

New insurance law goes into effect

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China's new insurance law goes into effect today. The new law has become more sophisticated with provisions increasing from 157 to 186.



The new revisions of the insurance law mainly focus on protecting the rights of policy holders and insurance beneficiaries. One of the new rules states that the failure of policy holders to release crucial information is a serious "fault," instead of an "offense" as defined by the old version.

Another big change, the insurer is now required to fully explain detailed insurance terms and conditions before the client signs the contract.

The new rules also require insurers applying to set up branches to prove their ability to meet their liabilities in the preceding two quarters and in the previous year. The main shareholder in an insurer will need to have net assets of 200 million yuan or more to set up the company. The previous law issued in 2004 does not specify the period for which the insurer must meet standards on its ability to meet liabilities.

In addition, the new law sets more provisions on automobile insurance, which had been a concern of many consumers. It specifies that when the ownership of a used car is transferred to another person, the car insurance policy is automatically transferred.

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