

MARKET BULLETIN

REF: Y5077

Title Requirements for collateral provided by syndicates writing offshore Chinese reinsurance

Purpose To update the market on the release of the Circular on standard collateral requirements

Type Event

From Andrew Gurney, Senior Manager, International Regulatory Affairs

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Deadline Effective immediately

Related links [Lloyd's Market Bulletin Y5018](#)

Background

In September 2016, the China Insurance Regulatory Commission (CIRC) released a draft guidance note to clarify the requirements that need to be considered if China Risk Oriented Solvency System (C-ROSS) collateral clauses are requested in contracts, permitting collateral to be called by the cedant (see [Lloyd's Market Bulletin Y5018](#) for details). The draft guidance note has now been finalised by CIRC and released in a circular, as detailed below.

This may affect any Lloyd's market stakeholder dealing with the placement and underwriting of reinsurance business from China.

Circular on collateral requirements for offshore reinsurers

On 25 February 2017, CIRC released *Circular on Issues Relevant to Guarantees to be Provided by Offshore Reinsurers* ("the Circular"). The articles in the Circular have no significant changes (see 'Changes to requirements' below) from the provisions found in the draft guidance note, and no new collateral requirements have been introduced.

Changes to requirements

One of the differences between the draft guidance note and the Circular relates to restrictions concerning the transfer of deposit funds. Under Article 4(4) of the Circular, deposit funds can be transferred back to the bank account of the reinsurer within one quarter (instead of the period of one year proposed in the draft guidance note) from the date of the amount being placed into the account of the ceding company. This restriction does not apply if the reinsurance contract has been settled.

Other minor changes include the removal of several proposed provisions relating to:

- The application of Chinese law – there is now no requirement that Chinese law takes precedence in the event of conflict between international transaction rules.
- Collateral as guarantee for multiple reinsurance contracts – there is now no requirement that where a deposit fund or letter of credit is used as guarantee against multiple reinsurance contracts, the sum of the guarantee amount from each reinsurance contract shall not exceed the total amount of the relevant deposit fund or letter of credit.

A copy of the translated text of the Circular is available on request from Lloyd's International Trading Advice.

Further information

For further information, please contact:

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