

Marsh News China

News for Marsh clients in China



Regulators Are Getting Tough With The Companies That Cause Pollution

Continue to damage the environment and we threaten our own existence, so the scientist and experts tell us. But the real threatened species are those companies that persist in flaunting environmental regulations and laws.

In much of the Asia-Pacific region, environmental laws have been toughened in recent years but their enforcement has been lax. This is quickly changing as pollution accidents occur.

“When there is a big incident, the regulators are put under so much pressure from the general public to deal with it. Companies at fault are then forced under the spotlight,” says Marsh’s Asia Environmental Practice Leader, Jim Finnamore.

In China, a recent case highlights that authorities are taking robust measures with companies responsible for environmental damage. A total of 2150 small chemical companies on the shores of Lake Taihu in the province of Jiangsu will be closed down by the end of 2008 due to a recent water pollution scare, according to a report by the *Xinhau News Agency*. A severe outbreak of blue-green algae in the lake, caused by pollutants, was discovered in May which rendered tap water undrinkable for about half of the 2.3 million population in the nearby city of Wuxi for a week. Taihu is the third-largest freshwater lake in China and is the source of drinking water about 30 million people.

Consumers in developed overseas markets are also forcing multinational corporations to ensure they and their suppliers do not pollute the oceans and rivers, release gases

This issue

- **Column - China’s New Employment Law**
page 2
- **Europe’s New Laws For Imported Chemicals**
page 3
- **Newsbites**
page 4

(continued on page 2)

Tough Regulators

(from page 1)

that destroy the ozone layer, or contribute in the myriad of other ways that industries can ruin the world's environment. Those whose operations are prone to producing hazardous wastes are particularly scrutinized.

"Anyone who is dealing with hazardous waste across the region is going to be required to demonstrate effective environmental risk management. That means having good controls, training for staff, and being backed up by insurance risk-transfer solutions," Finnamore says.

Prudent companies realize that if there is an accident and their waste management supplier goes out of business as a result, they would be stuck with the cleanup costs and their reputations among

CHINA AND THE ENVIRONMENT		
POLLUTION AND FRESHWATER	2006	
	China	The World
CO2 emissions per capita (metric tons)	2.7	3.9
Particulate matter (urban population - weighted average - microns per cubic metre)	80	60
Passenger cars (per 1000 people)	8	100
Internal freshwater resources per capita (cubic metres)	2170	6872
Access to improved water resource (% of the population)	77	82

SOURCE: The Little Green Databook, The World Bank

their customers would be harmed. By obliging their supplier to obtain insurance helps ensure they would remain insolvent and "keeps the company out of the news", Finnamore says.

Finnamore also notes that the global specialist environmental insurance sector has responded positively to the increased demand for operational and transactional

pollution policies in Asia, and that they are slowly being joined by local Asian insurers who are developing an appetite for competing in the environmental risk transfer market.

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China's New Employment Law

By Terry Tang

Vice President of Marsh's FINPRO Practice

When the new Labour Contract Law (LCL) takes effect on 1 January 2008, China will become one of several countries that require employment contracts in most employment relationships.

Most of the provisions in the LCL either clarify or modify provisions that have already appeared in China's 1995 Labour Law and 2006 Company Law, among others. However, the new law could substantially affect companies' human resources policies and procedures.

For example, foreign companies may face higher human

resources administrative costs from making changes to comply with the new provisions.

The LCL is one of many new policy measures intended to deal with the rising number of labour disputes in China. It addresses issues such as severance pay, non-compete clauses, probationary periods, part-time employees, mass lay-offs, collective bargaining, labour dispatch agencies, the formulation of company policies, and the role of labour unions.

How the new law will be applied in practice is not fully known.

While implementing regulations are expected to be released before the end of 2007, these may not provide all the answers.

Companies in China or have China employment relationships are advised to seek advice on the new law and its implications. They should also be advised on their potential risk exposure, including the availability and scope of employment practices liability coverage in China.

For more information, contact Terry Tang, on telephone: +852 2301 7798, or email: Terry.KW.Tang@marsh.com.

Europe's New Laws For Imported Chemicals

More than 100,000 chemical substances are now commonly found in products being sold within the European Union (EU). Most of them have not had their properties evaluated and documented for safety.

To respond to the absence of this information, the EU is introducing a regulation known as REACH (Registration, Evaluation, and Authorisation of Chemicals). The regulation is intended to make the trading, handling and usage of chemicals safer for European workers and citizens and promote environmental protection. It was formally adopted in December 2006 and went into force on June 1, this year.

“While REACH is a very complex regulation, it clearly will have a significant impact on the risk profile of chemical manufacturers, importers and downstream users of chemicals,” a senior consultant of Marsh Risk Consulting, Eric Tam, says. “These include adding costs for registration, a higher probability of production delays and interruptions, greater risks of breaching duty of care obligations, and the possible withdrawal or restriction of some chemical substances.”

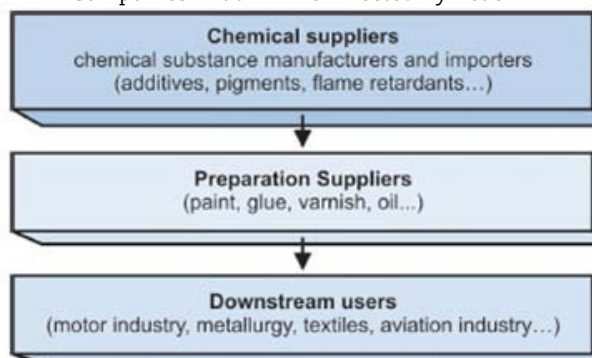
All substances produced or imported in quantities greater than one tonne or more per year will be required to register on a central database held by a European Chemical Agency that will be established in Helsinki, Finland.

Registration Deadlines

The registration of chemical substances will be phased in over time in order to cope with the potentially large number of registrants. Pre-registration will take place from 1 June 2008 to 30 November 2008.



Companies That Will Be Affected By Reach



Source: Marsh

The 1 June deadline will apply to new chemical substances and to chemical substances already in use in the EU. There are several exemptions that will be allowed, such as for practical reasons, temporary exemptions, and for chemicals used in research.

For chemical manufacturers that import their products into the EU, there are two possibilities for those that have pre-registered the substances they produce.

- The supplier located outside of the EU appoints an Only Representative (OR) located in the EU. In this case, the OR is the only legal entity that can pre-register the substance. Errors or omissions (such as a missed deadline, or an incorrect identification of the substance) by the OR can result in the import-

ing of the product into the EU being interrupted. This could lead to calls for compensation by customers who no longer have access to the product.

- In the absence of an OR, each company based in the EU and importing a chemical substance has to pre-register for its own needs. If a company does not fulfill their obligations in that respect, they will not be authorized to import directly from the offshore supplier into the EU. The supplier will have to go to another importer that has properly pre-registered in order to avoid disruptions.

For more information, contact Eric Tam, a senior consultant of Marsh Risk Consulting, telephone: +852 2301 7240 or email: eric.tam@marsh.com

Newsbites

Marsh Wins Asian Broker Of The Year Award And Opens New Office In Chengdu

To cap what has been a remarkable year for Marsh, it received the coveted Broker of the Year prize at the 11th annual Asia Insurance Industry Awards.

The judges recognized Marsh as one of the risk industry leaders in Asia because of its commitment to thought leadership and client education on headline issues important to Asia.

Marsh's work on the professional standards, such as supporting a business development school and accelerated leadership program, was also singled out.

Meanwhile, Marsh (Beijing) Insurance Brokers has been granted a licence from the China Insurance Regulatory Commission to open a branch office in the city of Chengdu. This allows Marsh to provide its full range of services in western China.

The Chengdu branch address is: Room 01, 20th floor, Tower 1, Plaza Central, 8 Shun Cheng Dajie, Chengdu, 610015, China. To contact the branch, telephone: +86 28 8666 8523, or fax: +86 28 8666 9785, contact person: Susy Zhao.

Approval Rules For Deals Tighten

The China Securities Regulatory Commission (CSRC) is seeking comment on proposals to tighten requirements for large mergers and acquisitions. The proposed rules would increase the proportion of shareholders with voting rights needed to approve a deal to two-thirds, instead of the current minimum of half, for listed companies.

The commission also proposed that for private placements where companies inject assets into their listed arms in return for new shares, they must hold the securities for at least 36 months, up from the current requirement of 12 months.

In addition, the commission says it plans to create a board to review mergers and acquisitions in order to increase market transparency. The board will be composed of 25 experts; five from within the CSRC and 20 from outside the commission. The members will be able to serve a maximum of three one-year terms. Our Private Equity Merger Acquisitions (PEMA) practice and sister company KROLL do a significant amount of risk and insurance due diligence work for companies considering acquisitions in China.

The new measures are intended to curb the heightened speculation that is surrounding most corporate restructures while stock prices are soaring on the Shanghai exchange.

Up To 4.4 Billion Yuan In Losses From Typhoon Krosa

Typhoon Krosa caused devastation resulting in insured losses of between \$US200 million and \$US600 million (1,477.6 million yuan and 4,432.3 million yuan) when it hit China and Taiwan in early October, according to calculations made by the United States reinsurance company AIR Worldwide. The typhoon destroyed 3500 homes, caused substantial flooding of farming land, and disrupted transport and air services.

Also, landslides caused by the typhoon's storms in eastern parts of China were responsible for burying homes, blocking roads and derailing trains. Chinese government officials estimate that the total economic damage from the typhoon exceeds \$US1 billion, according to reports.

Editorial enquiries and story or subject suggestions important to your business should be sent to asia.communication@marsh.com

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