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中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code:2328)

CONTINUING CONNECTED TRANSACTION ENTERING INTO THE REINSURANCE FRAMEWORK AGREEMENT WITH PICC RE

On 20 January 2021, the Company entered into the Reinsurance Framework Agreement with PICC Re. Pursuant to the Agreement, the Company agreed to cede insurance premiums to PICC Re and PICC Re agreed to pay commissions to the Company.

Pursuant to the relevant provisions of the Listing Rules, entering into the Reinsurance Framework Agreement with PICC Re constitutes a continuing connected transaction of the Company. As the highest applicable percentage ratios for the annual caps of insurance premiums to be ceded by the Company to PICC Re and commissions to be paid by PICC Re to the Company under the Reinsurance Framework Agreement exceed 0.1% but less than 5%, the Agreement is only subject to the reporting, annual review and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement dated 21 January 2020 of the Company, in relation to the 2020 Framework Agreement on Reinsurance Business Cooperation entered into between the Company and PICC Re on 21 January 2020. Considering that the 2020 Framework Agreement on Reinsurance Business Cooperation entered into between the Company and PICC Re on 21 January 2020 has expired on 31 December 2020, the Company and PICC Re entered into the Reinsurance Framework Agreement on 20 January 2021 to continue the current business cooperation relationship between the Company and PICC Re and ensure that the reinsurance business between the parties is conducted under the framework provided in the Agreement and in compliance with laws and regulations.

THE REINSURANCE FRAMEWORK AGREEMENT

1. Date of signing

20 January 2021

2. Parties

- (1) the Company
- (2) PICC Re

3. Term

One year, commencing from 1 January 2021 and expiring on 31 December 2021.

4. Cooperative matters

Pursuant to the Agreement, the Company agreed to cede insurance premiums to PICC Re from time to time. PICC Re who acts as reinsurer shall accept the risks of and pay commissions to the Company in return for the agreed insurance premiums received. The reinsurance business consists of treaty and facultative reinsurance business, and the risks covered include all lines of property and casualty insurance business risks.

5. Premiums ceded and commissions

Under the framework provided in the Agreement, the parties to the Agreement may enter into various types of reinsurance agreements in respect of particular reinsurance business. Such particular reinsurance agreements shall use standard contracts. Pricing and relevant conditions, including the amount of premiums to be ceded and the commission receivable, of each particular reinsurance business shall be determined by the two parties by reference to the prevailing market level and after arm's length negotiation. The ceded premiums and commissions shall be paid in cash and the payment dates shall be determined according to the payment terms agreed by the parties to the agreements after arm's length negotiation when entering into the reinsurance agreements. The payment terms shall be no more favorable than that available to independent third parties.

When determining PICC Re as the reinsurer, the Company mainly considers the type of insurance involved, the scale of ceded premiums, the prepaid commission rate, the sliding scale of loss ratio and the corresponding floating commission rate, etc. The amounts of ceded premiums are determined based on the written premiums of the ceded business and ceding ratios, and the commissions are determined based on the amounts of ceded premiums and the commission rates of the ceded business. The commission rates of the ceded business are calculated based on the historical operating status of such business by using actuarial models and determined through open market negotiations.

The terms, commission rates and other information in respect of each reinsurance business line will be published via the reinsurance operation and management platform of the Company. All invited reinsurers may log on to the platform to inspect information relevant to the reinsurance business. The current settings of the reinsurance operation and management platform can ensure that the reinsurance conditions and commission rates provided to PICC Re via the reinsurance operation and management platform are exactly the same as that of other reinsurers.

ANNUAL CAPS

The annual caps for the amounts of premiums ceded by the Company to PICC Re and the amounts of commission paid by PICC Re to the Company for the year ending 31 December 2021 are estimated as follows:

	RMB million
Premiums ceded by the Company to PICC Re	5,000
Commissions paid to the Company by PICC Re	2,250

The Company determined the above annual cap for ceded premiums primarily based on the future scale of ceded premiums of the Company and the historical data. The above annual cap for commissions was calculated based on the above annual cap for ceded premiums and the commission rates of ceded business. The commission rates of ceded business were determined

based on the commission rates of front-end direct insurance business and historical data of claims paid in the course of reinsurance business, and by reference to market conditions.

HISTORICAL FIGURES

The premiums ceded by the Company to PICC Re and the commissions paid to the Company by PICC Re for the year ended 31 December 2018, for the year ended 31 December 2019 and for the year ended 31 December 2020 are as follows:

	Premiums ceded by the Company to PICC Re	Commissions paid to the Company by PICC Re
	<i>RMB million</i>	<i>RMB million</i>
For the year ended 31 December 2018	4,058	1,378
For the year ended 31 December 2019	4,701	1,520
For the year ended 31 December 2020 (<i>Note</i>)	3,775	1,411

Note: the above figures for the year ended 31 December 2020 are extracted from the business system and have not been audited.

GENERAL INFORMATION

Information on the Company

The Company is a joint stock limited liability company incorporated in the PRC, whose H shares are listed on the Hong Kong Stock Exchange. The Company is principally engaged in property and casualty insurance, liability insurance, credit insurance, accidental injury insurance, short-term health insurance and the related reinsurance business as well as investment and funds application business in the PRC. As at the date of this announcement, PICC Group is the controlling shareholder of the Company, holding 68.98% of the total share capital of the Company.

Information on PICC Re

PICC Re is a joint stock limited liability company incorporated in the PRC and is principally engaged in commercial reinsurance business of property insurance, life insurance, short-term health insurance and accidental injury insurance in the PRC, service and consultation business related to the above reinsurance business, insurance funds application business permitted under the relevant laws and regulations of the PRC, and other business approved by the PRC insurance regulatory authority. As at the date of this announcement, PICC Group and the Company hold 51% and 49% of the total share capital of PICC Re respectively.

Information of PICC Group

PICC Group is a joint stock limited company incorporated in the PRC with limited liability, whose shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively. PICC Group mainly invests in and holds shares in listed companies, insurance agencies and other financial institutions, supervises and manages various domestic and international businesses of its invested companies and policy-oriented insurance businesses authorised or entrusted by the government, etc. As at the date of this announcement, the Ministry of Finance is the controlling shareholder and the ultimate beneficial owner of PICC Group, holding 60.84% of the total share capital of the PICC Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

As a property and casualty insurance company, in order to lower the risk, the Company shall arrange reinsurance for part of the risk it underwrites. PICC Re was jointly established by way of promotion by PICC Group and the Company. It is the fourth Chinese-funded corporate reinsurance company in the PRC. The Company entered into the Agreement with PICC Re in order to achieve risks diversification and stabilisation of operation. Considering the above pricing policy, the Board, including the independent non-executive Directors, is of the view that the transactions under the Agreement will be conducted on normal commercial terms and in the ordinary and usual course of business of the Company, the terms of the Agreement and the proposed annual caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

PICC Re is a subsidiary of PICC Group, the controlling shareholder of the Company. Pursuant to the Listing Rules, PICC Re is a connected person of the Company. Accordingly, the Agreement constitutes a continuing connected transaction of the Company. As Directors, Mr. Xie Yiqun holds positions in PICC Group, and Mr. Li Tao holds position in PICC Life, a subsidiary of PICC Group, therefore they have abstained from voting on the board resolution for considering and approving the Agreement. Save as disclosed above, no other Directors were required to abstain from voting on the board resolution for considering and approving the Agreement or are regarded as having a material interest in the Agreement.

As the highest applicable percentage ratios for the annual caps of insurance premiums to be ceded by the Company to PICC Re and commissions to be paid by PICC Re to the Company under the Reinsurance Framework Agreement exceed 0.1% but less than 5%, the Agreement is only subject to the reporting, annual review and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“Agreement” or “Reinsurance Framework Agreement”	the 2021 Framework Agreement on Reinsurance Business Cooperation dated 20 January 2021 entered into between the Company and PICC Re
“Board”	the board of directors of the Company
“Company”	PICC Property and Casualty Company Limited
“connected person”	has the meaning as defined in the Listing Rules
“Directors”	directors of the Company
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock

	Exchange of Hong Kong Limited
“PICC Group”	The People’s Insurance Company (Group) of China Limited
“PICC Life”	PICC Life Insurance Company Limited, a joint stock limited liability company incorporated in the PRC, whose total share capital is held 8.615% by the Company and 80.0%, directly and indirectly, by PICC Group, the Company’s controlling shareholder
“PICC Re”	PICC Reinsurance Company Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

By Order of the Board
PICC Property and Casualty Company Limited
Zou Zhihong
Secretary of the Board

Beijing, the PRC, 20 January 2021

As at the date of this announcement, the Chairman of the Board is Mr. Luo Xi (non-executive director), the Vice Chairman is Mr. Xie Yiqun (executive director), Mr. Li Tao is the non-executive director, Mr. Jiang Caishi and Ms. Xie Xiaoyu are executive directors, and the independent non-executive directors are Mr. Lin Hanchuan, Mr. Lo Chung Hing, Mr. Ma Yusheng, Mr. Chu Bende and Ms. Qu Xiaohui.