



China Non-Auto Insurance: Cash Before Cover and Key Reforms



Overview

Background and Introduction	3
Cash Before Cover Requirement	6
Fapiao (Official Invoice)	8
Policy Wordings and Special Agreements	10
Other Regulatory Updates	12
How should the New Regulations be implemented?	18
Sources	21
Annex: Official NFRA Notice [Translation]	23



Background and Introduction

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Regulatory Changes for Non-Auto Insurance: Cash Before Cover and Compliance Guidelines

Effective November 1, 2025, China's **National Financial Regulatory Administration (NFRA)** introduced new regulations to strengthen oversight of non-auto property and casualty (P&C) insurance. These measures, outlined in the *Notice on Strengthening the Supervision of Non-Motor Insurance Business* (Document No. 36 [2025]) and the *Guidelines for Strengthening the Supervision of Non-Motor Insurance Business* (Document No. 527 [2025]), are designed to improve compliance, transparency, and consumer protection across the market.

These new regulations, including the Cash Before Cover requirement, apply only to mainland China and do not affect insurance policies in Taiwan, Hong Kong, or other jurisdictions.

A key change under this regulatory reform is the **Cash Before Cover rule**, which requires clients to pay the insurance premium before the insurer can issue the official policy and the tax invoice (Fapiao). This ensures coverage only becomes effective once payment has been received.

Currently, there is no single, standardized approach across the industry, and each insurer appears to interpret the regulation slightly differently. **Ping An** has informed brokers that, for renewals after November 1, 2025, clients must pay the premium first, after which the formal policy and Fapiao will be issued. Brokers will continue to issue **debit notes** as payment reference.

Similarly, **AXA Tianping Property & Casualty Insurance Co., Ltd. Shanghai Branch** has confirmed that it will implement the Cash Before Cover policy for all non-motor insurance business. Under this rule, policyholders must pay the premium before the policy is issued, and the official policy and Fapiao will only be released after payment is received.

Beyond the Cash Before Cover rule, the NFRA has launched broader efforts to regulate non-life insurers to prevent **“blind competition for scale or market share”** and to **promote cost control, risk management, and compliance with registered insurance terms and premium rates.**

They are currently seeking feedback on several areas, including:

- **Policy Language:** All insurance documents, including terms, conditions, and special clauses, must be submitted to and approved by the regulator before use.
- **Premium Rates:** Insurers must set and file clear rates for different types of coverage, including standard rates for basic policies and additional charges for optional features or special conditions.
- **Cost Limits:** Broker fees will be capped and require regulatory approval; charges exceeding these limits will not be allowed.
- **Payment Before Coverage:** The NFRA is considering whether full payment or only the first installment should be required before coverage begins.

It is important to note that, apart from the Cash Before Cover rule, **no other changes have been implemented or are currently scheduled**, and the new rules **do not apply to motor insurance, agricultural insurance, export credit insurance, short-term health insurance, or accident insurance**.

Given that both Ping An and AXA Tianping—two of the major players in China's non-auto insurance market—are following the Cash Before Cover rule, it is expected that most other insurers will adopt a similar approach.

For locally placed policies, our partners in China are closely monitoring how insurers apply the new requirements and will provide updates and guidance as practices become more standardized.

In summary, clients should expect a **new premium payment process for renewals and new business, where payment must be completed before coverage and documentation are issued**.

We will continue to provide support to ensure a smooth transition and compliance with the updated regulatory framework.



Cash Before Cover Requirement

Cash Before Cover Requirement

Under the new rule, insurance **premiums must be received** by the insurer before any policy is **formally issued**. In other words, coverage can only commence once payment has been made and acknowledged.

At this stage, there remain certain grey areas in implementation:

- If a policy is issued after the inception date, it may still appear possible to **backdate** the policy to ensure continuity of coverage.

However, this practice is not sustainable in the long term, as the regulator has clearly indicated that such backdating will be discouraged and **may not be accepted in future supervisory reviews**.

- If the **premium exceeds RMB 200,000**, it may be paid in four **instalments** of 25% each. The **first instalment** must be paid **prior to the inception date**, after which the policy can be issued.

To ensure continuous and compliant coverage, a practical approach should be:

1. Renew policies on an “as expiring” basis and ensure the **renewal premium is settled before** the renewal date.
2. Once the policy is officially issued following receipt of the premium, **endorsements** can be arranged to **update or amend coverage terms** and conditions as needed.



Fapiao (Official Invoice)

What is a “Fapiao” and when can it be issued?

In China, a **Fapiao** is an official tax invoice issued by a company that serves as proof of a transaction for both accounting and tax purposes.

When it comes to insurance, the **Fapiao can only be issued once the premium has been paid**. This means the following process must take place:

1. Issuance of the Debit Note:

The insurer or broker first provides the insured with a **debit note**, which serves as a request for payment. It specifies the amount of premium due, the coverage period, and policy details.

2. Payment by the Insured:

The insured must then **settle the payment** based on that debit note. This is considered the official record that the premium has been received.

3. Issuance of the Fapiao:

Only after the **payment has been received in full** can the insurer issue the **Fapiao**. This is a strict regulatory requirement under China's tax system—issuing a Fapiao before receiving payment would violate tax rules.

In short:

The **debit note** comes first as a request for payment, and the **Fapiao** follows as the **official proof that the payment has been made** and properly recorded for tax purposes.



Policy Wordings and Special Agreements

Policy Wordings and Special Agreements

All policy wordings, clauses, and special agreements must be **submitted to and approved** by the insurance regulator before use.

Insurers are **not permitted** to issue or endorse policies containing **unapproved or unregistered wording**. Clients and brokers should therefore ensure that only **regulator-approved versions** are used for quotation, binding, and issuance purposes.



Other Regulatory Updates

Strengthening the Supervision of Non-Auto Insurance Business

Purpose

Since November 1, 2025, the National Financial Regulatory Administration (NFRA) has enforced a stricter regulatory framework **to enhance oversight and ensure compliance** in China's non-auto property and casualty (P&C) insurance market.

The goals are to:

- **Enhance compliance and transparency,**
- **Protect consumers' legitimate rights and interests,**
- Shift focus from rapid growth to **quality and efficiency**, and
- Promote the high-quality, **sustainable development** of the non-auto insurance market.

Insurers are required to:

- Focus on **quality, compliance, and consumer protection,**
- Maintain transparent **pricing and fee management**,
- Strengthen oversight of intermediaries and financial controls, and
- **Improve premium and refund management processes.**

The new framework aims to create a fairer, more transparent, and consumer-centered non-auto insurance market in China.

Key Provisions in the Notice (Jinfa [2025] No. 36)

1. Scope

The new regulation applies to **all non-auto insurance lines** under P&C insurers, **except** those governed by **separate regulations** (such as agricultural or export credit insurance).

2. Business Development and Performance

Insurers should:

- **Reduce** their emphasis on premium volume, growth rate, and market share,
- **Prioritize** compliance, profitability, and service quality.

3. Premium and Rate Management

Premiums must be fair, reasonable, and sufficient.

Actuarial filings must clearly state surcharge rates, handling fee rates, and their maximum limits.

Companies must regularly review and adjust rates if actuarial assumptions deviate from actual results.

Sales of products with inaccurate pricing should be suspended until corrected.

4. Use of Terms and Rates

Only filed and **approved clauses and rates** may be used.

Insurers and intermediaries may **not alter policy terms or premiums indirectly** (for example, by splitting insured subjects, changing deductibles, or adjusting insured amounts).

5. Intermediary Management

Insurers must ensure that only **legally licensed intermediaries** conduct insurance sales.

Handling fees must match the value of services provided and be fully and accurately recorded.

Off-book transactions are **strictly prohibited**.

6. Expense Management

All operating expenses must reflect **actual business activity**.

Commission and intermediary fees **cannot exceed approved limits**.

Disguised payments (e.g., “marketing fees” or “technical support fees”) and falsified expenses are forbidden.

7. Premium Income Management

Policies and Fapiao (official tax invoices) can only be issued after the premium is received.

Online business must ensure complete and accurate data collection.

For large or instalment-based premiums, **internal approval and strong control measures** are required.

Insurers should strengthen receivables management and **prevent credit risks**.

Intermediaries may **not distort market order by advancing or delaying premium payments**.

8. Endorsement Refunds

Refund approval authority should be centralized at headquarters or provincial branches.

Clear review standards, strict internal controls, and audits are required to prevent misuse or embezzlement.

9. Market Conduct Supervision

Regulators will monitor insurers' expense and fee ratios.

Non-compliant companies may face **inspections, penalties, or suspension of product filings**.

Coordination between insurance regulators and intermediary regulators will be reinforced.

10. Consumer Protection

Insurers must maintain normal service standards and **cannot reduce service quality to cut costs**.

Regulators will ensure **fair underwriting and claims handling** and promote reasonable pricing.

11. Industry Collaboration

Industry associations should develop **standard clauses, pricing benchmarks, and loss rate models.**

Institutions such as China Bank Insurance Information Technology Co. and the Shanghai Insurance Exchange should **enhance data sharing, fraud prevention, and information system support** for supervision.

12. Implementation

Effective November 1, 2025.

The 2007 Notice on Non-Auto Insurance (Baojianchanxian [2007] No. 400) is repealed at the same time.

How should the New Regulations be implemented?

Key Provisions in the Guidelines (Jincaixianshan [2025] No. 527)

These Guidelines explain how the new rules should be implemented.

1. Product Filing

- All new or revised non-auto insurance products filed after November 1, 2025 must comply with the new regulations.
- Existing products must be re-filed as follows:
 - Corporate Property Insurance → by December 1, 2025
 - Production Safety Liability Insurance → by January 1, 2026
 - Employer Liability Insurance → by February 1, 2026
 - All other non-auto products → by December 31, 2026
- Non-compliant or outdated products must be withdrawn from the market.

Rate Limits:

- Surcharge rates are capped at 30% for large insurers and 35% for small and medium-sized insurers.
- Safety liability insurance may include slightly higher surcharge rates to cover accident prevention service costs.

2. Premium Payment and Instalments

- **Instalment payments** are allowed only with internal approval and for premiums over RMB 200,000.
- Initial payment must be **at least 25%** of the total premium.
- **Up to four instalments** are allowed for policies under one year.
 - Two more instalments may be added for each additional year of coverage.
 - Each instalment interval must not exceed six months.

- The final payment must be made **at least 30 calendar days** before coverage ends.
- **A policy and invoice** may only be issued **after the initial payment** has been received.

3. Strengthened Supervision

Regulators will:

- Investigate and penalize violations of filed terms, rate standards, and handling fee limits,
- Suspend or revoke non-compliant filings,
- Begin reporting expense and cost ratio indicators in 2026,
- Tie regional regulatory evaluations to compliance performance and case outcomes.

Sources

Sources

We cordially thank our Chinese members [Asian Risks Management Services LTD](#), [Huatai Insurance Agency & Consultant Service Ltd.](#), [Navigator International Insurance Brokers Co. Ltd.](#) as well as [Worldwide Insurance Services Enterprise Ltd/](#) [Chang Cheng Insurance Brokers Ltd. \(WISE&CCIB\)](#) for kindly providing us with the information included in this paper and for keeping us up to date on the new regulations and amendments.

If you have any questions or require further information, please get in touch with UnisonSteadfast at info@unisonsteadfast.com. We will then consult our members for more details.

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Annex

Notice of the National Financial Regulatory Administration on Strengthening the Supervision of Non-Auto Insurance Business

To: All Regional Financial Regulatory Bureaus, Property Insurance Companies, Insurance Intermediaries, CIRC Data Company, Shanghai Insurance Exchange, Insurance Associations, and Actuarial Associations:

In order to strengthen the supervision of non-auto insurance business of property insurance companies, safeguard the legitimate rights and interests of insurance consumers, and promote the high-quality development of the property insurance industry, the following matters are hereby notified:

I. Definition and Scope

For the purposes of this notice, “non-auto insurance business” refers to property insurance other than motor vehicle insurance. Where there are separate provisions for agricultural insurance or export credit insurance, those provisions shall prevail.

II. Optimization of Assessment Mechanisms

Property insurance companies shall, in line with the requirements for high-quality development, appropriately reduce assessment targets such as premium scale, business growth rate, and market share, while increasing the weight of compliance management, quality and efficiency, and consumer protection in performance evaluations. Companies should plan the development of their non-auto insurance business reasonably based on market capacity and their own foundation, and shift focus from pursuing scale and speed to emphasizing quality and efficiency.

III. Strengthening Rate Management

Property insurance companies shall determine premium rates scientifically in accordance with the principles of fairness, reasonableness, and adequacy. The predetermined expense loading and commission rates shall be set reasonably and must not exceed the level commensurate with the services provided. Actuarial reports for main policies and filings for additional coverages shall explicitly list the predetermined expense loading, average commission rate, and the maximum commission rate per policy.

Companies shall establish regular rate review and dynamic adjustment mechanisms. Where significant deviations occur between actuarial assumptions and actual operating

results, companies must promptly adjust and refile rates. In necessary cases, related products shall be suspended from sale prior to refiling.

IV. Strict Use of Filed Clauses and Rates

Property insurance companies shall continue to strengthen the standardized use of filed clauses and rates for both main and additional policies, and strictly implement the approved versions. Neither property insurers nor insurance intermediaries may materially alter approved insurance clauses or liabilities through special agreements, endorsements, contracts, or memoranda. They must not indirectly adjust rates through unlawful means such as splitting insured objects or sums, changing the insured's attributes, altering usage nature of the subject matter, or manipulating deductibles.

V. Strengthening Management of Insurance Intermediaries

Property insurance companies shall fulfill their management responsibilities toward insurance intermediaries. They must not entrust or pay commissions to institutions lacking valid licenses to conduct insurance sales.

Insurance intermediaries shall cooperate with insurers to implement supervisory requirements, set commission levels commensurate with service value, and accurately account for income and expenses. Off-book operations are strictly prohibited.

VI. Regulating Operating and Management Expenses

Property insurance companies must adhere to financial discipline and record all operating and management expenses truthfully based on the principle of substance over form.

Commissions paid for insurance sales must not exceed the approved maximum commission rate for the product. Companies are prohibited from disguising commission payments as publicity fees, technical support fees, or loss prevention expenses, or from fabricating intermediary business or expenses to extract funds and circumvent commission limits.

VII. Improving Premium Income Management

Property insurance companies must issue policies and official premium invoices upon receipt of premiums.

For internet-based non-auto insurance business, companies must promptly collect accurate and complete customer and policy information. For large-premium projects such as engineering insurance requiring installment payments, companies shall conduct internal review and may stipulate contract validity or claims responsibility based on payment progress.

Companies shall strengthen the management of accounts receivable premiums by improving information systems, internal policies, controls, and performance assessments to mitigate premium collection risks at the source.

Insurance intermediaries must cooperate and are prohibited from disturbing market order by advancing premiums or encouraging delayed payments.

VIII. Strengthening Endorsement and Refund Management

Property insurance companies shall continuously enhance internal controls in non-auto insurance operations, particularly in managing endorsements and refunds. The authority to review policy amendments shall generally be centralized at the head office or provincial branches, with clear review procedures and standards.

Companies shall strengthen audits and inspections of non-auto business, and strictly deal with institutions or personnel involved in illegal fund extraction through false endorsements or refund manipulation.

IX. Strengthening Market Conduct Supervision

All levels of the Financial Regulatory Administration's local offices shall strengthen monitoring of property insurers' operating indicators.

Where commission rates exceed approved levels or expense ratios fluctuate abnormally, regulators shall promptly conduct supervisory interviews or on-site inspections. Verified violations such as unapproved use of clauses or rates, falsified reports or documents shall be subject to regulatory measures or administrative penalties.

Joint investigations and coordinated handling shall be implemented for related violations involving insurers and intermediaries.

X. Protecting Consumer Rights and Interests

Local offices of the Financial Regulatory Administration shall urge property insurers to improve underwriting and claims services for non-auto insurance, enhance regulatory effectiveness, and promote business development that ensures adequate protection, reasonable pricing, market discipline, and quality service—thereby enhancing consumer satisfaction.

Insurers must not lower normal service standards under the pretext of reducing expenses.

XI. Leveraging the Role of Industry Organizations

Relevant industry organizations shall actively cooperate in strengthening non-auto insurance supervision.

The Insurance Association shall promptly formulate industry model clauses, standard terms, and self-regulatory guidelines for underwriting and claims handling.

The Actuarial Association shall develop benchmark pure risk loss rates to improve pricing standardization.

CIRC Data Company shall enhance intelligent product review systems, promote non-auto business platforms and data standards, and facilitate information sharing in areas such as claims and anti-fraud to support high-quality industry development.

The Shanghai Insurance Exchange shall optimize the national liability insurance information-sharing platform and mechanisms to support regulated operations in liability insurance and accident prevention.

XII. Supplementary Provisions

This notice shall take effect on **November 1, 2025**.