

China - Insurance Law, 1995

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**Insurance Law of the People’s Republic of China
(Adopted at the 14th Session of the Standing Committee of the Eighth National People’s Congress on June 30, 1995, and promulgated by Order No. 51 of the President of the People’s Republic of China on June 30, 1995)**

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1 **Insurance Law of the People's Republic of China**
(Adopted at the 14th Session of the Standing
Committee of the Eighth National People's
Congress on June 30, 1995, and promulgated by
Order No. 51 of the President of the People's
Republic of China on June 30, 1995)

2 **Chapter I - General Provisions**

3 **Article 1**

4 This Law is enacted with the purpose of regulating insurance
activities, protecting the legitimate rights of the parties to insur-
ance, strengthening supervision and control over the insurance
business and contributing to the healthy development of the in-
surance industry.

5 **Article 2**

6 Insurance” as the term is used in this Law means a commer-
cial insurance whereby and insurance applicant, as contracted,
pays the insurance premium to the insurer, and the insurer
bears a liability to indemnify for property damage or losses
caused by occurrence of possible accidents that are agreed
upon in the contract, or to pay the insurance benefit when the
insured person dies, is injured or disable, suffers diseases or
reaches the age or term agreed upon in the contract.

7 **Article 3**

8 This Law shall apply to all insurance activities within the territory
of the People's Republic of China.

9 **Article 4**

Whoever, in engaging in insurance activities, must abide by 10
laws and administrative regulations and follow the principle of
voluntariness, honesty and trustworthiness.

Article 5 11

Those who engage in the commercial insurance business must 12
be insurance companies which are established in accordance
with this Law. No other units or individuals may engage in the
commercial insurance business.

Article 6 13

Legal entities and other organization within the territory of the 14
People's Republic of China, when necessary to buy insurance
policies within the territory, shall effect the insurance from the
insurance companies within the territory of the People's Repub-
lic of China.

Article 7 15

Insurance companies shall, in carrying on the insurance busi- 16
ness, follow the principle of fair competition and may not en-
gage in unfair competition.

Article 8 17

The financial supervision and control department of the State 18
Council is responsible for supervision and control over the in-
surance business in accordance with this Law.

Chapter II - Insurance Contract**Section 1 - General Provisions****Article 9**

An insurance contract is an agreement whereby the relation of rights and obligations of an insurance applicant and the insurer is stipulated. An insurance applicant means a person who concludes an insurance contract with an insurer and undertakes a liability to pay the insurance premium as contracted. An insurer means an insurance company which concludes insurance contracts with insurance applicants and bears the liability to indemnify or to pay the insurance benefit.

Article 10

In making insurance contracts, applicants and insurers shall follow the principles of fairness, mutual benefits, unanimity through negotiation and voluntariness, and may not harm the interests of the social public. With the exception of those that must be insured as provided by laws and administrative regulations, insurance companies and other units may not force others entering into insurance contracts.

Article 11

An insurance applicant shall have an insurable interest over the subject-matter insured. In case that an applicant has no insurable interest over the subject-matter insured, the insurance contract shall not be binding. An insurable interest means an interest that an applicant has over the subject-matter insured, of which is recognized by laws. As subject-matter insured means the property and its related interests, or the life expectancy and human body which serve as insurance objects.

Article 12

When an insurance applicant 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, and the insurance policy or other certificates of insurance shall contain and specify the contents of the contract agreed upon by both parties. Upon consent through negotiation, an applicant and an insurer may also conclude an insurance contract in writing in other forms other than those provided in the preceding paragraph.

Article 13

After an insurance contract is concluded, the applicant shall pay the insurance premium as contracted and the insurer shall bear the insurance liability from the time of commencement as contracted.

Article 14

Unless this Law otherwise provides or the insurance contract otherwise stipulates, the applicant may terminate the insurance contract after its conclusion.

Article 15

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

Article 16

36 Before an insurance contract is signed, the insurer shall disclose to the applicant the contents of clauses of the contract, and also may make inquiry on conditions relating to the subject-matter to be insured or the person to be insured, and the applicant shall disclose thereto truthfully.

37 If the applicant intentionally conceals facts, fails intentionally to execute the truthfully-reporting responsibility, or fails to execute the truthfully-reporting responsibility due to mistake, which is sufficient enough to affect the insurer in deciding whether or not to agree to the insurance or to raise the insurance premium rate, the insurer shall have the right to terminate the insurance contract. Where the applicant fails intentionally to execute the truthfully-reporting responsibility, the insurer will not bear the liability to indemnify or to pay the insurance benefit for the insurance accidents that occur prior to the termination of the insurance contract, and will not return the insurance premium. Where the applicant fails to execute the truthfully-reporting responsibility due to mistake and where the failure has a serious baring over the occurrence of the insurance accident, the insurer will not bear the liability to indemnify or to pay the insurance benefit for the insurance accident that happens prior to the termination of the insurance contract, however, may return the insurance premium. An insurance accident mean an accident that falls in the scope of insurance liability as contracted.

Article 17

38 Where an insurance contract contains clauses on liability exemption of the insurer, the insurer shall disclose them clearly to the applicant before the insurance contract is signed, and if the insurer fails to make it clear to the applicant, such clauses will not have binding force.

35 **Article 18**

An insurance contract shall contain the following particulars: 41

1. name and address of the insurer; 42
2. names and addresses of the applicant and the insured, as well as the name and address of the beneficiary to a life insurance policy; 43
3. subject-matter insured; 44
4. insurance liability and liability exemption; 45
5. insurance period and the time of commencement of the insurance liability; 46
6. insured value; 47
7. insured amount; 48
8. insurance premium and mode of payment; 49
9. mode of payment of insurance indemnity or insurance money; 50
10. responsibility for breach of contract and dispute settlement; and 51
11. the day, month and year on which the contract is signed. 52

Article 19

An insurance applicant and an insurer may make other stipulations on matters and items related to the insurance other than those particulars of the insurance contract as provided in the preceding article. 54

Article 20

56 Within the validity period of an insurance contract, the applicant and the insuree may, upon agreement through negotiation, modify relevant contents of the insurance contract. Where an insurance contract is modified, the insurer shall mark notes or attach slip on the original insurance policy or other insurance certificates, or the applicant and the insurer shall make an agreement in writing on such modifications.

Article 21

57
58 At the time of being aware of the occurrence of an insurance accident the applicant, the insured or the beneficiary, shall timely notify the insurer. An insured means a person whose property or body is guaranteed by the insurance contract, and who enjoys the right of claim over the insurance benefit. An applicant may be an insured. A beneficiary means a person who enjoys the right of claim over the insurance benefit as designated by insured or the applicant in life insurance contract. An applicant or an insured may be a beneficiary.

Article 22

59
60 At the time of requesting the insurer, in accordance with the insurance contract, for indemnity or payment of the insurance benefit after the occurrence of an insurance accident the applicant, the insured or the beneficiary shall provide to the insurer the relevant proofs and materials, as much as they can provide, so as to determine the nature, cause and degree of loss of the accident. The insurer who considers relevant proofs and materials as incomplete according to the stipulations of the insurance contract shall notify the applicant, the insured or the beneficiary to submit additional relevant proofs and materials.

55 **Article 23**

61
62 The insurer shall, after receiving claims for indemnity or payment of insurance benefit from the insured or the beneficiary, timely come to a decision, as for those within the insurance liability, he shall execute the liability of indemnity or payment of the insurance benefit within 10 days after reaching an agreement over the indemnity or payment of the insurance benefit with the insured or the beneficiary. If the insurance contract has the stipulations on insured amount and the period for indemnity or payment, the insurer shall, as contracted, execute the liability of indemnity or payment of the insurance benefit. Apart from paying the insurance benefit, the insurer who fails timely to execute the liability as provided in the preceding paragraph shall indemnify the insured or the beneficiary for losses therefrom. No unit or individual may illegally interfere the insurer from executing the liability over indemnity or payment of the insurance benefit, and may either restrict the rights of the insured or the beneficiary in obtaining the insurance benefit. The insured amount means the maximum measure of indemnity or payment of the insurance benefit by the insurer.

Article 24

63
64 After an insurer receives the request made by an insured or a beneficiary on indemnity or payment of the insurance benefit, as for those not falling under the insurance liability, the insurer shall issue a notice of refusal to indemnify or to make payment of the insurance benefit to the insured or the beneficiary therefore.

Article 25

65
66 An insurer who fails to determine the amount of indemnity or

payment of the insurance benefit within 60 days from the date on which the request for indemnity or payment of the insurance benefit as well as relevant proofs and materials are received, shall pay the minimum amount which can be determined by the proofs and materials already available; after determining eventually the amount of indemnity or payment of the insurance benefit, the insurer shall pay the corresponding gap.

67 **Article 26**

68 The right of claim for indemnity or payment of the insurance benefit of the insured or beneficiary of any other insurance other than the life insurance shall, if not executed in two year from the date of being aware of the occurrence of the insurance accident, cease to exist. The right of claim for payment of the insurance benefit of the insured or the beneficiary of life insurance shall if not executed in five years from the date of being aware of the occurrence of the insurance accident, cease to exist.

69 **Article 27**

70 If the insured or the beneficiary, under the circumstance that no insurance accident happens, lies about the occurrence of the accident and makes request for indemnity or payment of the insurance benefit to the insurer, the insurer shall have the right to terminate the insurance contract and will not return the insurance premium. If the applicant, the insured or the beneficiary intentionally causes an insurance accident, the insurer shall have the right to terminate the insurance contract, will not bear the liability over indemnity or payment of the insurance benefit, and will not return the insurance premium with the exception of separate provisions in the first paragraph of Article 64 of this Law. If the applicant, the insured or the beneficiary,

after the occurrence of an insurance accident, forges or alters relevant proofs materials or other evidences so as to provide false things account for the occurrence of the accident or to overstate the losses, the insurer shall not bear the liability over indemnity or payment of the insurance benefit for the part falsified. The applicant, the insured or the beneficiary, who commits one of the acts mentioned in the foregoing three paragraphs and causes the insurer make payment of the insurance benefit or expenses, shall return the payment or make compensation.

Article 28

71
72 When an insurer, in the form of underwriting, transfers partially its insurance business it undertakes to other insurers, this is called a reinsurance. At the request by a reinsurance acceptor, the outward reinsurer shall notify the reinsurance acceptor the relevant information on its self-born liability and the original insurance.

Article 29

73
74 Reinsurance acceptors may not demand the applicants of the original insurance to pay the insurance premium. The insured or the beneficiary of the original insurance may not claim for indemnity or payment of the insurance benefit form the reinsurance acceptor. The outward reinsurer may not, at the excuse that the reinsurance acceptor fails to execute the reinsurance liability, refuse or delay in executing the original insurance liability.

Article 30

75
76 When the insurer has disputes on the contents of an insurance

contract with the applicant, the insured or the beneficiary, the people's court or arbitration organ shall make interpretation and explanation favorable to the insured and the beneficiary.

77 **Article 31**

78 The insurer or reinsurance acceptors shall be liable to keep under secret and confidential conditions the business and property information of the applicants, the insured or the outward reinsurers, which they get to know in carrying on the insurance business.

79 **Section 2 - Property Insurance Contract**

80 **Article 32**

81 A property insurance contract means an insurance contract under 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.

82 **Article 33**

83 The transfer of subject-matter insured shall be informed to the insurer, and upon agreement to continue to underwrite by the insurer, the contract shall be modified according to law. However, insurance contracts of cargo transportation and contracts with otherwise stipulations shall be excluded.

84 **Article 34**

85 After the commencement of the insurance liability of insurance

contracts of cargo transportation and voyage insurance contracts of transport means, the parties to such contracts may not terminate the contracts.

Article 35

86

The insured shall abide by the State's regulations relating to the fire fighting, safety, production operation and labor protection, so as to ensure the safety of the subject-matter insured. The insurer may, as contracted, carry out inspection into the safety condition of the subject-matter insured, and timely make written suggestions on eliminating factors and hidden dangers to the applicant and the insured. Where the applicant or the insured fails to execute this due responsibility on the safety of the subject-matter insured as contracted, the insurer shall have the right to demand for increase in the insurance premium or to terminate the contract. For the purpose of ensuring the safety for the subject-matter insured, the insurer may, upon consent by the insured, take safety preventive measures.

87

Article 36

88

If, within the validity period of a contract, the degree of danger of the subject-matter insured increases, the insured shall timely notify the insurer as contracted, the insurer shall have the right to demand for increase in the insurance premium or to terminate the contract. Where the insured fails to execute the notification responsibility provided in the preceding paragraph, and an insurance accident thereby occurs due to the increase in the degree of danger of the subject-matter insured, the insurer will not bear the liability for indemnity.

89

Article 37

91 Under any of the following circumstances and unless the contract has otherwise stipulations, the insurer shall lower the insurance premium, and return the corresponding insurance premium calculated on a daily basis: 1. relevant circumstances on which the determination of insurance premium rate was based has undergone changes, and degree of danger of the subject-matter insured has obviously reduced, or 2. insurable value of the subject-matter insured has obviously reduced.

Article 38

92 If an applicant requests to terminate the contract prior to the commencement of an insurance liability, he shall pay a handling fee to the insurer and the insurer shall return the insurance premium. If an applicant request to terminate the contract after commencement of an insurance liability, the insurer may charge the insurance premium due from the date on which the insurance liability begins to the date on which the contract is terminated, the remaining part shall be returned to the applicant.

Article 39

94 Insurable value of a subject-matter insured may be determined by the applicant and the insurer and be contained in the contract, and also may 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 part in excess shall be invalid. Where the insured amount is lower than the insurable value, unless the contract has separate stipulations, the insurer will bear the

90 liability for indemnity according to the percentage of the insured amount of the insurable value.

Article 40

96 An Applicant of a double insurance shall notify each insurer on relevant conditions of the double insurance. If the total insured amount of a double insurance exceeds the insurable value, the total amount of indemnity to be made by all insurers may not exceed the insurable value. Unless the contract has otherwise stipulations, each insurer will bear the liability for indemnity according to the percentage of its insured amount to the total insured amount. A double insurance means an insurance under which an applicant concludes separate insurance contracts with two or more than two insurers on the same subject-matter insured, the same insurable interest and the same insurance accident. A double insurance means an insurance under which an applicant concludes separate insurance contracts with two or more than two insurers on the same subject-matter insured, the same insurable interest and the same insurance accident.

Article 41

98 If an insurance accident occurs, the insured shall have the duty to take necessary measures to prevent or minimize the losses. After the occurrence of an insurance accident, the necessary and reasonable expenses sustained by the insured in preventing or minimizing the losses of the subject-matter insured shall be on the insurer's account, 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 partial loss occurs to the subject-matter insured, the applicant may terminate the contract within 30 days after the insurer has made indemnity. Except otherwise provided for, the insurer may also terminate the contract. The insurer who intends to terminate the contract shall notify the applicant 15 days in advance, and shall return the insurance premium on the undamaged part of the subject-matter insured to the applicant after deducting the part receivable for the period from the date of the commencement of insurance liability to the date on which the contract is terminate.

Article 43

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

Article 44

If an insurance accident is caused by damage over the subject-matter insured by a third party, the insurer will, from the date of making payment of the insurance benefit to the insured, execute the right of subrogation in claiming for indemnity over the said third party within the limit of indemnity. Where the insured has obtained indemnity from the third party for the loss after the occurrence of an insurance accidents as provided in the preceding paragraph, the insurer may, when making payment

of the insurance benefit, deduct the amount which the insured has already obtained from the third party. When the insurer execute the right of subrogation for indemnity as provide in the first paragraph, it 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 the insured, after the occurrence of an insurance accident and before the insurer makes payment of the insurance benefit, waives his rights of claim for indemnity against the third party, the insurer will not bear the liability of indemnity for the insurance benefit.

If, after the insurer has paid indemnities to the insured, the insured forfeits the right to indemnities from the third party, the act is invalid.

If, due to the fault of the insured, the insurer cannot subrogate* the insured to exercise the right to claim for indemnities, the insurer shall reduce the payment of insurance money correspondingly.

Article 46

With the exception that family members or component persons of the insured intentionally cause the insurance accidents provided in Paragraph 1 of Article 44 of this Law, the insurer may not execute the right of subrogation for indemnity to the family members or component persons.

Article 47

When the insurer executes the right of subrogation against the

third party for indemnity, the insured shall provide necessary documents and relevant information within its knowledge to the insurer.

114 **Article 48**

115 Necessary and reasonable expenses paid by the insurer and the insured for the purpose of investigating and determining the nature and cause of the insurance accident and the degree of losses of the subject-matter insured shall be born by the insurer.

116 **Article 49**

117 If the insured of a liability insurance causes damage and loss to a third party, the insurer may, in accordance with the provisions of laws or the stipulations in the contract, directly make payment of the insurance benefit to the third party. A liability insurance means an insurance in which the liability for indemnity due of the insured to the third party is the subject-matter insured.

118 **Article 50**

119 If the insured of a liability insurance is brought to arbitration or legal proceedings due to an insurance accident in which damage or loss is caused to a third party by the insured, unless the contract contains otherwise stipulations, the insurer shall bear the arbitration or court charges 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. Life insurance contract, unless especially specified, is abbreviated as contract in this Section.

Article 52

An insurance applicant has the insurable interest over the following persons:

1. the applicant himself;
2. his spouse, children and parents, and
3. other family members or near relatives, other than those listed in the preceding item, with whom the applicant fosters, cares of or has a support relationship.

Excluding the provisions of the preceding paragraph, if the insured agrees the applicant to conclude a contract for him, it shall be deemed that the applicant has insurable interest over the insured.

Article 53

If the age of the insured declared by applicant 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 after deducting the handling fees, however, the contract which has been served for more than two years into since its conclusion shall be excluded. If the age of the insured declared by the

applicant is not true to fact, which hereby causes the applicant paying an insurance premium less than the insurance premium payable, the insurer shall have the right to correct it and demand the applicant to make up the insurance premium, or pay the insurance benefit according to the percentage of the actually paid insurance premium to the insurance premium payable. If the age of the insured declared by the applicant is not true to fact, which hereby causes the applicant paying an insurance premium more than the insurance premium payable, the insurer shall return the insurance premium collected in excess to the applicant.

131 **Article 54**

132 An applicant may not effect a life insurance for persons without civil capacity, in which death is the prerequisite for payment of the insurance benefit, and the insurer may not accept it. Life insurance effected by parents for their minor children shall not be restricted by the provisions of the preceding paragraph, however, the total amount of the insurance benefit paid at their death may not exceed the limit stipulated by the financial supervision and control department.

133 **Article 55**

134 A contract in which death is the prerequisite for payment of the insurance benefit, unless approved by the insured in writing and agreed on the insured amount, shall be deemed as invalid and void. An insurance policy issued according to a contract in which death is the prerequisite for payment of the insurance benefit, unless with written approval by the insured, may not be assigned or mortgaged. Life insurance effect by parents for their minor children shall not be limited by the provisions of the first paragraph.

Article 56

An applicant, after the contract is signed, may pay full insurance premium in one installment to the insurer, and also may pay the insurance premium in installments as contracted. Where a contract stipulates the insurance premium to be paid in installments, the applicant shall pay the initial payment of insurance premium at the time the contract is entered into, and shall pay the insurance premium for various remaining installments as scheduled.

Article 57

In case a contract stipulates the payment of the insurance premium to be make in installments, after the applicant has paid the first installments of the premium, but fails to pay the current installment of the premium 60 days as scheduled, the force of the contract will cease to exist, unless the contract contains otherwise stipulations, or, the insurer shall reduce the insured amount according to the terms stipulated in the contract.

Article 58

Upon agreement through negotiation by the insurer and the applicant and after the applicant makes up the payment of the insurance premium, the force of a contract which ceases according to the provisions of the preceding paragraph, may be resumed. However, in the case when the two sides fail to reach agreement within two years after the termination of the contract, the insurer has the right to terminate the contract. If the contract is terminated as provided for in the preceding paragraph, the insurer shall return the cash value of the insurance policies as agreed upon in the contract if the insurant has paid up insurance premium for more than two full years. If the insurer

ant has not paid up the premium for less than two years, the insurer shall return the premium paid after deducting the commissions.

141 **Article 59**

142 The insurer may not resort to legal proceedings to demand the applicant to pay the insurance premium of life insurance.

143 **Article 60**

144 The beneficiary of life insurance shall be appointed by the insured or the applicant. The applicant must be subject to approval by the insured when appointing the beneficiary. If the insured is a person without civil capacity or a person with limited civil capacity, his guardian may appoint the beneficiary.

145 **Article 61**

146 An insured or an applicant may appoint one or several persons as the beneficiary. If the beneficiary includes several persons, the insured or the applicant may decide the order for benefit and their shares of benefits if no share of the benefit is decided, the beneficiaries shall have the equal amount of rights on benefit.

147 **Article 62**

148 An insured or an applicant may change the beneficiary and shall notify the insurer in writing. The insurer shall, after receiving the written notification on the change of beneficiary, mark it on the insurance policy. An applicant must be subject to approval by the insurer when changing the beneficiary.

Article 63

149

Under one of the following circumstances, the insurance benefit shall be treated as the legacy of the insured who dies, and the insurer shall execute its liability of payment of the insurance benefit to the heir of the insured: 150

1. without any person appointed as the beneficiary; 151
2. The beneficiary dies earlier than the insured, and there is no other beneficiary; and 152
3. the beneficiary loses usufruct or waives the usufruct, and there is no other beneficiary. 153

Article 64

154

If an applicant or a beneficiary intentionally causes the death of, injury to, disability or disease of the insured, the insurer will not bear the liability of payment of the insurance benefit. If the applicant 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 death of, injury to, or disability of the insured, or attempts intentionally to murder the insured, will lose his usufruct. 155

Article 65

156

Under a contract in which death is the prerequisite for payment of the insurance benefit, if the insured commits suicide, with the exception of those provided in Paragraph 2 of this Article, the insurer will not be liable for payment of the insurance benefit, as for the insurance premium already paid by the applicant, however, the insurer shall, according to the insurance policy, return its cash value. Under a contract in which death is the 157

prerequisite for payment of the insurance benefit and after two full years after the contract was signed, if the insured commits suicide, the insurer may, as contracted, pay the insurance benefit.

158 **Article 66**

159 If the insured intentionally commits crimes to cause injury to, disability or death of himself, the insurer will not be liable for the payment of the insurance benefit.

160 If the applicant has already paid in full the insurance premium for two years or more, insurer shall, according to the insurance policy, return its cash value.

161 **Article 67**

162 If the insured of a life insurance sustains an insurance accident as death, injury, disability or disease due to the harms done by a third party, the insurer, after making the payment of insurance benefit to the insured or the beneficiary, may not enjoy the right of claims for compensation against the third party.

163 **Article 68**

164 If an applicant who has already paid in full the insurance premium for two years or more terminates the contract, the insurer shall, within 30 days after receiving the notification on termination of the contract, return the cash value of the insurance policy; if the applicant has not yet paid the insurance premium for two full years, the insurer shall, after deducting the handling fees 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 must be subject to approval by the financial supervision and control department.

Article 71

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

1. having an 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 qualified management personnel with professional knowledge and working experiences qualified for their posts;
4. having a well-founded 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 exam-

ining the application for establishment, shall take into account the needs of the insurance industry development and fair competition.

180 **Article 72**

181 The minimum amount of registered capital for setting up an insurance company is 200 million Renminbe yuan.

182 The minimum amount of registered capital of an insurance company must be the money capital actually contributed

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

184 **Article 73**

185 At the time of applying for the establishment of an insurance company, the following documents and materials shall be submitted.

- 186 1. a written application for establishment which shall contain the designation, registered capital and business scope of the insurance company intended to be established;
- 187 2. a feasibility study report; and
- 188 3. other documents and materials required by the financial supervision and control department.

189 **Article 74**

190 If the applicant for the establishment of an insurance company

is found to meet the requirements through preliminary examination, the applicant shall then carry out the preparation for the establishment of the insurance company in accordance with the provisions of this Law and the Company Law. For those which meet the requirements on establishment provided in Article 71 of this Law, the formal application form and the following documents and materials shall be submitted to the financial supervision and control department:

- 191 1. articles of association of the insurance company;
- 192 2. name list of shareholders as well as their shares or contributors as well as their contributions;
- 193 3. letters of credit and relevant materials of those shareholders who own more than 10 percent of registered capital;
- 194 4. verification certificate issued by authorized capital verification organizations;
- 195 5. resumes and qualification certificates of senior management personnel intended to be appointed;
- 196 6. operation principle and plan;
- 197 7. information on the business place and other facilities relevant to its business; and
- 198 8. other documents required by the financial supervisions and control department.

Article 75

200 The financial supervision and control department shall, within six months from the date on which the formal application documents for the establishment of an insurance company are received, make a decision to approve or disapprove it.

	Article 76	20201	The branch organizations of an insurance company do not have	
			the status of legal entity, and their civil liability shall be born by	
202	An insurance company which are approved to be established		the insurance company.	
	shall be issued a license for engaging in the insurance business			
	by the department of approval, and shall, on the strength of the			
	aforesaid license, complete registration with the administrative			
	department for industry and commerce, and obtain its business			
	license			
203	Article 77			
	If an insurance company, within six months from the date on			
204	which the license for engaging in the insurance business is ob-			
	tained, fails to complete company registration without justified			
	reasons, its license for engaging in the insurance business shall			
	cease to be valid automatically.			
205	Article 78			
	An insurance company shall, after its establishment, allocate			
206	20 percent of its total capital as guarantee fund, and deposit it			
	in the bank designated by the financial supervision and control			
	department, such guarantee fund may not be used except to be			
	used to clear off debts when the insurance company is under			
	liquidation.			
207	Article 79			
	An insurance company must be subject to approval from the			
208	financial supervision and control department in establishing			
	branch organizations within and outside the territory of the Peo-			
	ple's Republic of China, and shall obtain licenses for engaging			
	in insurance business for these branches organizations.			

223 **Article 82**

224 The provisions of the Company Law shall apply to the organizational structure of insurance companies.

225 **Article 83**

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

227 **Article 84**

228 An insurance company, due to its split, merger or the occurrence of dissolution causes stipulated in the article of association and upon the approval by the financial supervision and control department, dissolves. The insurance company shall, according to law, form a liquidation group to carry out liquidation. Those insurance companies engaged in the life insurance business may not be dissolved except it split or merger.

229 **Article 85**

230 If the license for engaging in the insurance business of an insurance company, due to its violation of laws and administrative regulation, is revoked by the financial supervision and control

department, the said insurance company shall be dissolved according law. The financial supervision and control department shall timely organize a liquidation group to carry out liquidation.

Article 86

231
232 When an insurance company is unable to service its debts due, it shall, with the consent of the financial supervision and control department, be declared bankruptcy by a people's court according to law. If an insurance company is declared bankruptcy, the people's court shall organize a liquidation group composing of relevant departments such as the financial supervision and control departments and relevant personnel to carry out liquidation.

Article 87

233
234 If an insurance company engaged in the life insurance business is dissolved or is declared bankruptcy according to law, the life insurance contracts and reserve fund in its possession must be transferred to other insurance companies engaged in the life insurance business; in case of no transfer agreement with other insurance companies, the financial supervision and control department shall appoint insurance companies engaged in the life insurance business to accept them.

Article 88

235
236 If an insurance company goes bankrupt according to law, the bankrupt property shall, after paying bankruptcy expenses in priority, be distributed according to the following order:

1. Wages and salaries to its employees in arrears and labor 237

insurance costs;

238 2. indemnity or payment of the insurance benefit;

239 3. tax in default; and

240 4. to service the company's debts.

241 If the bankrupt property is not sufficient to service the payment claims in the same order, it shall be distributed according to a percentage.

242 **Article 89**

243 When an insurance company terminates its business operations according to law, its license for engaging in the insurance business shall be canceled.

244 **Article 90**

245 In absence of the provisions in this Law, the provisions of the company Law, other relevant laws and administrative regulations shall apply to the matters such as establishment, modification, dissolution and liquidation of insurance companies.

246 **Chapter IV - Operational Rules Governing Insurance**

247 **Article 91**

248 Business scopes of insurance companies:

249 1. property insurance business, including such insurance businesses as insurance of property loss, liability insurance and credit insurance; and

250 2. life insurance business, including such insurance busi-

nesses as life insurance, health insurance and accident insurance.

One insurer may not engage in the property insurance business and life insurance business concurrently. 251

The business scope of an insurance company shall be approved by the financial supervision and control department. 252
The insurance companies can only carry on insurance business activities within their business scopes approved.

The State Council shall formulate the measures on 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. 253

Article 92 254

Upon approval by the financial supervision and control department, an insurance company may engage in the following reinsurance business of those insurance businesses provided in the preceding article: 255

1. outward insurance; 256

2. inward insurance. 257

Article 93 258

The insurance companies engaged in insurance businesses other than the life insurance business shall allocate undue liability reserve fund from the retention insurance premiums of the current year; the amount allocated and carried forward shall be equivalent to 50 percent of the retention insurance premiums of the current year. 259

Those insurance companies engaged in the life insurance busi- 260

ness shall allocate undue liability reserve fund according to the total net value of valid life insurance policies.

261 **Article 94**

262 Insurance companies shall allocate the outstanding loss reserve in accordance with the amount of insurance indemnity or payment already claimed for, as well as the amount of insurance indemnity or payment not yet claimed for but the insurance accident already happened.

263 **Article 95**

264 Apart from allocating reserve funds as provided in the preceding two articles, insurance companies shall, in accordance with the provisions of relevant laws, administrative regulations and the state's financial accounting system, allocate the accumulated fund.

265 **Article 96**

266 In order to protect the insured persons' interests and support their steady and healthy operations, insurance companies shall, according to the regulations of the financial supervision and control department, appropriate and deposit the insurance guarantee fund.

267 The insurance guarantee fund shall be centrally controlled and used in a unified manner.

268 **Article 97**

269 An insurance company shall possess the minimum indemnity

and payment ability which match its business scale. The balance of actual assets after deducting actual debts of an insurance company may not be lower than the amount stipulated by the financial supervision and control department; if the balance is lower than the amount stipulated, the insurance company shall increase its capital to make up the gap.

Article 98

270

271 The retention insurance premiums of the current year for an insurance company engaged in the property insurance business may not exceed four times of its combined total of its actual capital and accumulated fund.

Article 99

272

273 The liability for each risk unit of an insurance company, that is, the liability for the maximum loss scope possibly to be caused by each insurance accident, may not exceed 10 percent of the combined total of its actual capital and accumulated fund, the part in excess, if any, shall be effected a reinsurance.

Article 100

274

275 The calculation method on risk unit and plans on catastrophe risk of insurance companies shall be reported to the financial supervision and control department for approval.

Article 101

276

277 With the exception of the life insurance business, an insurance company shall, in accordance with the state's relevant regulations, effect a reinsurance for 20 percent of each insurance business it accepts.

278 **Article 102**

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

280 **Article 103**

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

282 **Article 104**

283 The use of fund of the insurance company must be moderate and safe, follow the safety principle, and guarantee to increase and maintain the value of its assets.

284 The use of fund of the insurance company is restricted only to bank deposit, trading of government bonds and financial bonds and other forms of fund utilization stipulated by the State Council.

285 The fund of the insurance company may not be used to set up securities operation organizations or to invest in enterprises.

286 The concrete proportion of fund used by the insurance company and the capital for specific projects in its total capital shall be stipulated by the financial supervision and control department.

287 **Article 105**

Insurance companies and their employees may not commit the following acts during their insurance business activities: 288

1. to cheat the applicant, the insured or the beneficiary; 289
2. to conceal important information relevant to insurance contract to applicant; 290
3. to prevent the applicants from executing the truthfully-reporting responsibility provided in this law, or induce them not to execute the truthfully-reporting responsibility provided in this law; or 291
4. to promise the applicants, the insured or the beneficiary to give permits rebates or other interests beyond the stipulations of the insurance contracts. 292

Chapter V - Supervision and Control over Insurance Business 293

Article 106 294

Basic insurance clauses and premium rates for major coverage of commercial insurance shall be provided by the financial supervision and control department. 295

The insurance clauses and insurance rates of other categories of insurance worked out by insurance companies shall be submitted for the record to financial supervision and administration departments. 296

Article 107 297

Financial supervision and administration departments have the right to check the operations, financial situation and operation 298

of funds of insurance companies and have the right to demand for the supply of related written reports and materials within the prescribed time limit.

299 Insurance companies shall accept supervision and inspection according to law.

300 **Article 108**

301 When an insurance company fails to appropriate or carry forward various reserve funds according to the provisions of this Law, or fails to effect reinsurance according to the provisions of this Law, or seriously violates the provisions of this Law on these of fund, the financial supervision and control department shall order the said insurance company to take the following measures to remedy within a set time limit:

- 302 1. to appropriate or carry forward various reserve funds according to law;
- 303 2. to effect reinsurance according to law;
- 304 3. to correct its acts of fund use committed in violation of law,; and
- 305 4. to change major person(s) in charge and relevant executive personnel.

306 **Article 109**

307 Subject to the provisions of the preceding article, if an insurance company fails to make correction within the set time limit after the financial supervision and control department has made the decision for making corrections within a set time limit, the financial supervision and control department shall decide to select professional persons in the insurance business and to appoint relevant personnel from the said insurance company to form a

rectification group which will carry out rectification on the said insurance company.

The rectification decision shall contain and specify the designation of the insurance company to be rectified, the cause for rectification, rectification group and the rectification period, and shall be announced and advertised. 308

Article 110 309

The rectification group, during the rectification process, has the authority to supervise the said insurance company's daily affairs. The persons in charge and relevant executive personnel of the said insurance company shall perform their duties and powers under the supervision of the rectification group. 310

Article 111 311

During the rectification process, the original businesses of the insurance company may continue, however, the financial supervision and control department has the authority to ban it from any new business or to suspend part of its original business and to adjust the use of fund. 312

Article 112 313

Where an insurance company under rectification has already corrected its acts of violating this law and resumed its normal operation ability, the rectification, after the submission of report by the rectification group and upon approval by the financial supervision and control department, shall cease. 314

Article 113

316 Where an insurance company violates the provisions of this Law and harms the interests of social public, which might seriously threaten or has already threatened its payment ability the financial supervision and control department may implement a takeover of the said company.

317 The aim of such takeover is to adopt necessary measures for the company taken over so as to protect the interests of the insured persons, and restore the normal operation of the said insurance company. The debts and credits of the insurance company taken over shall not change due to such a takeover.

Article 114

318 The composition of the takeover group and the implementation measures for takeover shall be made, announced and published by the financial supervision and control department.

Article 115

320 When the term of takeover expires, the financial supervision and control department may decide to extend the term, however, the maximum term for takeover may not exceed two years.

Article 116

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

315 If the takeover group believes that the assets of the insurance company is no longer sufficient to clear its debts, upon approval by the financial supervision and control department, it shall apply to a people's court to declare bankruptcy of the said insurance company according to law. 324

Article 117

325 An insurance company shall, within three month after the end of each fiscal year, submit its business report, financial accounting statement and relevant statements of the immediate previous year to the financial supervision and control department, and make announcements therefore according to law. 326

Article 118

327 An insurance company shall, before the end of each month, submit its business statistics report of the immediate previous month to the financial supervision and control department. 328

Article 119

329 Insurance companies engaged in the life insurance business must appoint and employ professional actuary certified by the financial supervision and control department, and establish an actuarial reporting system. 330

Article 120

331 The insurer and the insured may invite independent assessment organization established according to law or experts having statutory qualifications to carry out assessment and appraisal on insurance accidents. 332

333	Article 121			
334	Insurance companies shall properly keep complete account books, originally vouchers and certificates as well as relevant materials about their business operation activities.			
335	The keeping period of account books, original vouchers and certificates as well as relevant materials provided in the preceding paragraph may not be shorter than 10 years, calculating from the date which the insurance contracts ended.			
336	Chapter VI - Insurance Agent and Insurance Broker			
337	Article 122			
338	An insurance agent means an unit or individual that, according to the commission by the insurer, collects commission fees from the insurer and handles the insurance business on behalf of the insurer within the domain of commission.			
339	Article 123			
340	An insurance broker means an unit which, for purpose of the interests of an insurance applicant, provides intermediary service of the applicant and the insurer to conclude an insurance contract and collects brokerage commission according to law.			
341	Article 124			
342	The insurer shall assume the liability for the acts of insurance agents in handling the insurance business on behalf of the insurer according to the authorization.			
		An insurance agent engaging in agency business of life insurance may not accept commission from two or more than two insurers concurrently.		343
		Article 125		344
		Where a loss, due to the mistake of the insurance broker, is caused to the applicant or the insured, the insurance broker shall bear the liability to indemnify therefore.		345
		Article 126		346
		Insurance agents and insurance brokers, when handling insurance businesses, may not take the advantage of their administrative power, positions or occupation as well as other unfair means to force, induce or restrict insurance applicants in concluding insurance contracts.		347
		Article 127		348
		Insurance agents and insurance brokers shall meet the qualification requirements set up by the financial supervision and control department, obtain the license for engaging in the insurance agency business or the license for engaging in the insurance brokerage business issued by the financial supervision and control department, complete registration with the administrative department for industry and commerce, obtain their business licenses, and pay the guarantee money or buy a professional liability insurance.		349
		Article 128		350
		Insurance agents and insurance brokers shall have their own		351

business places, set up special books to record the collection and payment conditions of insurance agency business or brokerage business, and accept supervision by the financial supervision and control department.

352 **Article 129**

353 An insurance company shall set up a registration book of its insurance agents.

354 **Article 130**

355 The provisions of Articles 105, 107 and 117 of this Law shall apply to insurance agents and insurance brokers.

356 **Chapter VII - Legal Responsibility**

357 **Article 131**

358 Where an insurance applicant, an insured or a beneficiary commits one of the following acts, carries out activities of insurance deceit, and constitutes a criminal responsibility shall be investigated according to law:

- 359 1. the applicant intentionally falsifies the subject-matter insured so as to cheat for the insurance benefit;
- 360 2. falsifying the occurrence of an insurance accident which has not occurred so as to cheat for the insurance benefit;
- 361 3. intentionally to cause an insurance accident with losses afflict on property so as to cheat for the insurance benefit;
- 362 4. intentionally to cause a life insurance accident such as the death, injury, disability or disease of the insured so as to cheat for the insurance benefit; or

5. forging or altering proof, materials or other evidences relating to the insurance accident, or instigation inducing or paying other to provide false proof, materials or other evidences, fabricating false cause, or exaggerating degree of losses so as to cheat for the insurance benefit. 363

Whoever commits one of the acts listed in the preceding paragraph, if the circumstance is of minor nature and does not constitute a crime, shall be given an administrative penalty according to relevant regulations of the state. 364

Article 132

Where an insurance company and its employee(s), during insurance business activities, conceal important information relating to the insurance contract, cheat the applicant, the insured or the beneficiary, or refuse to execute the liability of indemnity or payment of the insurance benefit as contracted, which 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 a penalty on the employee(s) who violates the law and impose a fine of less than 10,000 yuan concurrently. 365

Where an insurance company and its employee(s) hinder the applicant from executing the truthfully-reporting responsibility, or induce the applicant into not executing the truthfully-reporting responsibility, or promise the applicant, the insured or the 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 give a penalty on the employee(s) who violates the law and impose thereon a fine of less than 10,000 yuan concurrently. 367

368 **Article 133**

369 Where an insurance agent or an insurance broker cheats the applicant, the insured or the 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 case is serious, the financial supervision and control department shall revoke its license for engaging in the insurance agency business or its license for engaging in the insurance brokerage business. If a crime is constituted, criminal responsibility shall be investigated according to law.

370 **Article 134**

371 Where any employee of insurance companies takes the advantage of his post, intentionally fabricates an insurance accident not occurred and makes false indemnity so as to cheat for the insurance benefit, criminal responsibility shall be investigated according to law.

372 **Article 135**

373 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 annul it. If these is of a minor nature and no crime is constituted, administrative penalty shall be given therefore.

374 **Article 136**

375 Whoever, in violation of the provisions of this Law, engages in

the insurance business beyond the approved business scope, shall be ordered by the financial supervision and control department to correct and to return the insurance premium already collected, and shall be confiscated its illegal gains if there is such gains, and imposed thereon a fine equivalent to more than one times and less than five time of the illegal gains concurrently, if there is no illegal gains, imposed thereon a fine of from 100,000 yuan to 500,000 yuan, and if it fails to make correction beyond the set time limit or serious result is caused, shall be ordered to suspend its business for rectification or revoked its license for engaging in the insurance business.

Article 137

376

377 Where an insurance company, in violation of the provisions of this Law, changes without approval such matters and items as the company's designation, articles of association, registered capital or business place of the company or its branch organization, the financial supervision and control department shall order it to make correct and impose thereon a fine of from 10,000 yuan to 100,000 yuan concurrently.

Article 138

378

379 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 thereon a fine of from 50,000 yuan to 300,000 yuan concurrently, and if the case is serious, the department may restrict the company's business scope and order it to suspend to accept new businesses or revoke its license for engaging in the insurance business:

1. failing to allocate guarantee fund according to regulations or using, in violation of regulations, the guarantee fund;

380

- 381 2. failing to allocate or carry forward undue liability reserve fund
according to regulations or failing to allocate outstanding loss
reserve according to regulations;
- 382 3. failing to allocate insurance guarantee fund and accumulated
fund according to regulations;
- 383 4. failing to carry out outward reinsurance business according
to regulations;
- 384 5. using capital of the insurance company in violation of regu-
lations;
- 385 6. setting up branch organizations or representative offices
without approval; or
- 386 7. splitting or merging without approval.

387 **Article 139**

388 Where an insurance company, in violation of the provisions of
this law, commits one of the following acts, the financial super-
vision and control department shall order it to make correction,
and if failing to make correction within the set time limit, impose
a fine of from 10,000 yuan to 100,000 yuan:

- 389 1. failing to submit, as required, relevant reports, statements,
documents and materials or
- 390 2. failing to submit, as required, the insurance clauses and in-
surance premium rate for the planned insurance coverage for
the record.

391 **Article 140**

392 Whoever, in violation of the provisions of this law, commits one
of the following acts, shall be ordered by the financial supervi-
sion and control department to make correction, and imposed
a fine of from 100,000 yuan to 500,000 yuan:

- 1.providing false reports, statements, documents or materials; 393
or
2. refusing or hindering inspection and supervision carried out 394
according to law.

Article 141

Whoever, in violation of the provisions of this Law, commits one 396
of the following acts, shall be ordered by the financial supervi-
sion and control department to made correction, and imposed
a fine of from 50,000 yuan to 300,000 yuan:

1. over insurance and the case is serious; or 397
2. accepting an insurance under which death is the prerequisite 398
of payment of the insurance benefit for a person without civil
capacity.

Article 142

Whoever, in violation of the provisions of this Law, illegally en- 400
gages in insurance agency business or insurance brokerage
business without obtaining a license for engaging in the insur-
ance agency business or a license for engaging in the insur-
ance brokerage business, shall be annulled by the financial su-
pervision and control department, confiscated its illegal gains,
and imposed a fine equivalent to more than five times and less
than 10 times of its illegal gains. If a crime is constituted, crim-
inal responsibility shall be investigated according to law.

Article 143

With respect to the insurance company's senior executive per- 401
sonnel held directly responsible for and other persons held di-
rectly responsible for the act which was committed in violation 402

of the provisions of this Law but does not constitute a crime, the financial supervision and control department may, according to the specific circumstances, give warning order a replacement and impose a fine of from 5,000 yuan to 30,000 yuan.

403 **Article 144**

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

405 **Article 145**

406 Whoever approves the application for establishment of an insurance company which fails to meet the requirements on establishment provided in this Law or approves the application insurance agent or insurance broker which fails to meet the requirements on agency or brokerage, shall be given an administrative penalty, if the case is serious and a crime is constituted, criminal responsibility shall be investigated according to law.

407 **Article 146**

408 If any person 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 which constitutes a crime, criminal responsibility shall be investigated according to law, if no crime is constituted, administrative penalty shall be given thereto.

Chapter VIII - Supplementary Provisions

Article 147

The relevant provisions of the Maritime Law shall apply to marine insurance, and in absence of the provisions in the Maritime Law, 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, where laws and administrative regulations have separate provisions, such provisions shall apply.

Article 149

The state supports to develop 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 provide on insurance organizations of other natures other than those insurance companies provided by this Law.

Article 151

Those insurance companies which, in accordance with the regulations of the State Council, were approved 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 make to met such requirements within a set time limit. The State Council shall formulate the concrete measures thereon.

420 **Article 152**

421 This Law shall enter into force on October 1, 1995.

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