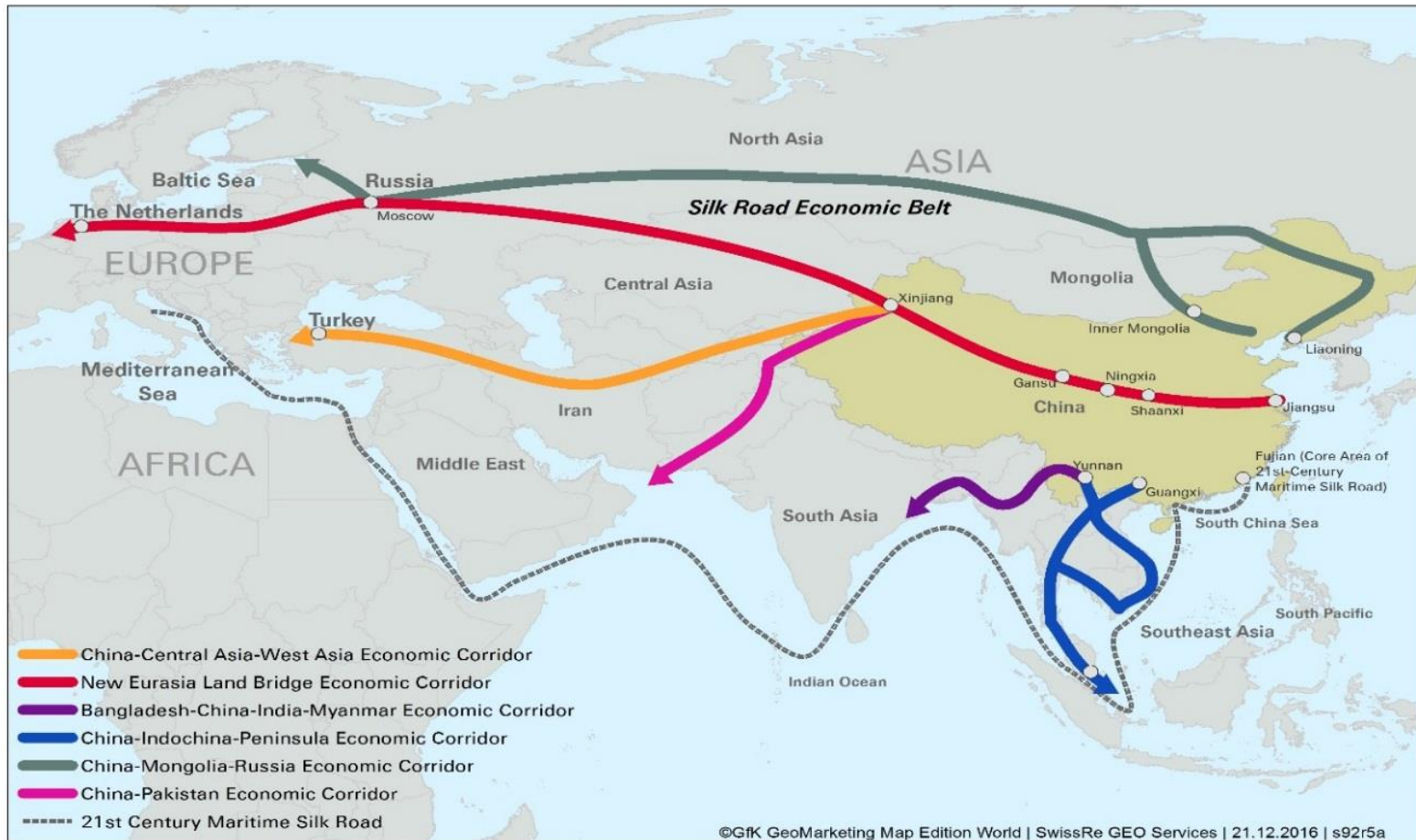


Belt and Road Initiative (BRI)

Clement Cheung
Chief Executive Officer
Insurance Authority
12 October 2018

What is BRI

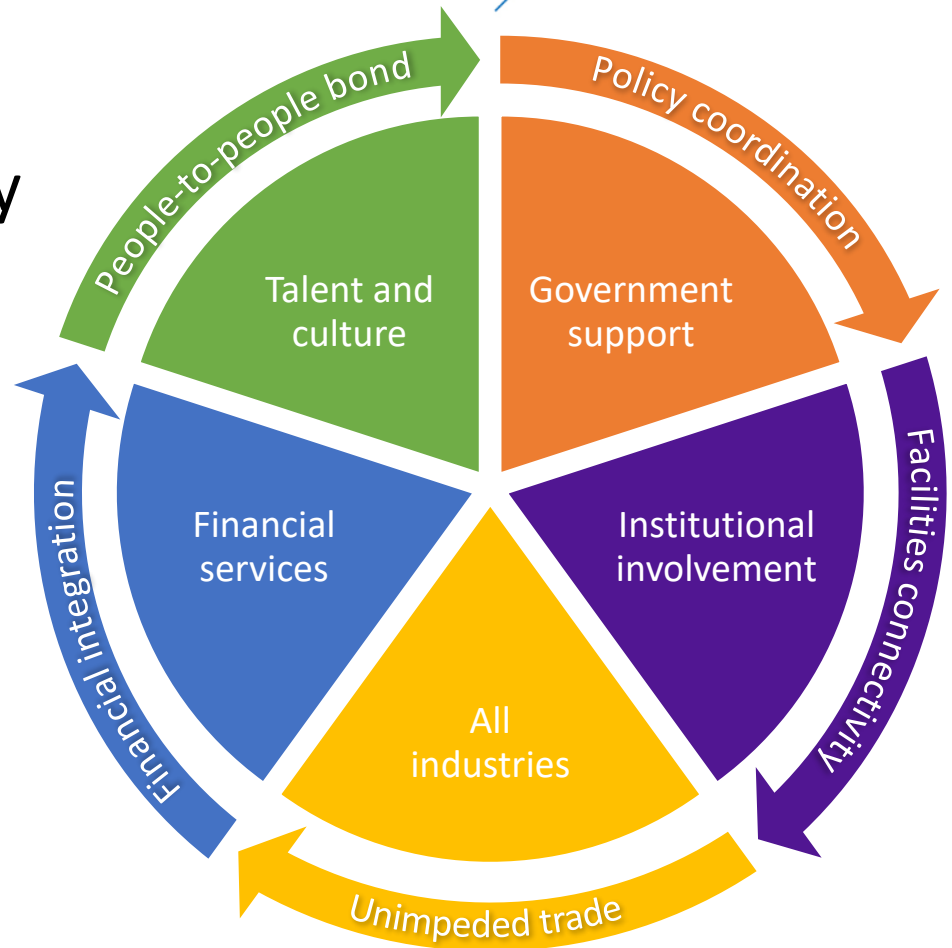


Source: Swiss Re Economic Research & Consulting.

What is BRI

Five Areas of Connectivity

- Policy coordination
- Facilities connectivity
- Unimpeded trade
- Financial integration
- People-to-people bond



Investments from BRI



| Types of project | | Aggregate project value (USD billion) | | |
|----------------------------|---|---------------------------------------|--------------|--------------|
| | | China | Overseas | Total |
| Infrastructure | Transportation | 649 | 1,557 | 2,206 |
| | Telecommunication | 203 | 546 | 749 |
| | Water and sanitation | 241 | 212 | 453 |
| | Power and resources | 662 | 1,211 | 1,873 |
| | Other infrastructure | 259 | 704 | 963 |
| Agriculture | Agriculture, forestry, animal husbandry and fisheries | 31 | 96 | 127 |
| Cultural exchange, tourism | Cultural exchange, tourism | 69 | 174 | 243 |
| Others | Capacity cooperation | 39 | 111 | 150 |
| | Industrial parks | 101 | 288 | 389 |
| | Commercial building | 85 | 204 | 289 |
| Total | | 2,339 | 5,103 | 7,442 |

Source: Swiss Re Economic Research & Consulting estimates

Premiums from BRI

| Commercial insurance lines | Total Overseas (USD billion) | Commercial insurance lines | Total Overseas (USD billion) |
|----------------------------|------------------------------|----------------------------|------------------------------|
| Construction phase | | Operational phase | |
| Engineering | 10.2 | Property | 13.5 |
| -Transportation | 3.1 | -Transportation | 0.9 |
| -Energy | 2.4 | -Energy | 7.5 |
| -Others | 4.7 | -Others | 5.1 |
| Marine (general cargo) | 2.9 | Total | 13.5 |
| Marine | 0.5 | | |
| Liability/PA | 0.4 | | |
| Subtotal | 14.0 | | |

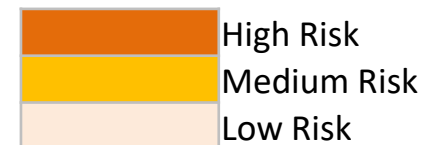
Source: Swiss Re Economic Research & Consulting estimates

Risk Exposure



| Project/Risks | Transportation projects | | | | Power and energy projects | | | | | |
|-----------------------|-------------------------|---------|--------|----------|---------------------------|-----------|-------------|-------------|---------------|------------|
| | Roads | Bridges | Ports | Airports | Gas Pipelines | T&D Lines | Hydro Power | Solar Power | Thermal Power | Wind Power |
| Fire | Low | Low | Low | High | High | Low | Medium | Medium | High | High |
| Explosion | Low | Low | Low | Low | High | Low | Low | Low | High | Low |
| Subsidence | High | High | High | Medium | Low | Low | Medium | Low | Low | Low |
| Flood | High | High | High | High | High | Low | High | Low | Medium | Low |
| Storm (Wind) | Low | Medium | Medium | Low | Low | High | Low | High | Low | High |
| Earthquake | Medium | Medium | Medium | Medium | Medium | Low | High | Low | Medium | Low |
| Lightning | Low | Low | Low | Low | Low | Medium | Low | Low | Low | High |
| Terrorism | Low | Low | Medium | High | Medium | Low | Low | Low | Low | Low |
| Theft | Low | Low | Low | Low | Medium | Medium | Low | Low | Low | Low |
| Third Party Liability | Low | Low | Low | High | Low | Medium | Medium | Low | Medium | Low |
| Political Risk | Medium | Low | Medium | Medium | Low | Low | Medium | Low | Medium | Low |
| Employer's Liability | Low | Low | Medium | Medium | Low | High | Medium | Low | Medium | Low |

Source: Swiss Re Economic Research & Consulting estimates



Risk Management



Risk management

- Vital role given the unique BRI risk landscape
- Goes beyond industry-specific on single-country focus

BRI risk landscape

- Requires a combination of technical expertise as well as strong political and country risk management with a per risk, per obligor and per country risk accumulation monitor and control
- Early intervention at the project inception phase is crucial

Risk transfer

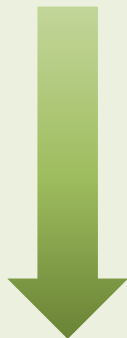
- For non-insurable risk: take a holistic view embracing prevention, mitigation, management and risk transfer
- Where risk transfer option is viable, involvement of insurers, reinsurers and brokers with knowledge, capacity and global network is paramount

Role of Insurers



BRI Opportunities

Infrastructure investment worth more than US\$ 5.1 trillion per year up to 2030



First Wave

BRI covers 65 countries with 60% of the world population, but only 30% of global GDP



Emergence of new markets

Second Wave

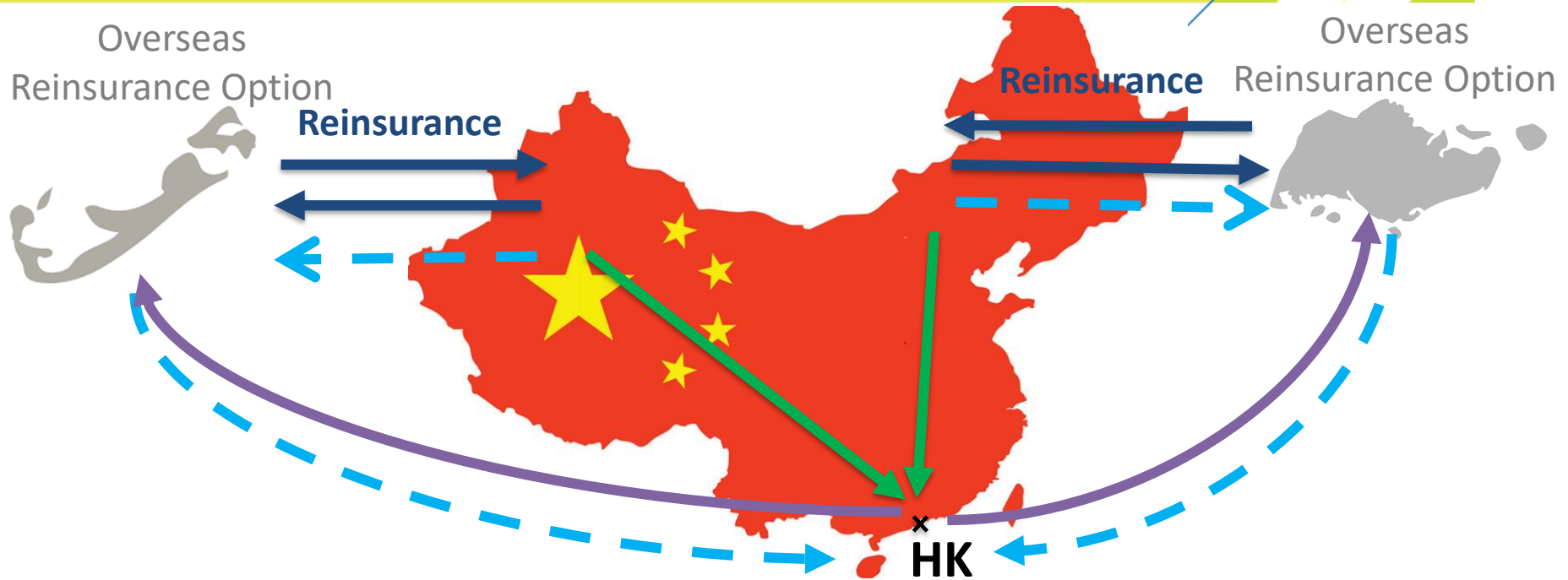
Governmental Support



Arrangement between the National Development and Reform Commission and HKSAR Government for full participation in and contribution to the Belt and Road Initiative (14 Dec 2017)

...to support Hong Kong to provide professional services such as insurance and re-insurance for large-scale infrastructure projects under the Belt and Road Initiative; and to encourage Mainland enterprises to establish captive insurance companies in Hong Kong as appropriate to underwrite the risks arising from for their overseas businesses, thereby enhancing their corporate risk management system

Capturing Business Flow



- Existing Business Flow
- Future Business Flow
- Under Equivalence Assessment Framework Agreement
- Hong Kong as an Operating Base

Hong Kong as Risk Management Centre

Insurance Authority and China Banking and Insurance Regulatory Commission implement preferential treatment to promote the development of Hong Kong reinsurance industry

17 July 2018

The Insurance Authority (IA) reached a consensus with the China Banking and Insurance Regulatory Commission (CBIRC) that under the “China Risk Oriented Solvency System” (C-ROSS), when a Mainland insurer cedes business to a qualified Hong Kong professional reinsurer, the capital requirement of the Mainland insurer will be reduced (preferential treatment).

The preferential treatment is based on the Equivalence Assessment Framework Agreement on Solvency Regulatory Regime (Agreement) signed between the former China Insurance Regulatory Commission and the former Office of the Commissioner of Insurance on 16 May 2017 for the insurance regulators in two places to carry out equivalence assessment on the solvency regulatory regimes. Both sides agreed to recognize temporarily the insurance solvency regulatory regime of each other as the same or similar to that of another during the four-year transitional period before the completion of the equivalence assessment. Based on the “mutual equivalence recognition”, both sides will consider giving each other’s industry preferential treatment to strengthen co-operation between the insurance sectors in two places.

Mr Chen Wenhui, Vice-Chairman of the CBIRC, said, “The CBIRC supports Hong Kong being Mainland’s overseas risk management platform to assist Mainland enterprises in ‘going global’. On the basis of the ‘mutual equivalence recognition’, the preferential factor under C-ROSS will be applicable to high-quality Hong Kong reinsurers, which will foster the development of the reinsurance business in Hong Kong.”

Mr John Leung, Chief Executive Officer of the IA, said, “The preferential treatment will facilitate the co-operation between the Mainland and Hong Kong in cross-border reinsurance business, enabling the Hong Kong insurance industry to assist Mainland enterprises more effectively in diversifying and managing risks, including supporting Mainland enterprises’ participation in the infrastructure and investment projects under the Belt and Road Initiative. The preferential treatment will also help sharpen the competitive edge of the Hong Kong insurance industry and strengthen Hong Kong’s position as a reinsurance hub in Asia.”

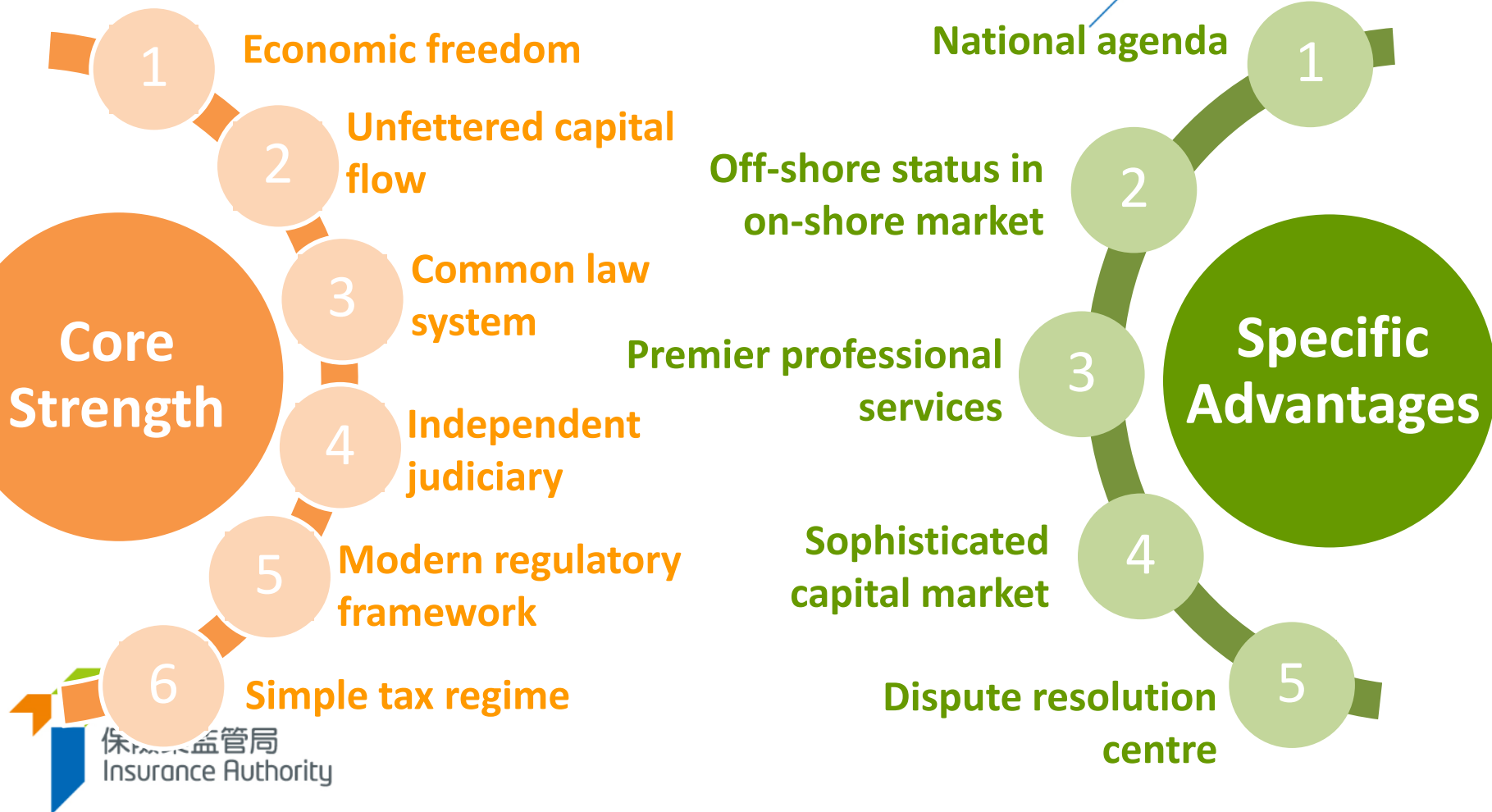
For details of the preferential treatment, please refer to the [notice](#) published by the CBIRC (Chinese

- Mr Chen Wenhui, former Vice-Chairman of the CBIRC said:

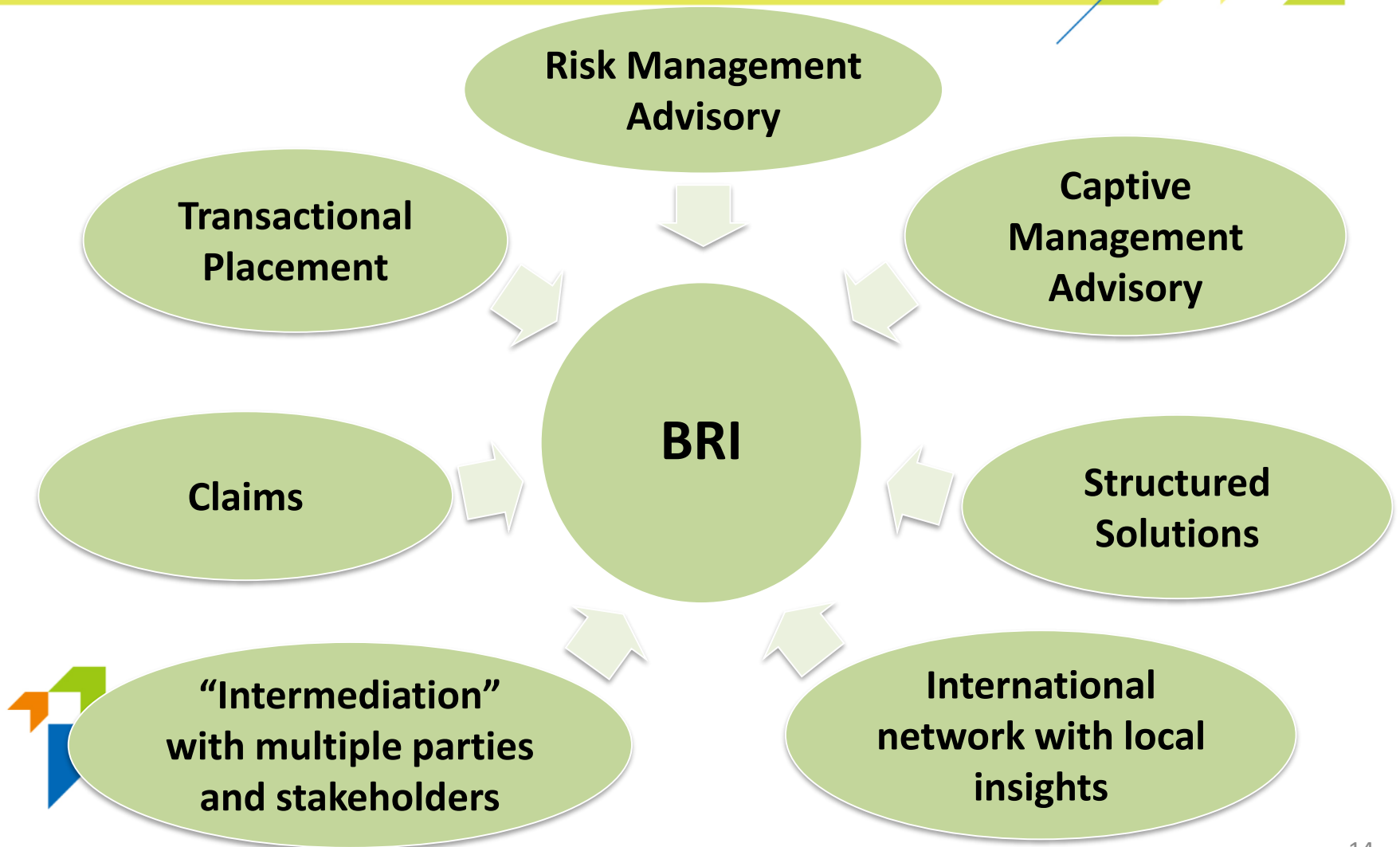
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Competitive Advantage



The Role of Brokers



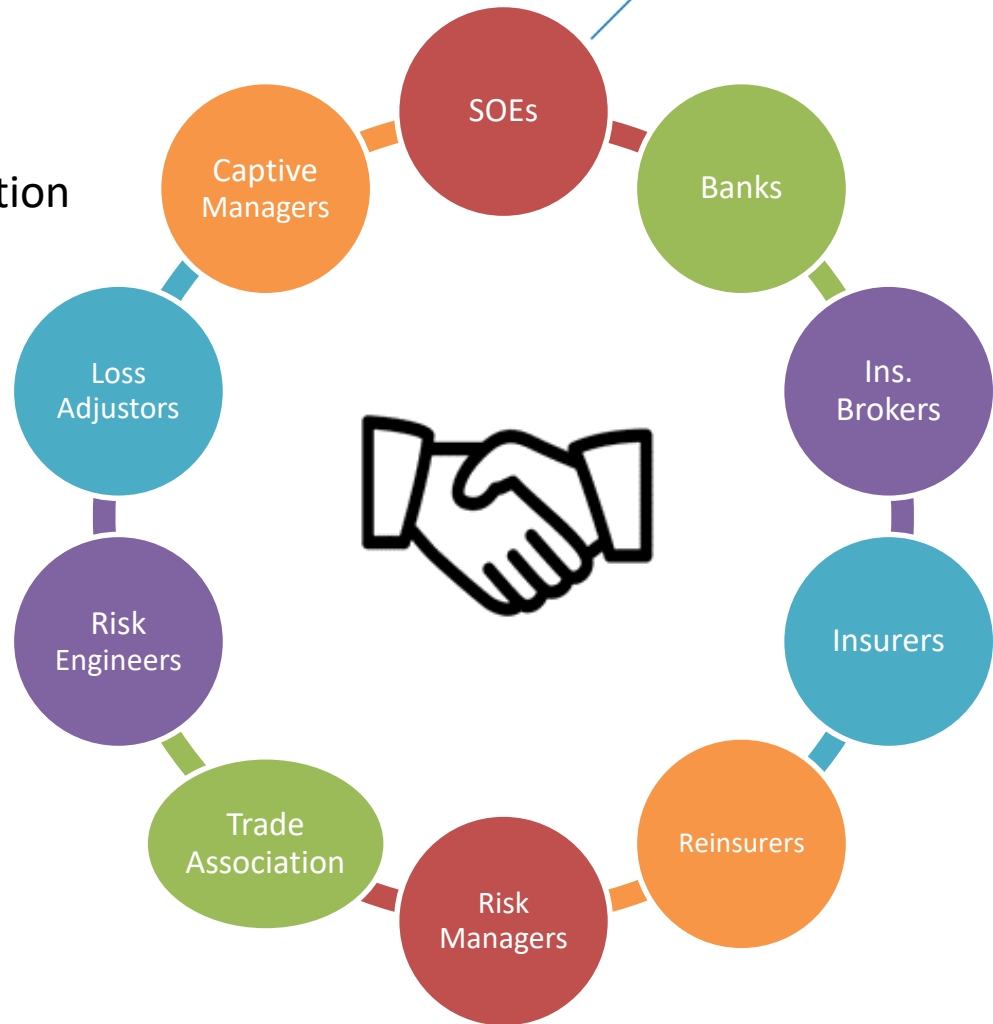
Belt and Road Insurance Exchange Facilitation (“BRIEF”)

SoEs and Project Proponents

One-stop platform to obtain information on risk management and insurance services

Service Providers

Business opportunities and latest developments related to BRI



BRIEF

Aims

- Facilitate exchange and sharing in order to bridge information gap between demand and supply sides
- Promote Hong Kong as a risk management centre and insurance hub for BRI through conferences, seminars and workshops

Launch date

- At the IA Insurance Summit on 11 December 2018

Partners

- By invitation
- No membership fee
- Active contribution and participation

Conclusions

Challenges, Opportunities and Risk Management

Capturing Business Flow

Value Chain and Clusters