

PRC Insurance Law

Presidential Order No. 78

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(Unofficial translation by the US-China Business Council.)

I - General Provisions

Article 1

This law is promulgated with the purpose of regulating insurance activities, protecting the legitimate rights and interests of the parties involved, strengthening supervision and regulation of the insurance industry and promoting its healthy development.

Article 2

"Insurance" is the term used in this law to refer to a commercial insurance transaction whereby an insurance applicant, as contracted, pays insurance premiums to the insurer, and the insurer bears an obligation to indemnify for property loss or damage caused by an occurrence of a possible event that is agreed upon in the contract, or to pay the insurance benefits when the insured person dies, is injured or disabled, suffers diseases or reaches the age or term agreed upon in the contract.

Article 3

All insurance activities within the territory of the People's Republic of China (hereinafter referred to as "the PRC") shall be governed by this law.

Article 4

Insurance operations must be conducted in conformity with laws and administrative regulations, and must follow the principal of voluntarism and respect social morality.

Article 5

Parties to insurance activities must follow good faith principles in the exercise of their rights and obligations.

Article 6

Legal entities engaged in commercial insurance must be insurance companies established in accordance with this law; no other entity or individual is permitted to transact commercial insurance business.

Article 7

Any person or entity within the territory of the PRC that needs insurance coverage within the PRC territory shall insure himself/herself/itself with insurance companies established within the territory of the PRC.

Article 8

Insurance companies shall observe the principle of fair competition when conducting insurance business and shall never engage in unfair competition.

Article 9

The insurance supervision and regulatory authority under the State Council shall be responsible for supervision and regulation of the insurance industry in accordance with this law.

II-Insurance Contracts

Section 1 General Provisions

Article 10

An insurance contract is an agreement whereby the insurance rights and obligations are specified and agreed by the applicant and the insurer. An applicant refers to the party who enters into an insurance contract with an insurer and is obligated to pay the premiums under the insurance contract. An insurer refers to the insurance company which enters into an insurance contract with an applicant and is obligated to make indemnity or payments of the insurance benefits.

Article 11

An applicant and an insurer shall enter into an insurance contract on a fair, voluntary and mutually beneficial basis through consultation and shall never infringe upon the public interest. Insurance companies and other entities shall never force others to enter into any insurance contract, except for those insurances made compulsory by laws and administrative regulations.

Article 12

An applicant shall have an insurable interest in the subject matter of the insurance. An insurance contract is null and void if the applicant has no insurable interest in the subject matter of the insurance. An insurable interest refers to the interest which the applicant has in the subject matter of the insurance and is recognized by laws. The subject matter of the insurance refers either to the property of the insured and related interests associated therewith, or to the life and the body of the insured, which is the object of the insurance.

Article 13

An insurance contract is formed when an applicant requests insurance and the insurer agrees to underwrite it under the terms and conditions therein agreed by both parties. The insurer shall issue to the applicant, on a timely basis, an insurance policy or any other insurance certificate which indicates the terms and conditions as agreed by both parties. An insurance contract may take any written form other than as prescribed above, upon the mutual agreement of the applicant and the insurer.

Article 14

Once an insurance contract is formed, the applicant shall pay the premium in accordance with the terms and conditions of the contract and the insurer will be at risk effective from the date as specified in the insurance contract.

Article 15

Unless otherwise prescribed herein, or in the insurance contract, the applicant may terminate the contract after it is formed.

Article 16

Unless otherwise prescribed herein, or in the insurance contract, the insurer may not terminate the contract after it is formed.

Article 17

The insurer shall, prior to the conclusion of an insurance contract, explain the contract terms and conditions to the applicant and may inquire about the subject matter of the insurance or person to be insured. The applicant shall make a full and accurate disclosure.

The insurer shall have the right to terminate the insurance contract, in the case that the applicant intentionally conceals facts, or does not perform his/her obligation of making a full and accurate disclosure, or negligently fails to perform such obligation to the extent that it would materially affect the insurer's decision whether or not to underwrite the insurance or whether or not to increase the premium rate.

If any applicant intentionally fails to perform his/her obligation of making a full and accurate disclosure, the insurer shall bear no obligation for making any indemnity or payment of the insurance benefits, or for returning the premiums paid for the occurrence of the insured event which occurred prior to the termination of the contract.

If an applicant negligently fails to perform his/her obligation of making a full and accurate disclosure and this materially affects the occurrence of an insured event before the termination of the contract, the insurer shall bear no obligation for making any indemnity or payment of the insurance benefits but may return the premiums paid.

An insured event refers to an event falling within the scope of cover under the insurance contract.

Article 18

If there are any exclusion clauses imposed by the insurer in the insurance contract, then the insurer shall give specific and clear explanations thereof to the applicant when concluding the insurance contract, otherwise such clauses shall not be enforceable.

Article 19

An insurance contract must contain the following particulars:

- 1) Name and address of the insurer;
- 2) Names and addresses of the applicant and the insured, and name and address of the beneficiary in the case of insurance of persons;
- 3) Subject matter of the insurance;
- 4) Scope of the cover and exclusions;
- 5) Period of insurance and the commencement of the insurance liability;
- 6) Insured value;
- 7) Sum insured;
- 8) Premium and method of premium payment;

- 9) Method of payment of indemnity or the insurance benefits;
- 10) Liability arising from breach of contract and the settlement of disputes;
- 11) Day, month and year of the signing of the contract.

Article 20

The applicant and the insurer may include additional particulars for matters relating to the insurance contract other than those referred to in the preceding Article.

Article 21

During the period of the validity of the insurance contract, the applicant and the insurer may amend the contents of the insurance contract subject to mutual agreement. Should there be any amendments to the insurance contract, then the insurer shall endorse the original policy or any other insurance certificate, or issue an endorsement slip attached to the insurance contract or insurance certificate, or have a written agreement of amendment with the applicant.

Article 22

The applicant, the insured or the beneficiary shall notify the insurer in a timely manner of the occurrence of any insured event once it is known to them.

The insured refers to anyone whose property or person is protected by the insurance contract and who is entitled to claim for compensation. An applicant may be the insured.

The beneficiary with respect to the insurance of persons refers to that person designated by the insured or the applicant, and being entitled to claim for the insurance benefits. The applicant or the insured may be the beneficiary.

Article 23

When a claim for indemnity or payment of the insurance benefits is lodged with the insurer after the occurrence of an insured event, the applicant, the insured or the beneficiary shall, to the best of their knowledge and ability, provide the insurer with evidence and information which is relevant to ascertain the nature of, the cause for and the extent of the loss due to the occurrence of the insured event.

If the insurer, based on the provisions of the insurance contract, considers the relevant evidence or information incomplete, then the insurer shall notify the applicant, the insured or the beneficiary with a request to provide the insurer with additional evidence or information.

Article 24

The insurer must undertake a check and verification in a timely manner following receipt of a claim for indemnity or for payment of the insurance benefits from the insured or the beneficiary, and must notify the insured or the beneficiary of the result of this check and verification. The insurer must fulfill its obligations for such indemnity or payment within ten (10) days after an agreement is reached with the insured or the beneficiary on the amount of indemnity or payment.

If the insurance contract specifies the sum insured or the period within which the indemnity or the payment of the insurance benefits should be made, then the insurer shall fulfill its obligation for indemnity or payment of the insurance benefits as specified in the insurance contract.

If the insurer fails to fulfill the obligations specified in the preceding paragraph in a timely manner then, in addition to the payment of compensation, the insurer shall compensate the insured or the beneficiary for any damage incurred thereby.

No entity or individual shall illegally interfere with the insurer's obligation for indemnity or payment of the insurance benefits, or hinder the right of the insured or the beneficiary to receive the payment.

The sum insured refers to the maximum amount which the insurer undertakes to indemnify or pay under its insurance obligation.

Article 25

After receiving a claim for indemnity or payment of the insurance benefits from the insured or the beneficiary, the insurer shall issue to the insured or the beneficiary a notice declining indemnity or payment of the insurance benefits for any events not falling within the scope of the cover.

Article 26

If the amount of indemnity or payment of the insurance benefits cannot be determined within sixty (60) days of receipt of the claim for indemnity or payment of the insurance benefits, and relevant evidence and information thereof, then the insurer shall effect payment of the minimum amount which can be determined by the evidence and information obtained. The insurer shall pay the balance after the final amount of indemnity or payment of the insurance benefits is determined.

Article 27

With respect to insurance other than life insurance, the rights of the insured or the beneficiary to claim for indemnity or payment of the insurance benefits shall expire if the insured or the beneficiary fails to exercise his/her rights to claim within two (2) years from the date when the insured or the beneficiary is aware of the occurrence of the insured event.

With respect to life insurance, the rights of the insured or the beneficiary to claim for payment of the insurance benefits shall expire if the insured or the beneficiary fails to exercise his/her rights to claim within five (5) years from the date when the insured or the beneficiary is aware of the occurrence of the insured event.

Article 28

The insurer may terminate the insurance contract and refuse to return the premiums paid if the insured or the beneficiary falsely claims that an insured event has occurred, and submits a claim for indemnity or payment of the insurance benefits, although such insured event has not occurred.

If the applicant, the insured or the beneficiary intentionally causes the occurrence of an insured event, except as under the first paragraph of Article 64 of this law, the insurer may terminate the insurance contract, bear no obligation for indemnity or payment of the insurance benefits and decline to return the premiums paid.

If the applicant, the insured or the beneficiary, following the occurrence of an insured event, provides forged and altered relevant evidence, information or other proofs, falsifies the cause of the occurrence of the insured event or overstates the extent of the loss, then the insurer shall bear no obligation for indemnity or payment of the insurance benefits for the portion which is falsified or overstated.

The applicant, the insured or the beneficiary shall refund or indemnify the insurer for any payments or expenses which were made or incurred by the insurer due to the commission of any act stipulated in the foregoing three paragraphs of this Article by the applicant, the insured or the beneficiary.

Article 29

When an insurer transfers part of its accepted business to another insurer by way of cession, it is referred to as reinsurance.

When requested by the reinsurer, the ceding insurance company shall inform the reinsurer of the ceding insurance company's retained liability and all relevant information with respect to the direct insurance.

Article 30

The reinsurer shall not demand payment of premiums from the applicant of the direct insurance.

The insured or the beneficiary of the direct insurance shall not claim for the indemnity or payment of the insurance benefits from the reinsurer.

The ceding insurance company shall not decline or delay fulfilling its obligation of the direct insurance on the basis that the reinsurer fails to fulfill the reinsurance obligation.

Article 31

If there is any dispute over the interpretation of clauses in an insurance contract between the insurer and the applicant, the insured or the beneficiary, then the People's Courts or arbitration organizations shall interpret such disputed clauses in favor of the insured and the beneficiary.

Article 32

The insurer or the reinsurer has the obligation to maintain confidentiality of information obtained in the course of conducting insurance business regarding the business and financial position and individual privacy of the applicant, the insured, beneficiaries, or the ceding insurance company.

Section 2 Contract of Property Insurance

Article 33

A property insurance contract refers to a contract the subject matter of the insurance of which is a property and related interests associated therewith. The property insurance contract mentioned in this Section is briefly referred to as "the contract", unless specified otherwise.

Article 34

With the exception of cargo insurance contracts and those contracts specified otherwise, the insurer must be notified of the assignment of the subject matter of the insurance. With the consent of the insurer to continue underwriting the assignment of the subject matter of the insurance, the contract may be modified in accordance with laws.

Article 35

A cargo insurance contract or an insurance contract for voyage conveyance shall not be terminated by any party there to subsequent to the commencement of the insurance liability.

Article 36

The insured shall observe all the regulations prescribed by the state with respect to fire prevention, safety, production, operations and labor protection, and any other regulations associated therewith, to maintain the safety of the subject matter of the insurance. In accordance with the terms of the contract, the insurer may inspect the subject matter of the insurance concerning its safety conditions and, within a reasonable time, propose reasonable written suggestions to the applicant or the insured to eliminate risks and latent problems undermining the safety of the subject matter of the insurance. If the applicant or the insured fails to fulfill his/her contractual obligation to ensure the safety of the subject matter of the insurance, the insurer has the right to request an increase of the premium or to terminate the contract. The insurer may, with the consent of the insured, take safety preventive measures to protect the subject matter of the insurance.

Article 37

If the extent of risk to the subject matter of the insurance increases during the period of the contract, then the insured shall, in accordance with the contract, promptly notify the insurer and the insurer shall have the right to increase the premium or terminate the contract. If the insured fails to fulfill the obligation of notice stipulated in the preceding paragraph, the insurer shall bear no obligation for indemnity of the insured event which occurs due to the increased risk to the subject matter of the insurance.

Article 38

Unless otherwise specified in the contract, the insurer shall reduce the premium and return the corresponding premium paid pro rata to the number of days, if either:

- 1) a change occurs in the circumstances on which the insurance rate was calculated, so that the risk to the subject matter of the insurance is noticeably reduced; or
- 2) a material reduction occurred in the insured value of the subject matter of the insurance.

Article 39

If an applicant requests the termination of the contract prior to the commencement of the insurance liability, the applicant shall pay handling charges to the insurer and the insurer shall return the premiums paid. If an applicant requests the termination of the contract subsequent to the commencement of the insurance liability, the insurer may retain the premiums for the period from the commencement of the insurance liability to the date of the termination of the contract, and shall return the balance of the premiums to the applicant.

Article 40

The insured value of the subject matter of the insurance may be agreed by the applicant and the insurer, and specified in the contract; or it may be assessed based on the actual value of the subject matter of the insurance at the time of the occurrence of the insured event. The sum insured shall not exceed the insured value of the subject matter of the insurance, and any portion exceeding the insured value of the subject matter of the insurance is null and void as a matter of law. Unless otherwise specified in the contract, in the event that the sum insured is less than the insured value, the insurer shall undertake the obligation for indemnity pro rata of the sum insured to the insured value.

Article 41

In the event of double insurance, the applicant shall notify all the insurers concerned of relevant information with respect to such double insurance. If the total amount of the sum insured by double insurance exceeds the insured value, the total amount of indemnity paid by all insurers concerned shall not exceed the insured value. Unless specified otherwise in the

contract, the insurers concerned shall undertake their obligation for indemnity based on the proportions their respective amounts of the sum insured bear to the total amount of the sum insured. A double insurance refers to insurance under which an applicant enters into insurance contracts with two or more insurers on the same subject matter of the insurance, the same insurable interests and the same insured event.

Article 42

Following the occurrence of an insured event, the insured is obligated to take all necessary measures to prevent or mitigate loss or damage.

The insurer shall bear the expenses necessarily and reasonably incurred by the insured in taking measures to prevent or mitigate further loss or damage of the subject matter of the insurance after the occurrence of the insured event; the amount of such expenses borne by an insurer shall be calculated separately from the indemnity for the loss of the subject matter of the insurance and it shall not exceed the sum insured.

Article 43

If the subject matter of the insurance sustains partial loss, the applicant may terminate the contract within thirty (30) days after the loss is indemnified by the insurer. Unless specified otherwise in the insurance contract, the insurer may also terminate the contract. If the insurer terminates the contract, the insurer shall notify the applicant fifteen (15) days in advance of such termination and return to the applicant the premium received for the portion of the subject matter of the insurance which is not lost or damaged after deducting the earned premium for the subject matter of the insurance which is not lost or damaged from the date of the commencement of the insurance liability to the date of the termination of the contract.

Article 44

After the occurrence of the insured event, if the insurer pays in full the sum insured and the sum insured is equal to the insured value, the insurer shall retain all rights pertaining to the subject matter of the insurance which is lost or damaged. If the sum insured is less than the insured value, the insurer shall obtain partial rights pertaining to the subject matter of the insurance which is lost or damaged on the pro rata basis of the sum insured to the insured value.

Article 45

When the occurrence of the insured event results from the loss or damage to the Subject matter of the insurance caused by a third party, the insurer may be subrogated into the insured's right of indemnity against the third party up to the amount of indemnity from the date when the amount of indemnity is made. In the event of the occurrence of the insured event referred to in the preceding paragraph, the insurer may, at the time of making indemnity, deduct therefrom a corresponding amount which the insured has received as indemnity from the third party. The right of indemnity by subrogation exercised by the insurer in accordance with the first paragraph shall in no way affect the insured's right of indemnity against the third party for the unindemnified amount.

Article 46

If the insured waives the right of indemnity against the third party after the occurrence of the insured event and before the insurer making the indemnity, the insurer shall bear no obligation for indemnity. If the insured, without the insurer's consent, waives the right of indemnity against the third party after indemnity is made by the insurer, the waiver of the insured shall be regarded as invalid. The insurer may deduct a corresponding sum from the

amount of indemnity if it is not able to exercise the right of indemnity by subrogation due to the fault of the insured.

Article 47

The insurer has no right of indemnity by subrogation against any family member or staff member of the insured unless the occurrence of the insured event referred to in the first paragraph of Article 44 above has resulted from the willful misconduct of such a third party.

Article 48

When the insurer exercises the right of indemnity by subrogation against a third party, the insured shall provide the insurer with all relevant and pertinent documents and information known to him/her.

Article 49

The insurer shall bear the necessary and reasonable expenses incurred by the insurer and the insured from investigating and ascertaining the nature of and the cause for the occurrence of the insured event, and the extent of loss or damage to the Subject matter of the insurance.

Article 50

The insurer may directly indemnify a third party for loss or damage caused by the insured of a liability insurance contract in accordance with the provisions of laws or the terms of an insurance contract. Liability insurance refers to an insurance the subject matter of the insurance of which is the insured's liability to indemnify a third party pursuant to laws.

Article 51

If the insured of a liability insurance contract is brought to an arbitration or legal proceeding due to the occurrence of an insured event which caused loss or damage to a third party, unless specified otherwise in the insurance contract, the insurer shall bear the expenses of such arbitration or legal proceeding and other necessary and reasonable expenses paid by the insured.

Section 3 Contract of Insurance of Persons

Article 52

A contract of insurance of persons is an insurance contract insuring a person's life and body. The contract of insurance of persons mentioned in this Section is briefly referred to as "the contract," unless specified otherwise.

Article 53

The applicant has insurable interests over the following persons:

- 1) The applicant himself/herself;
- 2) The applicant's spouse, children and parents; or
- 3) Other family members or close relatives, apart from the aforementioned, who have relations of fostering, supporting and maintaining with the applicant. Notwithstanding the foregoing, with the consent of the insured to enter into a contract for the insured, the applicant shall be regarded as having an insurable interest on the insured.

Article 54

If the age of the insured is not correctly given by the applicant, and the actual age of the insured does not fall within the age range specified by the contract, the insurer may terminate the contract and return the premiums to the applicant after deducting expenses therefrom. However, this does not apply to contracts which have been in force for two (2) years or more. If the applicant has misstated the age of the insured, thus underpaying the premiums, then the insurer shall have the right to correct the misstatement and request the applicant to pay the balance, or to reduce the payment of the insurance benefits in proportion to the amount of premiums actually paid to the amount that should have been paid. If the applicant has misstated the age of the insured, thus overpaying the premiums, then the insurer shall return the overpaid portion to the applicant.

Article 55

An applicant shall not apply for and the insurer shall not underwrite an insurance of persons that stipulates death as a prerequisite for the payment of the insurance benefits on a person without civil legal capacity.

The restriction stipulated in the preceding paragraph shall not apply to the case where parents apply for insurance of persons on minor children. However, the total amount of the death benefits shall not exceed the limit as stipulated by the insurance supervision and regulatory authority.

Article 56

A contract stipulating death as the prerequisite for the payment of the insurance benefits is not valid unless its amount is consented to in writing by the insured. An insurance policy stipulating death as the prerequisite for the payment of the insurance benefits shall not be transferred or mortgaged without the written consent of the insured.

If parents apply for an insurance of persons on their minor children, the restriction stipulated in paragraph one of this Article shall not apply.

Article 57

After the establishment of the contract, the applicant may pay the premium by a single premium or by installments in accordance with the terms of the contract.

If the contract stipulates that the premium is to be paid by installments, the applicant shall pay the first installment at the inception of the contract and the other installments as scheduled.

Article 58

If the contract specifies payment of the premiums by installments and the applicant has paid the first installment but fails to pay any subsequent installments within a sixty (60) days grace period, the contract shall lapse, or the insurer shall reduce the insured amount in accordance with the contract, unless specified otherwise in the contract.

Article 59

A contract which lapses in accordance with the preceding Article can be reinstated provided that the insurer and the applicant have reached an agreement and that the applicant has paid the outstanding premiums. However, the insurer has the right to terminate the contract if no agreement has been reached by both parties within two (2) years from the date of the lapse of the contract.

When an insurer terminates the contract in accordance with the preceding paragraph, and the applicant has paid the premiums for two years or more, the insurer shall return the cash value of the policy to the applicant in accordance with the contract. If the applicant has paid the premiums for less than two years, the insurer shall return the premiums to the applicant with the expenses deducted therefrom.

Article 60

The insurer shall not resort to legal proceeding to demand the payment of the insurance premiums of insurance of persons from the applicant.

Article 61

The beneficiary of the insurance of persons shall be designated by the insured or the applicant. The designation of the beneficiary by the applicant is subject to the approval of the insured.

If the insured is a person without civil legal capacity or a person with limited civil legal capacity, the beneficiary may be designated by the guardian of the insured.

Article 62

The insured or the applicant may designate one or more persons as the beneficiaries. If there is more than one beneficiary, the insured or the applicant may specify the order of distribution of the payment of the insurance benefits and their respective proportions; in the absence of such specifications on proportions, all the beneficiaries shall share the benefits on an equal basis.

Article 63

The insured or the applicant may change the beneficiary by a written notice to the insurer. The insurer shall endorse the change on the policy upon receipt of the notice. The applicant may change the beneficiary subject to the consent of the insured.

Article 64

In the event of the death of the insured, the payment of the insurance benefits shall be treated as part of the estate of the insured, and the insurer shall pay the insurance benefits to the legal heirs of the insured, if:

- 1) there is no designated beneficiary ;
- 2) the beneficiary dies before the insured without other beneficiary being designated ; or
- 3) the beneficiary forfeits or surrenders his/her right as such in accordance with laws without other beneficiary being designated.

Article 65

If the applicant or the beneficiary has intentionally caused the death, disability or illness of the insured, the insurer shall bear no obligation for payment of the insurance benefits. If the applicant has paid premiums for two (2) years or more, the insurer shall, in accordance with the contract, return the cash value of the policy to other beneficiaries, if any.

If the beneficiary has intentionally caused the death or disability of the insured, or attempted to cause the death of the insured or the beneficiary shall lose his/her right to claim the insurance benefits.

Article 66

When a contract stipulates death as the prerequisite for the payment of the insurance benefits then the insurer shall have no obligation for the payment of the insurance benefits if the

insured commits suicide, except for the event stipulated in paragraph two of this Article. However, the insurer shall, in respect of the insurance premium already paid by the applicant, return the cash value of the policy in accordance with the terms of the contract. When a contract stipulates death as a prerequisite for the payment of the insurance benefits, the insurer may effect the payment of the insurance benefits in accordance with the contract if the insured commits suicide two (2) years or more after the formation of the contract.

Article 67

If the insured has died or was disabled as a result of intentionally committing a crime, the insurer shall have no obligation to effect the payment of the insurance benefits. If, however, the applicant has paid premiums for two (2) years or more, the insurer shall return the cash value of the policy to the insured in accordance with the contract.

Article 68

If the insured suffers from death, disability, or illness as a result of a third party's conduct, the insurer shall have no right of subrogation against the third party after the payment of the insurance benefits. But the insured or the beneficiary retains the right to seek compensation from the third party.

Article 69

If an applicant who has already paid in full the insurance premiums for two (2) years or more, terminates the contract, then the insurer shall return the cash value of the policy within thirty (30) days after the receipt of the notice of termination in accordance with the contract. If the applicant has paid the insurance premiums for less than two (2) years, then the insurer shall return the remaining premiums after deducting expenses in accordance with the contract.

III - Insurance Company

Article 70

An insurance company shall be established as either:

- 1) A stock company with limited liability; or
- 2) A solely state-owned enterprise.

Article 71

The establishment of an insurance company is subject to the approval of the insurance supervision and regulatory authority.

Article 72

To establish an insurance company, the following are required:

- 1) Articles of Association in compliance with this law and the Company Law;
- 2) A minimum registered capital as prescribed in this law;
- 3) Senior management with professional knowledge and operational experience;
- 4) A sound organizational structure and management systems; and
- 5) Business premises and other facilities commensurate with an insurance business in compliance with relevant operational requirements. When reviewing the application for the establishment of an insurance company, the insurance supervision and

regulatory authority shall take into consideration the development of the insurance industry and the need for fair competition.

Article 73

The minimum amount of registered capital required for the establishment of an insurance company is two hundred million yuan (RMB 200,000,000).

The minimum amount of registered capital for the establishment of an insurance company shall be fully paid-up in monetary form.

The insurance supervision and regulatory authority may adjust the amount of the minimum registered capital, in accordance with the proposed scope of business and scale of operations; however, the minimum capital shall not be less than the amount stipulated in the first paragraph of this Article.

Article 74

For the establishment of an insurance company, the applicant shall submit the following documents and materials:

- 1) A formal application letter for the establishment of an insurance company on which the name, registered capital and the scope of business of the proposed insurance company shall be specified;
- 2) A feasibility study report; and
- 3) Other documents and information requested by the insurance supervision and regulatory authority.

Article 75

After the application of the establishment of an insurance company has initially been reviewed and approved, the applicant shall begin preparing for the establishment of the insurance company in accordance with this law and the Company Law. Applicants who meet the requirements of establishment stipulated in Article 71 of this law shall submit to the insurance supervision and regulatory authority a completed form of formal application form together with the following documents and information:

- 1) The Articles of Association of the proposed insurance company;
- 2) A list of shareholders and their shares, or the investors and the amount of their investment;
- 3) A certificate of the credit standing and relevant information of those shareholders holding more than ten (10) percent of the company's shares;
- 4) A certificate verifying the paid-up capital issued by a legally authorized institution;
- 5) Resumes and evidence of qualification of the proposed senior management;
- 6) Operation strategy and business plan;
- 7) Details of business premises and other facilities commensurate with an insurance business; and
- 8) Other documents and information requested by the insurance supervision and regulatory authority.

Article 76

The insurance supervision and regulatory authority shall make a decision approving or disapproving the application, within six (6) months from the date of the receipt of the formal application to establish an insurance company.

Article 77

An insurance company which is granted approval shall be issued an insurance license by the approving department which shall be used to make registration with and obtain a business license from the Bureau of Administration for Industry and Commerce.

Article 78

The insurance license will automatically become null and void if the insurance company fails to complete the company registration without any proper reasons, within six (6) months from the date of the receipt of the insurance license.

Article 79

Upon its establishment, an insurance company shall deposit twenty percent (20 %) of its total registered capital with a bank designated by the insurance supervision and regulatory authority as guarantee fund; this guarantee fund shall not be used except for covering debts when the company is liquidated.

Article 80

An insurance company requires the approval of the insurance supervision and regulatory authority before establishing any branch offices within and without the territory of the PRC and shall obtain insurance license for these branch offices. The branch offices of an insurance company do not possess the status of a legal person, and the civil liability shall be borne by the insurance company.

Article 81

The establishment of a representative office by an insurance company within or without the territory of the PRC is subject to the approval of the insurance supervision and regulatory authority.

Article 82

Any of the following changes to an insurance company is subject to approval by the insurance supervision and regulatory authority:

- 1) change of the name of the insurance company;
 - 2) change in the amount of the registered capital;
 - 3) change of business premises of the company or its branch offices;
 - 4) change of the scope of the business;
 - 5) division or merger of the insurance company;
 - 6) amendment to its Articles of Association;
 - 7) change of investors or shareholder who hold more than ten percent of the company's shares; or
 - 8) Other amendments as specified by the insurance supervision and regulatory authority.
- An insurance company shall report any changes of its Chairman and General Manager to the insurance supervision and regulatory authority for examination of their qualifications for the positions.

Article 83

The provisions of the Company Law of the PRC shall apply to the organizational structure of an insurance company.

Article 84

A solely state-owned insurance company shall have a Board of Supervisors, which comprises of representatives from the insurance supervision and regulatory authority, relevant experts, and employees of the insurance company.

The Board of Supervisors shall exercise supervision with respect to the allocation of technical reserves, the minimum solvency margin and the maintenance and increase of state owned assets as well as monitor its senior management in respect of violations of laws, the administration regulations or the Articles of Association and acts considered detrimental to the company's interest.

Article 85

In the event of division, merger, or any cause for dissolution in accordance with the Articles of Association, such dissolution attaches only upon the approval of the insurance supervision and regulatory authority. In accordance with laws, the insurance company shall form a liquidation task force to carry out the liquidation. Those insurance companies engaged in life insurance business shall not be dissolved, only divided or merged.

Article 86

An insurance company shall be dissolved in the event that its insurance license is revoked by the insurance supervision and regulatory authority due to the violation of laws, or administrative regulations. The insurance supervision and regulatory authority shall promptly appoint a liquidation task force to carry out the liquidation procedures.

Article 87

When an insurance company is unable to pay its debts when due and with the approval of the insurance supervision and regulatory authority, the insurance company can be declared bankrupt by the People's Court in accordance with laws. If an insurance company is declared bankrupt, the People's Court shall appoint a liquidation task force which is composed of members from the insurance supervision and regulatory authority and other relevant personnel to carry out the liquidation.

Article 88

When an insurance company engaged in life insurance business is revoked or declared bankrupt in accordance with laws, it shall transfer all of its life insurance contracts and technical reserves to other insurance companies engaged in life insurance business; if no agreement can be reached with respect to such transfer with other insurance companies, the insurance supervision and regulatory authority shall designate insurance companies engaged in life insurance business to take them over.

The transfer, or designation by the insurance supervision and regulatory authority, of life insurance contracts and technical reserves mentioned above must maintain the legal rights and interests of the insured and beneficiaries.

Article 89

When an insurance company is declared bankrupt in accordance with laws, the estate of the bankrupt insurer, after paying off the expenses of bankruptcy proceedings, shall be distributed in the following order:

- 1) wages, salaries and social insurance benefits due to its employees;
- 2) indemnity or payment of the insurance benefits;
- 3) taxes and duties due; and
- 4) servicing of the company debts. Where the estate is insufficient to cover all the claims within the same priority, then settlement shall be made on a pro-rata basis within that priority.

Article 90

When an insurance company ceases its business operation in accordance with laws, its insurance license shall be revoked.

Article 91

In the absence of provisions of this law, the Company Law and other laws and administrative regulations shall be applied to such matters as the establishment of, changes to, dissolution and liquidation of an insurance company.

IV - Insurance Operation Rules

Article 92

The scope of the business of an insurance company shall be as follows:

- 1) Property insurance business which includes insurance against loss or damage to property, liability insurance and credit insurance; or
- 2) Insurance of persons business which includes life insurance, health insurance and accident and injury insurance.

An insurer shall not concurrently engage in business of both property insurance and insurance of persons. However, an insurance company engaged in property insurance business may, with approval from the insurance supervisory and regulatory authority, may operate short-term health and accidental injury insurance services.

The scope of the business of an insurance company is subject to approval by the insurance supervision and regulatory authority. An insurance company shall only operate its insurance business within the scope of business approved.

No insurance company may engage in operations outside of the business scope stipulated in this law, other laws, or administrative regulations.

Article 93

With the approval of the insurance supervision and regulatory authority, an insurance company may engage in the following reinsurance business of the insurance business prescribed in the preceding article:

- 1) Outward reinsurance; and/or
- 2) Inward reinsurance.

Article 94

An insurance company shall set aside reserves for each category of future claims in accordance with the principles of protecting the insured's interests and guaranteeing solvency.

Detailed rules for setting aside and carrying forward reserves are stipulated separately by the insurance supervision and regulatory authority.

Article 95

An insurance company shall set aside an outstanding loss reserve for the amount of insurance indemnity or the amount of the insurance benefits which have already been claimed, and for those amounts due for which the insured events have occurred, but which has not yet been claimed.

Article 96

In addition to the reserve funds described in the preceding two articles, an insurance company shall set aside amounts into the accumulated reserve fund in accordance with the relevant state laws, administrative regulations and the stipulations of the state financial and accounting systems.

In order to protect the interests of the insured, and to ensure its own steady and healthy operation, an insurer shall contribute to an insurance guarantee fund in accordance with the regulations of the insurance supervision and regulatory authority.

The management of the insurance guarantee fund will be centralized, and applied on an industry basis.

Measures relating to the usage of the insurance guarantee fund shall be formulated by the insurance supervision and regulatory authority separately.

Article 97 (Missing)

Article 98

An insurance company shall maintain a minimum solvency commensurate with the size of its business. The balance of its actual assets after deducting its actual liabilities shall be not less than the solvency margin stipulated by the insurance supervision and regulatory authority. If the balance is less than the solvency margin stipulated, its equity capital shall be replenished to make up the difference.

Article 99

For those insurance companies engaged in property insurance business, the premiums retained for the current year shall not exceed more than four times the combined total of its **paid-up capital and its accumulated reserve fund.**

Article 100

The liability borne by an insurance company for each risk unit, that is, the liability which might arise from the maximum loss or damage caused by the occurrence of a single insured event, shall not exceed ten (10) percent of the combined total of its paid-up capital and its accumulated reserve fund. Reinsurance shall be arranged for the portion in excess of this sum.

Article 101

The method of calculation of a risk unit and the plan for managing the catastrophe risk of an insurance company shall be approved by the insurance supervision and regulatory authority.

Article 102

Insurance companies shall handle reinsurance in accordance with relevant provisions stipulated by the insurance supervision and regulatory authority.

Article 103

Where an insurance company needs to place outward reinsurance business, it shall give priority to insurance companies established within the territory of the PRC.

Article 104

The insurance supervision and regulatory authority shall have the authority to restrict or prohibit insurance companies from ceding any outward reinsurance business to insurance companies established without the territory of the PRC or from accepting any inward reinsurance business from insurance companies established without the territory of the PRC.

Article 105

An insurance company shall apply its funds in a conservative, sound and safe manner and ensure that the value of its assets is maintained and increased.

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

Insurance company funds may not be used to establish securities operations and may not be used to establish enterprises outside of the insurance sector.

The specific fund application and the exact percentage of an insurance company's total fund allocated to each company shall be stipulated by the insurance supervision and regulatory authority.

Article 106

An insurance company and its employees shall not commit any of the following acts in the course of its business operation:

- 1) Deceiving the applicant, the insured or the beneficiary;
- 2) Concealing from the applicant material information relevant to the insurance contract;
- 3) Preventing the applicant from fulfilling his/her obligation of making a full and accurate disclosure stipulated under this law or inducing him/her not to fulfill such obligation; or
- 4) Promising the applicant, the insured or the beneficiary to provide premium rebates or other interests which are not specified in the insurance contract.
- 5) Intentionally filing fake insurance incidents to defraud or defrauding insurance funds.

V - Insurance Supervision and Regulation

Article 107.

Insurance products related to general public welfare must, in accordance with the law, report to the insurance supervision and regulatory authority insurance clauses and insurance rate fees for insurance products that are mandated by law or newly issued life insurance products. When the insurance supervision and regulatory authority undertakes approval it must take into account principles of protecting public welfare and preventing abnormal competition. The approved scope and other rules will be separately formulated by the insurance supervision and regulatory authority.

The insurance clauses and premium rates for other types of insurance must be filed with the insurance supervision and regulatory authority.

Article 108

The insurance supervision and regulatory authority must establish a supervision guideline system for healthy insurance companies' solvency capacity, and implement supervision and control of insurance company minimum solvency requirements.

Article 109

The insurance supervision and regulatory authority shall have the authority to inspect the operations of an insurance company, including its financial position and application of funds and shall have the authority to request an insurance company to submit relevant written reports and information within a prescribed period of time.

An insurance company shall accept supervision and inspection in accordance with laws.

The insurance supervision and regulatory authority has the authority to inquire about the deposits of insurance companies in financial organizations.

Article 110

Where an insurance company fails to set aside or carry forward the various technical reserve funds, or transact reinsurance in accordance with this law, or seriously violates the provisions of this law governing the application of funds, then the insurance supervision and regulatory authority shall direct the insurance company to take the following remedial actions within a prescribed period of time:

- 1) setting aside or carrying forward various technical reserve funds in accordance with laws;
- 2) transacting reinsurance in accordance with laws;
- 3) correcting the illegal application of funds; or
- 4) replacing its responsible senior management and relevant personnel involved.

Article 111

If an insurance company fails to correct the situation within the prescribed time, after it has been directed to do so by a decision of rectification of the insurance supervision and regulatory authority in accordance with the preceding Article, the insurance supervision and regulatory authority shall then select insurance professionals and appoint relevant personnel from the insurance company to form a rectification task force to carry out the rectification work of the said insurance company.

The decision of rectification shall be publicized and shall specify the name of the insurance company, the reason for rectification, the composition of the rectification task force responsible for carrying out the rectification work as well as the date by which the rectification is to be completed.

Article 112

In the course of the rectification, the rectification task force shall have the authority to supervise the daily business operation of the said insurance company. The responsible senior management and relevant personnel involved of the insurance company shall perform their respective functions under the supervision of the rectification task force.

Article 113

In the course of the rectification, the existing business of the insurance company may be continued. The insurance supervision and regulatory authority shall, however, have the authority to prevent the insurance company from developing new business; or to suspend part of its business; or to modify its application of funds.

Article 114

Where an insurance company under rectification has already corrected its act in violation of this law and has resumed its normal business operations, the rectification shall cease after the submission of a report by the rectification task force and obtaining an approval by the insurance supervision and regulatory authority.

Article 115

Where an insurance company violates the provisions of this law and hinders the social public interest, by which it might seriously threaten or has already threatened its solvency, the insurance supervision and regulatory authority may implement a take-over of the said insurance company.

The purpose of such a take-over is to adopt measures which are necessary to protect the interests of the insured and resume the normal operations of the insurance company. The relationship of the credits and debts of the insurance company taken over shall not change as a result of the takeover.

Article 116

The composition of the take-over task force and the take-over procedures shall be determined and publicized by the insurance supervision and regulatory authority.

Article 117

When the term of the take-over expires, the insurance supervision and regulatory authority may determine to extend it. However, the maximum term of the take-over may not exceed two (2) years.

Article 118

When the term of the take-over expires and the insurance company has resumed its normal operational capacity, then the insurance supervision and regulatory authority may determine to terminate the take-over.

If the takeover task force is of the opinion that the assets of the insurance company which has been taken over are no longer sufficient to meet its liabilities, then the take-over task force may, with the approval of the insurance supervision and regulatory authority, apply to the People's Court to have the said insurance company declared bankrupt in accordance with laws.

Article 119

An insurance company shall submit its business reports, financial and accounting reports and related statements for the preceding year to the insurance supervision and regulatory authority within three (3) months after the end of each fiscal year, and publicize such reports and statements in accordance with laws.

Article 120

An insurance company shall submit to the insurance supervision and regulatory authority its business statistics statements for the preceding month by the end of each month.

Article 121

Insurance companies must appoint and employ actuarial professionals recognized by the insurance supervision and regulatory authority and establish an actuarial reporting system.

Article 122

Insurance company business reports, financial affairs accounting reports and actuarial reports, and other relevant forms, documents, and materials must record truthfully insurance service proceedings and may not contain falsified records, mistaken representations, or grave omissions.

Article 123

The insurer and the insured may employ independent loss adjusting companies established in accordance with laws or experts having statutory qualifications, to carry out adjustments and assessments of insurance incidents.

Loss adjusting companies and experts legally undertaking loss adjustment and assessment of insurance incidents must administer services with public notarization in accordance with the law.

Compensatory responsibility must be assumed should the insurer or the insured purposefully or mistakenly be harmed.

The receipt of payment by loss adjusting companies legally undertaking loss adjustment and assessment of insurance incidents must be handled in accordance with the rules of laws and administrative regulations.

Article 124

Insurance companies shall maintain complete accounting records, original vouchers and certificates as well as relevant information with respect to their business operations. The accounting records, original vouchers and certificates as well as other relevant information prescribed in the preceding paragraph should be maintained for not less than ten (10) years beginning from the date of the termination of the contract.

VI - Insurance Agents and Insurance Brokers

Article 125

An insurance agent means an entity or an individual that has been delegated by an insurer and collects handling fees therefrom, to transact insurance business on behalf of the insurance company within the scope of the delegated authority.

Article 126

An insurance broker means an entity which, based on the interests of the applicant, provides brokering services between the applicant and the insurer in the conclusion of an insurance contract and receives a commission in accordance with laws.

Article 127

Insurance agents entrusted by insurers to handle insurance services must sign agency entrustment agreements with the insurer stipulating the legal rights and interests of both sides and other agency provisions in accordance with the law.

Article 128

The insurer shall be held liable for the acts of its insurance agents when they transact insurance business on behalf of the insurance company in accordance with their delegated authority.

An insurer must undertake the insurance responsibility when an insurance agent handling insurance services on its behalf exceeds the limits of his/her agent rights and an applicant, believing that the agent has agent authority, has already signed the insurance contract; however, the insurer may investigate, in accordance with the law, the responsibility of the agent who exceeded his/her agent rights.

Article 129

Individual insurance agents cannot accept entrustment from more than one insurer concurrently when handling life insurance services.

Article 130

An insurance broker shall be liable for damages or losses caused to the applicant or the insured due to the negligence of the insurance broker in the course of transacting insurance business.

Article 131

An insurance agent and insurance brokers may not, when handling insurance services, exhibit any of the following behaviors:

- 1) Deceiving insurers, insurance applicants, the insured, or beneficiaries;
- 2) Concealing important conditions of the insurance contract;
- 3) Hindering the insurance applicant from exercising the obligations made clear in the regulations of this law, or inducing the applicant not to exercise the obligations made clear in the regulations of this law;
- 4) Undertaking to provide benefits beyond those prescribed in the regulations of the insurance contract to the insurance applicant, the insured, or beneficiaries;
- 5) Taking advantage of one's administrative role, the privilege of the position or their authority or employ other unfair means to coerce, induce or restrict insurance applicants to enter into an insurance contract.

Article 132

An insurance agent or an insurance broker shall meet the qualification requirements set forth by the insurance supervision and regulatory authority and shall obtain an insurance agent license or an insurance broker license issued by the insurance supervision and regulatory authority; shall register with the authority of industry and commerce administration to obtain a business license and shall pay a guarantee deposit or buy a professional indemnity insurance policy.

Article 133

An insurance agent or an insurance broker shall have his/her own business premises, maintain separate accounting records solely for recording revenues and expenses in connection with the transactions they handle and shall be subject to the supervision of the insurance supervision and regulatory authority.

Article 134

Insurance agent processing fees and broker commissions may only be paid to insurance agents and insurance brokers with legal qualifications and may not be paid to others.

Article 135

An insurance company shall establish a registration book of their insurance agents.

Article 136

Insurance companies must strengthen the training and management of insurance agents, must improve insurance agent professional ethics and professional quality, and must not suborn or mislead insurance agents to carry out activities that breach good faith obligations.

Article 137

The provisions of Article 105, 107, and 117 of this law shall apply to insurance agents and insurance brokers.

VII - Legal Liabilities

Article 138

An applicant, an insured or a beneficiary, who commits insurance fraud by conducting any of the following acts which constitutes a crime, shall be subject to criminal proceedings in accordance with laws:

1. The applicant deliberately falsifying the subject matter of the insurance, whereupon an insurance claim is fraudulently made;
2. Falsely alleging the occurrence of an insured event which in fact has not occurred, whereupon an insurance claim is fraudulently made;
3. Deliberately causing the occurrence of an insured event which leads to property damage, whereupon an insurance claim is fraudulently made;
4. Deliberately causing the occurrence of an insured event in the insurance of persons, which leads to the death, injury or illness of the insured, whereupon an insurance claim is fraudulently made; or
5. Forging or altering evidence, information and other proof, which are related to the insured event, or abetting, instigating or bribing others to provide false evidence, information or other proofs, fabricating the cause of the insured event or overstating the extent of loss, whereupon an insurance claim is fraudulently made. Administrative sanctions shall be imposed, in accordance with the relevant stipulations of the state, if any of the actions described above are not of a serious circumstance and do not constitute a crime.

Article 139

In the course of transacting insurance, an insurance company or its personnel that conceals important information with respect to the insurance contract, that deceives the applicant, the insured or the beneficiary, or that declines to fulfill its obligation of indemnity or payment of the insurance benefits in accordance with the contract, is subject to criminal proceedings in accordance with laws if the circumstances constitute a crime. However, if the circumstances do not constitute a crime, the insurance company is subject to the assessment of a fine

imposed by the insurance supervision and regulatory authority of not less than fifty thousand yuan (RMB 50,000), nor more than three hundred thousand yuan (RMB 300,000); personnel who are in violation of laws shall be subject to the assessment of a fine of not less than twenty thousand yuan (RMB 20,000) nor more than fifty thousand yuan (RMB 50,000), and where the circumstances are serious, the insurance company's scope of operations will be restricted or the company ordered to stop undertaking new operations.

In the course of transacting insurance, an insurance company or its personnel who prevents the applicant from fulfilling his/her obligation of making a full and accurate disclosure, induces the applicant not to fulfill his/her obligation of making a full and accurate disclosure, or promises to give illegal premium rebates or other interests to the applicant, the insured or the beneficiary, and the circumstances constitute a crime, criminal responsibility will be investigated according to the law. However, where the circumstances do not constitute a crime, the company or personnel shall be subject to the direction of the insurance supervision and regulatory authority to correct the conduct, and the insurance company shall be subject to a fine of not less than fifty thousand yuan (RMB 50,000), nor more than three hundred thousand yuan (RMB 300,000); the personnel who are in violation of laws shall be subject to a fine of not less than twenty thousand yuan (RMB 20,000) nor greater than one hundred thousand yuan (RMB 100,000); where the circumstances are serious, the insurance company's scope of operations will be restricted or the company ordered to stop undertaking new operations.

Article 140

If in the course of transacting insurance business, an insurance agent or an insurance broker deceives the insurer, the applicant, the insured or the beneficiary, and the actions constitute a crime, criminal responsibility will be investigated according to the law; however, if the actions do not constitute a crime, then the insurance supervision and regulatory authority will order the matter corrected and impose a fine of not less than fifty thousand yuan (RMB 50,000), nor more than three hundred thousand yuan (RMB 300,000). If the conduct is considered to be severe, the insurance agent license or the insurance broker license shall be revoked.

Article 141

If an insurance company and its personnel deliberately falsify the occurrence of an insured event which did not occur and make false settlement of a claim for the purpose of receiving a fraudulent payment, the insurance company and its personnel shall be subject to criminal proceedings in accordance with laws where the circumstances constitute a crime.

Article 142

Anyone who violates the provisions of this law and establishes an insurance company without approval, or illegally transacts commercial insurance activities, shall be clamped down upon by the insurance supervision and regulatory authority; where a crime is committed, criminal responsibility will be investigated in accordance with laws,. However, if the circumstances do not constitute a crime, the insurance supervision and regulatory authority will confiscate illegal gains and administer a fine of not less than one nor more than five times the amount of the illegal gains. Where there are no illegal gains or the illegal gains do not reach two hundred fifty thousand yuan (RMB 250,000), a fine worth more than two hundred fifty thousand yuan (RMB 250,000) and less than one million yuan (RMB 1,000,000) will be administered.

Article 143

Anyone who violates the provisions of this law, transacts insurance business beyond the scope of business approved, or concurrently conducts operations not stipulated in this law, other laws, or other administrative regulations, and whose actions constitute a crime, shall be subject to criminal proceedings in accordance with laws. However, if the actions do not constitute a crime, the insurance supervision and regulatory authority will order rectification and the return of premiums collected, confiscate illegal gains, and administer a fine of not less than one, nor more than five times the illegal gains. If there are no illegal gains or the illegal gains do not reach one hundred thousand yuan (RMB 100,000), he/she will be subject to a fine of not less than one hundred thousand yuan (RMB 100,000) nor more than five hundred thousand yuan (RMB 500,000). If the company fails to carry out the required correction within a prescribed period of time or where severe circumstances result, the insurance supervision and regulatory authority shall order all operations to cease and be corrected, or the company's insurance business license shall be revoked.

Article 144

Anyone who violates the provisions of this law and changes the information and details such as the name of the insurance company, Articles of Association, registered capital, business premises of the insurance company or its branches without approval, shall be subject to the direction of the insurance supervision and regulatory authority for correction and a fine of not less than ten thousand yuan (RMB 10,000), nor more than one hundred thousand yuan (RMB 100,000).

Article 145

Anyone who violates the provisions of this law, and commits any of the following acts, shall be subject to the direction of the insurance supervision and regulatory authority for correction and a fine of not less than fifty thousand yuan (RMB 50,000) nor more than three hundred thousand yuan (RMB 300,000); where the circumstances are severe, the insurance supervision and regulatory authority may restrict the scope of business, direct the company to cease accepting new business or revoke the insurance business license:

- 1) failing to set up a guarantee fund or violating the stipulations regarding the application of the guarantee fund;
- 2) failing to set aside or carry forward a reserve for each claim, or set aside an outstanding loss reserve, as required;
- 3) failing to contribute to the insurance guarantee fund or the accumulated reserve fund as required;
- 4) failing to effect outward reinsurance as required;
- 5) violating the regulations governing the application of the funds of the insurance company;
- 6) establishing branches or representative offices without approval; or
- 7) carrying out a division or a merger of the company without approval.
- 8) failing to report for approval the terms of the insurance policy and premium rates that must be reported.

Article 146

Anyone who violates of the provisions of this law and commits either of the following acts, shall be subject to the direction of the insurance supervision and regulatory authority to correct the breach, and a fine of not less than ten thousand yuan (RMB 10,000), nor more

than one hundred thousand yuan (RMB 100,000) if he/she fails to correct the breach within a prescribed period of time:

- 1) failing to submit relevant reports, statements, documents and information in accordance with laws or the regulations; or
- 2) failing to file the terms of the insurance policy and premium rates that must be filed.

Article 147

Anyone who violates the provisions of this law by committing one of the following acts in a manner that constitutes a crime shall be subject to criminal proceedings in accordance with laws; however, if the actions do not constitute a crime, the insurance supervision and regulatory authority will order rectification and administer a fine of not less than one hundred thousand yuan (RMB 100,000) nor more than five hundred thousand yuan (RMB 500,000). Where the circumstances are serious, the insurance company's scope of operations can be restricted, the company ordered to stop undertaking new operations, or the company's insurance business license revoked:

- 1) submitting false reports, statements, documents and information; or
- 2) refusing to accept or hindering lawful examination and supervision.

Article 148

Anyone who violates the provisions of this law, and commits any of the following acts, shall be subject to the direction of the insurance supervision and regulatory authority to correct the breach, and a fine of not less than fifty thousand yuan (RMB 50,000), nor more than three hundred thousand yuan (RMB 300,000):

- 1) retaining for its own account excessive insurance exposures which is regarded as having committed a serious breach; or
- 2) undertaking to provide life insurance where death is the prerequisite for the payment of the insurance benefits, for those who have no civil legal capacity.

Article 149

Anyone who violates the provisions of this law, and illegally transacts insurance agent business or insurance brokerage business without an insurance agent license or insurance broker license, shall be subject to action by the insurance supervision and regulatory authority. Where the circumstances constitute a crime, criminal responsibility will be investigated according to the law. However, if circumstances do not constitute a crime, the insurance supervision and regulatory authority will confiscate illegal gains and administer a fine of not less than one nor more than five times the illegal gains. Where there are no illegal gains or the illegal gains do not reach one hundred thousand yuan (RMB 100,000), a fine not less than one hundred thousand yuan (RMB 100,000) nor more than five hundred thousand yuan (RMB 500,000) will be administered.

Article 150

The insurance supervision and regulatory authority may, in accordance with relevant circumstances, issue warnings to, direct a replacement of, or impose a fine of not less than twenty thousand yuan (RMB 20,000), nor more than one hundred thousand yuan (RMB 100,000) on the senior management of an insurance company who are directly responsible for, as well as the personnel directly involved in the offense that is not in compliance with the provisions of this law, but which does not constitute a crime.

Article 151

Anyone who violates this law and causes damage or loss to others shall be subject to civil proceedings in accordance with laws.

Article 152 (Merges former Article 145 and Article 146)

Criminal responsibility will be investigated according to law where circumstances constitute a crime involving an application and approval establishing an insurance company which is not in compliance with the stipulated requirements of this law, an application and approval of insurance agents or insurance brokers which is not in compliance with the stipulated requirements of this law, the misuse of authority, the dereliction of duties, and other such behavior. Administrative sanctions will be imposed in accordance with the law where circumstances do not constitute a crime.

Article 153

The Maritime Law of the PRC is applicable to marine insurance. For the matters where the Maritime Law does not specify, this law shall be applicable.

VIII - Supplementary Provisions

Article 154

Foreign-invested joint venture insurance companies, wholly foreign-owned insurance companies, and foreign insurance company branches must conform to the regulations of this law; other laws and administrative regulations that have separate regulations should be followed.

Article 155

The state encourages those insurance businesses which facilitate the development of agricultural production. Agricultural insurance shall be governed by laws and administrative regulations to be promulgated separately.

Article 156

Insurance institutions other than insurance companies as defined by this law shall be governed by laws and administrative regulations to be promulgated separately.

Article 157

Insurance companies established upon approval in accordance with the regulations of the State Council prior to the enactment of this law shall remain operative. Those which do not fully meet the requirements stipulated in this law shall satisfy the requirements within a prescribed period of time. Specific measures shall be formulated by the State Council.

Article 158

This revised law takes effect on January 1, 2003.