

# IGP Country Profile **China**





# Table of contents

<b>Customary employee benefits</b>	<b>3</b>
Death Benefits & Survivors' Benefits	3
Disability Benefits	3
Employer-Sponsored Medical Benefits	3
Medical Benefits	4
Worksite Medical	6
Retirement Benefits	10
<b>Legislative news</b>	<b>20</b>
2024	20
2023	20
<b>Trends</b>	<b>21</b>
"Health-first strategy"	21
Market size	21
Market structure	21
<b>Sample employee benefits plans</b>	<b>25</b>
<b>Useful links</b>	<b>32</b>
More information on Taiping Pension Co., Ltd.	32

# Customary employee benefits

Customary Employee Benefits typically include supplementary insurance such as life insurance, health insurance, pension benefits, and other benefits for dependent children, spouses, or parents. Employers usually offer these benefits over and above salaries, wages, and mandatory employee benefits.

## Death Benefits & Survivors' Benefits

Life insurance is a popular employee benefit. Group life insurance for employees is commonly found in foreign companies.

Lump-sum benefits are paid upon an employee's death for any reason and can range from two to five times annual salary or may be paid according to a schedule for employees in special positions or a flat amount for all employees. Benefits covering a lesser amount for spouses and children are permitted.

AD&D benefits are also provided in many cases.

## Disability Benefits

Lump-sum scheduled benefit payment according to the level of disability (dismemberment), ranging from 10% to 100% of the amount insured.

Benefit payment, if disabled due to accident, is equal to some percentage of the insured amount. AD&D and TP&D coverage are normally provided.

- **Short-Term Disability**  
Employers pay the employee a percentage of salary during the sickness period, depending on the length of continuous service. Practice varies by province and city.
- **Long-Term Disability**  
Very rare. Generally, all employees are eligible for Total Permanent Disability, which is typically the same as the group life coverage.

## Employer-Sponsored Medical Benefits

China's Social Security System includes medical benefits. However, group health plans are necessary to supplement the inadequacies of the Social Security Plan.

Insurance companies are encouraged to develop products such as medical insurance, disease insurance, disability income insurance and long-term care insurance to supplement basic medical insurance. At the same time, tax policy concerning health insurance should be improved. Steps should be taken to implement and improve the corporate income tax policy regarding the premium of supplementary medical insurance paid by businesses for their employees. These measures pave the way for faster growth of commercial health insurance.

## Definition of a Group

A specific group means a legal person, an unincorporated organization, and another group composed not for the sole purpose of purchasing group insurance. Where a specific group is a legal person or an unincorporated organization, the insurance applicant shall be the legal person or unincorporated organization. Where a specific group is another group composed not for the purpose of purchasing insurance, the insurance applicant may be a natural person of the specific group.

## Size of a Specific Group

The insured of group insurance shall be no less than three persons when a contract is signed and issued. The spouses, children, and parents of the members of a specific group may be regarded as the insured. Almost all supplementary medical plans are designed to complement the social medical insurance program, to coordinate basic social medical benefits. This practice helps to design a cost-containment program.

Any reasonable medical expenses charged to an employee's basic social medical individual account or paid in cash by him or her are eligible to be covered by the supplementary medical plan. Furthermore, the using of an individual social medical insurance card, and designated hospitals under social medical scheme are required in order to control the potential moral hazard risk of

patients and doctors. It also helps to coordinate the differences among different geographic locations.

Premiums are normally paid by the employer, with some exceptions in terms of dependent medical coverage. Usually, plans provide 50% of employee benefits for dependents, and the employer shall pay the premium for the latter. However, an employee can top up the level of benefits provided to his or her dependents by paying an additional premium.

Most plans offer the same benefit schedule to all employees, with only a little difference according to the different local social medical insurance benefits among different areas.

Some employers provide different/flexible benefits to employees according to their position, benefits budget, demographic data, etc. For example, senior managers are provided with a better benefit schedule than junior managers and general staff. Certain individual benefit budgets are allocated to different employees, and employees are able to select any benefit package designed to meet different benefit needs.

Supplementary medical benefits will cover any reasonable medical expenses, including clinic visits, hospitalization, and critical illness expenses. Levels of benefits vary in accordance with the type of plan. A brief outline of the coverage follows.

Also, Customary Employee Benefits are a way for enterprises to take advantage of tax incentives for purchasing group insurance. According to the local tax law, purchasing group life insurance products is a business expense which reduces taxable income and lowers the tax burden.

The following information will focus on the various types of customary employee benefits and the relevant policies issued by the government. Lastly, it will analyze the future development trend of employee benefits in China based on current situation.

## Medical Benefits

### Customary Private Employee Benefits

Topped-up clinical benefits and hospitalization benefits are commonly provided to supplement the Social Security Medical Care benefit.

Other benefits, such as critical illness, hospitalization allowance, and the supplementary pooled funds are also available in some of the medical schemes. However, some benefits are in the form of a lump-sum subsidy rather than covering full expenses, such as critical illness benefits.

### Employer-Sponsored Medical Benefits

#### Hospitalization

The in-patient benefit is the principal benefit for private medical care plans. If the hospitalization is due to disease or accident, a certain amount of the insured sum is available to the insured.

#### Eligibility

Insured is between the ages of 16 to 60, healthy, a full-time employee who can perform normal work. The spouse and children of the insured can be included as dependents in the contract upon approval of the insurer.

Upon approval of the insurer, the corporation where the insured works can be considered as a group applicant. If the institution is being considered as a group applicant, at least 75% of the employees and at least 20 persons should be covered.

#### Sum Insured

RMB 10,000 – RMB 100,000

#### Coverage

Hospitalization cost is borne by the insured according to local social security medical care stipulations, and the specific amount paid by the insurance company is reduced by a certain percentage or/and deductible amount.

## Critical Illness

### Eligibility

Insured is between the ages of 16 to 65, healthy, and a full-time employee who can perform normal work. The spouse and children of the insured can be included as dependents in the contract upon approval of the insurer.

Upon approval of the insurer, the company where the insured works can be considered as a group applicant. If the institution is being considered as a group applicant, at least 75% of the employees and at least eight persons should be covered.

### Sum Insured

RMB 100,000 — RMB 150,000, not more than RMB 500,000.

### Coverage

In November 2020, the China Insurance Association released the Specification for the Use of the Definition of Disease in Critical Illness Insurance (2020 Version), which became effective on February 1, 2021. This regulation introduces a classification system for “severe” and “mild” dread diseases, expanding coverage from 25 to 28 types of severe dread diseases and 3 types of mild dread diseases. For more information (in Chinese): <http://www.iachina.cn/module/download/downloadfile.jsp?classid=0&filename=dfbe46c8f7aa414694e7043603c6fb0b.pdf>.

#### Severe Dread Diseases:

- Malignant tumor-severe
- More acute myocardial infarction
- Severe Sequela of cerebral apoplexy
- Major organ transplantation or hematopoietic stem cell transplantation
- Bypass operation of coronary artery (coronary artery bypass grafting)
- Severe chronic kidney failure
- Multiple limbs mutilation
- Acute fatal hepatitis or subacute serious hepatitis

- Severe nonmalignant intracranial tumor
- Severe chronic liver failure
- Severe postencephalitic or severe sequelae of meningitis
- Deep coma
- Deafness
- Blind in both eyes
- Paralysis
- Heart valve surgery
- Serious Alzheimer's disease
- Serious brain injury
- Severe Primary Parkinson's disease
- Severe third-degree burn
- Severe idiopathic pulmonary arterial hypertension
- Severe motor neuron disease
- Lost the power of speech
- Severe Chronic aplastic anemia
- Aorta operation
- Severe Chronic respiratory failure
- Severe Crohn's disease
- Severe ulcerative colitis

#### Mild Dread Diseases:

- Malignant tumor - Mild
- Mild Acute Myocardial Infarction
- Mild Sequela of cerebral apoplexy

When the insured is diagnosed with any of the above critical illness conditions, the sum insured is available to the insured or to his or her beneficiary.

In addition, if the insured dies, his or her beneficiary can claim the death benefit equivalent to the insured amount.

## Out-Patient Clinical Visit

### Eligibility

An insured is defined as someone between the ages of 16 to 60, who is a healthy, full-time employee, and who can perform normal work. The spouse and children of the insured can be included as dependents in the contract upon approval of the insurer. Upon approval of the insurer, the company where the insured works can be considered as a group applicant. If the institution is being considered as a group applicant, at least 75% of the employees and at least 20 persons should be covered.

### Sum Insured

RMB 5,000 — RMB 100,000

### Coverage

- Treatment expenses
- Medical inspection expenses
- Operation expenses
- Medicine expenses

The above expenses are to be borne by the insured according to local social security medical care stipulations, and the specific amount paid by the insurer is reduced by a certain percentage and/or deductible amount.

## Worksite Medical

Worksite projects cover various insurance types: Senior Cancer, Lifelong Critical Illness, Child Critical Illness, Annuity and Individual Pensions, etc. Below are brief introductions on senior cancer product.

### Worksite Senior Cancer

#### Eligibility

The elderly, limited by their ages, are usually neglected from traditional group commercial insurances, have remarkable premium potential in such senior cancer products. The employees, their dependent parents, or their spouses, including those who suffer from some mild past symptoms, can be covered by this product if the insured is between ages of 50 and 75 via worksite marketing.

#### Sum Insured

There are 4 plans to choose from:

	Plan 1	Plan 2	Plan 3	Plan 4
<b>Malignant Tumor</b>	50,000	100,000	150,000	200,000
<b>High-Cost Malignant Tumor</b>	25,000	50,000	75,000	100,000
<b>Carcinoma in Situ</b>	10,000	20,000	30,000	40,000
<b>Sum Insured</b>	85,000	170,000	255,000	340,000

### Coverage

- Major Insurance
  - Malignant tumor: 100% reimbursed
  - Significantly high-cost malignant tumor: 50% extra reimbursement
- Additional insurance: carcinoma in situ: 20% reimbursed, with major insurance still in effect

## Health Management Plans

The Opinions of the State Council on Accelerating the Development of Modern Insurance Industry [29] 2014 and the Opinions of State Council on Accelerating the Development of Commercial Health Insurance [50] 2014 present that health management services such as disease prevention, health maintenance and chronic disease management are encouraged to be provided in tandem with commercial health insurance products. Insurance institutions should become a part of the health service industry by establishing their own medical institutions or participate in the reform of public hospitals through equity interest investment or strategic partnership.

With health increasingly being prioritized, Chinese consumers are not merely insuring themselves against disease, but also securing their health. As commercial insurance embraces services, the Chinese insurance industry is exploring a business model that deeply integrates them to offer innovative products and services being developed in response to evolving market demand.

In 2012, Taiping Pension launched a new product “Supreme Healthcare” health management. Taiping works with VHS (Valorize Health Solutions), a third-party health management solution group for this health management product that offers a range of services, including electronic health files, risk assessments, consultation hotlines, electronic health periodicals, coordination of expert and specialist consultations and second opinions, etc., seeking to cover a comprehensive life cycle of disease:

### Coverage

Customers may choose from the following four plans:

- **Choice 1:**  
Meeting client’s basic requirement on health risk management
- **Choice 2:**  
Providing considerate “housekeeper” health risk management services to the client
- **Choice 3:**  
All around and personalized high-end health risk management services
- **Choice 4:**  
Intensive and high-end health risk management services (more information below)

## Benefit Schedule Example: Choice 4

Taiping has established an integrated health protection model of “insurance + health management”, enabling customers to enjoy quality health management services with “convenient health use, medical diagnosis, medication, and comfortable nursing and rehabilitation”, saving customers’ time.

- **Service Program: Guidance on Healthy Lifestyle**

**Item:** Free service

**Content:** Professional health information, including health classes, health videos, etc.

**Frequency:** Unlimited

- **Service Brand: Taiping Family Doctor**

**Item:** Consultations with Doctor via phone, text, or video.

**Content:** Provides health advice and answering customers’ health-related questions via phone, text, or video

**Frequency:** Unlimited

**Item:** Electronic health periodicals

**Content:** Sends electronic healthcare periodicals with physical and psychological health information to a client via email on a regular basis.

**Frequency:** 24/year

**Item:** Psychological counseling via phone

**Content:** Provides counseling via phone for:

- Emotional distress caused by accidents and illnesses;
- Common emotional or psychological issues experienced by oneself and family members;
- Teenagers’ issues of study aversion, internet addiction, and emotional problems;
- Adults’ workplace stress, marriage, and family issues, as well as parent-child problems;
- Negative emotions and behaviors among the elderly due to health problems and empty-nest syndrome.

**Frequency:** Tailor-made

- **Service Program: Medical Journey Without Worries**

**Item:** Daily Health

**Content:** Health Evaluation, Consultation via text or image

**Frequency:** Unlimited

**Item:** Medical Assistance

**Content:** Medical guide and accompanying service, outpatient appointment coordination, medical examination coordination, hospitalization, and surgery coordination

**Frequency:** Tailor-made

**Item:** Pharmaceutical services

**Content:** Pharmaceutical services

**Frequency:** Tailor-made

- **Service Brand: Critical Illness Without Worries**

**Item:** Daily consultation

**Content:** Phone Doctor: Frequency: Unlimited

**Content:** Interpretation of Physical Examination Report

**Frequency:** Phone unlimited, online 1 time/year

**Item:** Medical Assistance for Critical Illness

**Content:**

- Coordination of critical illness clinics
- Coordination of critical illness hospitalization
- Domestic secondary diagnosis and treatment
- Global secondary diagnosis and treatment
- Multidisciplinary Consultation

**Frequency:** 1 time/year

**Item:** Rehabilitation Assistance

**Content:**

- Coordination of critical illness follow-up visits: 1 time/year
- Psychological Comfort for Critical Illness: 6 times/year
- Critical illness rehabilitation guidance: 12 times/year

• **Service Program: Ultimate Harmony Circle**

**Item:** All-in-One Card

**Content:**

- Initial Consultation with Circle-Harmony Specialist Doctor
- Medical Record Summary & Evaluation of Client's Electronic Disease Archive
- Domestic Imaging Expert Film Review Arrangement
- Consultation with Experts from Renowned Domestic Tertiary Hospitals
- Coordination for Hospitalization and Surgery at Renowned Domestic Tertiary Hospitals
- Consultation on International Clinical Trial New Drugs
- Consultation with Experts from Internationally Renowned Specialist Hospitals
- International Referral Arrangement
- Rehabilitation Guidance Plan

**Service Features:** Comprehensive Systemic Health Management Services with Global Access to Top-Tier Medical Resources

**Item:** Global Precision Oncology Treatment Services

**Content:**

- Oncology Expert Case Summary Compilation
- Elsevier Clinical Pathway & Report Interpretation

**Service Features:** Comprehensive Systemic Health Management Services with Global Access to Top-Tier Medical Resources

**Item:** Precision Healthcare Services

**Content:**

- Oncology Expert Initial Consultation & Case Summary Compilation Service
- Inpatient Nursing Care (1V1 Nurse Attendant Service)

**Service Features:** Comprehensive Systemic Health Management Services with Global Access to Top-Tier Medical Resources

**Item:** PD-1 Therapy Healthcare Services

**Content:**

- One-on-one exclusive nursing service within the hospital (up to 8 days and 7 nights)
- Designated PD-1 tumor immunotherapy drug use rights

**Service Features:** Comprehensive Systemic Health Management Services with Global Access to Top-Tier Medical Resources

**Item:** Customized Health Lecture/Live Streaming

**Content:** Medical or Health Expert Invitation, Professional Health Presentation Materials Development, and Specialized Lectures

**Service Features:** Comprehensive Systemic Health Management Services with Global Access to Top-Tier Medical Resources

**Item:** Physical Examination

**Content:**

- Physical Examination Package: Mid-to-High-End Examination Items, Including Clinical Examinations, Auxiliary Examinations, and Laboratory Tests
- Gastrointestinal Endoscopy Examination
- UCAD Single-Item Early Tumor Screening

**Service Features:** Comprehensive Systemic Health Management Services with Global Access to Top-Tier Medical Resources

## Retirement Benefits

### Customary Private Employee Retirement Benefits

**Normal Retirement Age (Legal):** Age 60 for males and 55 for females

In addition to the mandatory contributions, many employers offer voluntary contributions, which are:

- Accumulated in the employee's individual retirement account;
- Paid as a lump-sum amount or monthly annuity at the time the member retires;
- Dependent upon the employee's position, age, years of service, etc., for determining the amount.

The current regulatory governance framework is a bit complex and restrictive. Currently, different types of licenses are needed across the three different pension pillars, which are granted by four different regulatory bodies: NCSSF, MoHRSS, China Securities Regulatory Commission (CSRC), and the former China Banking and Insurance Regulatory Commission (CBIRC).

### Employer-Sponsored Retirement Benefits

While most employees are covered by the Social Security System, commercial benefit plans are often adopted to supplement the moderate level of social security benefits.

In the past, the development of commercial benefit plans was limited to group life, accidental death and disability, and medical coverage. However, there is a growing need for commercial retirement plans, due to the comparative low retirement replacement ratio provided by the Government.

### Enterprise Annuity (EA)

In August 2014, the Opinions of the State Council on Accelerating the Development of Modern Insurance Industry [29] 2014 was issued by the State Council. It states briefly to make commercial insurance a pillar of the social security system. Private employee benefit plans provided by the employer include two parts: one is an insurance plan, and the other is a trust plan known as an Enterprise

Annuity (EA). It is fully supported by the Chinese Government in order to complete the pension system in China.

From 2001 to 2003, a series of local policies were promulgated by the Liaoning provincial government to support the implementation of the pilot program, including eligibility, qualification, funding method, tax consideration, benefits withdrawal, etc. Please see the details of the State Council's Approval on Perfecting the Social Security System of the Cities/Towns in Liaoning [79] 2001. More supportive policies, such as administration methods and investment options for pension funds are still pending.

Since early 2003, the number of pilot areas in which corporate pension plans are established has expanded, e.g., to the provinces of Zhejiang, Guangdong, and Shandong. A similar set of supportive local policies was issued in each of these pilot areas.

In April 2003, in accordance with those trials of corporate pension programs launched by the State Department, the State Tax Bureau issued a notice to clearly define the method of tax considerations of corporate pension schemes, as well as other corporate tax considerations. Please see the details of the State Tax Bureau Notice [45] 2003 (Notice on the Implementation of the Enterprise Annuity Accounting System in relation to the Income Tax).

In January 2004, nationwide guidelines of the corporate pension program, since then properly called Enterprise Annuity (EA) in China, were issued by the Ministry of Human Resources and Social Security (MOHRSS), in which a series of standard rules for EA schemes are clearly stated in compliance with international practice, such as the definition of eligibility in partaking in Enterprise Annuity. Please see the details of the Trial Measures on Enterprise Annuity Ordinance [20] 2004.

In April 2004, nationwide guidelines for Enterprise Annuity fund investment management were issued by the MOHRSS, co-signed by the China Insurance Regulatory Commission (CIRC), the China Banking Regulatory Commission (CBRC), and the China Securities Regulatory Commission (CSRC).

Please see details of the Trial Measures on Enterprise Annuity Fund Management Ordinance [23] 2004. Both ordinances came into effect on May 1, 2004.

## Customary employee benefits (continued)

Consequently, the above-mentioned three nationwide governmental guideline policies (i.e., Trial Measures on Enterprise Annuity Ordinance [20] 2004, Trial Provisions on Enterprise Annuity Fund Management Ordinance [23] 2004 and State Tax Bureau Notice [45] 2003), created a basic framework for enterprise annuity plans in China. This framework consisted of six major aspects:

- Development Mode
- Tax Consideration
- Program Formation
- Administration
- Supervision
- Investment

In March 2005, the MOHRSS enacted Ordinance [24] (Trial Measures for the Qualification of Enterprise Annuity Fund Management Institutions) and the Human Resources and Social Security Policy [32] 2004 (Rules for Experts to Judge the Qualifications for Determining Enterprise Annuity Fund Management Institution).

The Ministry of Human Resources and Social Security Policy [32] 2004 consists of three parts:

- The Workflow of Enterprise Annuity Funds Management
- IT Rules for Enterprise Annuity Account Funds Management
- Measures for the Acknowledgement of Qualifications of EA Funds Management Institutions

In March 2013, the Ministry of Human Resources and Social Security (MOHRSS), China Banking Regulatory Commission (CBRC), China Securities Regulatory Commission (CSRC), and China Insurance Regulatory Commission (CIRC) jointly released Ordinance [2013] 23 (Notice on Expansion of Investment Scope for EA Funds), according to which, enterprise annuities will have an expanded scope of investment choices, including:

- Financial products of commercial banks;
- Trusts;
- Infrastructure bond schemes;
- Special asset management plans;
- Stock index futures. (However, the annuity is only allowed to invest in stock index futures for the purpose of hedging.)

The combined investments in financial products of the first four choices above must not exceed 30 percent of the net value of assets under the portfolio. The combined investments in fixed-income products, including time deposits of one year or more, investment-linked insurance products (the proportion of equity investment not exceeding 30 percent), fixed-income retirement savings, and hybrid retirement programs, must not exceed 135 percent of the net value of assets under the portfolio.

Thus, compared with regulations in 2011, the investment scope of Enterprise Annuity is largely broadened.

Also, in March 2013, MOHRSS, CBRC, CSRC and CIRC jointly released another notice, [2013]24 (Notice on Enterprise Annuity Pension Product). To improving the efficiency of investment in pension products with stable returns, it enables enterprise annuity fund investment managers to issue annuity products targeted at stocks, hybrid instruments, fixed-income securities and currencies.

In December 2013, the Ministry of Finance, the Ministry of Human Resources and Social Security (MOHRSS) and the State Administration of Taxation (SAT) jointly issued Caishui [2013] No. 103 (Circular 103), which introduced a tax deferral treatment in the Individual Income Tax (IIT) regime regarding the Enterprise Annuity and Occupational Pensions (collectively referred to as Pension).

In 2017, the Ministry of Human Resources and Social Security (MOHRSS) issued Measures on Enterprise Annuities effective February 1, 2018 to implement a standard Enterprise Annuity plan.

The tax deferral treatment is carried out in the EET model, which is to say, the IIT would be exempted at contribution, during the investment and would only be charged at withdrawal at a relatively lower tax rate. The account manager of EA plans would be responsible.

The chart below shows how the Individual Income Tax (IIT) is charged under the new tax scheme, which was effective as of January 1, 2014.

	Employer	Employee
When contributed:	Exempted	(≤4% of his/her average monthly salary of the preceding year, capped at 3 times the city's average monthly salary of the preceding year)
When vested and invested:	Exempted	Exempted

**Withdraw Conditions:**

- **Death:**  
Taxed monthly at the relevant IIT rate of "benefits amount/12 months"
- **Permanent Emigration:**  
Taxed monthly at the relevant IIT rate of "benefits amount/12 months"
- **Retirement:**
  - Taxed monthly if withdrawn monthly;
  - Taxed monthly to relative number of months if withdrawn yearly or quarterly;
  - Taxed as one separate month's income if withdrawn by lump sum
  -

## Retirement Benefits – Type I (Pillar II)

### Enterprise Annuity (known as "EA")

#### Eligibility of Sponsor:

- Must have participated in the mandatory social pension program
- Must have a corresponding financial capacity
- Must have established collective negotiation mechanisms among employees

#### Content of the Enterprise Annuity Plan:

- Eligibility of members: All full-time employees after their probation period
- Funding method
- Establishment of individual account and administration method
- Management method of pension funds
- Accounting and payment method of pension funds
- Conditions for pension benefits payment
- Organizational structure and supervisory method of pension funds
- Conditions for contribution stop
- Other matters agreed upon by sponsor and participants

#### Approval:

Once the content of the EA plans is established, it shall be submitted to the local supervisory agency for tax considerations and supervision.

#### Contribution:

Annual total contribution from employer and employees to the EA plan is not to exceed 12% of the total annual salary. Employer contributions are not allowed to exceed 8% of the previous years' total salary. The highest contribution level is not allowed to exceed 5 times as much as the average contribution level.

#### Vesting Period:

Contribution from the employer shall be totally vested to individual accounts within up to 8 years.

### **Tax allowance:**

Among the different provinces in China, regulations stipulating tax allowances on the corporate income tax vary between 4 percent and 8.33 percent. Tax allowances concerning the individual income tax on Enterprise Annuity benefits are set up to 4% of the employee's average monthly salary of the preceding year (capped at three times the city's average monthly salary of the preceding year).

### **Individual Account:**

Individual accounts are to be established for fully accrued benefits. All contributions from the employee are allocated to the individual account, while contributions from the employer are allocated according to the program method and as agreed upon by employee and employer. All yields obtained through the investment of the funds are also allocated to the individual account. The balance of the corporate account shall be distributed to individual accounts periodically. It cannot be used to offset future contributions.

### **Withdrawal:**

Employees/participants in the EA plan or their heirs/beneficiaries are only entitled to withdraw benefits from individual accounts for the following reasons:

- Upon attaining legal retirement age
- Becoming a permanent resident overseas
- Total disability without work skills
- Death

### **Portability:**

Once the employee leaves a job, he/she can transfer all individual account benefits that are eligible to be carried forward to the new employer. If the new employer does not have such an occupational pension program, all benefits may be managed by the previous employer or the trustee under whom this plan had been established, respectively.

### **Entrustment of the Trustee:**

The consigner of the Enterprise Annuity plan shall select a proper fiduciary to perform the overall management role of a trustee for the pension funds. A written fiduciary contract is required.

### **Management Mode:**

All management organizations that offer EA management services require certain special licenses from the Ministry of Human Resources and Social Security. Without these certificates, offering these services is not possible – not the only restriction the Government imposes for assuring the proper, trustworthy operation and reputation of enterprise annuity.

The organization winning the bidding for the trustee of a pension plan has the responsibility to select a proper account administrator, funds investment manager and custodian. The four assigned service providers will then together have responsibility for the management of the EA funds. Whereby, in general, EA funds can be comprised of several bundled EA plans or one unbundled plan.

Bundled EA plans refer to such annuity plans that are set up and managed individually and independently but whose funds are pooled together in order to reach higher investment returns. Unbundled plans are plans in which both the individual annuity plan as well as the occupational pension funds are managed and invested separate of any other funds.

Written contracts are required between the trustee and the remaining three service providers – clients are not supposed to be involved in the disposal of responsibilities besides that of the trustee.

Also, all assets under the occupational pension scheme are independent – from the service providers' own assets as well as from the equity of other funds or plans.

The inappropriate use of resources is forbidden and prosecuted. In addition to the legislated guidelines and defined requirements for internal risk management, regular mandatory reports must be provided to both the responsible labor and social security departments, as well as to the consigner and the various parties in order to allow for the highest transparency and control.

### EA Management Fees:

The management fees for the four service providers involved in overseeing the operation of enterprise annuities are stipulated by the “Measures on Enterprise Annuity Fund Management,” as follows:

- The management fee for the trustee shall not exceed 0.2 percent of the net value of the trusted properties of the EA fund.
- The management fee for the account administrator is limited to RMB 5 per account per month.
- The management fee for the custodian shall not exceed 0.2 percent of the net value of the trusted properties of the EA fund.
- The investment manager's fee is not to exceed 1.2 percent of the net value of those properties under the management of the investment manager.

### Supervision:

The local Human Resources and Social Security Bureaus are responsible for supervision of any occupational pension plan and the management of the funds under this plan. Any disputes regarding the operation of the annuity plan are scheduled for appeal and arbitration at the responsible bureau according to the respective regulations.

During the period of setting up an annuity plan and in order for the plan to be legally admitted, the local Human Resources and Social Security Bureau, as part of the supervision and control function, needs to file the EA plan and approve it. Also, as part of the supervisory function, service providers must submit regular reports to the appropriate government institution.

Based on the Ministry of Human Resources and Social Security Department Ordinance [36] 2018, or the Measures on Occupational Annuity Fund Management, the following important rules apply:

1. Eligibility and Responsibility: Trustee, account administrator, custodian, and investment manager, as well as other roles pertaining to enterprise annuity services consultancy are clearly defined.
2. Independent Assets: All funds belonging to the company pension are required to be placed in a specially established corporate account. Assets of the funds are not only to be managed independently of any personal assets of the trustee, account administrator, custodian, or investment manager, but are also

to be treated independently of any other assets under the management of any of the above-named service providers.

Furthermore, the accumulated equity destined for pension payments is excluded from any liability settlement – either of the employer or of the EA management institutions.

3. Individual Account: All contributions paid by employer and employees, as well as investment yields attained, shall be allocated as accrued benefits to individual accounts existing for any of the partaking beneficiaries.
4. Prudent Trustee Management: The trustee of an enterprise annuity scheme shall perform on behalf of the interests of clients and beneficiaries, and act with honesty, trustworthiness, diligence, prudence, and credibility.
5. Investment Management: According to the “Trial Measures for the Management of Enterprise Annuity Funds”, enterprise annuity assets can be invested in:
  - Stable return/low risk instruments like bank deposits, Central Bank notes, short-term bond repurchases, money market funds – with investment not going below the limit of 20 percent of the funds’ net assets;
  - Medium risk instruments with higher returns like time deposits, negotiable deposits, T-bonds, investment-grade financial bonds, enterprise bonds with a credit rating above “AAA”, convertible bonds, bond funds with a respective proportion of not more than 50 percent of the net assets of the fund; whereby the contingent of government bonds shall not make up less than 20 percent of the funds’ net assets;
  - High-risk instruments like stocks and other equity products, investment insurance products and stock funds, which shall all in all not exceed 30 percent; whereby, the proportion for investing in stocks is not allowed to be higher than 20 percent.Besides, in calculation of investment in securities issued by a single enterprise or in a single securities investment fund, 5 percent of the securities issued by this enterprise or the shares of the fund shall not be exceeded, nor shall the number exceed 10 percent of the total value of properties under the enterprise annuity fund.
6. Regular Reports Required: Every institution assigned for the management of the Enterprise Annuity plan needs to provide

regular reports. This information is to be provided periodically (quarterly and/or annual reports or reports after inquiry through consigner).

Based on the State Tax Bureau Notice [45] 2003 (Notice on the Implementation of the Enterprise Annuity Accounting System in relation to the Income Tax), a clearly defined set of tax laws/guidelines is available for the purpose of testing Enterprise Annuity:

- Enterprise Annuity is established in the interest of all qualified employees.
- Contributions made by employers according to State departmental policies or local provincial government policies are qualified for tax allowances from the corporate income tax.
- A local provincial tax bureau can issue local standards for qualified contributions for the purpose of testing Enterprise Annuity. For example, in Liaoning Province, it is stipulated that contributions from the employer that don't make up more than 4 percent of the total annual salary are qualified for tax deductions. While in Zhejiang Province, employers' contributions are stated not to exceed 5 percent of the total annual salary in order to be tax deductible.

Labor and Social Security Department Ordinance [24] 2004, or Trial Measures for the Qualification of Enterprise Annuity Fund Management Institutions, defined the terms and conditions that an occupational pension funds management institution must satisfy.

Trustee, investment manager, custodian and account administrator are considered to be safeguards for supplementary retirement benefits. Currently, there are more than 60 Enterprise Annuity management institutions that have obtained approval by the Chinese Government since May 2005.

With promulgation of these important guidelines, occupational pensions have become the hottest issue in the employee benefits market in China. According to a survey made by Taiping Pension Co., Ltd., one-fourth of all enterprises in China have already established, are establishing or plan to establish a supplementary pension plan for their employees.

However, a nationwide tax deduction policy has not yet been formed. Thus, many companies are waiting for an update of the tax policies before considering implementing an Enterprise Annuity in their companies.

## Retirement Benefits– Type II (Pillar II)

### Entrusted Management Pension Program

To promote the active participation of the insurance industry, to build a multi-level old-age security system, and to promote the professional development of pension insurance, the China Insurance Regulatory Commission (CIRC) decided to delegate trust managed pension business to pension companies. The following regulations issued by CIRC are regarded as its guidelines:

- Notice About Trial Old-Age Security Entrusted Management Business Related Issues (CIRC No. 43, 2013)
- Notice About Trial Old-Age Security Entrusted Management Business Related Issues (CIRC No. 129, 2009)
- Pension Business Management Regulation (CIRC No. 4, 2007)
- Bond Investment of Insurance Institutional Investors' Trial Measures (CIRC No. 72, 2005)
- Risk Control Guidelines for the Use of Insurance Funds (CIRC No. 43, 2004)
- Life Insurance Product Approval and Filing Management Approach (CIRC No. 6, 2004)

Currently, only a very limited number of insurers in the market are able to provide such products. With the new regulation issued this year, more flexibility is allowed in developing the EA-like trust-based products. The following rules are to be observed in order to implement an entrusted managed pension plan.

### Eligibility of Sponsor:

Must meet the requirements set by the employer (not necessarily covering all employees).

### Contribution:

Contributions are either made solely by the employer, solely by the employee or employee(s), or jointly by the employer and the employee. If the plan refers to part of the supplementary pension program, employee contributions are accepted. No lower limit or upper limit is applied on the contribution amount.

**Individual Account:**

Individual accounts are to be established for fully accrued benefits. All contributions from the employee are allocated to the individual account, while contributions from the employer are allocated according to the program method and as agreed upon by the employee and employer. All yields obtained through the investment of the funds are also allocated to the individual account.

**Collective Plan vs. Single Plan:**

For plans with an original lump sum contribution of over RMB 50 million, the insurer is allowed to set up a single plan for the consigner to manage the fund independently. Under such circumstances, investment options can be tailor-made according to the consigner's investment strategies.

**Withdrawal:**

Only upon attaining legal retirement age, becoming a permanent resident overseas, death, or upon termination of the employment (the only additional criteria for withdrawal than normal EA plan), employees/participants in the entrusted management pension plan or their heirs/beneficiaries are entitled to withdraw benefits from individual accounts. For qualified withdrawal criteria, other than the above listed reasons, only accounts with over three years' accumulated contributions can be withdrawn, unless the employer has other explicit collective decisions.

**Change of Investment Portfolio:**

All participating employees can choose one investment portfolio when newly enrolled in the plan, on a group basis or on an individual basis as defined in the contract. The participant is allowed to change the investment portfolio three times for free. Starting with the fourth change, an administration fee will be charged.

**Entrustment of the Trustee:**

The consigner of the entrusted management pension plan shall select a proper fiduciary to perform the overall management role of a trustee for the pension funds. A written fiduciary contract is required.

**Entrusted Pension Plan Management Fees:**

The management fees for the four service providers involved in overseeing the operation of entrusted pension plans, are stipulated in the regulations as follows:

- The management fee for the trustee and the account administrator is currently set at 1.5 percent (with a floating rate depending on the contribution amount) of the net value of each contribution.
- The management fee for the custodian shall not exceed 0.08 percent of the net value of the trusted properties of the Conservative Investment fund and shall not exceed 0.10 percent of the net value of the trusted properties of the Balance Growth Investment fund.
- The investment manager's fee differs upon choice of investment portfolio.
- The early exit fee is charged only if the contract is terminated within the first three years.

**Regular Reports Required:**

Every institution assigned for the management of the entrusted management pension plan needs to provide regular reports. This information is to be provided periodically (quarterly and/or annual reports or reports upon inquiry through the consigner).

## Retirement Benefits – Type III (Pillar II)

### Occupational Annuity (known as “OA”)

In April 2015, China’s General Office of the State Council promulgated a new policy to guide the government agencies and government-affiliated institutions in managing their occupational pensions. The new policy is essentially a supplementary pension insurance mechanism, aimed at coordinating with the reform of the pension system. Under the new policy, both employees and government agencies and institutions need to pay for the occupational pension accounts.

In order to coordinate the building of the urban and rural social security system and establish a more fair and sustainable pension insurance system, the State Council decided to reform the pension insurance system for employees of state organizations and public institutions. The following regulation issued by the State Council is regarded as its guidelines:

- Decision of the State Council on the Reform of the Pension Insurance System for Employees of State Organizations and Public Institutions (No. 2 [2015] of the State Council)

### Eligibility of Participants:

The entities governed by the Civil Servant Law, state organizations (entities) and public institutions managed after the fashion of the Civil Servant Law and their employees of staffing quota.

### Contribution:

Implementing the basic pension insurance system combining overall social planning and individual accounts.

The basic pension insurance premiums shall be jointly borne by entities and individuals. The basic pension insurance premiums paid by an entity (hereinafter referred to as “premiums paid by an entity”) shall generally account for not more than 20% of the total wages of the entity.

The basic pension insurance premiums paid by an individual (hereinafter referred to as “premiums paid by an individual”) shall account for 8% of the wage base for premium payment by the individual and will be withheld by the entity on the individual’s behalf.

An individual account for the basic pension insurance shall be established by depositing 8% of the amount of the wage base for premium payment by the individual, and such an account shall be composed completely of premiums paid by the individual.

The individual wages in excess of 300% of the average wages of local on-the-job employees in the previous year shall not be included in the wage base for premium payment by an individual; where individual wages are lower than 60% of the average wages of local on-the-job employees, the wage base for premiums paid by an individual shall be calculated as 60% of the average wages of local on-the-job employees.

## Retirement Benefits – Type IV (Pillar III)

### Tax-deferred Individual Pension Accounts

The first pillar 3 pension product, target pension funds, was introduced.

In April 2018, Ministry of Finance and CBIRC issued a document announcing that tax-deferred pension insurance would be launched as trial in Shanghai, Fujian Province (including Xiamen city) and Suzhou Industrial Park in Jiangsu Province for one year starting on May 1, 2018.

In April, 2022, the General Office of the State Council issued the “Opinions on Promoting the Development of Individual Pension”. This policy aims to encourage the advance and the construction of a multi-layer and multi-pillar pension insurance system, to promote the sustainable development of the pension insurance system, and to meet the people’s growing and diverse needs for pension insurance

On November 25, 2022, the Ministry of Human Resources and Social Security announced the “Notice on the Announcement of Pilot Cities (Regions) for Individual Pension”, deciding to initiate and implement the individual pension system in 36 pilot cities or regions, including Beijing, Shanghai, Guangzhou, Xi’an, Chengdu, etc.

### List of pilot geographies

Beijing	Harbin	Shenzhen
Changchun	Hefei	Shijiazhuang
Changsha	Hohhot	Suzhou
Chengdu	Jincheng	Tianjin
Chongqing	Lhasa	Urumqi
Dalian	Nanchang	Wuhan
Dongying	Nanning	Xi’an
Fujian	Ningbo	Xining
Guangzhou	Qingdao	Xiong’an New Area
Guiyang	Qingyang	Yinchuan
Haikou	Shanghai	Yuxi
Hangzhou	Shenyang	Zhengzhou

Source: MOHRSS, MoF, SAT, EY Parthenon Analysis

[https://www.gov.cn/zhengce/zhengceku/2022-11/25/content\\_5728839.htm](https://www.gov.cn/zhengce/zhengceku/2022-11/25/content_5728839.htm)

Citizens in these cities or regions who participate in either the urban employee basic pension insurance or the urban and rural residents’ basic pension insurance can participate in the individual pension system. Participants are allowed to contribute up to 12,000 RMB per year to their individual pension accounts, and they can enjoy tax preferential benefits upon making such contributions. These contributions to the individual pension accounts can be used to purchase specially-licensed “individual pension products” in the forms of savings deposits, wealth management products, commercial pension insurance, public funds, and other financial products.

Under the latest policy, individuals are allowed to defer tax on part of their income used to buy qualified products until they retire and draw money from the fund.

### Eligibility

Chinese citizens who are covered by Basic Pension Insurance, either working in the urban or rural areas are eligible

### Participation Channel

Participants need to set up an individual pension account on the National Online Service Portal or at a commercial bank

### Contribution Frequency

Contribution can be made annually, monthly or by installment; the contribution amount will be accumulated by calendar year and renewed annually

### Withdrawal Frequency

Withdrawals can be made monthly, by installment or in lump sum; the policy encourages withdrawal over a longer period of time (either monthly or in installments)

### Participation Model

Suitable for national conditions, underpinned by policies, optional for individuals, and run by the market, to form a multi-pillar old-age pension system, along with basic pension insurance and enterprise annuities

### Annual Contribution Cap

RMB 12,000 per person per year. Individuals are not allowed to contribute more than this amount into his/her IRA in a single year

### Investment Products

Savings deposits, wealth management products, commercial pension insurance, pension Fund of Funds (FoFs), etc.

### Withdrawal Conditions

Each person's IPA has a lock-up period, and withdrawals can only be made when the following conditions are met:

- Reaching the age qualified to start withdrawing from PPF account
- Total loss of working capacity
- Emigration to overseas
- Other circumstances as stipulated by the State

In case of death, the assets left in the accounts can be passed on to heirs

### Individual Tax Policy

Up to RMB12,000 per year is deducted from the taxable income calculation on a factual basis;

- During the accumulation phase, income tax is temporarily not levied on the investment income from the IPA
- During the decumulation phase, the pension is not excluded from the "consolidated income", and a 3% individual income tax is levied, (compared to the 7.5% individual income tax (IIT) rate in the 2018 pilot version of the personal tax-deferred commercial endowment insurance), and the tax paid is included in the "income from wages and salaries" item

### Account Management

IRAs are treated as special and dedicated fund accounts and managed according to the rules governing the personal RMB settlement Class-II accounts:

- IRA accounts can be moved between different banks
- Commercial banks should deal with the transfer of funds separately, and the annual payment amount in the transferred funds should be calculated cumulatively.

Commercial banks should keep full set of data of personal pension fund accounts for at least 15 years from the date of account cancellation

Sources: MOHRSS, MoF, CBIRC, SCRC, EY Parthenon Analysis

### Type of Product

#### • Pension target funds

Risk Level: Mid

Insurer: Fund management companies

Key Features: Asset allocation adjusted according to risk tolerance.

#### • Insurance products

Risk Level: Mid- low

Insurer: Pension insurance firms

Key Features: "Stable and aggressive" dual structure

#### • Wealth management products

Risk Level: Mid- low

Insurer: Pension insurance firms

Key Features: Stable closed-end investment products

#### • Deposit products

Risk Level: Low

Insurer: Banks

Key Features: Guaranteed return based on length of term

In December 2024, China expanded the third-pillar private pension program to the entire country.

# Legislative news

## 2024

### Individual Retirement Pensions

In 2022, the Ministry of Human Resources and Social Security announced the “Notice on the Announcement of Pilot Cities (Regions) for Individual Pension”, deciding to initiate and implement the individual pension system in 36 pilot cities or regions.

In 2024, the program was expanded nationwide.

All citizens of China and resident workers who are currently contributing to the basic pension insurance can participate in the private pension plan.

To enroll, individuals need to set up personal pension accounts via the “Personal Pension Information Management Service Platform” through a qualified commercial bank or a wealth management company that meets the standards set by the China Banking and Insurance Regulatory Commission (CBIRC).

Individuals can contribute up to RMB 12,000 per year into their individual account. Tax incentives include pre-tax deductions of up to RMB 12,000 from participants’ annual taxable income and the tax rate on received pension benefits is reduced from the current 7.5% to 3%.

## 2023

### Measures for the Administration of Information Disclosure of Life Insurance Products (BIA Decree No. 8 of 2022)

The policy states that insurance companies, as the main body of product information disclosure, should fully disclose information closely related to consumer rights and interests, such as product terms, rates and full cash value tables.

The information disclosure targets include policyholders, insured persons, beneficiaries and the public. It requires that insurance companies should improve their internal product information disclosure management mechanism, and the disclosure materials shall be managed by the head office of the insurance company, and insurance companies shall not authorize or entrust individual insurance agents to modify the information disclosure materials of insurance products on their own.

The policy clarifies the responsibilities of the relevant management personnel of the insurance organization in the management of product information disclosure, formulation and use of materials. It also specifies the supervisory measures and punitive initiatives that can be taken against insurance institutions and relevant responsible person for violating the Measures.

<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1082001&itemId=917&generaltype=0>

### Circular of the China Banking and Insurance Regulatory Commission on the Issuance of Rules for Disclosure of Information on Life Insurance Products with a Term of One Year or More (CBIRC Regulation [2022] No. 24)

This policy clarifies the disclosure rules for life insurance products with a maturity of more than one year.

<http://www.cbirc.gov.cn/cn/view/pages/governmentDetail.html?docId=1088640&itemId=861&generaltype=1>

# Trends

## “Health-first strategy”

With over 20 percent of its population aged over 60 and a growing public focus on health, China has committed to a “health-first strategy” that highlights disease prevention and health management.

This strategy was outlined in a key reform resolution recently adopted at the third plenary session of the 20th Communist Party of China Central Committee.

With solid progress in healthcare, the country is transitioning from primarily treating diseases to maintaining overall health. <https://english.news.cn/20240803/e827620fc494446a8f75371db452609c/c.html>

## Market size

According to the data from S&P Consulting Group, for the year of 2022, China's group insurance market's original premium income has reached RMB 1.2 trillion, with a steady growth of 6.8% each year, accounting for 25.5% of the entire life insurance market.

Among them, employee benefits' life insurance accounted for 67.5%, and commercial group life insurance accounted for 32.5%. In the first half year of 2023, China's group insurance market reached original premium income of RMB 0.7 trillion, with a growth of 8.2% per year, and accounted for 26.3% of the entire life insurance market. Among them, employee benefits' life insurance accounted for 66.7%, while commercial group life insurance accounted for 33.3%.

As can be seen from the data above, the size of China's group insurance market has continued to expand with a steady growth rate, and its share of the life insurance market has gradually increased. This condition is mainly due to the following factors:

- **State policy support**

In recent years, the State has introduced a series of policies and measures to encourage and guide enterprises and organizations to carry out group pension, medical care, accident, and other types of commercial supplementary social security schemes, in order to alleviate the pressure on social pensions and medical care system, and to raise the level of people's welfare.

- **Increased demand from enterprises**

With the development of social- economic environment, and intensified competition in the market, enterprises and institutions are paying more attention to the welfare benefits and loyalty of their employees or members, therefore, purchasing customary employee benefits for their own employees has become a way to retain talent and raise the general efficiency.

- **Increased consumer awareness**

With the steady growth of income level and life quality for urban residents, consumers' needs and expectations for personal and family security continue to grow. In this condition, urban residents can obtain more support and assistance in risk prevention and financial planning by participating in the customary employee benefit plans offered by their organization and companies.

## Market structure

According to data from S&P Consulting Group, for the whole year of 2022, China's group life insurance market was divided into the following categories by product type: pension plans (including enterprise annuities, occupational annuities, etc.), medical expense reimbursement plans (including medical supplements, major illnesses, etc.), and accidental injuries and others (including accidental injuries, travel comprehensive, liability, etc.).

Among them, pension plans accounted for 54.3% of the group life insurance market, medical expense reimbursement plans accounted for 28.4% of the group life insurance market, and accidental injury and others accounted for 17.3% of the group life insurance market.

In the first half of 2023, China's group life insurance market was segmented into the following categories according to product type: pension plans (including enterprise annuities, occupational annuities, etc.), medical expense reimbursement plans (including medical supplement, critical illness, etc.), accidental injury and others (including accidental injury, travel comprehensive, liability, etc.).

Of these, pension plans accounted for 53.6% of the group life insurance market, medical expense reimbursement plans accounted for 29.2%, and accidental injury and others accounted for 17.2% of the group life insurance market.

## Trends (continued)

As can be seen from the above data, the product mix of China's group life insurance market is relatively stable, with pension plans taking the lead, medical benefits programs plans taking the second place, and accidental injuries and others taking the third place. This mainly reflects the following aspects:

Pension plans are core products in the group life insurance market with high market demand and policy support.

With the aging of the population and the advancement of the reform of the social security system, enterprises and institutions are paying more and more attention to the provision of long-term and stable pension protection for their employees or members, and are making up for the shortcomings of the social pension insurance by setting up commercial supplemental pension plans such as enterprise annuities and occupational annuities, so as to improve the level and satisfaction of the employees' or members' pensions.

At the same time, the State also encourages and guides enterprises and organizations to carry out commercial supplementary pension plans through policy measures such as tax incentives and regulatory relaxation, in order to promote the construction of a multi-level pension security system.

Medical expense reimbursement plans are a growth area in the group life insurance market with large market potential and room for development.

With advances in medical technology and rising medical costs, social medical insurance often fails to fully cover and effectively control the medical risks of employees or members, resulting in employees or members facing huge out-of-pocket expenses in the event of a major illness or accident. Therefore, companies and organizations are increasingly focusing on providing employees or members with commercial compensatory medical expense reimbursement plans such as medical supplements and major illnesses to make up for the shortcomings of social medical insurance and to improve the level of medical care and sense of security of employees or members.

Meanwhile, the State also encourages and guides enterprises and organizations to carry out commercial compensatory medical expense reimbursement plans through supporting private hospitals, promoting Internet medical care and other policy measures, so as to promote the construction of a multi-level medical insurance system.

Accidental and other are ancillary products in the group life insurance market with low market demand and policy support.

Since accidental injury and other products usually provide coverage only for specific groups of people or scenarios, such as travelers, drivers, liability, etc., they are not suitable for all employees or members to participate.

Therefore, companies and organizations are interested in providing employees or members with accidental injury, travel comprehensive, liability, etc. pension plans accounted for 54.3% of the group life insurance market, medical expense reimbursement plans accounted for 32.4%, and accidental injury and others accounted for 13.3% of the group life insurance market.

In the first half of 2023, China's group life insurance market was segmented into the following categories according to product type: pension plans (including enterprise annuities, occupational annuities, etc.), medical benefits programs (including medical supplements, major diseases, etc.), and accidental injury and others (including accidental injury, travel comprehensive, liability, etc.).

Of these, pension plans accounted for 53.6% of the group life insurance market, medical expense reimbursement plans accounted for 33.1%, and accidental injury and others accounted for 13.3% of the group life insurance market.

As can be seen from the above data, the product mix of our group life insurance market is relatively stable, with pension plans and medical expense reimbursement plans as the mainstay, supplemented by accidental injury and others. This mainly reflects the following aspects:

- Pension plans are the mainstay of the group life insurance market, accounting for more than half of the market share. This is mainly due to the high policy and tax benefits of pension plans, as well as the fact that they meet the needs of corporations and employees for long-term stable income and wealth accumulation.
- Medical benefits programs are an important part of the group life insurance market, occupying about one-third of the market share. This is mainly due to the fact that medical expense reimbursement plans can effectively make up for the shortcomings of the social medical insurance system and improve the level of medical insurance and health management of employees or members.

- Accidental injury and other is an ancillary product in the group life insurance market, accounting for about one-tenth of the market share. This is mainly due to the ability of accidental injury and other products to provide specialized and personalized protection solutions for specific risk scenarios and groups of people, increasing the sense of security and satisfaction of employees or members.

For group insurance, the implementation of relevant policies can bring a more favorable development environment for its development, play a guiding and directing role, and provide certain development space.

In 2023, the market scale will continue to expand, and the growth rate will be improved. With the continued role of national policy support, increased corporate demand, and improved consumer awareness, the market scale of group life insurance will continue to expand, and it is expected that by the end of 2023, the original premium income of the group life insurance market will reach RMB 1.5 trillion, with a year-on-year growth rate of about 10%, and its share in the life insurance market will reach about 27%.

## Growth Trend

### **Policy incentives are driving a new wave in the market.**

Policy sets a clear direction for the growth of group pension insurance in China. Specifically, it emphasizes marketing group insurance through employee benefit plans as the primary operational focus, as outlined in the recently introduced “Ten National Articles” within the insurance industry.

The objective is to offer tailored and distinct elderly care solutions for various demographic segments, while also fostering the convergence and progression of both the insurance service sector and the elderly care service industry. Moreover, the market has seen a rising trend in promoting commercial pension plans in recent years.

### **Reform of group insurance enrollment rules reduces restrictions on group insurance business**

The reform of group insurance enrollment rules has led to a reduction in constraints on group insurance business. The alteration in the minimum required number of insured individuals for group

insurance enables groups consisting of 3 to 5 persons to obtain suitable group insurance plans. It can be argued that this policy adjustment pertaining to the minimum number of insured individuals for group insurance is poised to augment the enrollment of insured persons in the realm of small group insurance within China. The Circular on Issues Related to Promoting the Healthy Development of Group Insurance, disseminated by the China Insurance Regulatory Commission (CIRC) in 2016, stipulated the adjustment of the minimum required number of purchasers for group insurance from five to three, thereby implementing the aforementioned perspective.

### **Tax Advantage Creates Advantage for Group Insurance to Conduct Business**

Tax incentives play a role in enhancing the advantages of group insurance itself, such as its affordability, reduced risk, and lower payout rates. These factors give group insurance a competitive edge in the business landscape. The government encourages employers to offer insurance to their employees by offering tax reductions, a practice commonly adopted internationally.

The State Council introduced the Pilot Program on Improving the Social Security System in Cities and Towns, which outlines that companies can collect supplementary pension insurance contributions equivalent to 4% of employees' gross pre-tax salaries. Through the implementation of tax incentives, employers are more likely to opt for suitable and favorable group insurance plans to cover their employees, thus driving the adoption of group insurance products.

### **Building a diversified policy and business platform**

In recent years, with the continuous release of government policy benefits, various types of policy-related businesses have proliferated. The group insurance sector should leverage the company's brand, strength, and network advantages, capitalizing on the current strong support from the Party and the State for commercial insurance development. This will allow for the swift capture of the policy business market and establishing various policy-related businesses as foundational pillars.

In the execution of livelihood policies, specific attention should be directed towards livelihood insurance to alleviate poverty provide

insurance coverage for the elderly, people with disabilities, and for families with missing children. It's essential to identify the relevant government departments aligned with the platform business, and to take proactive steps to engage with them, advocating for the significant and urgent need for commercial insurance within governmental operations.

This proactive engagement aims to craft a novel business model for group insurance, aiding both governmental administration and livelihood protection.

Collaboration with the government should emphasize the pivotal role of insurance in accident compensation, effectively conveying this to the public. Regular customer meetings and seminars should be organized for this purpose.

By working in tandem with the government, it's possible to underscore insurance's crucial role in accident compensation, fostering regular channels for customer feedback. This iterative feedback loop is instrumental in maintaining customer-centric insurance services.

### Integration of customer resources

The development of group insurance originates from continuous enhancements in premium structures and efficiency. Premiums are sourced from diverse customer segments, underscoring the pivotal role of customer resources in propelling group insurance growth. Looking ahead, the foundation of customer resources for group insurance must be established on the basis of comprehensive integration. This entails collaborating with various group customers through channels such as enterprise annuities, occupational pensions, company investments, individual insurance, and online sales. By catering to their life insurance protection needs, the objective is to expand the scope of group insurance offerings.

Simultaneously, diversifying the range of group insurance clients is pursued through various avenues. This includes targeting distinct demographic groups such as beneficiaries of the government's livelihood protection program, enterprises and institutions at various levels after the introduction of the occupational pension system, sports groups amidst the robust sports development landscape, and startups within the context of "mass entrepreneurship," among others.

Furthermore, as the market landscape remains constant, innovation in models becomes imperative. For instance, in 2013, Business-Business-Consumer (BBC) model in the realm of group insurance was practiced in the market. This model integrates online and offline services through a two-fold approach: starting from customers to enterprise employees and extending to employees' family members. This progression ensures comprehensive and in-depth services from business to customer, thereby establishing a symbiotic connection between the insurance company, enterprises, and employees. Leveraging this model, which combines data-driven insights and systematic collation, a customer profile is gradually built, effectively boosting the adoption rate of group insurance policies.

### Technological advances allow for more diversified forms of employee benefits

With the rapid advancement of the Internet and technologies such as mobile Internet and cloud technology, many aspects of future society will be conducted through mobile platforms for operational experiences and processing. The traditional paper-based operations in the insurance industry will gradually give way to more efficient methods.

To ensure the future development of group insurance, an online strategy must be adopted, encompassing online planning, presentation, insurance application, payment, policy issuance, claims processing, and policy management. These online modes will not only enhance customer satisfaction and experience but also enable the development of tailored insurance products for various scenarios in social life, underwritten promptly through online insurance and payment processes.

Leveraging online platforms, the insurance industry can develop self-service group protection products catering to the needs of small and medium-sized enterprises (SMEs) and their employees. In the future, the group insurance distribution channel will play a pivotal role in coordinating resources from all parties involved.

This will lead to the establishment of a robust online service ecosystem based on Internet platforms, resulting in improved service efficiency, heightened service perception, strengthened service management, and an array of possibilities for optimizing employee benefit structures.

# Sample employee benefits plans

## Sample Coverage Levels - Commercial Life, Health, Retirement Benefits

### Type of Business: Electronics

	Basic Plan			Voluntary Plan		
Eligibility	Staff	LHF	Children	Staff Voluntary	Children	Spouse
Group Life						
Death Benefit	36 x BMS	48 x BMS		36 x BMS		200,000
AD&D	36 x BMS	48 x BMS		800,000	100,000	200,000
TPD	600,000	600,000		600,000		
Group Health						
Hospitalization Allowance	100 per day					
Hospitalization Expenses	20,000		20,000			20,000
Out-Patient Clinical Visit						
Critical Illness	150,000			150,000	100,000	50,000
Maternity	8,000					
Accidental Medical				10,000		
Public Medical Fund	500,000					
Pension Plan						
Group Pension (monthly contribution)	12% x BMS					

BMS: Basic Monthly Salary

Currency: RMB

## Sample employee benefits plans (continued)

### Sample Coverage Levels - Commercial Life, Health, Retirement Benefits

#### Type of Business: Pharmaceutical

	Basic Plan			Voluntary Plan		
Eligibility	Staff	Management	Children	Staff Upgrade	Children Upgrade	Spouse
<b>Group Life</b>						
Death Benefit	36 x BMS	36 x BMS		48 x BMS		
AD&D	36 x BMS	36 x BMS		48 x BMS		250,000
TPD	1,400,000	1,400,000		2,800,000		1,000,000
<b>Group Health</b>						
Hospitalization Allowance	200 per day				200 per day	
Hospitalization Expenses	20,000		20,000		20,000	
Out-Patient Clinical Visit	20,000		20,000		20,000	
Critical Illness	100,000				50,000	
Maternity	8,000					
Teeth Cleansing	100					
Infirmity	30,000					
Public Medical Fund	1,652,100		1,652,100			
Special Public Medical Fund	500,000		500,000			
<b>Pension Plan</b>						
Group Pension (monthly contribution)	15% x BMS	10% x BMS				
Supplementary EA-like Pension (monthly contribution)	10%	5%				

BMS: Basic Monthly Salary

Currency: RMB

## Sample employee benefits plans (continued)

### Sample Coverage Levels - Commercial Life, Health, Retirement Benefits

#### Type of Business: Logistics

	Basic Plan			Voluntary Plan		
Eligibility	Staff 1	Staff 2	Intern	Children	Spouse	Parent
Group Life						
Death Benefit	250,000	100,000				
AD&D	250,000	200,000	250,000		300,000	100,000
TPD		200,000			200,000	200,000
Group Health						
Hospitalization Allowance	100 per day	100 per day				
Hospitalization Expenses	30,000	10,000		30,000		
Out-Patient Clinical Visit	30,000	10,000		30,000		
Critical Illness	100,000	100,000			50,000	
Maternity	8,000					
Accidental Medical			20,000		30,000	30,000
Public Allowance	900,000					
Special Medical Fund	20,000					
Pension Plan						
Group Pension (monthly contribution)	15% x BMS	12% x BMS				

BMS: Basic Monthly Salary

Currency: RMB

## Sample employee benefits plans (continued)

### Sample Coverage Levels - Commercial Life, Health, Retirement Benefits

#### Type of Business: Food

Eligibility	Staff	Child	Dispatched Staff
<b>Group Life</b>			
Death Benefit	100,000		100,000
AD&D	200,000		100,000
TPD			
<b>Group Health</b>			
Hospitalization Allowance	200 per day	100 per day	
Hospitalization Expenses	20,000	20,000 Within SMI:50%	
Out-Patient Clinical Visit	20,000	20,000 Within SMI:50%	
Critical Illness	100,000	100,000	
Maternity	10,000		
Special Medical Funds	40,000		
<b>Pension Plan</b>			
Group Pension (monthly contribution)	15% x BMS		

BMS: Basic Monthly Salary

Currency: RMB

## Sample employee benefits plans (continued)

### Sample Coverage Levels - Commercial Life, Health, Retirement Benefits

#### Type of Business: Banking

Eligibility	Staff	GM	GM Spouse	GM Children	LHF
Group Life					
Death Benefit	24 x BMS	24 x BMS	150,000	50,000	24 x BMS
AD&D	36 x BMS	36 x BMS	150,000	50,000	36 x BMS
TPD		900,000	900,000		
Group Health					
Hospitalization Allowance	100 per day				100 per day
Hospitalization Expenses	40,000 Within SMI:100% Out of SMI: 50%				100,000 Within SMI:100% Out of SMI: 100%
Out-Patient Clinical Visit	40,000 Within SMI:100% Out of SMI: 50%				100,000 Within SMI:100% Out of SMI: 100%
Critical Illness	150,000	250,000	250,000		150,000
Maternity	8,000				10,000
Public Medical Fund	200,000				
Special Public Medical Fund	10,000				
Pension Plan					
Group Pension (monthly contribution)	15% x BMS	12% x BMS			

BMS: Basic Monthly Salary

Currency: RMB

## Sample employee benefits plans (continued)

### Sample Coverage Levels - Commercial Life, Health, Retirement Benefits

#### Type of Business: Automotive

	Basic Plan				Voluntary Plan	
Eligibility	Shanghai Employee	Other Employee	Post-retirement Re-employment	LHF Risk	Spouse	Parent
Group Life						
Death Benefit	48 x BMS	48 x BMS	100,000	48 x BMS	100,000	
AD&D	48 x BMS	48 x BMS	100,000	48 x BMS	200,000	100,000
TPD	2,000,000	2,000,000	2,000,000	2,000,000		
Group Medical						
Hospitalization Allowance	100 per day	200 per day				
Hospitalization Expenses	20,000	20,000			10,000	
Out-Patient Clinical Visit	20,000	20,000			10,000	
Critical Illness	100,000	100,000			80,000	
Maternity	8,000	8,000				
Accidental Medical			10,000		10,000	20,000
Teeth Cleaning	250 per year	250 per year				
Vaccination	100 per year	100 per year				
Public Fund	1,000,000					
Pension Plan						
Group Pension (monthly contribution)	15% x BMS	12% x BMS	8% x BMS			

BMS: Basic Monthly Salary

Currency: RMB

## Sample employee benefits plans (continued)

### Sample Coverage Levels - Commercial Life, Health, Retirement Benefits

#### Type of Business: Chemicals

Eligibility	Senior Management	Local employee	Children	Dispatched Workers
Group Life				
Death Benefit	100,000	24 x BMS		100,000
AD&D	100,000	24 x BMS		100,000
TPD				
Group Health				
Hospitalization Allowance	50 per day	50 per day		
Hospitalization Expenses	20,000	20,000	20,000 Within SMI:50%	
Out-Patient Clinical Visit	20,000	20,000	20,000 Within SMI:50%	
Critical Illness	100,000	100,000		
Critical Illness Inpatient/ Outpatient	100,000	100,000		
Maternity	8,000	8,000		
Public Fund	150,000			
Pension Plans				
Group Pension (monthly contribution)	12% x BMS	10% x BMS		
Supplementary EA-like Pension (monthly contribution)	10%	5%		

BMS: Basic Monthly Salary

Currency: RMB

# Useful links

## **Demographic information and macro-economic indicators**

[CIA World Factbook](#) (please select the country to review)

[World Bank Group](#) (please select the country to review)

## **China Banking and Insurance Regulatory Commission**

<http://www.cbirc.gov.cn/cn/view/pages/index/index.html>

## **Ministry of Human Resources and Social Security**

<https://www.mohrss.gov.cn/>

## **Chinese government website**

<http://english.www.gov.cn/>

## **More information on Taiping Pension Co., Ltd.**

### **Your Local Link to IGP in China**

[Go to partner page on www.igpinfo.com](http://www.igpinfo.com)

### **Taiping Pension Co., Ltd.**

<https://en.cntaiping.com/>





[www.igpinfo.com](http://www.igpinfo.com) | [LinkedIn](#)

The information in this document is subject to change without notice. Please contact your IGP Account Manager or [IGPinfo@jhancock.com](mailto:IGPinfo@jhancock.com) for more details.

The International Group Program (IGP) is a registered brand name under John Hancock. IGP operates in the State of New York under JH Signature Insurance Agency, Inc., a NY licensed broker.

IGP has provided the website address of our Network Partners for your convenience. John Hancock is not responsible for the content or accuracy of our Network Partners' web-site(s).

IGP Network Partners operating outside of the United States are not necessarily licensed in or authorized to conduct insurance business in any state in the United States including, the State of New York. The policies and/or contracts issued by a Network Partner to contract holders outside of the United States have not been approved by the NY superintendent of Financial Services, are not protected by the NY State guaranty fund and are not subject to the laws of NY or the laws and/or protections of any other state where the Network Partner is not licensed to do business.

© International Group Program - [www.igpinfo.com](http://www.igpinfo.com) - Follow us on LinkedIn

07/21/2025 - WCAG AA