

Client Update

China Insurance Regulator to Designate Local Systematically Important Insurers

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On April 15, 2016, the China Insurance Regulatory Commission (the “CIRC”) announced that it will designate a list of Chinese “systematically important insurers” (“SIIs”) and issue a series of regulations to supervise SIIs.

Mr. Liang Tao, the deputy chairman of the CIRC, made the above statement at CIRC’s kickoff meeting for building up a regulatory system for SIIs.

According to the CIRC, the Chinese regulatory system for SIIs will be in line with internationally accepted standards, as adapted to reflect the features of the Chinese insurance market. The Chinese insurers designated as SIIs will be required to form appropriate risk management plans and ensure that they are properly implemented.

It is believed that the Chinese SII regulation would be in addition to international regulation for “global systemically important insurers” (“G-SIIs”), as well as the recently enacted C-ROSS solvency regulation for Chinese insurers generally. In this respect, the new regulation would be similar to the regulation imposed in the United States on “non-bank systemically important insurers” (“NB-SIFIs”), which is also a local regulation imposed separately to the global regime. In contrast, European insurers are only subject to local regulation imposed under the Solvency II regime, with no separate local requirements on companies deemed “too big to fail.”

At present, Ping An Insurance (Group) Company of China, Ltd. is the only Chinese insurance company designated as one of the nine G-SIIs by the Financial Stability Board in consultation with the International Association of Insurance Supervisors and national authorities. The other eight G-SIIs are Aegon N.V., Allianz SE, American International Group Inc., Aviva plc, AXA S.A., MetLife, Inc., Prudential Financial, Inc. and Prudential plc.

The CIRC has not yet announced its timetable for SII designation and issuance of SII regulations. We continue to monitor developments in this area, and would be happy to discuss this with you at any time.

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Please do not hesitate to contact us with any questions.