

Top Biz News

Investment caps set for insurance groups

By Hu Yuanyuan (China Daily)
Updated: 2010-03-25 09:06

New rules to check cross-sector risk transfer, says regulator CIRC

BEIJING - The insurance regulator on Wednesday capped the investment limit for insurance groups and their subsidiaries in non-financial companies at 10 percent of their consolidated net assets, to prevent cross-sector risk transfer.

Insurance groups and their subsidiaries cannot invest more than 30 percent of their consolidated net assets in non-insurance financial companies, the regulator said.

Cai Jipu, deputy director of the general office under the China Insurance Regulator Commission (CIRC), said the operational risks of group companies will be one of the key areas for supervision this year.

"We will come out with more detailed rules on the establishment of group companies, investment, risk management and consolidated supervision," Cai said.

The CIRC also launched a pilot rule for the management of insurance group companies, the first in the country's financial sector.

Besides setting two ceilings for investment, the rules state that equity investments made by insurance groups should be based on their own capital.

According to the rule, an insurance group can invest in four types of insurance companies including insurance asset management companies and agencies.

The group company and its subsidiaries' investment in non-financial companies should not be more than 10 percent of the group's consolidated net assets. Additionally they are also not permitted to participate in the management of the company.

Insurance groups can also invest in banks and fund houses, but the investment amount should not be more than 30 percent of the consolidated net assets.

"It is a timely move to prevent cross-sector risk transfer," said Hao Yansu, an insurance professor at the Central University of Finance and Economics.

□

Related readings:

- ◆ [CIRC sets caps on insurance investment](#)
- ◆ [Less insurance capital allowed for property investment](#)
- ◆ [Insurance industry to face tough new investment rules](#)
- ◆ [CIRC stresses supervision on insurance investment](#)

Currently, China has seven insurance group companies and one insurance holding company. By the end of 2009, the consolidated net assets of these eight companies stood at 321 billion yuan, and their premium income totaled 841.9 billion yuan, accounting for 75 percent of the whole industry. That indicates 32.1 billion yuan (\$4.7 billion) could flow into non-financial sectors and around 96 billion yuan into non-insurance financial companies such as banks.

"Among the eight companies, Ping An and PICC's cross-sector investments are more aggressive as they have their own trust and investment platform," said Hao.

Though quite a number of insurance companies have been preparing for property investment, the regulatory is unlikely to come out with detailed rules for this soon, said insiders.