

# China – Market dynamics



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# China – Market dynamics



## Agenda

- Economic overview
- Infrastructure in 2006
- Development of the non-life insurance market
- Role of marine cargo insurance in the Chinese insurance market
- Result of marine cargo insurance
- Legal framework
- Cargo insurers – Market overview
- Insurance coverage
- Cargo claims handling
- Munich Re in China

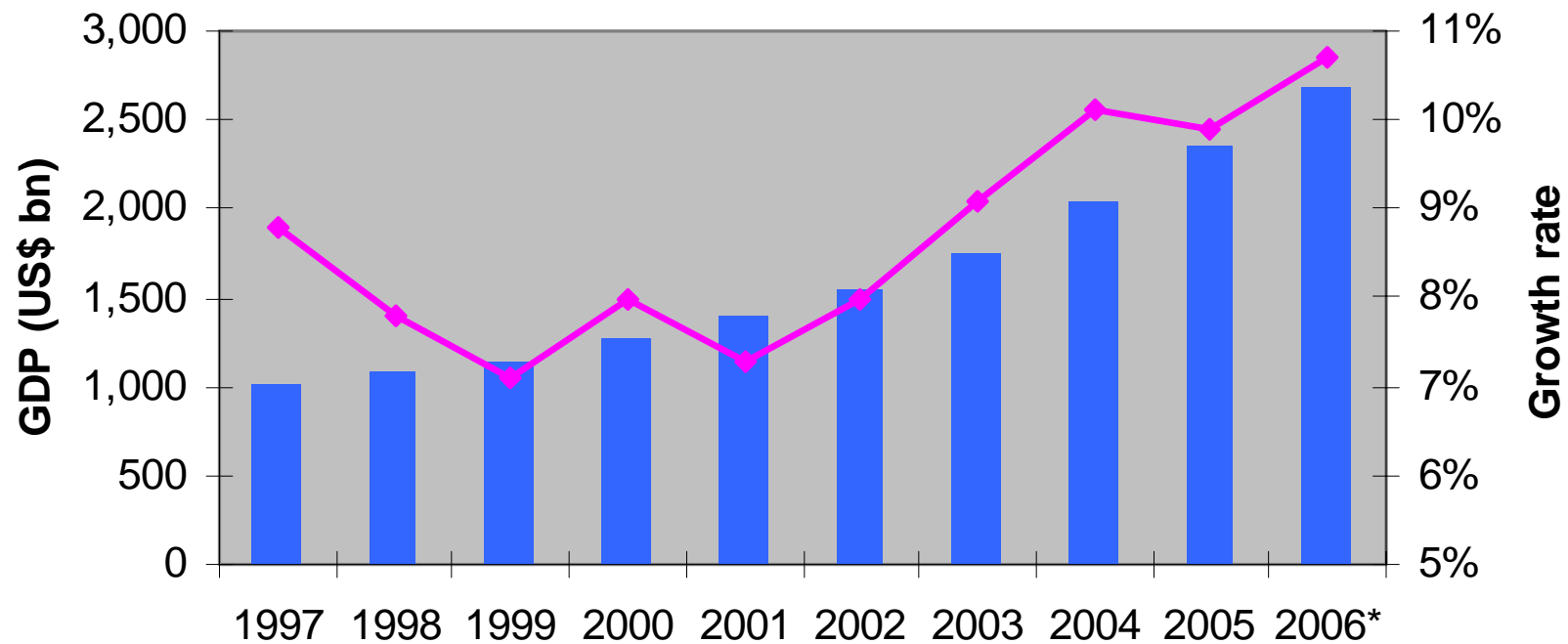
## Agenda

- Economic overview

# China – Market dynamics

## Economic overview

### Economic development



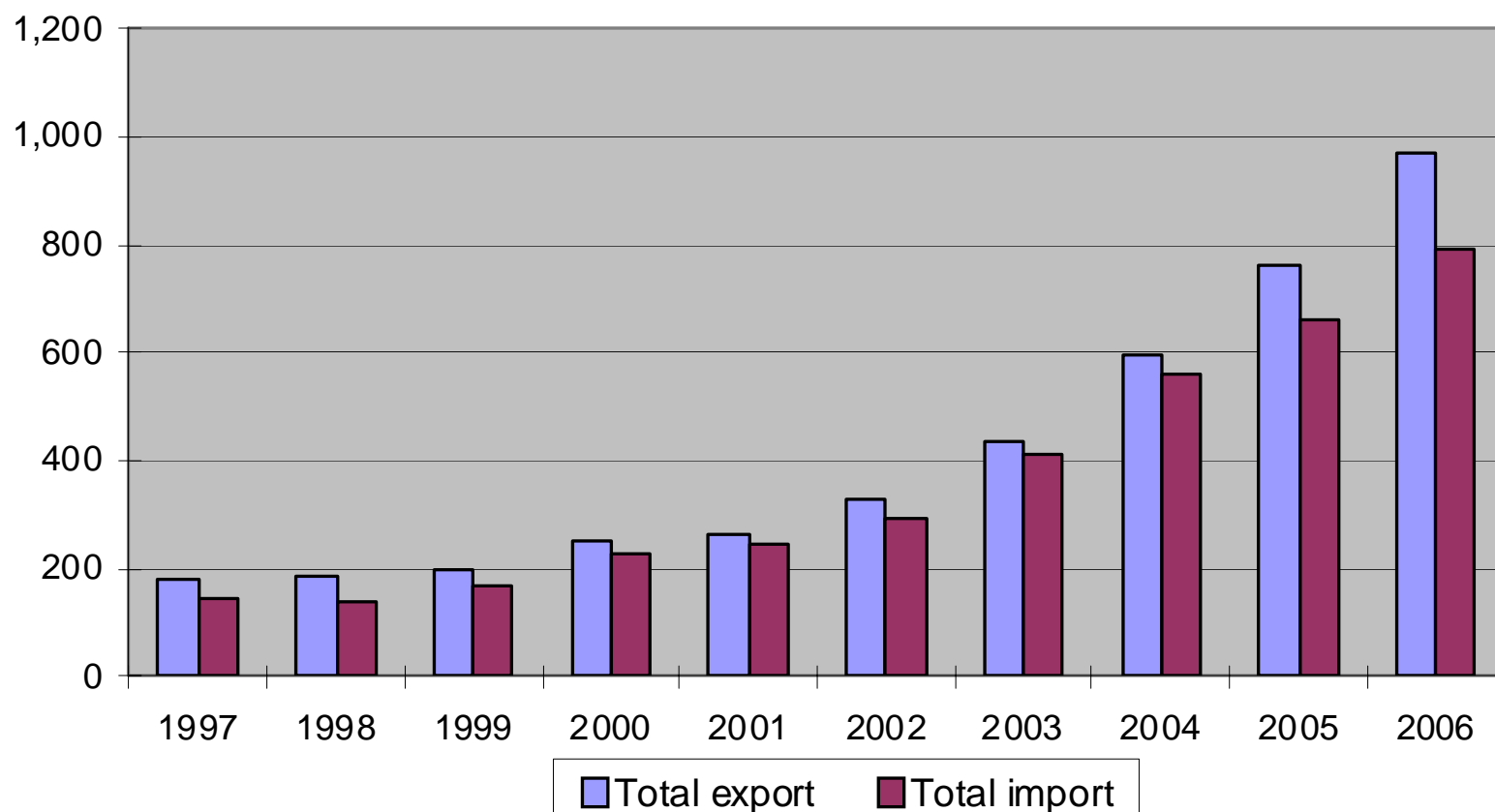
\*2006 figures as at 30.6.2006

ROE : US\$ 1 = RMB 7.8087 as at 31.12.2006

# China – Market dynamics

## Economic overview

Foreign trade volume (US\$ bn)



## Agenda

- Economic overview
- Infrastructure in 2006

# China – Market dynamics

## Infrastructure in 2006

### Road transport

- Road: 3,457,000 km
- Trucks: 6,406,600 (capacity: 28,226,000 tonnes)
- Road cargo transport:

14.663 billion tonnes (72.1% of overall transport)

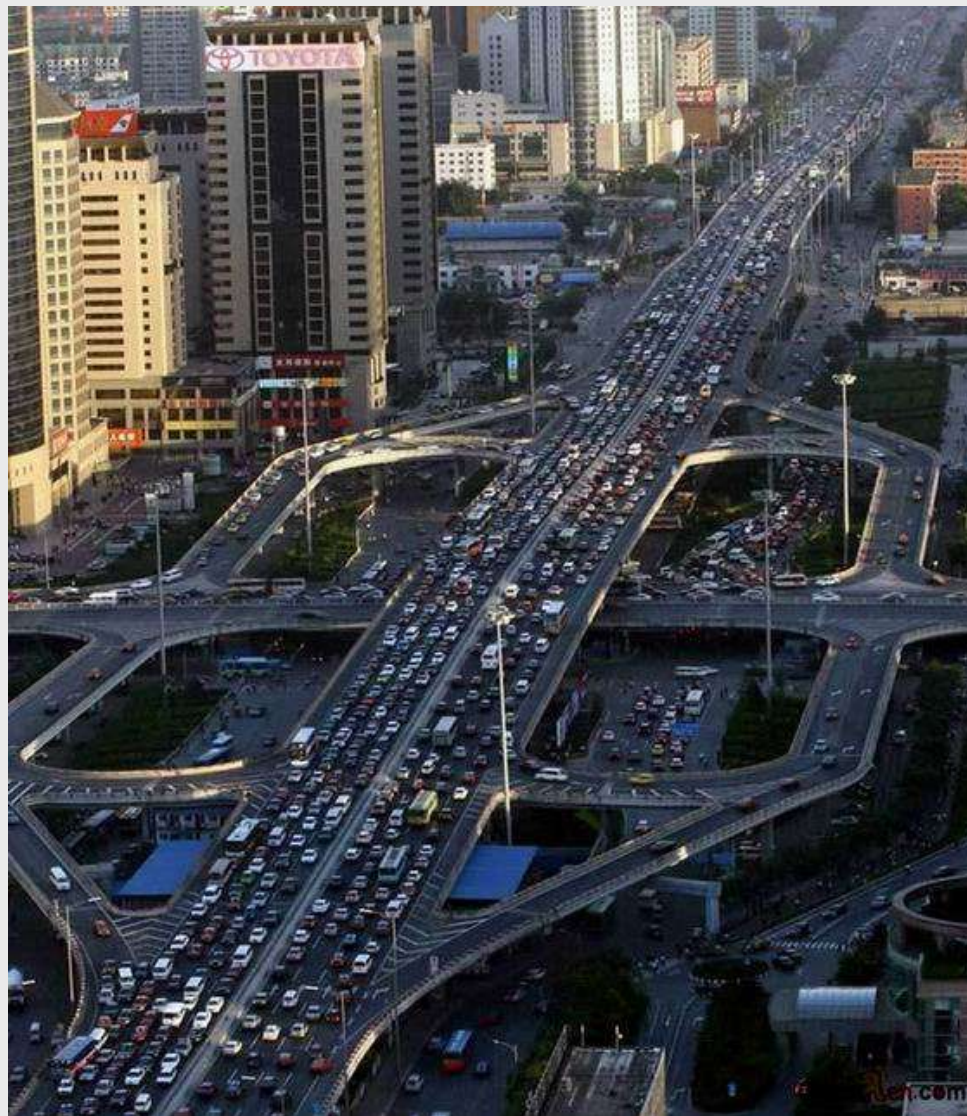
975.425 billion tonnes/kilometer (11.1% of overall transport)



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## Infrastructure in 2006

### Road transport



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## Infrastructure in 2006

### Water transport:

- Inland waterway: 123,400 km
- Port mooring places: 35,453
- Cargo vessels: 194,400 (capacity: 110,257,100 tonnes)
- Water cargo transport:

2.487 billion tonnes (12% of overall transport)

5,548.575 billion tonnes/kilometer (62% of overall transport)

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## Infrastructure in 2006

### Water Transport :



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## Infrastructure in 2006

### Ports in China:

- Port throughput: 5.57 billion tonnes
- Container throughput at ports: 93.61 million TEU
- Ports with throughput over 1 million TEU:

Shanghai, Shenzhen, Qingdao, Ningbo (Zhoushan), Guangzhou, Tianjin, Xiamen, Dalian, Lianyungang, Suzhou, Zhongshan, Yantai, Fuzhou, Yingkou

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## Infrastructure in 2006

### Ports in China:



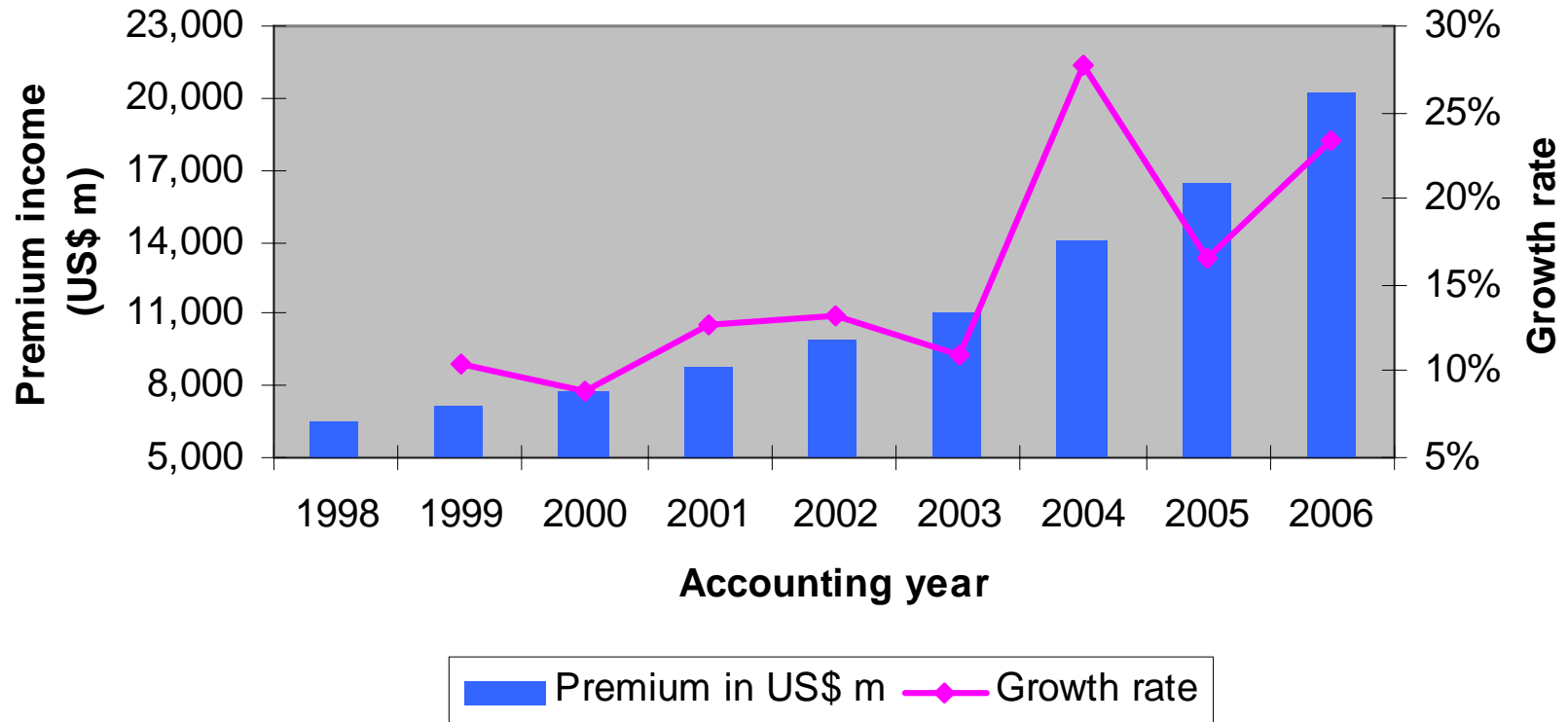
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- Economic overview
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- Development of the non-life insurance market

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## Development of the non-life insurance market

### Development of non-life insurance



Source: China Insurance Yearbook

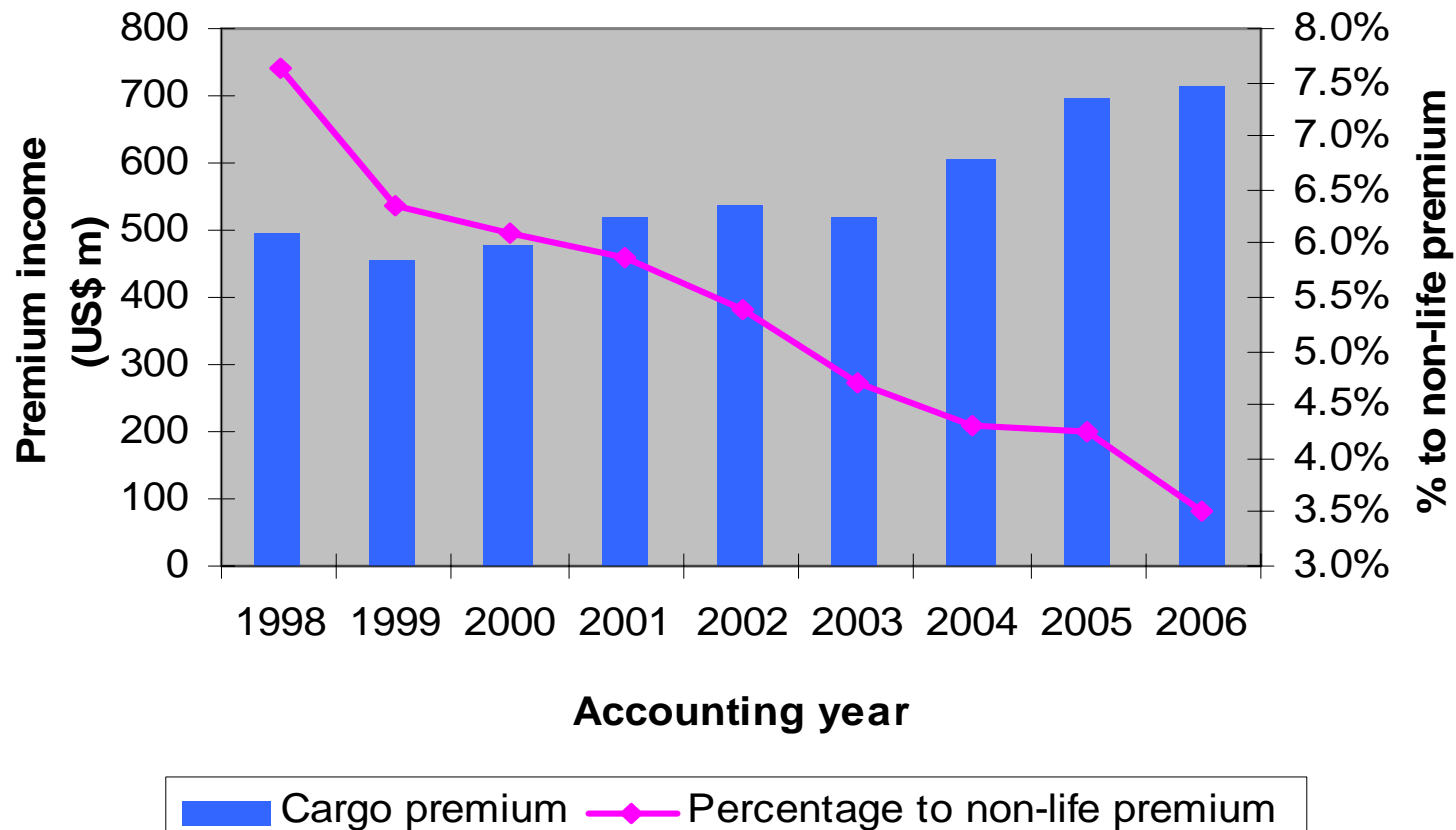
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- Role of marine cargo insurance in the Chinese insurance market



## Role of marine cargo insurance in the Chinese insurance market

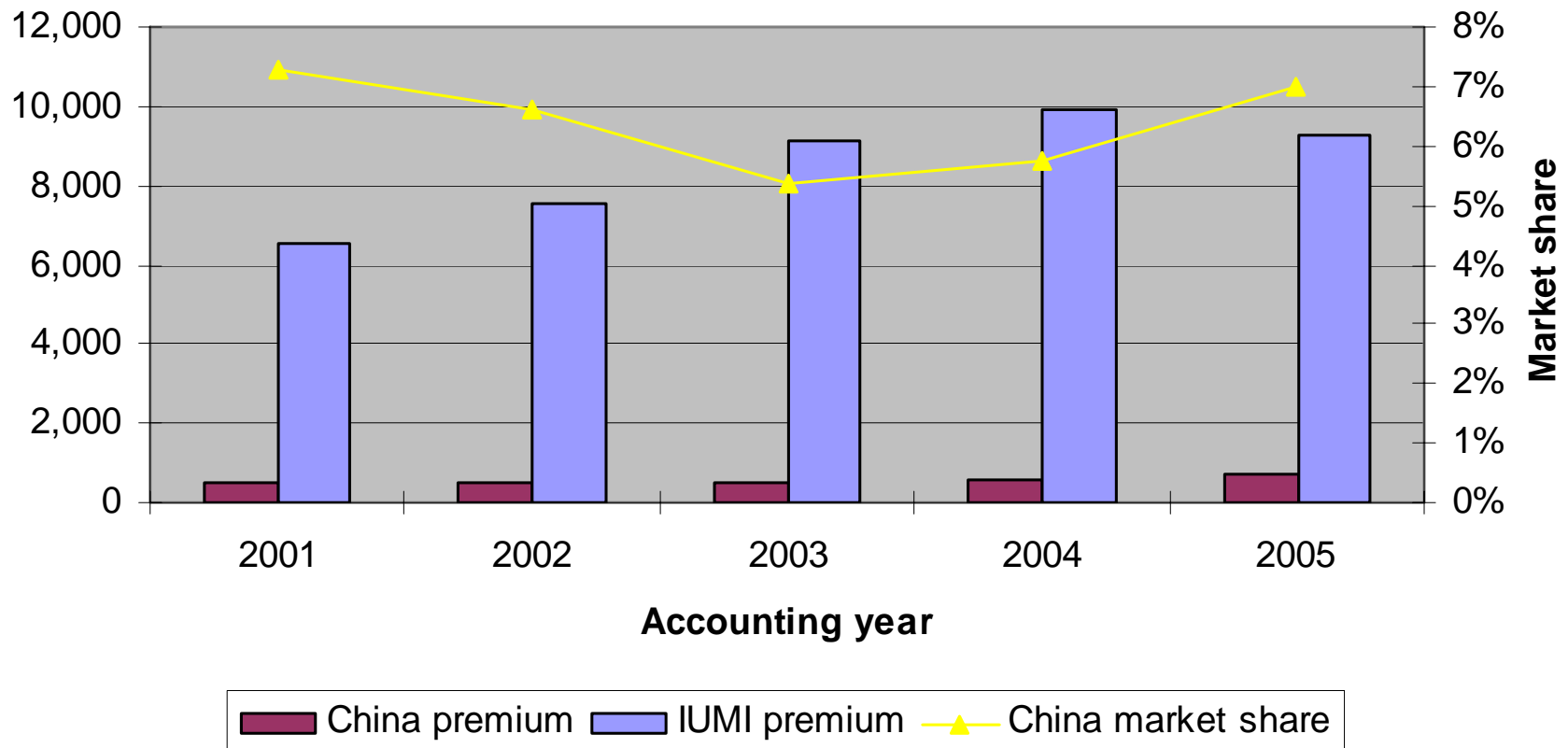
### Development of cargo insurance in China



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## Chinese vs. global marine cargo premium

### Chinese vs. global marine cargo premium (US\$ bn)

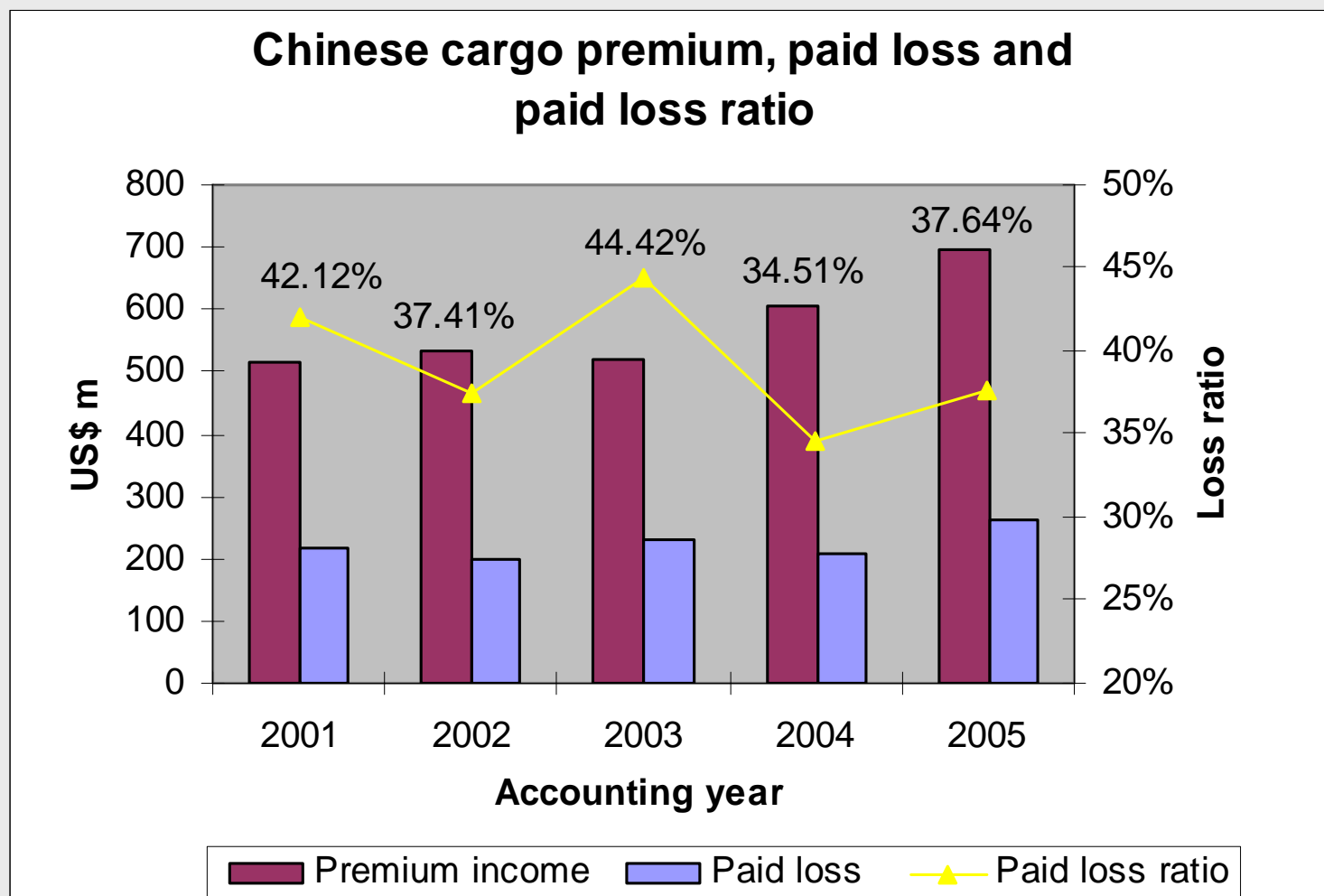


## Agenda

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- Result of marine cargo insurance

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## Result of marine cargo insurance



Source: China Insurance Yearbook

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- Legal framework

### **Key milestones in the Chinese insurance market:**

1992 – The first foreign licence was granted to AIG.

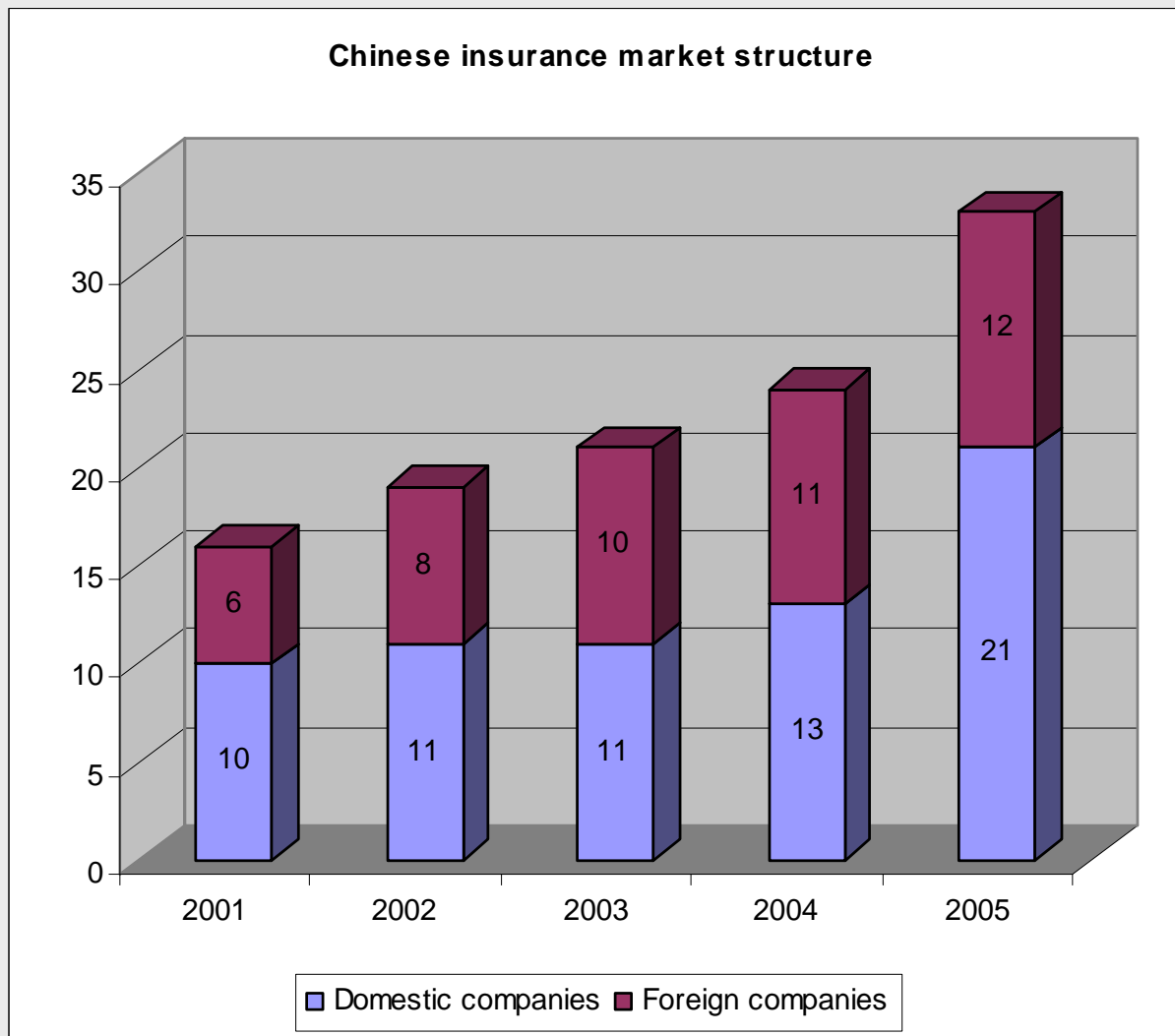
1995 – A new insurance law was passed, and the number of foreign and domestic insurance licences granted was increased.

1999 – The China Insurance Regulatory Commission (CIRC) became the insurance supervisory authority in place of the People's Bank of China (PBOC).

2001 – China joined the World Trade Organization (WTO) and agreed to extend equal treatment to foreign insurance companies over a period of three years.

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## Legal framework

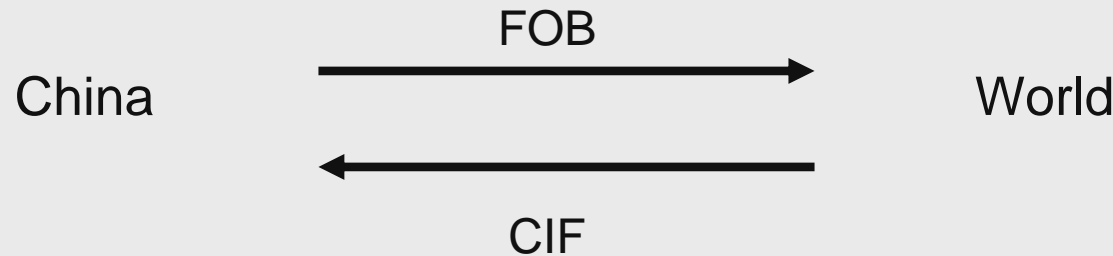


Source: China Insurance Yearbook

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## Legal framework

### International marine cargo



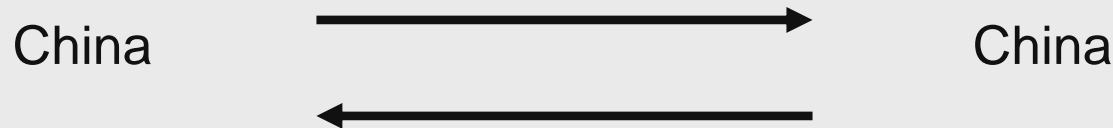
Cargo policies for international shipments may be insured  
by insurers outside China.



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## Legal framework

### Domestic marine cargo



Cargo policies for domestic shipments have to be insured  
by insurers in China.

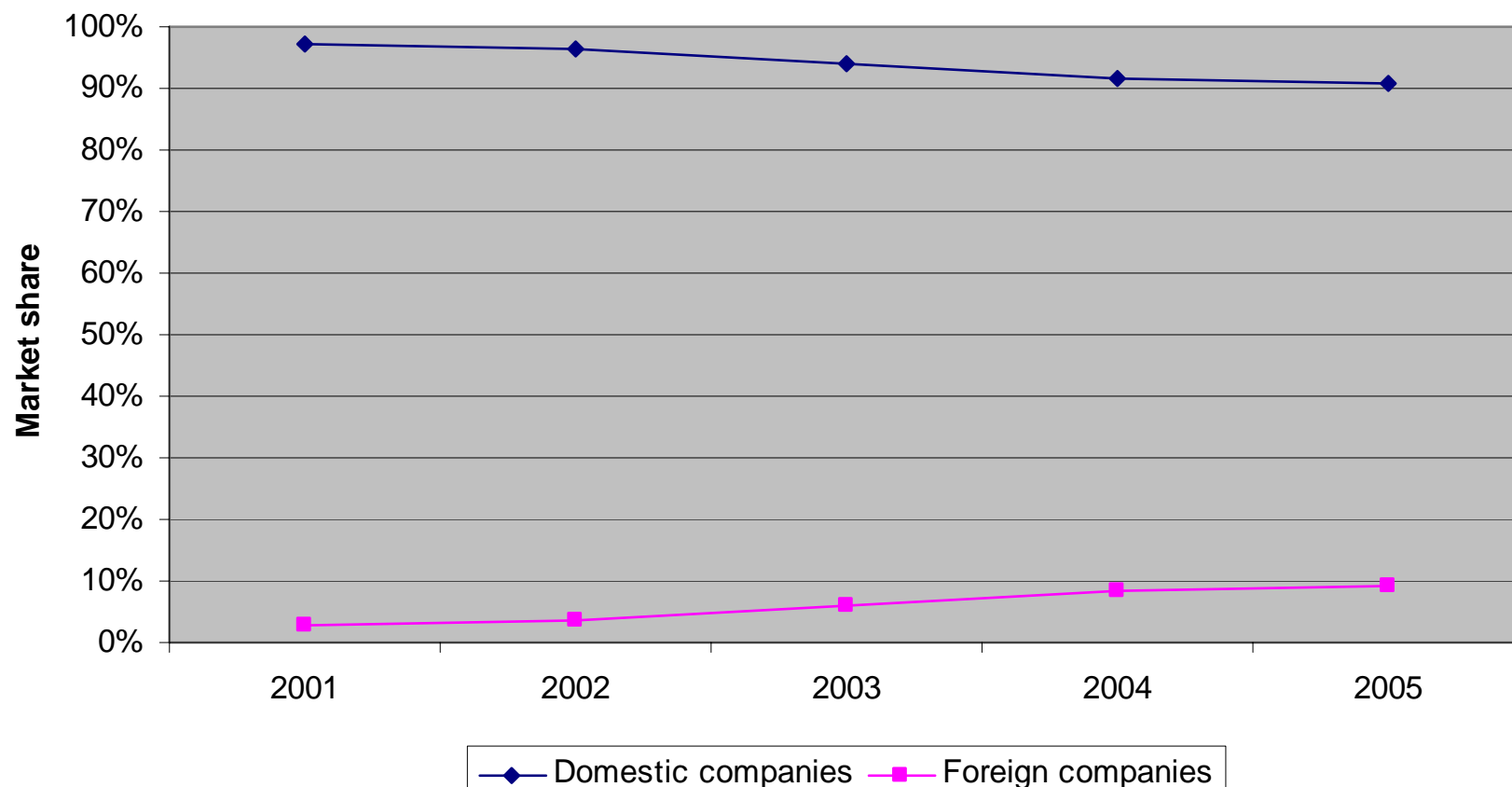
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# China – Market dynamics

## Cargo insurers – Market overview

### Market split of Chinese marine cargo insurance



Source: China Insurance Yearbook

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- Insurance coverage

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## Insurance coverage

In China, marine cargo insurance adopts a set of clauses called China Insurance Clauses (CIC – Ocean Marine Cargo Clauses), which are similar to ICC. The relationships are as follows:

ICC (A) – CIC all risks

ICC (B) – CIC with average

ICC (C) – CIC free from particular average

In addition, there are the Overland Transportation Cargo Insurance Clauses (train, truck) for inland transit.

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## Insurance coverage

But there are still some differences between ICC and CIC, for example:

### ▪Exclusions

	ICC (A)	CIC all risks
Insolvency or financial default of the owners, managers, charterers or operators of the vessel	Yes	No
The use of any weapons of war employing atomic or nuclear fission or fusion	Yes	No

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## Insurance coverage

### ▪Risk covered

**ICC (B)** limits the natural perils to earthquake, volcanic eruption and lightning only. **CIC with average** provides a broader scope since it also covers heavy weather, tsunami and flood.

**ICC (C)** does not cover the package lost overboard or dropped while loading or unloading except in distress ports. **CIC free from particular average** covers both total and partial loss arising out of this accident.

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## Cargo claims handling

- There are a total of 244 loss adjusters in China in 2006, three of whom are foreign loss adjusters.
- Of the total income of loss adjusters in China in 2006, only 10% (i.e. US\$ 5.7m) comes from marine cargo and hull cases.
- Cargo claims are mainly handled by the Claims departments of the insurers.
- If loss adjusters are required, insureds and insurers would prefer local Chinese loss adjusters, who have the advantages in language and networks.

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## Munich Re in China



Münchener Rück  
Munich Re Group

- Since 1956, Munich Re has enjoyed business relations with the Chinese insurance market.
- In 1997, the Representative Offices in Beijing and Shanghai were set up.
- In 2003, Munich Re Beijing Branch was opened as the first foreign reinsurer in China.
- Today, Munich Re's Beijing Branch and Shanghai Representative Office have a total staff of 64. Professionals with international experience provide reinsurance support and extensive services to non-life, life and health markets in China.

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