

## Banks get OK for insurance arms

China's big four State banks will be allowed to run their own insurance companies under a pilot program, an official from the country's banking regulator said.

"We have reached an agreement with the insurance regulator on allowing banks to set up their own insurance companies, and the big four banks will be the first to run it on a pilot basis," Lai Xufu, an official from the China Banking Regulatory Commission (CBRC), said at the weekend.

At a press conference in February, Li Kemu, vice-chairman of the China Insurance Regulatory Commission, indicated that there would be at least one approved insurance company floated by a bank this year.

"The two regulators have now reached a consensus on the regulatory framework, and most of the preparatory work is ready," said Li.

□

### **Related readings:**

- ◆ [BOC may enter insurance sector](#)
- ◆ [Pilot for banks buying into insurers may start soon](#)
- ◆ [Major Chinese banks to invest in insurance](#)
- ◆ [Two banks apply to make insurance investments](#)

Besides the big four, a number of mid-sized banks, such as China Merchants Bank, have also submitted applications to the regulators, eyeing the business potential in the insurance sector - a sector growing at an annual average of 20 percent in the past decade.

However, the management risks arising from such an operation could pose a challenge, said Hao Yansu, an insurance professor from the Central University of Finance and Economics.

"To split the risks, it would be better for banks to set up an investment entity and initiate an insurance company through the investment arm," said Hao, adding the global financial crisis indicates that the more types of business an institution runs, the higher risks it will face.

Usually, it takes around seven or eight years for a new life insurer to reach the break-even point.

In 2008, China's banking sector realized a net profit after tax of 583.4 billion yuan, up 30.6 percent on a yearly basis.

(For more biz stories, please visit [Industries](#))