



Asian Insurance Has Great Potential

By C WorldWide Asset Management Fondsmæglerselskab A/S.

We have previously written about the global middle class growth as one of the most important trends for the world economy in the coming decades. Yet, the middle class in Europe and the USA is burdened with debt and may not in the future be the growth engine it has been for the last 50 years. However, the fast growing middle class in many developing countries today and the implied increased disposable income clearly indicates that a new strong purchasing power is emerging.

From that perspective, we are dealing with millions of middle class people in developing countries who are in the market for insurance for three simple reasons:

1. They have the need
2. They can afford it...
3. ...and they still haven't got it.

The insurance penetration in China and several other Asian countries is well below the global average – for instance only about 3,6 pct. of the Chinese population is insured. Still the general Asian under-penetration is just one of several reasons for why we find this interesting as investors. To find actual growth potential, we are looking for substantive strong underlying drivers which together can create long-term structural opportunities.

We believe in three overall growth drivers with the under-penetrated insurance market across Asia as the first one. The second driver is the generally growing middle class. Today some 140 million people enters the middle class every year and this figure is expected to rise to approx. 170 million a year from 2020. The vast majority of this growth is occurring in Asia. With an increased disposable income, prosperity will rise and because of that also the fulfillment of more basic needs. When basic

needs are met, people aspire to meet the needs for protection (e.g. security and medical care).

This is all underpinned by the last big driver – the limited public safety net especially outside China. When states do not protect the individual, the individual will protect himself. In our opinion this will be an incentive to start looking for the right insurance.

We are convinced that these three drivers all together will create a long-term structural growth potential for the insurance industry in Asia. Therefore, we are excited about companies that are exposed to this trend, especially companies that utilize new technological tools and data in their pursuit of good customers. Many insurance companies are already adept at using customer data to locate new needs – not least to cross-sell products. Some big companies in the industry have a sales force of up to 2 million people. This number alone indicates the companies own expectations of the market growth going forward.

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We are following the development in the Asian insurance market closely, and we will continue to invest in companies that are exposed to tailwinds like these. If you want to follow more of our thoughts and investments strategies, please go to worldwide.com

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