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PROPERTY & CASUALTY INSURER PERSPECTIVES ON THE US-CHINA RELATIONSHIP AND THE “STRATEGIC ECONOMIC DIALOGUE”

AIA member companies have been active in China for more than a decade and are committed to helping foster an open insurance market that will play an important role in China’s economic growth. We strongly supported China’s accession to the WTO and its provisions to provide foreign access to the country’s financial services, including insurance.

In this context, AIA members have emphasized to Chinese officials that their country’s ability to extend the benefits of its explosive economic growth to a larger cross-section of its population and geographic areas hinges in part on a liberalized and more innovative insurance regime. We have pointed out that insurance provides security for both individuals and businesses, capital for infrastructure development, economic incentives for safety on the roads and in workplaces, and mitigation of risk at home as well as abroad.

AIA and its members have engaged Chinese officials through a range of intensive dialogues that have addressed key regulatory issues. Our members have also provided technical assistance, sponsored education and training, and provided constructive comments on proposed regulations. Most recently, we have strongly supported the bilateral “Strategic Economic Dialogue” (SED) as a vehicle for even closer relations and further mutually beneficial insurance market liberalization.

Important topics of interest for AIA members include:

--Approval of conversion from branch to subsidiary corporate structure. AIA continues to press for final individual company approvals for this structural change, mandated but not yet implemented by Chinese regulators.

--Removal of territorial restrictions for branching and concurrent approvals. The current regulatory process requires time-consuming “consecutive approval,” thereby curbing insurance growth and making it more difficult to offer new products to a greater range of Chinese companies and individuals.

--Permission to offer innovative products. AIA member companies seek to offer innovative types of insurance coverages in China, including political risk insurance for

Chinese companies operating in foreign markets. Such products would bolster the financial security of Chinese companies and offer models to domestic insurers.

--**Regulatory Transparency.** AIA believes that notice and comment rulemaking, the right of appeal to a neutral arbiter, and reasonable deadlines all assist regulators promulgate the most cost effective regulations. At the same time, regulatory transparency allows companies to participate in a positive way in the regulatory process. China and our companies would benefit from more regularized and transparent regulation.

--**World leadership role for China.** We believe that China can play an enhanced global leadership role by offering further market liberalization -- and by urging other countries to do likewise -- in the context of the WTO's Doha Round and other multilateral trade discussions.