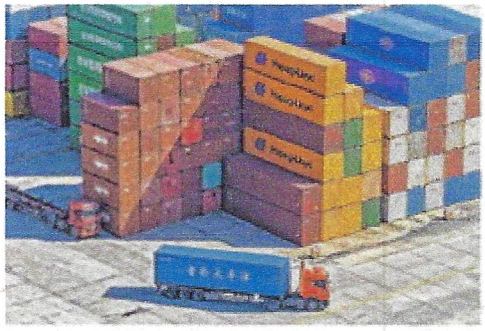
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If successful, Beijing's efforts would shake up a centuries-old setup that has undergirded global shipping. Nanjing port. AFP/ GETTY IMAGES

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Beijing Aims to Build Player in Shipping Insurance

BY COSTAS PARIS

China is moving to establish an alternative to the shipping insurance provided by Western financial institutions such as Lloyd's of London.

Chinese maritime officials are talking to local shipping companies, banks and Chinese insurers about putting together $15 billion in funds to set up an insurance and reinsurance hub for dealing with catastrophic events at sea like a ship sinking or mariners lost, according to people familiar with the discussions.

The goal is to create a Chinese maritime-insurance system by 2029, the people said, though they cautioned the talks are at an early stage and could fall apart given the sum that would need to be raised and other challenges.

Lloyd's declined to comment.

If successful, Beijing's efforts would shake up a centuries- old setup that has undergirded global shipping. Without coverage of the world's commercial shipping fleet, international trade in goods from crude oil to silicon chips that is worth more than $14 trillion each year would grind to a halt.

A Chinese alternative would further Beijing's efforts to insulate from sanctions and events that could choke the international shipping that is so vital to the country's exportdriven economy. Meantime, Western shippers could shift business to the Chinese hub if it offers better terms.

Insuring a cargo ship can cost $250,000 for a sailing in a low-risk zone. Insurance for very large crude carriers, transporting two million barrels of oil through the Strait of Hormuz, can cost as much as $17 million for a sailing, shipholders and insurers said. "We will go with Chinese insurers if the price is right," said Evangelos Marinakis, owner of Athens-based Capital Group, which operates more than 100 ships of all types.

He expects a Chinese maritime- insurance hub would "become a substantial player in ship insurance" because most ships are made in China, financed in China and a lot of cargo comes from China.

Global maritime insurance was worth around $25 billion this year and is growing at nearly 5% a year. Firms around the world insure ships, offering various products depending on ship type, the type of cargo and other factors. The cluster of insurers, including those operating in London, make up the Lloyd's market and offer much of the insurance for war risks.

China has become a major shipping power. The government and semiprivate companies own and operate thousands of ships, as well as

dozens of ports and terminals in Europe, Asia and Africa. The trade is key to the country's exports of electric vehicles, integrated circuits and other goods.

Western sanctions on Russian crude shipments following Russia's invasion of Ukraine in 2022 exposed the risks to shipping by companies in China and other non-Western countries. The sanctions hampered Chinese shipping companies seeking to carry Russian crude.

In 2024, the Communist Party for the first time included marine insurance in a key reform resolution by the Central Committee, calling for stronger underwriting capacity and global reach for Chinese marine insurers.

Beijing's interest in creating a self-reliant insurance marketplace— and protecting the country's exports—was reinforced recently by the fighting in Iran, industry officials said. In March, after Iran's blockade of the Strait of Hormuz, Western insurers raised rates and covered fewer ships, according to shipowners and brokers Yet creating a competitive alternative is a heavy lift. Lloyd's, for instance, has centuries of underwriting expertise and deep pools of reinsurance capital.

A Chinese rival wouldn't have Lloyd's understanding of the business or the underwriting know-how that shippers prize, said Marcus Baker, head of marine cargo and logistics at Marsh Specialty, a Lloyd's market maritime insurer.

"That's not to say that China can't compete, but it may take time to be embedded in the market," Baker said.

Chinese shipping companies want the same kind of ratings of prospective insurers that established hubs furnish so they can make sure they will be compensated in the event of an issue, industry officials said, while Western shippers would want to be paid in U.S. dollars.

The insurance hub would also need to include Chinese insurance and reinsurance companies that already operate internationally, including syndicates within the Lloyd's market, said Alexandros Antonopoulos, a principal at Athens- based Finassurance, which guarantees global transactions.

Chinese officials seeking to set up the new maritime insurance hub have talked with shipping companies and ports around the world, the people said.

State-owned China Reinsurance Corp., known as China Re, would play a key role in the new venture, two of the people said. As a result of its purchase of the Chaucer Group in 2019, the firm operates in the Lloyd's market underwriting all kinds of ships and cargo across the world.

Other Chinese insurance players involved in developing the market include Hong Kong's Marine War Insurance Pool, which covers hundreds of ships operating in high-risk zones like the Strait of Hormuz, and the People's Insurance Company of China, or PICC.

China's Ministry of Foreign Affairs didn't respond to requests for comment. Other insurers didn't respond to requests for comment.

Under the plans discussed, global rating companies would rate the Chinese insurance company. Insurance payments made through the hub would be cleared by Western banks but be processed by banks in Hong Kong using U.S. dollars.

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