about the happening of an insurance accident, terminate.

The right of claim for payment of insurance of an insured or a beneficiary of life insurance shall, if not exercised within five years counted from the date of learning about the happening of an insurance accident, terminate.

**Article 27** If an insured or a beneficiary, in a state of that no insurance accident happens, lies about the happening of an accident and makes request for indemnity or payment of insurance to the insurer, the insurer has a right to terminate the insurance contract and does not return the insurance premium.

If an applicant for insurance, an insured or a beneficiary intentionally causes an insurance accident, the insurer has a right to terminate the insurance contract, does not bear the liability of indemnity or payment of insurance and does not return the insurance premium, unless otherwise specified in Paragraph 1 of Article 64 of this Law.

If an applicant for insurance, an insured or a beneficiary after the happening of an insurance accident, fabricates a false cause of the accident or overstates the loss by forging or altering relevant proofs, materials or other evidences, the insurer does not bear the liability of indemnity or payment of insurance for the part fabricated.

An applicant for insurance, an insured or a beneficiary who commits one of the acts mentioned in the preceding three paragraphs and causes the insurer to make payment of insurance or expenses, shall return the payment or make compensation.

**Article 28** That an insurer, in the form of underwriting, transfers partially the insurance business undertaken by it to another insurer is called reinsurance.

At a reinsurer's request, an original insurer shall notify the relevant information about its self-borne liability and the original insurance to the reinsurer.

**Article 29** A reinsurer may not demand insurance premium from an applicant for original insurance.

An insured or a beneficiary of the original insurance may not make a claim for indemnity or payment of insurance on an reinsurer.

An original insurer may not, on the grounds of that a reinsurer fails to perform the reinsurance liability, refuse or delay performing the original insurance liability.

**Article 30** When an insurer disputes with an applicant for insurance, an insured or a beneficiary on the contents of an insurance contract, the people's court or arbitration organ shall make interpretation favorable to the insured and the beneficiary.

**Article 31** An insurer or a reinsurer shall be liable to keep in secret the business and property condition of an applicant for insurance, an insured or an original insurer, which it has got to know in carrying on the insurance business.

## Section 2 Property Insurance Contract

**Article 32** A property insurance contract refers to an insurance contract in which the property and its related interest are the subject-matter insured.

Property insurance contract in this Section, unless especially specified, is abbreviated as contract.

**Article 33** The transfer of subject-matter insured shall be informed to the insurer, and with the consent of the insurer to a continuance of underwriting, the contract shall be modified according to law. However, contracts of cargo transportation and contracts with otherwise stipulations shall be excluded.

**Article 34** After the commencement of the insurance liability of an insurance contract of cargo transportation and a voyage insurance contract of transport means, the parties to such contracts may not terminate the contracts.

**Article 35** An insured shall abide by the regulations of the state relating to fire fighting, safety, production operation and labour protection so as to safeguard the safety of the subject-matter insured.

An insurer may, according to the agreement of an contract, carry out an inspection of the safety condition of the subject-matter insured and make a written suggestion in time of eliminating unsafe factors and hidden dangers to the applicant for insurance and the insured.

Where an applicant for insurance or an insured fails to perform his due responsibility for the safety of the subject-matter insured as contracted, the insurer has a right to demand for increase of the insurance premium or to terminate the contract.

For the purpose of ensuring the safety of the subject-matter insured, an insurer may, with the consent of the insured, take preventive safety measures.

**Article 36** If, within the period of validity of a contract, the degree of danger of the subject-matter insured increases, the insured shall notify the insurer in time according to the stipulations of the insurance contract, the insurer has a right to demand for increase of the insurance premium or to terminate the contract.

Where an insured fails to perform the responsibility of notification provided

in the preceding paragraph, and an insurance accident occurs due to the increase in the degree of danger of the subject-matter, the insurer does not bear the liability for indemnity.

**Article 37** Under any of the following circumstances, unless otherwise stipulated in the contract, an insurer shall lower the insurance premium and return the corresponding insurance premium per diem:

(1) the relevant circumstances on which the determination of insurance premium rate was based have changed, and the degree of danger of the subject-matter insured has obviously reduced; or

(2) insurable value of the subject-matter has obviously reduced.

**Article 38** If an applicant for insurance requests to terminate a contract prior to the commencement of an insurance liability, he shall pay a service charge to the insurer and the insurer shall return the insurance premium. If an applicant for insurance requests to terminate a contract after the commencement of an insurance liability, the insurer may charge the insurance premium due from the date of the commencement of the insurance liability to the date of the termination of the contract, the remains shall be returned to the applicant for insurance.

**Article 39** The insurable value of a subject-matter insured may be agreed on by an applicant for insurance and an insurer and be stated in the contract, and also be determined according to the actual value of the subject-matter insured at the time that the insurance accident occurs.

The insured amount may not exceed the insurable value; if exceeding, the excessive part shall be invalid.

Where the insured amount is lower than the insurable value, unless otherwise stipulated in the contract, the insurer shall bear the liability for indemnity according to the percentage of the insured amount to the insurable value.

**Article 40** An applicant for double insurance shall notify each insurer of relevant conditions of the double insurance.

If the total insured amount of double insurance exceeds the insurable value, the total amount of indemnity to be offered by all insurers may not exceed the insurable value. Unless otherwise stipulated in the contract, each insurer bears the liability for indemnity according to the percentage of the insured amount borne by it to the total insured amount.

Double insurance refers to insurance whereby an applicant for double insurance makes separate insurance contracts with two or more insurers on the same subject-matter insured, the same insurable interest and the same insurance accident.

**Article 41** If an insurance accident occurs, the insured shall have a duty to take as many necessary measures as possible to prevent or minimize the losses.

After the insurance accident occurs, the necessary and reasonable expenses paid by the insured in preventing or minimizing the losses of the subject-matter insured shall be borne by the insurer; the amount on the insurer's account shall be calculated separately from the indemnity for the losses of the subject-matter insured, the maximum amount may not exceed the insured amount.

**Article 42** Where a partial loss of the subject-matter insured is sustained, the applicant for insurance may terminate the contract within 30 days after the insurer made indemnity; unless otherwise stipulated in the contract, the insurer also may terminate the contract. The insurer who intends to terminate the contract shall notify the applicant for insurance 15 days in advance, and shall return the insurance premium on the undamaged part of the subject-matter insured to the applicant for insurance after deducting the part of the insurance premium receivable for the period from the date of the commencement of insurance liability to the date of the termination of the contract.

**Article 43** Where an insurer, after the happening of an insurance accident, has made full payment of the insured amount, and the insured amount is equal to the insurable value, all rights of the damaged subject-matter insured shall belong to the insurer; if the insured amount is lower than the insurable value, the insurer shall obtain a part of the rights of the damaged subject-matter insured according to the percentage of the insured amount to the insurable value.

**Article 44** If an insurance accident is caused by damage inflicted by a third party to the subject-matter insured, the insurer may, from the date of making payment of insurance to the insured, stand in the insured's place and exercise a right of subrogation to make a claim for indemnity on the said third party within the limit of indemnity.

Where an insured has obtained indemnity from a third party for the loss after the happening of an insurance accident, as provided in the preceding paragraph, the insurer may, when making payment of insurance, deduct the amount which the insured has already obtained from the third party.

The right exercised by an insurer for subrogation for indemnity, as provided in the first paragraph, does not affect the right of claim of the insured against the third party for compensation on the part which has not been compensated yet.

**Article 45** If an insured, after the happening of an insurance accident and before the insurer's making payment of insurance, waives his right of claim for indemnity against a third party, the insurer does not bear the liability of indemnity for insurance.

If an insured, after being paid insurance by the insurer, waives his claim for indemnity against a third party without consent of the insurer, such an act of waiving shall be deemed as invalid and void.

If, due to the mistake of an insured, the insurer can not exercise a right of subrogation for indemnity, the insurer may deduct and reduce the sum of insurance indemnity accordingly.

**Article 46** Unless an insured's family member or component person intentionally causes an insurance accident provided in Paragraph 1 of Article 44 of this Law, the insurer may not exercise a right of subrogation for indemnity on the family member or component person.

**Article 47** When an insurer exercises a right of subrogation against a third party for indemnity, the insured shall provide necessary documents and relevant information which he knows.

**Article 48** The necessary and reasonable expenses paid by an insurer and an insured for the purpose of investigating and determining the nature and cause of an insurance accident and the degree of losses of the subject-matter insured shall be borne by the insurer.

**Article 49** If an insured of liability insurance causes damage to a third party, the insurer may, in accordance with the provisions of laws or the stipulations in the contract, directly make payment of insurance to the third party.

Liability insurance refers to insurance whereby the liability legally held by an insured for indemnity to a third party is the subject-matter insured.

**Article 50** If arbitration or legal proceedings are taken against an insured of liability insurance due to an insurance accident which causes damage to a third party, unless otherwise stipulated in the contract, the insurer shall bear the arbitration or proceedings expenses or costs as well as other necessary and reasonable expenses paid by the insured.

### Section 3 Life Insurance Contract

**Article 51** A life insurance contract is an insurance contract in which life

expectancy and human body serve as the subject-matter insured.

A life insurance contract, unless especially specified, is abbreviated as a contract in this Section.

**Article 52** An applicant for insurance has an insurable interest in the following persons:

- (1) principal;
- (2) spouse, children and parents; and
- (3) other family members or close relatives than those listed in the preceding items, with whom the applicant for insurance has relations of fostering, supporting or bringing up.

With the exception of the provisions in the preceding paragraph, if an insured agrees that an applicant for insurance makes a contract for him, it shall be deemed that the applicant for insurance has an insurable interest in the insured.

**Article 53** If the age of an insured declared by an applicant for insurance is not true to fact, and the actual age fails to be in conformity with the age limit as agreed upon in the contract, the insurer may terminate the contract and return the insurance premium to the applicant for insurance after deducting the service charge, however, excepting that the contract has been carried out for more than two years since its conclusion.

Because the age of an insured declared by an applicant for insurance is not true to fact, and the applicant for insurance pays an insurance premium less than the insurance premium payable, the insurer has a right to correct it and demand the applicant for insurance to make up the insurance premium, or pay insurance according to the percentage of the actually paid insurance premium to the insurance premium payable.

Because the age of an insured declared by an applicant for insurance is not true to fact, and the applicant for insurance pays an insurance premium more than the insurance premium payable, the insurer shall return the excess to the applicant for insurance.

**Article 54** An applicant for insurance may not, for a person without civil capacity, effect life insurance, in which insurance is payable at death of the latter; and an insurer may not accept it.

Life insurance effected by parents for their minor children shall not be limited by the provision of the preceding paragraph, however, the total amount of insurance paid at their death may not exceed the limit stipulated by the financial supervision and control department.

**Article 55** A contract in which death is a prerequisite for payment of insurance, without the consent in writing of the insured and his approval to the insured amount, shall be invalid and void.

An insurance policy issued according to a contract in which death is a prerequisite for payment of insurance, without a written consent of the insured, may not be assigned or mortgaged.

Life insurance effected by parents for their minor children shall not be limited by the provision of the first paragraph.

**Article 56** An applicant for insurance, after the contract is made, may pay insurance premium in one lump sum to the insurer and also may pay insurance premium in instalments as contracted.

When a contract stipulates the insurance premium to be paid in instalments, the applicant for insurance shall pay the initial payment of insurance premium when the contract is made, and shall pay the remaining insurance premium in installments on schedule.

**Article 57** Where a contract stipulates the payment of the insurance premium to be

made in instalments, the applicant for insurance, having paid the initial instalment of the premium, fails to pay a part payable of the instalments of the insurance premium beyond 60 days counted as commencing at the fixed time, unless the contract contains otherwise stipulations, the validity of the contract shall suspend, or the insurer shall reduce the insured amount according to the terms stipulated in the contract.

**Article 58** After the insurer and the applicant for insurance come to an agreement through negotiation and the applicant for insurance makes up the payment of insurance premium, the validity of the contract, which has suspended according to the provision of the preceding Article, may be resumed. However, if both parties fail to come to an agreement in two years counted as commencing on the date of the suspension of the validity of the contract, the insurer has a right to terminate the contract.

Where an insurer terminates a contract according to the provisions of the preceding paragraph, and the applicant for insurance has already paid the insurance premium in full for two years or more, the insurer shall, according to the stipulations of the contract, return the cash value of the insurance policy; if the applicant for insurance has not yet paid in full the insurance premium for two years, the insurer shall, after deducting the service charge, return the insurance premium.

**Article 59** An insurer may not claim the payment of insurance premium of life insurance from an applicant for insurance by means of a lawsuit.

**Article 60** A beneficiary of life insurance shall be appointed by an insured or an applicant for insurance.

When appointing a beneficiary, an applicant for insurance shall meet with the insured's approval.

If an insured is a person without civil capacity or a person with limited civil capacity, his guardian may appoint a beneficiary.

**Article 61** An insured or an applicant for insurance may appoint one or several persons as beneficiaries.

If beneficiaries are several, the insured or the applicant for insurance may decide the order of benefit and their shares of benefit; if no share of benefit is decided, the beneficiaries shall have beneficial interests by the equal share of benefit.

**Article 62** An insured or an applicant for insurance may change the beneficiary and shall notify the insurer in writing. The insurer shall, after receiving the notification of the change of the beneficiary, mark it on the insurance policy.

When changing a beneficiary, an applicant for insurance shall meet with the insurer's approval.

**Article 63** After an insured died, under one of the following circumstances, the insurance benefit shall be treated as a legacy of the insured; and the insurer shall fulfil its liability of payment of the insurance to the heir of the insured:

- (1) without any person appointed as a beneficiary;
- (2) the beneficiary died earlier than the insured, and there is no other beneficiary; and
- (3) the beneficiary loses the beneficial right according to law or waives the beneficial right, and there is no other beneficiary.

**Article 64** If an applicant for insurance or a beneficiary intentionally causes the insured's death, injury, disability or disease, the insurer does not bear the liability of payment of insurance. If the applicant for insurance has already paid in full the insurance premium for two years or more, the insurer shall, as contracted, return the cash value of the insurance policy to other entitled

beneficiary.

Any beneficiary, who intentionally causes the insured's death, injury or disability, or attempts intentionally to murder the insured, shall lose his beneficial interest.

**Article 65** Under a contract in which death is the prerequisite for payment of insurance, if the insured commits suicide, with the exception of those provided in the second paragraph of this Article, the insurer is not liable for payment of the insurance, as for the insurance premium already paid by the applicant for insurance, however, the insurer shall, according to the insurance policy, return its cash value.

Under a contract in which death is the prerequisite for payment of insurance, after two full years counted as commencing on the conclusion of the contract, if the insured commits suicide, the insurer may, as contracted, pay the insurance.

**Article 66** If the insured intentionally commits a crime to cause his injury, disability or death, the insurer is not liable for the payment of insurance. If the applicant for insurance has already paid in full the insurance premium for two years or more, the insurer shall, according to the insurance policy, return its cash value.

**Article 67** If the insured of life insurance sustains an insurance accident as death, injury, disability or disease due to the harm done by a third party, the insurer, after making the payment of insurance to the insured or the beneficiary, may not have the right to claim compensation from the third party.

**Article 68** If an applicant for insurance who has already paid in full the insurance premium for two years or more terminates the contract, the insurer shall, within 30 days counted as commencing on the date of receiving the notification of termination of the contract, return the cash value of the insurance policy; if the applicant for insurance has not yet paid the insurance premium for two full years, the insurer shall, after deducting the service charge as contracted, return the insurance premium.

### Chapter III Insurance Company

**Article 69** An insurance company shall take any of the following organizational forms:

- (1) limited liability company; or
- (2) solely state-owned company.

**Article 70** The establishment of an insurance company shall meet with the approval of the financial supervision and control department.

**Article 71** To establish an insurance company, the following requirements shall be met:

- (1) having articles of association in conformity with the provisions of this Law and the Company Law;
- (2) having the minimum amount of registered capital as provided in this Law;
- (3) having senior managerial personnel with professional knowledge and working experiences qualified for their posts;
- (4) having perfect organizational structure and management system; and
- (5) having its business place and other relevant facilities up to the requirements.

The financial supervision and control department, when examining the application for establishment, shall take into account the needs of the development and fair competition of the insurance industry.

**Article 72** The minimum amount of registered capital for the establishment of an insurance company is 200 million Renminbi yuan.

The minimum amount of registered capital of an insurance company shall be the money capital actually contributed.

The financial supervision and control department shall, in accordance with the scope of business and the scale of management of an insurance company, adjust the minimum amount of registered capital of the company; the minimum amount, however, may not be lower than the amount provided in the first paragraph.

**Article 73** At the time of applying for the establishment of an insurance company, the following documents and materials shall be submitted:

(1) an application for establishment, which shall state the designation, registered capital and business scope of the insurance company planned to be established;

(2) a feasible study report; and

(3) other documents and materials required by the financial supervision and control department.

**Article 74** If an application for establishment of an insurance company is up to the standard through preliminary inspection, the applicant shall then make preparations for the establishment of the insurance company in accordance with the provisions of this Law and the Company Law. The applicant being qualified for the requirements of establishment provided in Article 71 of this Law, shall submit a formal application form and the following documents and materials to the financial supervision and control department:

(1) articles of association of the insurance company;

(2) a list of shareholders and their shares or contributors and their contributions;

(3) letters of credit and relevant materials of the shareholders who own 10 percent or more of registered capital;

(4) a verification certificate issued by an authorized capital verification organization;

(5) resumes and qualification certificates of senior managerial personnel planned to be appointed;

(6) guiding principles for management and plan;

(7) information about the business place and other facilities relevant to its business; and

(8) other documents required by the financial supervision and control department.

**Article 75** The financial supervision and control department shall, within six months counted as commencing on the date of receiving the formal application documents for the establishment of an insurance company, make a decision to approve or disapprove it.

**Article 76** An insurance company approved to be established shall be issued a permit to engage in the insurance business by the department of approval, and shall, on the strength of the aforesaid permit, go through registration with the administrative department for industry and commerce, and receive a business licence.

**Article 77** If an insurance company, within six months counted as commencing on the date of receiving a permit to engage in the insurance business, fails to go through registration of the establishment of a company without justified reasons, its permit to engage in the insurance business shall be valid automatically.

**Article 78** An insurance company shall, after its establishment, draw 20 percent of its total registered capital for guarantee fund, and deposit in the bank designated by the financial supervision and control department; the guarantee fund may not be used except to be used to liquidate debts when the insurance company is wound up.

**Article 79** An insurance company shall be subject to the approval of the financial supervision and control department in establishing branches within or outside the territory of the People's Republic of China, and shall receive permits to engage in insurance business for these branches.

The branches of an insurance company do not have the status of legal person, and their civil liability shall be borne by the insurance company.

**Article 80** The establishment of representative offices of an insurance company within or outside the territory of the People's Republic of China shall be subject to the approval of the financial supervision and control department.

**Article 81** Any of the following modifications of an insurance company shall be subject to the approval of the financial supervision and control department:

- (1) change of its designation;
- (2) change of its registered capital;
- (3) change of business place of the company or its branch;
- (4) adjustment of its business scope;
- (5) split or merger of the company;
- (6) revision of its articles of association;
- (7) change of the contributors or shareholders who own 10 percent or more of the total shares; and
- (8) other modifications stipulated by the financial supervision and control department.

An insurance company which intends to change the chairman of board or the general manager shall report the financial supervision and control department for examining his qualifications for the position.

**Article 82** The provisions of the Company Law shall apply to the organization of an insurance company.

**Article 83** A solely state-owned insurance company shall set up a board of supervisors, which shall be composed of representatives from the financial supervision and control department, relevant experts and the staff of the company and carry out supervision over various reserve fund drawn by the solely state-owned insurance company, its minimum payment capacity and increase and maintenance of value of the state-owned property and assets as well as acts of senior managerial personnel committed in violation of laws, administrative regulations or the articles of association and acts impairing the company's interests.

**Article 84** Due to its split, merger or the appearance of the cause of dissolution stipulated in the articles of association and upon the approval of the financial supervision and control department, an insurance company may be dissolved. The insurance company shall, according to law, form a liquidation group to carry out liquidation.

Any insurance company which engages in the life insurance business may not be dissolved except its split or merger.

**Article 85** Any insurance company which violates the law and administrative regulations and the permit of which to engage in the insurance business is revoked by the financial supervision and control department shall, according to the law, be liquidated. The financial supervision and control department shall, according to the law, form a liquidation group to carry out liquidation.

**Article 86** Any insurance company which is unable to pay the debts due shall, with the consent of the financial supervision and control department, be declared bankrupt by a people's court according to law. If an insurance company is declared bankrupt, the people's court shall form a liquidation group composing of the financial supervision and control department, other relevant departments and relevant personnel to carry out liquidation.

**Article 87** If an insurance company engaged in life insurance business is dissolved or is declared bankrupt according to law, the life insurance contracts and reserve fund in its possession shall be transferred to other insurance companies engaged in life insurance business; if the insurance company cannot come to an agreement on transfer with other insurance companies, the financial supervision and control department shall appoint insurance companies engaged in life insurance business to accept them.

**Article 88** If an insurance company goes bankrupt according to law, the bankruptcy property shall, after being used to pay the bankruptcy expenses in priority, be distributed according to the following order:

- (1) wages and salaries to its employees in arrears and labour insurance costs;
- (2) indemnity or payment of the insurance;
- (3) tax in arrears; and
- (4) liquidation of the company's debts.

If the bankruptcy property is not sufficient to liquidate the liquidated demands in the same order, it shall be distributed according to a percentage.

**Article 89** Where an insurance company terminates its business activities according to law, its permit to engage in the insurance business shall be cancelled.

**Article 90** The provisions of the Company Law and other relevant laws and administrative regulations, in the absence of the provisions in this Law, shall apply to the matters such as establishment, modification, dissolution and liquidation of insurance companies.

## Chapter IV Rules of Insurance Business Operation

**Article 91** The business scope of an insurance company is:

- (1) property insurance business, including such insurance business as property loss insurance, liability insurance and credit insurance; and
- (2) life insurance business, including such insurance business as life insurance, health insurance and accidental injury insurance.

The same insurer may not engage in property insurance business and life insurance business concurrently.

The business scope of an insurance company shall be checked and ratified by the financial supervision and control department. The insurance company can only engage in the insurance business activities checked and ratified.

The State Council shall formulate the measures of separation of business operation as provided in the second paragraph for those insurance companies which have been set up prior to the enforcement of this Law.

**Article 92** Upon the check and ratification of the financial supervision and control department, an insurance company may engage in the following reinsurance business of the insurance business provided in the preceding Article:

- (1) outward insurance;
- (2) inward insurance.

**Article 93** Any insurance company engaged in other insurance business than life insurance business shall draw undue liability reserve fund from the retention insurance premiums of the current year; the amount drawn and carried forward shall be equivalent to 50 percent of the retention insurance premiums of the current year.

Any insurance company engaged in life insurance business shall draw undue liability reserve fund according to the total net value of valid life insurance policies.

**Article 94** Any insurance company shall draw the outstanding indemnity reserve fund in accordance with the amount of insurance indemnity or payment already claimed,

as well as the amount of insurance indemnity or payment not yet claimed but an insurance accident already happened.

**Article 95** Apart from drawing reserve fund as provided in the preceding two Articles, any insurance company shall, in accordance with the provisions of relevant laws, administrative regulations and the state's financial accounting system, draw the accumulation fund.

**Article 96** In order to guarantee an insured's interests and support the steady and health management of an insurance company, any insurance company shall, according to the regulations of the financial supervision and control department, deposit the insurance guarantee fund.

The insurance guarantee fund shall be centrally controlled and used with all-round consideration.

**Article 97** Any insurance company shall have minimum solvency which matches with its business scale. The difference between the actual assets and actual debts of the insurance company may not be lower than the amount stipulated by the financial supervision and control department; if the amount is lower than the amount stipulated, the insurance company shall increase its capital to make up the difference.

**Article 98** The retention insurance premiums of the current year of an insurance company engaged in property insurance business may not exceed four times of the combined total of its actual capital and accumulation fund.

**Article 99** Each risk unit of an insurance company, that is, the liability for the maximum loss scope possibly to be caused by an insurance accident, may not exceed 10 percent of the combined total of its actual capital and accumulation fund; the excess shall effect reinsurance.

**Article 100** Any insurance company shall report the method of calculating risk units and the plan to arrange catastrophe risk to the financial supervision and control department and apply to it for check and ratification.

**Article 101** Except life insurance business, an insurance company shall, in accordance with the state's regulations, handle reinsurance for 20 percent of each insurance business it accepts.

**Article 102** Where an insurance company needs to offer outward reinsurance, it shall give priority to insurance companies within the territory of China.

**Article 103** The financial supervision and control department has the authority to restrict or forbid insurance companies to offer outward reinsurance business to insurance companies outside the territory of China, or to accept inward reinsurance business from outside the territory of China.

**Article 104** The application of funds of an insurance company shall be safe, follow the safety principle, and guarantee to increase and maintain the value of its assets.

The application of funds of an insurance company is restricted only to bank deposit, trading of government bonds and financial bonds and other forms of application of funds stipulated by the State Council.

The fund of an insurance company may not be applied to set up securities management organizations or to invest in enterprises.

The concrete proportion of fund applied by an insurance company and the fund for concrete projects to its total fund shall be stipulated by the financial supervision and control department.

**Article 105** Any insurance company and its staff may not commit any of the following acts during insurance business activities:

- (1) cheating an applicant for insurance, an insured or a beneficiary;
- (2) concealing important information relating to insurance contract from an applicant for insurance;

(3) preventing an applicant for insurance from performing the obligation of really informing provided in this Law, or inducing him not to perform the obligation of really informing provided in this Law; or

(4) promising an applicant for insurance, an insured or a beneficiary a premium rebate, or other interests beyond the stipulations of the insurance contract.

## Chapter V Supervision and Control of Insurance Business

**Article 106** Basic insurance clauses and premium rates for main kinds of risks of commercial insurance shall be provided by the financial supervision and control department.

Insurance clauses and premium rates for other kinds of risks drafted by an insurance company shall be reported to the financial supervision and control department for record.

**Article 107** The financial supervision and control department has the authority to inspect the business condition, the financial condition and the condition of application of fund of an insurance company, and has the authority to require an insurance company to submit relevant written reports and materials within a specified time limit.

Any insurance company shall accept supervision and inspection according to law.

**Article 108** Where an insurance company fails to draw or carry forward various reserve funds according to the provisions of this Law, or fails to handle reinsurance according to the provisions of this Law, or seriously violates the provisions of this Law on the application of funds, the financial supervision and control department shall order the said insurance company to take the following measures to correct its mistakes within the specified time limit:

- (1) drawing or carrying forward various reserve funds according to law;
- (2) handling reinsurance according to law;
- (3) correcting its act of the application of fund in violation of law; and
- (4) changing the person(s) in charge and relevant managerial personnel.

**Article 109** According to the provisions of the preceding Article, if the financial supervision and control department having made a decision of correction within a specified time limit, the insurance company fails to make correction within the specified time limit, this department shall decide to select professional persons in the insurance business and appoint relevant personnel from the said insurance company to form a reorganization group to reorganize the said insurance company.

The reorganization decision shall state the designation of the insurance company to be reorganized, the cause for reorganization, the reorganization group, and the period of reorganization, and shall be announced publicly.

**Article 110** The reorganization group, in the process of reorganization, has the authority to supervise the said insurance company's daily affairs. The persons in charge and relevant managerial personnel of the said insurance company shall exercise their functions and powers under the supervision of the reorganization group.

**Article 111** In the process of reorganization, the original business of the insurance company may continue, however, the financial supervision and control department has the authority to ban any new business or to suspend part of the original business and to adjust the application of fund.

**Article 112** Where an insurance company, through rectification, has already corrected its acts violating this Law and resumed its original state of operation, the reorganization shall, after the submission of a report by the reorganization group and with approval of the financial supervision and control

department, come to an end.

**Article 113** Where the payment ability of an insurance company is possibly endangered seriously or has been already endangered, because the insurance company violates the provisions of this Law and infringes the social public interests, the financial supervision and control department may take over the said insurance company.

The aim of the takeover is to take necessary measures for the insurance company taken over so as to protect the insured's interests and restore the normal operation of the said insurance company. The relation between the obligatory right and the debts of the insurance company taken over shall not change due to the takeover.

**Article 114** The composition of the takeover group and the measures of implementation for takeover shall be decided by the financial supervision and control department and shall be announced publicly.

**Article 115** When the term of takeover expires, the financial supervision and control department may decide to extend the term, however, the longest term of takeover may not exceed two years.

**Article 116** When the term of takeover expires and the insurance company has restored its normal operation ability, the financial supervision and control department may decide to terminate the takeover.

If the takeover group thinks the property of the insurance company not sufficient to liquidate its debts, with approval of the financial supervision and control department, it shall, according to law, apply to a people's court for declaration of bankruptcy of the said insurance company.

**Article 117** An insurance company shall, within three months counted from the end of each fiscal year, submit its business report, financial accounting statements and relevant statements of the previous year to the financial supervision and control department, and promulgate them according to law.

**Article 118** An insurance company shall, by the end of each month, submit its business statistics report of last month to the financial supervision and control department.

**Article 119** An insurance company engaged in life insurance business shall engage professional actuaries approved by the financial supervision and control department, and establish an actuarial reporting system.

**Article 120** An insurer and an insured may invite independent assessment organizations established according to law, or engage experts with statutory qualifications to carry out assessment and appraisal of an insurance accident.

**Article 121** An insurance company shall properly keep complete account books, original vouchers and certificates as well as relevant materials about its business operation activities.

The period of safekeeping account books, original vouchers and certificates as well as relevant materials provided in the preceding paragraph may not be shorter than 10 years counted from the date of the termination of the insurance contract.

## Chapter VI Insurance Agent and Insurance Broker

**Article 122** An insurance agent refers to a unit or individual that, according to the commission of an insurer, collects commission fees from the insurer and handles insurance business on behalf of the insurer within the limits of commission.

**Article 123** An insurance broker refers to a unit which, for the interests of an applicant for insurance, provides intermediary service for the applicant for

insurance and an insurer to make an insurance contract and collects brokerage according to law.

**Article 124** An insurer shall assume the responsibility for the acts of an insurance agent in handling the insurance business on behalf of the insurer according to the authorization.

An insurance agent engaging in agency service of life insurance may not accept commission from two or more insurers concurrently.

**Article 125** Where a loss, due to the mistake of an insurance broker, is caused to an applicant for insurance or an insured, the insurance broker shall bear the liability for indemnity.

**Article 126** Any insurance agent or any insurance broker, when handling insurance business, may not take the advantage of its administrative power, position or occupation as well as other unfair means to force, induce or restrict an applicant for insurance to make an insurance contract.

**Article 127** Any insurance agent or any insurance broker shall meet the qualification requirements stipulated by the financial supervision and control department, obtain a permit to engage in the insurance agency service or a permit to engage in the insurance brokerage service issued by the financial supervision and control department, go through registration with the administrative department for industry and commerce, receive a business licence and deposit guarantee fund or buy a professional liability insurance policy.

**Article 128** Any insurance agent or any insurance broker shall have its own business place, set up special books to enter revenue and expenditure of insurance agency service or insurance brokerage service, and accept the supervision of the financial supervision and control department.

**Article 129** Any insurance company shall set up a registration book in which its insurance agents are entered.

**Article 130** The provisions of Articles 105, 107 and 117 of this Law shall apply to the insurance agent and the insurance broker.

## Chapter VII Legal Liability

**Article 131** Where an applicant for insurance, an insured or a beneficiary commits one of the following acts, carrying out activities of insurance deceit, which constitutes a crime, criminal responsibility shall be investigated according to law:

(1) an applicant for insurance intentionally fabricates the subject-matter insured so as to defraud of the insurance;

(2) falsifying the happening of an insurance accident which has not occurred so as to defraud of the insurance;

(3) intentionally causing an insurance accident which inflicts a loss on property so as to defraud of the insurance;

(4) intentionally causing a life insurance accident such as death, injury, disability or disease of the insured so as to defraud of the insurance; or

(5) forging or altering proofs, materials or other evidences relating to the insurance accident, or instigating, inducing or paying others to provide false proofs, materials or other evidences, fabricating false causes, or exaggerating the degree of losses so as to defraud of the insurance.

Whoever commits one of the acts listed in the preceding paragraph, if the circumstances are minor and the act does not constitute a crime, shall be given administrative penalties according to relevant regulations of the state.

**Article 132** Where an insurance company and its employee(s), in insurance business, conceal important information relating to an insurance contract, cheat an

applicant for insurance, an insured or a beneficiary, or refuse to perform the liability of indemnity or payment of insurance as contracted and this act constitutes a crime, criminal responsibility shall be investigated according to law; if no crime is constituted, the financial supervision and control department shall impose a fine of from 10,000 yuan to 50,000 yuan on the said company, and give the employee(s) having violated the law disciplinary sanctions and impose a fine below 10,000 yuan concurrently.

Where an insurance company and its employee(s) hinder an applicant for insurance from performing the obligation of really informing or induce an applicant for insurance into not performing the obligation of really informing, or promise an applicant for insurance, an insured or a beneficiary of offering illegal insurance premium rebate or other interests, the financial supervision and control department shall order them to correct and impose a fine of from 10,000 yuan to 50,000 yuan on the said company, and take disciplinary sanctions against the employee(s) having violated the law and impose a fine below 10,000 yuan concurrently.

**Article 133** Where an insurance agent or an insurance broker cheats an applicant for insurance, an insured or a beneficiary, during business activities, the financial supervision and control department shall order it to correct, and impose thereon a fine of from 10,000 yuan to 50,000 yuan concurrently; if the circumstances are serious, the financial supervision and control department shall revoke its permit to engage in insurance agency service or its permit to engage in insurance brokerage service. If a crime is constituted, criminal responsibility shall be investigated according to law.

**Article 134** Where any employee of an insurance company, taking the advantage of duties, intentionally fabricates an insurance accident not occurred and makes false indemnity so as to defraud of insurance, criminal responsibility shall be investigated according to law.

**Article 135** Whoever, in violation of the provisions of this Law, and without approval, establishes an insurance company or engages in illegally commercial insurance business activities, shall be investigated for criminal responsibility according to law, and the financial supervision and control department shall ban this illegal operation. If the circumstances are minor, and no crime is constituted, administrative penalties shall be given against him.

**Article 136** Any one, in violation of the provisions of this Law, engages in the insurance business beyond the business scope checked and ratified, the financial supervision and control department shall order him to correct and to return the insurance premium already collected, and confiscate his illegal gains, if he has such illegal gains, and imposed a fine of from one time to five times of the illegal gains concurrently; if he has no illegal gains, the department shall impose a fine of from 100,000 yuan to 500,000 yuan on him; if he fails to make correction beyond the specified time limit, and causes serious consequences, the department shall order him to suspend his business for rectification or revoke his permit to engage in the insurance business.

**Article 137** Where an insurance company, in violation of the provisions of this Law, makes unauthorized changes of such matters as the company's designation, articles of association, registered capital or business place of the company or its branch, the financial supervision and control department shall order it to make correction and impose a fine of from 10,000 yuan to 100,000 yuan on it concurrently.

**Article 138** Where an insurance company, in violation of the provisions of this Law, commits one of the following acts, the financial supervision and control department shall order it to make correction, and impose a fine of from 50,000

yuan to 300,000 yuan on it concurrently; and if the circumstances are serious, the financial supervision and control department may restrict the company's business scope and order it to stop accepting new business or revoke its permit to engage in the insurance business:

(1) failing to deposit guarantee fund according to regulations or putting, in violation of regulations, the guarantee fund to use;

(2) failing to withdraw or carry forward undue liability reserve fund according to regulations or failing to withdraw outstanding loss reserve according to regulations;

(3) failing to withdraw insurance guarantee fund and accumulation fund according to regulations;

(4) failing to handle outward reinsurance business according to regulations;

(5) using capital of the insurance company in involution of regulations;

(6) setting up branches or representative offices without approval; or

(7) splitting or merging without approval.

**Article 139** Where an insurance company, in violation of the provisions of this Law, commits one of the following acts, the financial supervision and control department shall order it to make correction and impose a fine of from 10,000 yuan to 100,000 yuan if the company fails to make correction within the specified time limit:

(1) failing to submit, according to the regulations, relevant reports, statements, documents and materials; or

(2) failing to submit, according to the regulations, the insurance clauses and insurance premium rates of the planned kinds of risks for the record.

**Article 140** Whoever, in violation of the provisions of this Law, commits one of the following acts, shall be ordered to make correction and imposed a fine of from 100,000 yuan to 500,000 yuan by the financial supervision and control department:

(1) providing false reports, statements, documents or materials; or

(2) refusing or hindering inspection and supervision carried out according to law.

**Article 141** Whoever, in violation of the provisions of this Law, commits one of the following acts, shall be ordered to make correction and imposed a fine of from 50,000 yuan to 300,000 yuan by the financial supervision and control department:

(1) accepting excess insurance and the circumstances are serious; or

(2) accepting insurance in which death is the prerequisite of payment of insurance for a person without civil capacity.

**Article 142** Any one, in violation of the provisions of this Law, illegally engages in insurance agency service or insurance brokerage service without receiving a permit to engage in the insurance agency service or a permit to engage in the insurance brokerage service, the financial supervision and control department shall declare a ban on his business, confiscate his illegal gains and impose on him a fine of from five to ten times of his illegal gains. If a crime is constituted, criminal responsibility shall be investigated according to law.

**Article 143** With respect to the insurance company's senior managerial personnel and other persons being directly responsible for the act which violates the provisions of this Law but does not constitute a crime, the financial supervision and control department shall, according to the specific circumstance, give a warning, order to replace those persons or impose a fine of from 5,000 yuan to 30,000 yuan.

**Article 144** Whoever, in violation of the provisions of this Law, causes damage or loss to others, shall bear civil responsibility according to law.

**Article 145** Whoever approves an application for establishment of an insurance company which fails to meet the requirements for establishment provided in this Law or approves an application for insurance agent or insurance broker which fails to meet the requirements for agency or brokerage, shall be given disciplinary sanctions; if the circumstances are serious and a crime is constituted, criminal responsibility shall be investigated according to law.

**Article 146** If any one of the working personnel of the financial supervision and control department, in exercising supervision and control over the insurance business, abuses his duty and power, practices favoritism for personal gains or neglects his duty of office and his act constitutes a crime, criminal responsibility shall be investigated according to law; if no crime is constituted, disciplinary sanctions shall be given thereto.

## Chapter VIII Supplementary Provisions

**Article 147** The relevant provisions of the Maritime Code shall apply to marine insurance; and in absence of the provisions in the Maritime Code, the relevant provisions of this Law shall apply.

**Article 148** The provisions of this Law shall apply to the establishment of insurance companies with foreign investment, or branch companies of foreign insurance companies within the territory of China; the provisions separately provided by other laws and administrative regulations shall apply.

**Article 149** The state supports the development of the insurance business which serves agricultural production. Agricultural insurance shall be provided separately by laws and administrative regulations.

**Article 150** Laws and administrative regulations shall separately institute regulations on insurance organizations of other nature than those insurance companies provided by this Law.

**Article 151** Those insurance companies which, in accordance with the regulations of the State Council, were ratified to be established prior to the enforcement of this Law, shall continue to remain. Among them, those which fail to meet completely the requirements provided by this Law shall come up to such requirements within a prescribed time limit. The State Council shall formulate the concrete measures.

**Article 152** This Law shall enter into force as of October 1, 1995.

