

# Analysis Report on Enforcement Cases of Investment-Linked Life Insurance Policies

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## Abstract

The Hebei Provincial Higher People's Court's Enforcement Ruling No. 59 of 2024 definitively confirms that the cash value of a wealth management life insurance policy falls under "other property rights" under Article 242 of the Civil Procedure Law, and determines that the policyholder's refusal to terminate the contract, jeopardizing the realization of the creditor's rights, constitutes an abuse of rights under Article 132 of the Civil Code. The ruling, based on systematic interpretation, purposive interpretation, and the principle of proportionality, redefines the normative scope of Articles 15, 42, and 47 of the Insurance Law, establishing a dynamic balance mechanism between creditor's rights realization and insurance protection. This article takes the three-tiered judicial process of this case as its starting point, comprehensively employing normative analysis, comparative law, and law and economics methods to systematically elaborate on the determination of the attributes of cash value, the structure of matured debt enforcement, and the institutional design of classification exemption and repurchase notices, aiming to provide both interpretative and legislative references for the connection between the Insurance Law and the Civil Enforcement Law.

## Keywords

Policy cash value; abuse of rights; proportionality principle; waiver by category; repurchase notice.

## 1. Introduction of the Problem

Since 2023, with the explosive growth of cases involving the "enforcement of policy cash value," the "debt avoidance function" of investment-linked life insurance has encountered strong judicial resistance.[1] The judgment debtor claims exemption based on their "exclusive rights" and "right of termination" over the policy, while the judgment creditor requests seizure of the cash value, arguing it falls under "other property rights," resulting in a fierce clash between these two legal interests. Existing research largely focuses on the literal interpretation of Article 15 of the Insurance Law,[2] lacking a systematic response to the distinction between "cash value and insurance proceeds," the construction of enforcement procedures, and the mechanism for balancing interests.[3] The Hebei Provincial Higher People's Court's Enforcement Ruling No. 59 of 2024 affirmed the enforceability of cash value at the final level for the first time, introducing the prohibition of abuse of rights and the principle of proportionality as argumentation tools, providing a replicable paradigm for similar cases, and also exposing deep loopholes in the connection between the Insurance Law and the Civil Enforcement Law.[4] How to achieve a dynamic balance between maximizing debt realization and ensuring the bottom line of insurance protection without violating the legislative purpose of the Insurance Law has become a core issue facing both theory and practice.[5]

## 2. Three -Tier Progression from Freezing and Deducting Funds to Rejection by Supervision

In December 2021, the Zhaoxian County People's Court of Hebei Province issued Civil Judgment No. (2021) Ji 0133 Min Chu 3085 in the case of Qi Mouzhuang v. Liu Moufeng regarding a construction project contract dispute, ordering Liu Moufeng to pay 101,532 yuan in construction labor fees within three days of the judgment taking effect. After the judgment took effect, Liu Moufeng failed to comply voluntarily, and the Zhaoxian County Court initiated enforcement proceedings on April 24, 2022. During the enforcement process, the court found that Liu Moufeng's bank deposits, real estate, vehicles, and other assets were insufficient to pay off the debt. Therefore, the court issued Enforcement Ruling No. (2022) Ji 0133 Zhi 782, freezing and forcibly deducting the cash value of six insurance policies he had taken out with China Pacific Life Insurance Co., Ltd., totaling 76,159.75 yuan, which was subsequently distributed to the applicant and the enforcement proceedings were terminated. Liu Moufeng filed objections, appeals, and supervision applications for enforcement, arguing that "insurance proceeds have personal exclusivity" and that "Article 15 of the Insurance Law only grants the policyholder the right to terminate the contract." All three levels of courts rejected these applications. On March 29, 2024, the Hebei Provincial Higher People's Court issued Enforcement Ruling No. (2024) Ji Zhi Jian 59, finding that: the cash value represents the policyholder's definite monetary claim against the insurer, falling under the category of "other property rights" as defined in Article 2, Paragraph 1 of the "Provisions of the Supreme People's Court on the Seizure, Detention, and Freezing of Property in Civil Enforcement by People's Courts"; the policyholder's refusal to terminate the contract jeopardized the realization of the claim, constituting an abuse of rights; and the People's Court's restriction of the policyholder's right to terminate the contract under Article 132 of the Civil Code of the People's Republic of China did not violate the legislative purpose of Article 15 of the Insurance Law; the notice of assistance in enforcement is a "dead-end claim enforcement," not requiring contract termination as a necessary prerequisite; and current law does not establish a beneficiary's obligation to notify of repurchase, therefore the procedure was proper. The ruling ultimately rejected Liu Moufeng's appeal.[6]

## 3. Distinction between Cash Value and Insurance Proceeds, and Prohibition of Abuse of Rights

Article 42 of the Insurance Law of the People's Republic of China separates "insurance proceeds" and "cash value" into different articles: the former is subject to the occurrence of an insured event and has the functions of risk compensation and survival protection; the latter is premised on the continuation of the contract and is the remaining balance after deducting risk costs and operating expenses from the prepaid premiums, constituting a definite monetary claim of the policyholder against the insurer. In terms of literal interpretation, the "insurance proceeds" in Article 42 specifically refers to the payment after an insured event, and the legislator's purpose in granting exemption from enforcement is to protect the basic right to survival of the insured and their dependents; while cash value does not require the occurrence of an insured event, and Article 47 of the Insurance Law explicitly stipulates that "if the policyholder terminates the contract, the insurer shall return the cash value of the insurance policy," confirming its ownership by the policyholder without any specificity or exemption restrictions. In terms of systematic interpretation, cash value possesses the characteristics of quantifiable, transferable, and seizable property; it has neither specificity nor is it a necessary expense for living, and should therefore fall under the category of "other property rights" under Article 242 of the Civil Procedure Law. In terms of interpretation, extending the exemption

range of Article 42 to cash value would make high-value investment-linked life insurance a loophole for judgment debtors to evade enforcement, inducing systemic moral hazard and violating the principle of comprehensive liability and the concept of maximizing creditor's rights. In its ruling (2024) Ji Zhi Jian No. 59, the Hebei High Court used the three elements of certainty, quantifiability, and transferability as the fulcrum of its argument, completing the qualitative transformation from "personal dependence" to "property rights," forming a systematic echo with Article 47 of the Insurance Law, and laying the substantive legal foundation for the enforcement agency to directly seize the assets.

### **3.1. Applicable elements of the prohibition against abuse of rights**

If an insured refuses to exercise their right of termination, thereby hindering the realization of their claim, this constitutes an abuse of rights under Article 132 of the Civil Code. This requires both subjective and objective elements: subjectively, the insured knowingly refuses to withdraw the cash value despite having substantial debts, demonstrating intent to harm others; objectively, the realization of the claim is hindered by the refusal to terminate the contract, and this behavior violates the original purpose of the right of termination. The Hebei High Court, in its supervisory ruling, explicitly stated that "Article 15 of the Insurance Law is not a prohibitive provision excluding enforcement by the People's Court." In essence, it transforms a "protective right" into a "property right" through purposive restriction, allowing civil enforcement power to penetrate the contractual shell and directly seize the cash value claim. This interpretation maintains the internal consistency of the Insurance Law while preventing lower-level laws from hindering the realization of claims under higher-level laws, conforming to the fundamental legal principle that "rights must not be abused." In terms of comparative law, Article 170 of the German Insurance Contracts Act and Article 132 of the Japanese Civil Enforcement Act both recognize the enforceability of the cash value of an insurance policy, with exemptions only granted up to the "minimum subsistence allowance." China's judicial practice keeps pace with these laws, reflecting the internationally common experience of "basic protection + enforceability."

### **3.2. of proportionality : Balancing the realization of livelihood security and creditor rights**

The principle of proportionality requires that the purpose, measures, and damages of enforcement be proportionate. When seizing cash value, the executing court should comprehensively consider the basic living security of the judgment debtor and their dependents, the risk protection function of the insurance policies, and the urgency of realizing the debt. In this case, the executing court only seized 76,159.75 yuan, which did not reach the risk coverage of each insurance policy, nor did it cause the policies to become invalid as a whole. Some policies were still kept in effect, reflecting the restrained stance of "limited enforcement target". Future legislation should clarify the "minimum living security retention amount", based on the local monthly minimum wage standard multiplied by twenty-four months, and include the excess within the scope of enforcement, so as to achieve a balance between "enforcement of debt" and "survival security".

## **4. Determination of the Nature of Execution of Matured Claims and Notices of Assistance in Execution**

The executing court's issuance of a "Notice of Assistance in Execution" to the insurance company is not "exercising the right of termination on behalf of the policyholder," but rather a direct execution of the "debtor's matured claim" based on Article 242 of the Civil Procedure Law and Article 36 of the "Provisions of the Supreme People's Court on Several Issues Concerning the Execution Work of People's Courts (Trial Implementation)." Once the cash

value is calculated and determined, the policyholder's "definite, matured, and monetary" claim against the insurer is established, meeting the requirements of "third-party claim execution" under Article 501 of the "Interpretation of the Supreme People's Court on the Application of the Civil Procedure Law of the People's Republic of China." As a third party with payment obligations, the insurance company bears a statutory obligation to assist in "stopping payment and transferring funds" upon receiving the assistance notice. Its legal nature is a composite execution of "debt seizure + debt collection," which does not require the policyholder's consent or the termination of the insurance contract as a necessary prerequisite. This avoids the theoretical dilemma of direct court intervention in contractual relationships while achieving the execution objective of debt repayment, reflecting the dual value of execution efficiency and procedural economy.

#### **4.1. The absence and rectification of the repurchase notification obligation**

Although Article 17 of the Interpretation III of the Insurance Law grants the beneficiary the right to prevent contract termination by "paying an amount equivalent to the policy's cash value and notifying the insurer," current law does not establish a notification obligation for the executing court. In practice, beneficiaries often only learn of the policy's forced termination after the deduction is completed, losing the opportunity to inherit the contract by paying consideration, and their procedural rights and property disposal rights are substantially affected. Drawing on the legislative trend of Article 159 of the Draft Civil Enforcement Law, a "repurchase notice" pre-procedure should be established in future written law: After freezing the cash value, the executing court should serve a "Repurchase Notice" to the known beneficiaries within seven days, specifying the specific amount of the cash value, the payment deadline, the court's receiving account, and the legal consequences of failure to pay within the deadline; if the beneficiary pays the consideration within thirty days and applies to change the policyholder, the executing court should lift the freeze and notify the insurance company to continue underwriting; if payment is not made within the deadline or the application is refused, the court may notify the insurer to terminate the contract and transfer the cash value. This system not only protects the beneficiaries' right to participate in the process, but also prevents the execution process from being indefinitely delayed, thus achieving an organic unity between procedural justice and execution efficiency.

#### **4.2. Categorized Exemptions: A binary matrix of pure protection and savings investment**

To address the rapid iteration and complex functions of insurance products, it is recommended that the Supreme People's Court, in conjunction with the State Financial Supervision and Administration Bureau, formulate a "List of Exemptions from Enforcement for Personal Insurance," constructing a categorized matrix based on the dual indicators of "significance of protection function + accumulation of cash value." For pure protection products such as term life insurance, short-term accident insurance, and low-sum-coverage critical illness insurance, due to their short insurance periods, low premiums, extremely low or even zero cash value, and their focus on risk protection, they should be included in the exemption scope, and the executing court should not be allowed to deduct any cash value. For savings and investment products such as whole life insurance, endowment insurance, annuity insurance, and universal life insurance, due to their long insurance periods, high premiums, a high proportion of cash value to paid premiums, and significant wealth management functions, they should be included in the scope of enforceable assets, but a minimum living allowance of "24 times the local monthly minimum wage" should be retained, dynamically adjusted every three years according to the consumer spending index, to ensure the flexibility and fairness of the system. For hybrid products that fall between pure protection and savings/investment, such as increasing whole life insurance and participating annuity insurance, the executing court should

make a comprehensive judgment based on the weights of "significance of protection function" and "accumulation of cash value." If necessary, an actuarial institution may be commissioned to issue an opinion to avoid rigid application of a "one-size-fits-all" approach.

### 4.3. Two-tiered remedies: objections to enforcement and policy repurchase

The current Civil Procedure Law's Article 232, which provides a single remedy for "objections to enforcement actions," only examines the procedural legality of enforcement measures and fails to cover the beneficiary's substantive rights to the policy's cash value. Future legislation could introduce "policy repurchase lawsuits," granting beneficiaries an independent substantive remedy: within sixty days of becoming aware of enforcement measures, the beneficiary could file a lawsuit with the enforcement court to "confirm the repurchase right and change the policyholder," requesting a judgment ordering them to pay consideration equivalent to the cash value before assuming the policy's rights and obligations. If the court, after review, deems the actions compliant with relevant provisions of the Insurance Law, it should order the insurer to continue coverage and instruct the enforcement court to lift the freeze. If the beneficiary fails to file a lawsuit within the stipulated time or the lawsuit is dismissed, the enforcement court may continue to notify the insurer to terminate the contract and transfer the cash value. This system both protects the beneficiary's substantive rights and prevents indefinite delays in enforcement proceedings, forming a two-tiered remedy framework of "procedural objections + substantive litigation," aligning with the modern trend in civil enforcement law to emphasize both procedural and substantive justice.

## 5. Conclusion

in the Liu Moufeng enforcement supervision case marks the formal confirmation of the "enforceability of investment-linked life insurance" by the Chinese judiciary, and also reveals the deep-seated difficulties in the connection between the Insurance Law and the Civil Enforcement Law. Theoretically, cash value should be included in the liable property based on systematic interpretation, purposive interpretation, and the principle of proportionality, while excessive enforcement should be prevented through a "minimum living allowance retention limit." In practice, a "List of Exemptions from Enforcement for Personal Insurance" should be formulated as soon as possible, introducing "repurchase notices" and "lawsuits for policy repurchase," establishing a dynamic balance mechanism between debt realization and insurance protection, allowing insurance to return to its original purpose of risk protection, and ensuring that enforcement does not lack humanistic care.

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