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China’s insurtechs have a bumpy road ahead

Article

The news: The China Banking and Insurance Regulatory Commission (**CBIRC**) will hike up its scrutiny of the country’s insurtech sector, per Reuters.

Chinese state media said the campaign will target misleading marketing practices, forced sales, and inflated fees, while also looking into consumer information leaks, in an attempt to “purify the market environment” and protect consumers.

What does it mean? Insurtechs will need to **rectify** any **noncompliance** if they want to stay in business—and they’ll need to do so quickly.

The investigation is set to be completed by **September 20**, and each insurance institution is required to set up a group dedicated to ensuring regulatory compliance by **August 15**, according to The Diplomat. Practices that would fall under noncompliance include failing to provide sufficient offline service, hosting misleading sales, imposing unjustified high service fees, or misusing customer data.

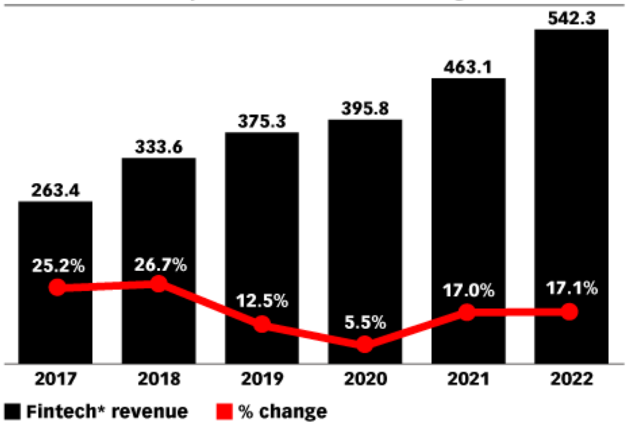
Why insurtechs? Insurtechs have been growing in China, which likely pushed regulators to take a closer look at the segment.

At the end of 2020, there were more than **140** insurance companies in China with online businesses, and their total premiums hit nearly **$300 billion**, or **6%** of the total industry. Investors have poured about **45 billion yuan** ($6.52 billion) into insurance technology. And regulators had already expressed concern with the burgeoning sector—China's insurtech unicorn **Waterdrop** received major pushback from domestic regulators earlier this year before going public in the US.

The bigger picture: China's insurtech industry is headed toward a similar fate as the rest of the country's fintechs.

Regulators tightened their grip on fintechs last year, most notably when they halted **Ant Group's** listing in Shanghai and Hong Kong for vague regulatory reasons and forced the company to restructure its business. Scrutiny of the country's alt lending sector started as early as 2015, and as of last August, just **29** of China's **6,000** peer-to-peer lenders were still operating, per Fintech Futures—many were shut down due to fraudulent operations. We expect the insurtech space will also see some players cease operations, and the remaining firms face a bumpy road ahead, to say the least.

Fintech* Revenue in China, 2017-2022
billions of Chinese yuan renminbi and % change



*Note: *application of technology within the financial services industry*
Source: CCID Consulting as cited in the press release, June 23, 2020

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