

# Research on Corporate Governance of Insurance Enterprises in China

Chuchu Rong, Ziwei Tang\*

School of Business, Guangxi University, Nanning 530000, China.

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**Abstract:** Over the past 40 years of reform, development and opening up, the reform of China's private capital market has continued to develop rapidly and steadily, and the design of the corporate governance operating mechanism has gradually completed a process from actively learning from the experience of various countries to exploring and gradually passing Explore and realize the important transformation to form a corporate governance innovation model system with Chinese characteristics.

**Keywords:** Insurance Companies; Corporate Governance; Information Disclosure

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## 1. Introduction

In the near 2021, China's government work report clearly puts forward that the company should achieve the goal of "strengthening corporate governance and better exerting the role of multi-level capital market", and how to master the theoretical achievements of modern first-class enterprises. Based on the important basic premise and combined with the excellent practical work experience of enterprises with Chinese company characteristics, the overall improvement of the overall level of corporate governance is a number of important institutional theoretical hotspots and practical problems that need to be studied urgently in the post-epidemic era.

From the perspective of dual policy supervision between the policy of the relevant department in charge of the policy of the insurance group and the policy of the relevant management department of the policy supervision of the state-owned insurance company, the paper conducts a comprehensive demonstration respectively and puts forward a series of relevant and effective implementation of the relevant specific system policy recommendations, combined with the State Council In the outline of the "14th Five-Year" overall strategic plan. It is required to establish some corresponding specific system policy objectives and some corresponding specific targeted reforms to improve the corporate governance mechanism of China's insurance companies at the current stage ,in order to further promote us to improve and strengthen China's establishment of a modern national capital market system in the future. This study provides some such valuable reference research information sources and important policy references.

## 2. Current Situation of Insurance Company Governance

### 2.1 The governance model has distinct Chinese characteristics

Most of the parent companies of insurance groups in China have adopted the structure of a first-level legal person group and a first-level legal person group with one and two supervisors. As one of its parent companies, the life insurance group company is also a comprehensive financial enterprise with a pure legal person. Holding companies do not need to directly engage in the specific investment business of insurance companies. Under the modern organizational structure of the parent company, the independent operation and management of subsidiaries have greater financial independence and freedom, while the centralized financial management and control of the entire group company is relatively weaker than that of the parent company. Comprehensive financial coordination and control The work is relatively difficult.

In recent years, China's four major insurance groups have actively explored and combined their own national conditions and China's own operating conditions in the process of promoting and improving the modern governance of insurance companies. First, it

is different from the Chinese-Japanese-German governance model and the modern Anglo-American German governance company model that are more popular in modern foreign countries. China has also explored and formed modern companies with their own unique advantages in the practice of the socialist economic system in the process of market-oriented transformation and development. In accordance with the "Company Law", China has established a new internal governance control model of "three meetings and one layer" of enterprises. It is the first time that independent directors are clearly established within the organization of the independent board of directors, and that they have independent voting rights outside the board of directors for the first time(Zhou Chengjun, 2020).

Second, due to the current state-owned, wholly-owned and holding and other large-scale comprehensive insurance groups in the process of integrated operation, the actual organization and leadership model of the party and government agencies have also been gradually and organically integrated into the overall operation and governance of the entire life insurance company. Each specific or each link in each work. There are currently 14 large Chinese-funded insurance group life companies in China, including PICC Life Insurance, China Life Insurance, China Life Insurance Taiping Life Insurance, China Pacific Life Insurance, China Insurance Regeneration Group Life Insurance Co. , Ltd. and China Life Insurance. All joint insurance companies belong to large insurance groups formed under the direct or wholly-owned or indirect holding investment and holding investment of insurance companies belonging to the same national group. At present, these four state-owned and large state-owned or controlled listed insurance groups have also issued documents to clarify and have issued documents for the first time in the company's newly established articles of association and its draft amendments in accordance with the requirements of the company law. The company's strengthened party organization leadership supervision system plays an important role in the company's strengthening and perfecting the company's system construction for improving its own corporate governance. The establishment of a number of important supporting mechanisms and work arrangements, such as the establishment of the disciplinary supervision and assessment mechanism combined with the company's strengthening of the internal enterprise management and internal control work system, and the establishment of a number of important supporting mechanisms and work arrangements have ensured that the internal party organization can effectively play the role of the party in setting the general direction and management. The overall situation and the role of ensuring the implementation of a good style of work.

## **2.2 The problems of insurance companies**

The first is to emphasize how to realize the core leadership and political role of the party leadership in the operation of large state-owned holding insurance groups. From the practical management experience at home and abroad, strengthening the overall leadership of the party group of the group company and giving full play to the role of the party organization in the enterprise is an important organizational means to further realize the effective unified governance mechanism of large and medium-sized state-owned insurance groups. One of the unique advantages of corporate holding insurance group companies in the governance model. At present, although many state-owned insurance group companies have successively made it clear that they will maintain the direct leadership of the party committee and incorporate it into the company's articles of association, in fact, in the future, how to effectively implement strict governance of the party and further play a better party organization directly under the party organization. The role of leadership is still far in the various stages of groping forward in practice and constantly exploring and optimizing practice.

Second, it should be how the parent company of the enterprise can more effectively and reasonably enhance the centralized and unified financial information of the enterprise itself, the group company and its internal management, as well as the management, control and operation coordination capabilities of its subsidiaries. Many large and professional multinational comprehensive insurance group companies in China are actually formed through the form of subsidiaries from a number of original state-owned foreign-funded professional comprehensive insurance companies. Moreover, the parent company of these insurance group companies is only a state-controlled property management company of a national financial insurance company, and its own board of directors hardly has complete direct investment control to operate the national insurance company and its actual asset operation related business, profit The income distribution will mainly come from the parent company's equity in other major subsidiaries and the actual shareholder profit dividends that have occupied or have not yet realized the excessive shares. Due to some of the above-mentioned specific historical reasons, the organizational structure of the existing company's operations between the company and its subsidiaries is relatively simple. The application of the measures and the Group's comprehensive financial management and control and operational risk capabilities are

still improving significantly and need to be gradually strengthened.

## **2.3 Reasons for the existence of insurance companies' problems**

Major shareholders are another special shareholding structure belonging to excess state-controlled insurance. It should be acknowledged, after all, because our current national insurance company's equity and governance mechanism system still has a considerable social externality to a certain extent, the national level may be based on the relative safety and stability of some social aspects such as ensuring the overall stability of the country and public security. Considering it, it is necessary to strengthen the overall and effective control of equity and the business operation and management of large state-owned legal person insurance companies. Of course, we can almost all understand it so simply, but the excessive and highly decentralized centralization of the equity resources of such insurance companies. It will directly bring about such a result. One of the most likely and more direct consequences is likely to be that due to its possible over-occupancy or waste, insurance companies have a large amount of accumulated social and national wealth and are more likely to be directly exploited. The damage even affects the rights and interests of all other small and medium-sized and public shareholders of insurance companies, and invisibly further weakens the effectiveness of China's insurance companies' legal strengthening of internal company operations and their ability to manage risks.

The management of the independent director system is not yet in place. Compared with China and most foreign large enterprise companies, the main and most significant and controversial aspects of the management system of China's existing large and state-owned large and medium-sized joint-stock insurance companies are the implementation of the independent director system. Management is not in place. In the past, in the construction of the system of nomination and selection of independent director candidates for companies in our country, the nomination method of the only candidate for the selection of candidates was usually the form of recommendation selection, which of course also caused some companies to inevitably rely too much on them. To further influence some external independent board members or independent directors and management personnel, their absolute audit independence has been weakened; independent directors themselves may not be able to fully understand the actual use of information in operating decision-making. Obtain any sufficient and accurate information that can be fully used to provide external disclosure about the value of the information, and may therefore be completely or impossible to fully understand and publish their own decision-making changes for our company's future production, operation and business.

Insider self-interested behavior. The increasing complexity and diversification of the selection of target business forms for the corporate strategic management of insurance companies and services, as well as the rapid expansion of the entire insurance business scope, etc. , will inevitably make the internal organization of the company itself able to transmit various external business information. The management of insurance companies cannot directly grasp the internal and external information. The emergence of management behavior is the root cause of the self-interested behavior of many insurance company insiders, which makes it more and more difficult to manage effectively to avoid occurrence. The management's behavior is too persistent to only pursue the short-term legitimate economic interests of the company's individuals, but it will never return. The company's medium- and long-term loss risks still exist; by improving the company's employee welfare standards, it erodes the profit margins of other employees, and so on. It is some concentrated expression of the self-interested behavior of some insurance insiders. From the process of analyzing the impact of the current US financial crisis and the most direct impact it may have on the management of Chinese insurance companies around the world in the future, most senior financial product managers from global insurance within the insurance group seem to have been It is generally believed that based on the complexity and complexity of the various internal stakeholders in the entire global insurance industry and their composition, the insurance policy and its impact on the global corporate social credit have a special and important impact.

The disclosure review work of voluntary disclosure of information was not timely or compliant. In the practice of financial investment and wealth management, the main methods of information disclosure of China's insurance companies also exist in practice. The financial risk problems of a large number of companies are manifested in the fact that the information disclosure or disclosed information of China's insurance companies is not timely or true or untrue. If this continues, it may not only be a loss that greatly damages the interests of ordinary individual investors, but also directly affect the overall business image of the normal operation of the entire insurance companies in China , and some may even evolve into a large number of insurance insider trading violations that will

breed in the future. A breeding ground for trading activity. At present, most insurance companies in China are not able to maintain the company's production and operation completely and stably because only relying on the income of insurance policies sold to the outside world is not enough to maintain the company's production and operation. It is completely concentrated on the income distribution of various external equity investment businesses related to various insurance funds and their businesses, resulting in a large amount and a relatively large difference in the amount of insurance companies. Detailed description and disclosure will affect the investor's own ability to judge or evaluate the overall risk level of the insured company.

There are still differences in the management experience of foreign human capital and the theoretical understanding of domestic corporate culture management. In the past 40 years of reform and development and opening up, Chinese entrepreneurs have been focusing on innovative human capital management practices and innovative corporate culture construction research. It is advocated that the use of material value rewards and combined with talent achievement evaluation is an important means of motivating entrepreneurs. To strengthen the important position of Chinese enterprise employees as the main body of human capital innovation, the key should be to introduce high-level innovative entrepreneurial talents who master the knowledge concept of human capital and the ability to apply technological innovation. At present, some enterprise organizations are also actively creating a learning organization and an innovative organization atmosphere, encouraging employees to cultivate good self-innovation organizational thinking and behavior and scientific and technological innovation awareness and behavior in order to continuously acquire Comparative advantage in differentiated competition. But up to the present stage, many enterprises in our country obviously still have many deficiencies in strengthening the awareness of human capital operation and management and attaching importance to the shaping and training of corporate cultural concepts. The overall construction of the corporate culture concept is also difficult to ensure that the goal of the company is maximized and the realization of other employees' personal goals is consistent, and the accurate openness and transparency of relevant human capital information and data cannot be finally achieved in the implementation of daily specific work management.

### **3. Optimizing China's Insurance Enterprises**

Improve the construction of the modern corporate enterprise system. In all kinds of state-owned enterprises, first of all, we must firmly base on the sound legal basis of adhering to the system of party building entering the country's constitution in accordance with the law, and reasonably adjust their own party organizations and their work focus in combination with the actual situation of each enterprise company. Especially in small and medium-sized private enterprises, the first is to improve the system according to the law to ensure that the rights and responsibilities of all parties are basically the same. Establish a list of corporate powers and responsibilities, detailing the division of management responsibilities and management authority of relevant party organizations and management cadres. Finally, innovate the form of the branch's activity position, cohesion and strengthen the cooperation between the party and the enterprise. The content of the construction of grass-roots party organizations in private enterprises should be combined with normal production and operation management, and focus on enhancing practicality.

Improve the quality and change the increment, and improve the policy environment that is conducive to the participation of female boards of directors in the corporate governance of listed companies. The effective and reasonable play of the role of female directors in social governance will depend on the policy market environment and the social environment of policy organizations suitable for them. To promote the diversity of the gender structure of the board of directors of listed companies on China's ChiNext, we can at least focus on improving the following three key aspects. First, improve legal education and popularization, and enhance public awareness of rights. Efforts should be made to improve the education and training level of the female public and reduce the social pressure on female practitioners. Second, the relevant listed companies are required to strengthen the information disclosure of the board of directors' gender rights diversity information by the board of supervisors in accordance with the law. Third, improve the working environment of the company and dilute the gender difference of the enterprise. Pay attention to the issues related to fair competition in the field of women's professional ability development in this enterprise management, and downplay the potential gender differences in the company's work field. At the same time, in line with the spirit of the special promotion training meeting on the reform and deepening of the central and local state-owned enterprise supervisory committees held by the Ministry of Finance in May 2021, the SASAC should formulate a series of more effective, flexible and practical training sessions. Standardize specific policies for board management diversification. Based on the local Chinese spirit, through the establishment of a standardized board

system and diversified management system with more connotations of Chinese cultural characteristics of state-owned enterprises, the comprehensive ability and quality of board governance can be effectively improved.

At the insurance group level, consider how to continue to optimize the coordination and operation within the parent-subsidary group of China Insurance, as well as the governance and structure model. The self-governance of insurance group joint-stock companies should focus on further focusing on the connection, overall organization and mutual organic coordination of various overall relationships in the overall governance mechanism framework between insurance parent and subsidiary shareholders. Considering a series of major business complexity risks and major macro systemic risks faced by the establishment of its effective governance operation mechanism, it is necessary to pay special attention to the effective promotion of the overall strategy of the group from the level of the entire business group of the insurance company as its holding and parent company, focusing on and realizing the overall unity within the group's overall strategy. Coordination with organizational structure and effective business synergy. State-owned large-scale wholly-owned and holding insurance group companies proposed to comprehensively consider how to further scientifically and correctly play the role of party organizations at all levels of the enterprise, and to form the law and strengthen the correct cooperation and leadership relationship mechanism between enterprises and party and government groups as two basic strategies.

According to the problems studied in the paper, the paper takes a sample of all the companies with green innovation patents from 1992 to 2018. Secondly, this paper quantifies the green innovation performance of enterprises with the number of green patents. Using Dai Yunhao and Kong Dongmin (2017), senior managers with overseas study or work experience are defined as 1, and the rest is defined as 0. The nature of the property right of the adjustment variable defines the state-owned enterprise as 1 and the non-state-owned enterprise as 0. Control variable Through previous research, the profitability, enterprise growth, the proportion of fixed assets, the actual debt ratio, the shareholding ratio of controlling shareholders, the total salary of the top three management, the integration of two positions, and the proportion of independent directors are taken as the control variables of this paper.

#### **4. The Guarantee Measures for Perfecting the Governance of China's Insurance Companies**

Strengthen the building of the board of directors. First of all, we should also focus on improving the economic management and professional ability of board members of Chinese enterprises. China's current four major state-owned or large-scale comprehensive joint-stock insurance companies are continuously undergoing horizontal integration and expansion to achieve horizontal integration with traditional "insurance, banking, stock exchange and three traditional major traditional financial pillars" and joint independent directors. In order to truly play the functions of modern company management decision-making and staff, it should also mainly include a high-level system of corporate economics, basic principles of finance, financial economics, management and related financial science basic theoretical research. Secondly, we should further standardize and perfect the establishment of modern enterprise independent director system in practice. On the basis of strictly ensuring that the status of independent directors is legal and generated, each insurance company should also make active efforts to reduce the direct and indirect impacts that may be imposed on its operation due to changes in the company's business and its internal related professionals. However, in terms of the role of the internal reporting system and the way in which its functions are played, all major Chinese insurance companies should still strive to pursue and try their best to provide more comprehensive, accurate, and most detailed, timely and comprehensive insurance company information and information. Therefore, in the future, the company can also consider changing and increasing the number and arrangement of independent directors in a timely manner or in accordance with the actual internal management operations and conditions of the boards of directors of major domestic companies.

Standardize management operations. Since there are also major interests that are not consistent with the interests of the enterprise managers and all shareholders, it is necessary to find a system method in practice to effectively control the managers and effectively supervise the investment and operation of the enterprise managers. From the perspective of the stock incentive mechanism, it is also possible to boldly try to use virtual stock options and other tools to incentivize stock options for stock managers. Only by continuously achieving more long-term performance in operating profits can investors More willing to continue to buy the company's stock, so that only when the stock price is rising and the senior managers who hold virtual stock option tools will exercise dividends at certain special moments in the future, the company is more likely to continue to obtain more reasonable shareholders return. The long-term

economic interests of managers' interests and shareholders' interests are thus closely linked.

**Diversified shareholding structure.** Most of the private wholly state-owned and foreign joint-stock insurance companies in China have always had the same economic interests between the internal management personnel generated within their organization and outside the general meeting of shareholders, the management of the board of directors, and the members of the board of supervisors of the external shareholders. There is no way to find a way to form a truly effective and balanced relationship between the corporate governance organization and the corporate governance relationship. Ultimately, it is believed that the main reason for its formation should be the excessive reliance on its core equity resources and the concentration of external investment. We can put forward the following two suggestions here. The first is a smooth and orderly free circulation rule and operation system for insurance property rights transactions. It can be said that Chinese insurance companies can introduce high-quality investors from other parties through more adequate and reasonable channels, such as some foreign financial groups, social insurance companies, etc. The second is the need to maintain new capital that can be continuously and continuously re-injected into insurance companies and gradually expand the insurance financing and management and operation channels that cooperate with existing large insurance companies to further improve the overall security payment mechanism system capability of the entire domestic large-scale Chinese insurance companies. In fact, there are indeed some health insurance companies like Ping An Insurance Company of China have already tried some of the above two aspects.

**Information disclosure management.** The company needs to disclose some non-financial or accounting important financial and accounting information: the company's current business governance status, public control Policies, risks and forecasts, the company's overall governance control structure model and preparation principles. In order to effectively evaluate the actual credibility of the relevant financial and accounting information, the company also needs to disclose the following audit evaluation information at the same time: audit evaluation report, review report of the board of supervisors, internal quality control Audit evaluation.

## 5. Summary

Establishing a diversified and modern enterprise system to improve the main body and improving the modernization of the overall modern governance system level of China's large and medium-sized enterprises is the new situation to promote the healthy and in-depth development of China's capital market reform under the new situation, and the country's governance system is more modern and effective. Based on the current status of the corporate governance system of insurance group companies and the main problems in the design of the current institutional governance system of international insurance group companies, this paper proposes corresponding solutions.

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