Curbs on insurance JVs likely

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By Han Xiao (China Daily)

China may prohibit foreign insurers from buying into more than one domestic insurance company, in an effort to avoid competition between the buyer and the seller.

"Foreign insurance companies that have already received the green light to invest in a Chinese counterpart may not be allowed to take equity stakes in other local firms operating in the same business area," said the China Insurance Regulatory Commission (CIRC), the industry regulator.

The statement comes at a time when the CIRC is fine-tuning the draft rules on insurance companies' stake management and seeking public suggestions on the same. The regulator prepared the draft rules in August.

According to Hao Yansu, an insurance professor with the Central University of Finance and Economics, the move is aimed at preventing foreign insurers from gaining more market share by acquiring Chinese rivals.

Currently, several foreign insurers have more than one joint-venture operation in China. For instance, ING has CPIC-ING Life Insurance Co based in Shanghai and ING-Capital Insurance headquartered in Dalian. US insurer Metlife, too, has two joint-venture life insurers, one based in Beijing and the other in Shanghai.

"There might be more detailed explanations about this article in the final rule, say, no controlling stake in Chinese insurance companies in the same business," said Hao, adding smaller stakes in several domestic insurers might not be prohibited in the final rule.

The revised draft would also ease requirements for investors who buy equity in insurers via the stock market. They won't have to meet the asset and profit standards demanded for off-market stake acquisitions, according to the statement. These investors must have assets totaling at least $2 billion and must have booked profit for at least three consecutive years.

The CIRC is also adding qualification requirements for insurers seeking an initial public offering or to sell additional equity. The tighter rule comes after shares of Ping An Insurance (Group) Co, the country's second largest insurer, fell nearly 50 percent since its January announcement of plans to issue new shares.

Companies planning initial share sales or refinancing must meet regulatory requirements for solvency capacity, corporate governance and internal risk control, the statement said, without giving exact criteria. They are also required not to have violated any laws and regulations in the past three years.

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