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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 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 REINSURANCE**

On 29 December 2023, the Company entered into the Reinsurance Framework Agreement with PICC Reinsurance. Pursuant to the Agreement, the Company agreed to cede insurance premiums to PICC Reinsurance in return for commissions and PICC Reinsurance agreed to cede insurance premiums to the Company in return for commissions.

Pursuant to the relevant provisions of the Listing Rules, PICC Reinsurance is a connected person of the Company, entering into the Reinsurance Framework Agreement with PICC Reinsurance constitutes a continuing connected transaction of the Company. As the highest applicable percentage ratios for the caps of insurance premiums and commissions for the Outward Reinsurance Transactions under the Reinsurance Framework Agreement exceed 0.1% but are less than 5%, the Outward Reinsurance Transactions are only subject to the reporting, annual review and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. As the highest applicable percentage ratios for the caps of insurance premiums and commissions for the Inward Reinsurance Transactions under the Reinsurance Framework Agreement do not exceed 0.1%, the Inward Reinsurance Transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 30 December 2022, in relation to the 2023 Framework Agreement on Reinsurance Business Cooperation entered into between the Company and PICC Reinsurance on 30 December 2022. Considering that the 2023 Framework Agreement on Reinsurance Business Cooperation entered into between the Company and PICC Reinsurance will expire on 31 December 2023, the Company and PICC Reinsurance entered into the Reinsurance Framework Agreement on 29 December 2023 to continue the current business cooperation relationship between the Company and PICC Reinsurance and ensure that the reinsurance businesses between the parties are conducted under the framework provided in the Agreement and in compliance with laws and regulations.

#### **THE REINSURANCE FRAMEWORK AGREEMENT**

##### **1. Date of signing**

29 December 2023

## **2. Parties**

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

## **3. Term**

One year, commencing from 1 January 2024 and expiring on 31 December 2024.

## **4. Cooperative matters**

Pursuant to the Agreement, the Company agreed to cede insurance premiums to PICC Reinsurance from time to time, and PICC Reinsurance agreed to cede insurance premiums to the Company from time to time. The party hereto who acts as reinsurer shall accept the risks of and pay commissions to the other party hereto in return for the agreed insurance premiums received. The reinsurance businesses consist of treaty and facultative reinsurance businesses, 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 businesses. Such particular reinsurance agreements shall use standard contracts. For each particular reinsurance business, the amount of premiums to be ceded is determined based on the total premiums to be ceded of such business and the reinsurance share of PICC Reinsurance, the commissions shall be determined based on the amount of premiums to be ceded and the commission rate of the ceded-out business, and the commission rate of the ceded-out business is calculated based on the historical operating status of such business by using actuarial models and determined through open market negotiations. Generally speaking, for reinsurance agreements with a leading reinsurer, the reinsurance conditions are determined by the leading reinsurer, conditions of all reinsurers are consistent with that of the leading reinsurer; for reinsurance agreements without a leading reinsurer, the reinsurance conditions are the same among all reinsurers. The premiums to be ceded 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.

## **INTERNAL CONTROL MEASURES**

The terms, commission rate and other information in respect of each reinsurance business will be published via the reinsurance trading platform of the Company. The reinsurance trading platform is the only platform for reinsurance business external transactions of the Company, which can be used for business information release, invitations, communications, share confirmations, etc. The invitation scope of the platform is among the reinsurers who are eligible in the reinsurance registration system of the National Administration of Financial Regulation and have an account at the trading platform of the Company. All invited reinsurers may log in to the platform to view information relevant to the reinsurance business. When determining the reinsurer (including PICC Reinsurance), the Company mainly considers the reinsurer's credit rating, competence level, service ability, overall business cooperation situation, etc. According to the current settings of the reinsurance trading platform, the reinsurance conditions and commission rates provided to PICC Reinsurance via the reinsurance trading platform are exactly the same as that of other reinsurers. The Company can monitor the scale of premiums ceded to and commissions received from PICC Reinsurance on a monthly basis to ensure that they don't exceed the annual caps. In addition, the Company conducts annual internal special audits for related party transactions and reports the audit results to the Board and the supervisory committee of the Company. The Independent Directors and external auditors of the Company review and give their opinions on the continuing connected transactions on an annual basis.

## ANNUAL CAPS

The annual caps for Outward Reinsurance Transactions for the year ending 31 December 2024 are estimated as follows:

	RMB million
Premiums ceded by the Company to PICC Reinsurance	6,000
Commissions paid to the Company by PICC Reinsurance	2,700

The Company determines the above annual cap for premiums ceded primarily based on the scale of total premiums expected to be ceded by the Company in the future and the historical data of premiums ceded to PICC Reinsurance. The scale of total premiums expected to be ceded in the future is determined based on the growth of historical annual premiums of the Company, the regulatory requirement on the percentage of premiums retained, the demand for risk diversification of the Company's business, etc. The above annual cap for commissions is calculated based on the above annual cap for premiums ceded and the commission rates of ceded-out business. The commission rates of ceded-out business are 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.

Based on the annual caps for the Inward Reinsurance Transactions for the year ending 31 December 2024, the Inward Reinsurance Transactions constitute *de minimis* continuing connected transactions under Rule 14A.76 of the Listing Rules and, therefore, are fully exempt from the independent shareholders' approval, annual review and all disclosure requirements.

## HISTORICAL FIGURES

The premiums ceded by the Company to PICC Reinsurance and the commissions paid to the Company by PICC Reinsurance for the year ended 31 December 2021, for the year ended 31 December 2022 and for the period from 1 January 2023 to 30 November 2023 are as follows:

	<b>Premiums ceded by the Company to PICC Reinsurance</b>	<b>Commissions paid to the Company by PICC Reinsurance</b>
	RMB million	RMB million
For the year ended 31 December 2021	4,457	1,421
For the year ended 31 December 2022	4,616	1,386
For the period from 1 January 2023 to 30 November 2023 ( <i>Note</i> )	4,696	1,489

*Note:* the above figures for the period from 1 January 2023 to 30 November 2023 are extracted from the business system and have not been audited.

## **GENERAL INFORMATION**

### ***Information of 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 motor vehicle insurance, commercial property insurance, cargo insurance, liability insurance, accidental injury insurance, short-term health insurance, agriculture insurance, credit insurance, surety insurance, homeowners insurance, marine hull insurance and other insurance business, which are denominated in RMB and foreign currencies, and the related reinsurance business as well as investment and funds application business permitted under the relevant laws and regulations of 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 of PICC Reinsurance***

PICC Reinsurance 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 Reinsurance 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 (Stock Code: 1339) and the Shanghai Stock Exchange (Stock Code: 601319) 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 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 Reinsurance 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 Reinsurance in order to achieve risks diversification and stabilisation of operation. Considering the above pricing policy, the Board, including the Independent 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 Reinsurance is a subsidiary of PICC Group, the controlling shareholder of the Company. PICC Group and the Company hold 51% and 49% of the total share capital of PICC Reinsurance respectively. Pursuant to the Listing Rules, PICC Reinsurance is a connected person of the Company. Accordingly, the Agreement constitutes a continuing connected transaction of the Company. Mr. Wang Tingke and Mr. Yu Ze, Directors of the Company who hold positions in PICC Group, Mr. Li Tao, a Director of the Company who is designated by PICC Group, and Mr. Jiang Caishi, a Director of the Company who holds a position in PICC Reinsurance, have abstained from voting on the Board's resolution for considering and approving the Agreement.

Save as disclosed above, no other Directors were required to abstain from voting on the Board’s 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 caps of insurance premiums and commissions for the Outward Reinsurance Transactions under the Reinsurance Framework Agreement exceed 0.1% but are less than 5%, the Outward Reinsurance Transactions are only subject to the reporting, annual review and announcement requirements and are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. As the highest applicable percentage ratios for the caps of insurance premiums and commissions for the Inward Reinsurance Transactions under the Reinsurance Framework Agreement do not exceed 0.1%, the Inward Reinsurance Transactions are exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements 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 2024 Framework Agreement on Reinsurance Business Cooperation dated 29 December 2023 entered into between the Company and PICC Reinsurance
“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
“Independent Directors”	independent non-executive directors of the Company
“Independent Third Party(ies)”	has the meaning as defined in the Listing Rules
“Inward Reinsurance Transactions”	the reinsurance transactions which involve the ceding of insurance premiums by PICC Reinsurance to the Company in return for commissions as contemplated under the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Outward Reinsurance Transactions”	the reinsurance transactions which involve the ceding of insurance premiums by the Company to PICC Reinsurance in return for commissions as contemplated under the Agreement
“PICC Group”	The People’s Insurance Company (Group) of China Limited

“PICC Reinsurance”	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**  
**Bi Xin**  
*Secretary of the Board*

Beijing, the PRC, 29 December 2023

*As at the date of this announcement, the Chairman of the Board of the Company is Mr. Wang Tingke (non-executive director), the Vice Chairman of the Board is Mr. Yu Ze (executive director), Mr. Jiang Caishi, Mr. Zhang Daoming and Mr. Hu Wei are executive directors, Mr. Li Tao is a non-executive director, and the independent directors are Ms. Qu Xiaohui, Mr. Cheng Fengchao, Mr. Wei Chenyang, Mr. Li Weibin and Mr. Qu Xiaobo.*