



Broking regulations usher in structural transformation

The Chinese insurance industry, especially the insurance broking segment, is now in the throes of a seismic transformation, thanks to tightened supervision by the regulator. **Asia Risks Management Services' Mr Marc Burban** explains how these will have long term beneficial impact on the broking community.

By Anoop Khanna

China's insurance industry is undergoing one of the most significant regulatory and structural transformations in recent times. Driven by national strategic priorities and reinforced by strict supervision by the National Financial Regulatory Administration (NFRA), these changes are reshaping the operating environment for insurers, brokers, and reinsurers alike.

For insurance brokers in particular, regulatory strictness is not merely a compliance challenge, it represents a fundamental shift in business models, revenue structures, and long-term strategic positioning.

While these reforms impose short-term constraints, they also create long-term opportunities for professional brokers capable of evolving into strategic risk advisors in an increasingly complex and globally integrated insurance ecosystem.

A pillar of financial stability

Speaking with *Asia Insurance Review*, Asia Risks Management Services Founder and General Manager Marc Burban said, "In September 2024, China's State Council released its strategic directive on the high-quality development of the insurance industry, establishing a clear roadmap through 2035.

"This directive positions insurance

as a core pillar of China's modern financial system and emphasises its role in supporting economic stability, strengthening social protection, and enabling national strategic initiatives."

"The policy framework reflects a broader shift in regulatory philosophy, moving away from prioritising rapid market expansion and toward sustainability, financial discipline, and systemic risk prevention," said Mr Burban.

Regulatory supervision

The regulator's priorities include strengthening supervision to maintain financial discipline across the industry, expand catastrophe and climate insurance coverage, and support national strategies such as the Belt and Road Initiative. In addition, the regulatory framework promotes the development of agricultural, marine, and export credit insurance and encourages reinsurance development and international expansion.

Mr Burban said, "These objectives clearly signal the regulator's intention to build a more resilient, transparent, and professionally managed sector aligned with the country's long-term economic strategy. For the broking community, this translates into increased scrutiny, tighter operational

requirements, and structural changes in traditional revenue models.

He said, "One of the most significant regulatory strengthening has been the strict enforcement of the Cash Before Cover principle. Under this, insurance coverage cannot legally incept until the insurer has either received the premium, or at least the required initial instalment, in accordance with regulatory and contractual provisions."

For premiums exceeding CNY200,000 (\$29,670) payment may be made in instalments, but the first instalment must be received before coverage can begin, and coverage remains conditional upon compliance with the agreed payment schedule. This marks the end of longstanding market practices in which coverage could be bound prior to payment based on client creditworthiness or commercial relationships.

"Insurance placement is no longer a credit-facilitated transaction but has become a prepaid financial instrument governed by strict cash-flow discipline. Coverage is now directly dependent on payment discipline, financial coordination, and operational execution. This strengthens insurer balance sheets by reducing premium receivable exposure and improving cash-flow alignment."

Implementing financial discipline

Mr Burban said, “It reflects the regulator’s objective of reinforcing financial discipline and limiting systemic credit risk within the industry. It also elevates the operational and advisory responsibilities of brokers, who must now ensure proactive oversight of payment timing, clear communication with clients, and disciplined placement to safeguard the legal and financial validity of coverage.

“Furthermore, insurance invoices, or *fapiao*, which serve as official tax and accounting documents, may only be issued after premium payment has been received. This ensures alignment between policy issuance, financial reporting, and regulatory supervision.”

He said, “It reduces the risk of fictitious policies, delayed premium payments, and accounting irregularities, while strengthening transparency across the insurance sector. For brokers, this further reinforces the importance of proper financial coordination and strict compliance oversight.”

Another major regulatory requirement is the mandatory approval and registration of policy wordings, clauses, and special agreements. Insurers are no longer permitted to issue policies using unapproved or customised wording outside the regulator’s approved framework.

He said, “This limits the flexibility of insurers and brokers to negotiate bespoke policy terms, strengthens consumer protection, standardises insurance products across the market, and increases compliance requirements in policy placement. While this reduces customisation flexibility, it enhances market stability and transparency.

“Professional brokers must deepen their technical expertise to structure solutions within approved regulatory frameworks while still meeting client risk management needs.”

“Commission caps are now effectively enforced, typically ranging from approximately 14% for the largest insurers to 16% for mid-tier insurers and up to 18% for smaller insurers. These caps are calculated based on net premium, excluding tax.”

Historically, commission levels in China were flexible, allowing brokers

to negotiate higher remuneration in certain segments or complex placements. The imposition of effective caps represents a structural shift in broker economics and has significantly reduced brokerage revenue potential.

Immediate impact

Speaking about these major regulatory changes and their immediate impact on the brokers, Mr Burban said, “These have brought in measurable consequences for the brokerage sector, particularly in terms of revenue, operational complexity, and market structure.

“Commission caps directly reduce brokerage income, especially in property and casualty lines. Brokers that rely primarily on transactional, commission-based revenue models are therefore facing increasing pressure on profitability.”

“However, the cash before cover requirement provides certain operational benefits. It enables brokers to accurately determine their actual revenue, reduces the administrative burden associated with collecting unpaid premiums, and allows commissions to be received more quickly, thereby improving cash flow and strengthening financial predictability.”

He said, “At the same time, brokers must now operate within a significantly more structured and regulated framework. Compliance is no longer a secondary administrative function but has become a core operational responsibility.”

This increased compliance burden requires stronger internal controls, improved operational discipline, and greater technical expertise. Brokers with strong compliance capabilities, technical expertise, financial stability, and established client relationships are better positioned to adapt to the new regulatory environment.

“Less sophisticated brokers may struggle to comply with the new requirements and may face financial pressure or exit the market. This consolidation trend aligns with regulatory objectives of improving overall industry professionalism and strengthening the long-term stability of the insurance distribution sector.”

New business model

Mr Burban said while these

regulatory changes create short-term operational and financial challenges, they are also accelerating the evolution of the profession. “Traditionally, the broker’s role in China was often centred primarily on distribution, focusing on placing policies and earning commissions. This model is no longer sustainable.”

“Brokers must now evolve into strategic risk advisors providing value-added services beyond insurance placement. Brokers need to become increasingly involved in risk assessment and mitigation advisory, loss prevention strategies, enterprise risk management support, and claims advocacy services.”

Brokers also need to develop tailored insurance facilities for high-risk activities that insurers may be reluctant to cover, combining risk prevention advisory with the implementation of mitigation measures in partnership with specialised risk-engineering firms and equipment providers.

He said, “As Chinese companies expand globally, brokers will need to play a more significant role in structuring international insurance programmes. They will also need to ensure compliance across multiple jurisdictions, and structure fronting and reinsurance arrangements, facilitate access to specialised coverages, including risks such as war and terrorism that may not always be readily available within the domestic insurance market.”

Future of the Chinese insurance market

Mr Burban said, “China’s regulatory reforms are not intended to weaken the brokerage sector but rather to strengthen it by encouraging professionalism, transparency, and value creation. Over time, the industry will likely see the emergence of stronger and more professional brokers with enhanced technical expertise and compliance capabilities. This integration will support more sophisticated risk transfer solutions.

“As China continues to invest in large-scale domestic and international infrastructure projects and as climate-related risks increase, demand for complex insurance and reinsurance solutions will grow.”