

Smaller insurers can get stocks nod

China's insurance regulator is drafting rules on evaluating small and medium-sized insurance companies' investment abilities, paving the way for their direct investment in equities, officials from the regulator confirmed yesterday.

"Though it may still take some time for the rule to go public, major criteria include the number of professional employees, internal risk controls and supporting IT systems," the official from the China Insurance Regulatory Commission said.

Currently, small and medium-sized insurance companies have to put their money under asset management firms launched by the leading insurers, if they want to make any investments. Last year, the regulator approved 14 smaller insurance companies to run stock investment through insurance asset management companies.

"That move means we could soon make direct investments into the stock market and reduce the investment cost," said an investment department head of a medium-sized insurance company. "But the impact brought by this move on small and medium-sized insurers may differ, depending on the regulator's detailed requirements for the evaluation of insurance companies' investment abilities."

For instance, if they have a threshold on the company's overall investment ability, some insurers who have a very focused business may find it difficult to meet the demand, he added.

"We will soon expand our investment channels, probably within two to three months," Dean Richards, CEO of Skandia-BSAM, a Sino-Sweden joint venture insurer specializing in unit-linked insurance told China Daily.

However, as the company is still waiting for the go-ahead from the industry regulator, Richards declined to reveal what kind of other investment channels they are looking at. Currently, Skandia-BSAM runs fund instead of getting involved in stocks investment directly.

Since last year, the regulator has been striving to expand investment channels for insurance companies to boost their investment returns. Insurance firms now can directly invest 10 percent of their capital in the stock market, jumping from the 5 percent compared to last year. Meanwhile, insurance companies could also buy foreign reserves to invest overseas, and their investment choices could be extended to financial derivatives.

"Compared with those big names, small and medium-sized insurance companies are faced with similar systemic risks in the capital market. What makes things different is their investment abilities," said Wang Xiaogang, an analyst with Shanghai-based Orient Securities.

Source: China Daily