

## CIRC lifts ban on investment-linked insurance

The China Insurance Regulatory Commission (CIRC) recently gave the green light to four domestic insurers to open investment-linked insurance accounts, after a half-year suspension triggered by the mass cancellation of investment-linked insurance policies in the second half of 2008, according to a post on CIRC's website on Tuesday.

The four insurers - China Life, CITIC-Prudential, Great Wall Life and Pacific-Antai Life - were approved by the CIRC to open eight new accounts for their investment-linked insurance products.

As most insurers failed to benefit from the rising capital market in the first quarter of this year, they significantly increased their investment in the stock market in the second quarter, especially in May and June, which contributed to lucrative returns in the first half of the year, Beijing Business Today said on Wednesday.

"The CIRC's move to lift the ban on investment-linked insurance accounts means regulators think there're more opportunities on the (stock) market, and insurance funds will continue entering the market," a source with an unnamed brokerage told the newspaper.

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The source said the move by authorities was more of a positive signal pointing to insurers' confidence in the stock market, for the investment-linked insurance market, unlike the fund market, is still small and won't bring in large sums of capital for the stock market.

Wang Xiaogang, an analyst with the Orient Securities, said the CIRC also wanted to expand investment channels for insurers to boost the insurance market.

"The mass cancellation of investment-linked insurance policies was a result of misleading marketing (of the product)," Wang told the newspaper. "The withdrawal risk can be avoided now, for the selling procedures, personnel training and information disclosure are all regulated."

Statistics from Sinolink Securities showed yields from investing in equities under investment-linked insurance accounts have risen with the rebound of the capital market. More than 60 percent of aggressive investment accounts of investment-linked insurance products have outperformed the market in the past year.

In the first five months of this year, the average return on stock accounts reached 5.03 percent, compared with a loss of 45 percent in the second half of last year, according to Sinolink.

China Life, for example, saw a steady rise in its equity assets under its investment-linked insurance account from last December to May this year, and as of the end of May, the equity assets accounted for as high as 74.8 percent of the account's net assets, the newspaper said.

A source from an insurance capital management company predicted a large flow of funds from investment-linked insurance accounts into the stock market in coming months.

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