

Insurance companies to invest in property sector

Insurers will be allowed to expand investment in the real estate sector and in equities of unlisted companies, a move to help relieve the increasing pressure on investment and boost returns.

The insurance premiums reached 799.86 billion yuan (\$118.15 billion) nationwide in the first six months, up 33.6 percent year-on-year, according to the China Insurance Regulatory Commission (CIRC).

With the increasing premium income, however, the insurers have come under greater pressure to channel their investments.

The overall return was on average 1.93 percent in the first half of this year, said Wu Dingfu, chairman of the CIRC at a mid-year review meeting Monday.

Most of the insurers promised higher returns close to the upper regulatory limit for selling their products, 3.5 percent for traditional life insurance policies, and 2.5 percent for dividends-sharing and multi-purposed insurance products.

Compared with last year's overall 6.41 percent return, the current low level of returns was mainly because of the collapse of the stock market in the first half of the year, said Tao Zhengao, an insurance analyst with Donghai Securities.

Shanghai Mayor Han Zheng also disclosed Monday that insurance funds and annuity funds are expected to invest in public rental housing.

"I didn't expect that would come so quickly," said Qin Xiaomei, head of research with Joans Lang LaSalle Beijing.

She expressed concerns that the injection of insurance funds into the real estate sector would counteract the effects of the government's determined efforts to rein in the soaring housing prices.

Insurers could potentially acquire domestic real estate worth 236 billion yuan (34.86 billion), according to conservative estimates.

Real estate investment could generate higher returns but is very risky, Qin said.

China's insurance companies have limited investment options through low-rate bank deposits, government bonds and central bank bills.

The CIRC has been loosening restrictions on insurance funds such as lifting upper limit from 20 to 25 percent on insurer's investment on stock market.

Insurers were first allowed to invest in the real estate sector as early as last October but the details of the new insurance regulations were never released.

With housing prices continuing to rise in the first quarter and the government's tightening measures released in April, the detailed regulations on property sectors may have been put on hold.

Source: Global Times

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