IS CHINA WINNING THE INSURTECH RACE?

Photo on Unsplash

ALLIANZ RESEARCH

DECEMBER 2019

Nazim Cetin, Georges Dib, Arne Holzhausen, Ludovic Subran and Sarah Theinert

EXECUTIVE SUMMARY

Nazim Cetin, CEO of Allianz X
+49 89 3800 65484
Nazim.CETIN@allianz.com

Georges Dib, Economist for Latin America, Spain and Portugal
+33 (0) 1 84 11 33 83
Georges.DIB@eulerhermes.com

Arne Holzhausen,
Head of Insurance, Wealth and Trend Research
+49 89 3800 17947
Arne.HOLZHAUSEN@allianz.com

Ludovic Subran, Chief Economist at Allianz and Euler Hermes
+49 17 5584 2725
Ludovic.SUBRAN@allianz.com

Sarah Theinert, Venture Capital Investor at Allianz X
+49 89 3800 63555
Sarah.THEINERT@allianz.com

- **Chinese Big Tech (big data, cloud computing, AI, blockchain) and platform ecosystems could further disrupt the global insurance industry**. Firstly, ecosystems might be owned or driven by tech giants pushing insurers to the periphery, with dire consequences for access to customers and data. Second, "early adopter" Chinese players such as Baidu, Alibaba and Tencent, which have already built a preeminent position in fintech ecosystems, could disrupt other markets as well.
- **China's highly concentrated insurance market rose to #2 worldwide and should continue to grow by double-digits.** Since the global financial crisis in 2008, insurance premiums (w/o health) have almost quadrupled to EUR 417bn (2018), making China the second biggest insurance market in the world. And there is still plenty of catch-up potential: Premiums per capita amount to EUR 294 in China; in all the other top five markets, people spend roughly ten times as much on insurance. Therefore, we expect double-digit growth in China's premiums, in particular in the life sector, driven by demographic change.
- **Regulatory hurdles to enter China's insurance market have been lowered, and recent policy announcements are favorable for the further development of insurtech firms.** The mid 2018-2019 stimulus (equivalent to 5% of GDP; a further 2.7% is expected in 2020), the accommodative monetary conditions targeted to the private sector and "Made in China 2025" are creating a conducive environment for insurtech companies to thrive, and encouraging the participation of foreign investors. The Chinese authorities' push towards SMEs could unveil hidden jewels in the mid-cap insurance market segment for strategic partnerships along the insurance value chain.
- **In comparison with the U.S. and Europe, insurtech companies in China are very well-funded, and getting listed is an option**:
  i. There may be eight times as many American insurtech companies as Chinese ones, but the funding gap is much smaller. Whereas U.S. insurtechs raised EUR 5.8bn in total in 2018, total funding in China amounted to EUR 4.0bn – more than four times the European figure. However, venture capital accounts for a high proportion of financing; private equity or corporate-backed financing are hardly existent in China.
  ii. Already four companies have made a public listing (Ping An Healthcare and Technology Company, ZhongAn, Pintec and Fanhua), more than in the U.S. (two) and Europe (one) together. The dominant exit channel of M&As is much less popular in China: only one insurtech (Chuangxin Insurance Sales) has so far been acquired by another company. The generous funding available in the market could actually be deterring corporate buyers or enabling startups to stay independent. Or it could be that the high concentration of the market leads to a dearth of corporate buyers. Either way, the lack of M&A in China increases the risks for investors.
- **China will be essential to the insurance world in a platform economy, thanks to scale, purpose and agility**. The Chinese consumer is a godsend for insurtech companies, and tech-intensive distribution channels and products will experience exponential growth. In addition, regulators and authorities have the means and the will to nurture not only national but global champions in technologies and services. Global insurance giants can tap into the booming Chinese insurance x tech space, while their experience, especially from Europe (underwriting and product development, asset-liability management, privacy and consumer protection, for e.g.) could prove useful. We expect more strategic partnerships and co-investments between Chinese and foreign insurance actors going forward.

Photo by Braden Collium on Unsplash

China's insurance market is the second largest in the world after the U.S.

#2

THE CHINESE CHALLENGE

Digitization through Big Tech (big data, cloud computing, AI, blockchain) is disrupting the global insurance industry. At the same time, platform ecosystems (more commonly referred to as the "platform economy") are also on the rise, with the potential to dominate the markets. These developments pose a twofold strategic challenge for the insurance industry:

- Ecosystems might be owned/driven by tech giants such as Google, Amazon or Facebook (GAF), pushing insurers to the periphery, with dire consequences for access to customers and data.
- Chinese players, such as Baidu, Alibaba and Tencent (BAT), have already built a preeminent position in fintech ecosystems as they have scaled and innovated faster than anyone else. These "early adopters" could disrupt other markets as well.

This paper focuses on the second challenge, centering on the insurtech industry in China. An in-depth analysis of the Chinese insurtech landscape – in comparison to the U.S. and Europe – offers a glimpse of the future of the Chinese market and its players, their strategies and their prospects for success abroad.

Size matters. Purpose matters more. By the end of the next decade, the Chinese insurance market is set to become the world's biggest in terms of premiums. At the same time, technology is being deployed at a massive scale to build highly automated insurance platforms. In addition, regulation and government policies are nurturing not only national but global champions. These trends together make for an awesome challenge for non-Chinese insurance players. Is China set to dominate insurance in the platform economy of the 21st century? The outcome hinges upon how the incumbents prepare themselves to compete with potential disruptors.

China is certainly the market to watch – and learn from. China has emerged as one of the most innovative and competitive economies over the last few years. The country is one of the largest investors in digital technologies and home to one-third of the world's unicorns. Although internet penetration is only 59% in China, the number of internet users is almost three times that of the U.S., due to China's large population of 1.4bn people. This digital-native population adopts new technologies and services early, but the Chinese government also fosters innovation, not only on a national level but also regionally, encouraging new technology clusters. The huge size of the Chinese market enables companies to scale easily and has strengthened Chinese "self-dependent" innovation. This marks a shift from producing Chinese versions of Silicon Valley companies to creating new business models. Supporting this shift is the huge amount of money that is being poured into Chinese technology companies, resulting in a venture capital market that is approaching parity with the U.S.[3]: In 2018, global investors infused EUR 71bn in Chinese startups, counting for 32% of invested global venture capital. Further, Chinese internet giants are increasingly tackling international markets. Apart from creating multifaceted and cross-industry ecosystems that touch every aspect of consumers' lives (including financial services and insurance), Baidu, Alibaba and Tencent (BAT) have also invested in 42 companies overseas[2]. In creating these ecosystems, the BAT companies were able to take out fragmented and inefficient offline markets and develop new capabilities.

The rise in capital infusion, as well as changes in Chinese society, such as changing demographics, urbanization and education, have paved the way for greater penetration of the insurance industry. Evolving customer needs and new lifestyles have created the need for new insurance products. Insurance penetration is still low – compared to Western countries – in particular in rural areas where access to financial services is also low. However, due to the changing demographics and increasing demand, the Chinese insurance ecosystem has been disrupted massively. Besides technological innovations, traditional insurance processes have been reconfigured to not only fit the different Chinese demand for insurance but also, in a way, to continuously improve and develop.

[1] McKinsey Global Institute (2019)
[2] China Internet Report (2019)
[3] Bain & Company (2019)

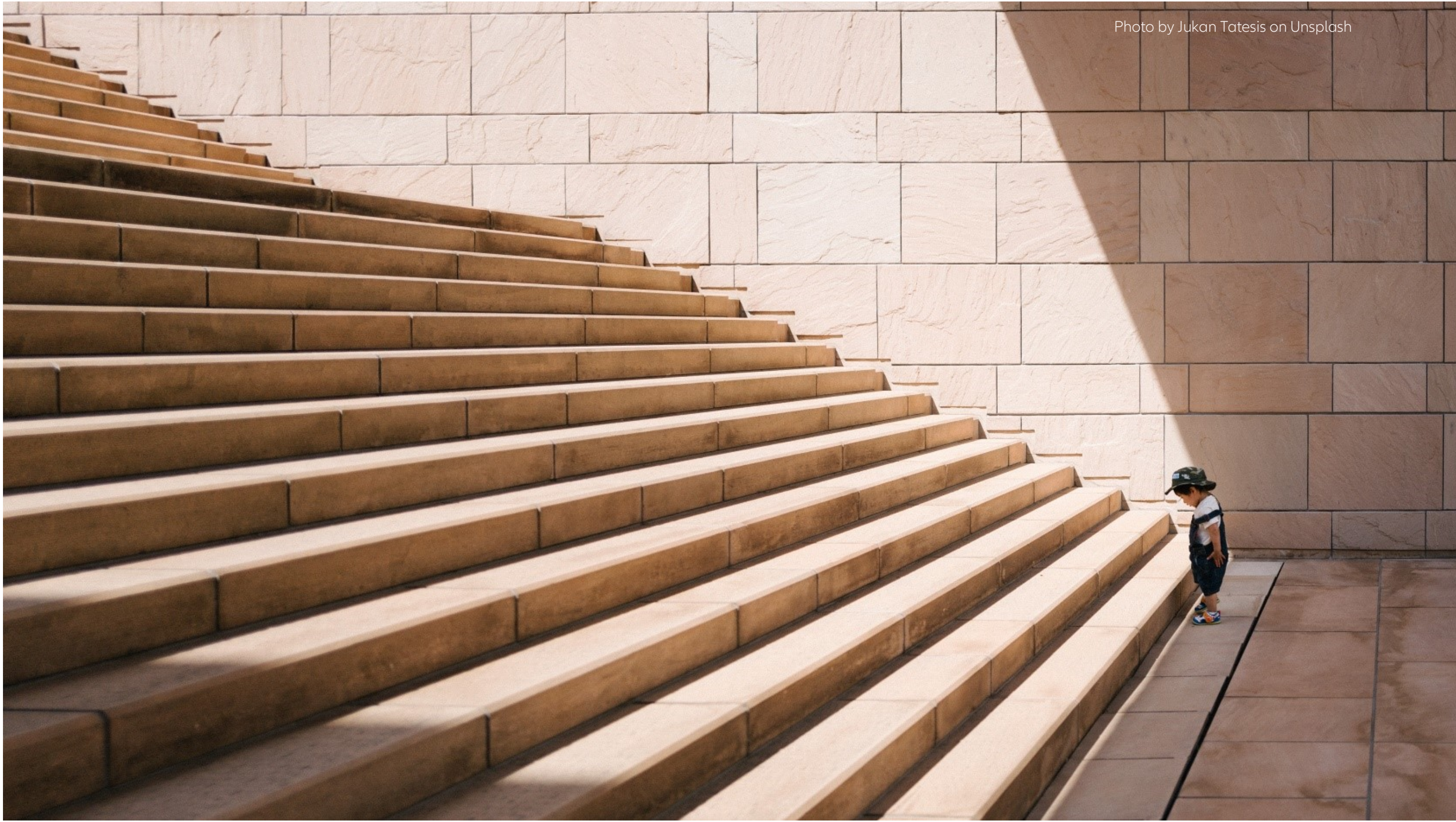


Photo by Jukan Tatesis on Unsplash

Box 1: BAT companies

Baidu. Started with a search engine, which accounts for approximately 80% market share in China. The company further moved into mobile services businesses and invested massively in online-to-offline services (eg. food delivery and financial products). Now, Baidu is further exploring the spaces of artificial intelligence and its commercial application in various industries.

Alibaba. Founded in 2003, Alibaba built a platform for e-commerce and online shopping. Over the years, Alibaba has added further services such as payments, digital wealth and entertainment to its platform.

Tencent. Its main services are social platforms such as WeChat but also financial services such as Tenpay and online banking.

Sources: McKinsey Global Institute (2017)

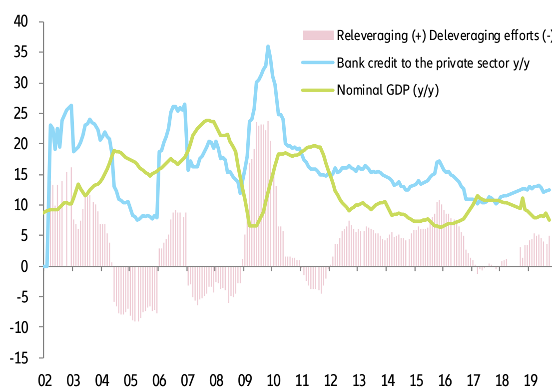
CHINA'S ECONOMY:
FROM HEAVY INVESTMENT TO SMART CONSUMPTION

China's economic rise is unprecedented. But can it last? External and internal contradictions are mounting: Externally, the increasing antagonism with the U.S. puts the export-driven growth model at risk. Internally, the costs of a mainly investment-dependent economy are becoming more and more obvious, namely rising debt and pollution. Therefore, an overhaul of the Chinese economic model – from heavy investment to smart consumption – tops the political agenda. Though the process is unlikely to be a smooth ride, worries of a hard landing of the Chinese economy seem to be overblown. For the time being, China has the means – and the political will – to keep the economy going and mitigate imbalances.

This also applies to the most pressing issue, which has got a lot of attention recently: rising corporate debt levels. Since the financial crisis, corporate debt in China has soared from 93% to 155% of GDP (June 2018). As a result, credit risk is elevated: After rising by +20% in 2019, we expect another double-digit increase in corporate insolvencies in 2020. Yet, for several reasons, the risk of a full-blown crisis is limited: First, almost all debt is domestic (external debt is a mere 14% of GDP); second: most of it is owed by SOEs (state-owned enterprises) to public banks; third: interest rates will remain stable (or fall) and last but not least, the government still has the ability to bail out the economy. General government debt (IMF standard definition) is around 50% of GDP, with a low exposure to external investors (government external debt is around 2% of GDP).

Against this backdrop of ample room to maneuver, China's top legislature announced a mega stimulus to support growth, unfazed by concerns about rising debt. Half of the fiscal package of nearly 5% GDP (RMB4.15tn) consists of tax cuts, while spending accounts for the other half. Monetary accommodation will be generous but targeted to the private sector. On top of cuts in the reserve requirement ratios, authorities are stepping up innovative measures to boost banks' capital (perpetual bonds) and encourage them to lend to the private sector (credit targets). On the latter, one announced measure that stands out is the objective to boost credit to SMEs by +30%. In other words, China has just started another round of re-leveraging the corporate sector (see Figure 1). This fiscal and monetary lifeline for mid-cap companies is essential. It may reshuffle the tech landscape to make room for smaller companies going forward. This is particularly important for foreign insurers in their strategy to enter the Chinese market and scout for golden nuggets in the insurtech space. Understanding conditions to access credit (specific segments, regions of China; financial structure, for e.g.) may give an indication of the next insurtech champions (and record valua-

Figure 1 Bank private credit and nominal GDP growth



Source:s: ITC, WTO, Euler Hermes, Allianz Research

Figure 2 Manufacturing 2025 (or Made in China 2025) key sectors

China Manufacturing 2025 – top priority sectors
Next generation information technology
High-end numerical content (automation) and robotics
Aerospace
Ocean engineering and high-tech shipping
Advanced rapid transit (metro, light rail)
Energy-efficient and new energy vehicles
Agricultural equipment
New materials
Biotechnology and high-tech medical devices

Sources: State council, Euler Hermes , Allianz Research

As a result, the Chinese economy should remain relatively resilient in 2019 and 2020 on the back of stronger growth of domestic demand.

Such a policy mix should also provide a conducive economic environment for new firms and startups, including insurtech companies. This is more than welcome. The last quarter of 2018 proved to be very challenging for these types of companies, amid a slowing economy and tighter regulation on informal sources of financing. The number of venture capital-backed deals and financing dropped considerably during the last three months of 2018. Some observers have already talked of a "capital winter" capping the remarkable success story of Chinese tech startup companies. The fall from grace of Ofo, a bike-sharing firm, was seen as a turning point.

Now, optimism is warranted as the stimulus is associated with a decisive industrial strategy that will support the strong development of the tech sector. In the longer term, the government strategy for smart industrialization ("Made in China 2025") will also be pivotal to create a favorable economic environment for insurtech companies. This industrial policy aims to comprehensively upgrade China's manufacturing sector to higher value-added activities. Key measures include supportive policies (e.g. fiscal incentives, public investment) for the development of 10 key sectors (see Figure 2), and major changes in the business environment to promote innovation (e.g. IP protection). We believe that such a long-term policy is important for two reasons:

- Indirectly, as the foundations needed to foster the development of these industries will also be key drivers for new insurance solutions, e.g. new information systems such as the 5G network (for which China is leading the way).
- Directly, as the development of new industries also provides new business opportunities for insurance, e.g. new transport systems (autonomous vehicles, drones).

Box 2: Interview partners for market insights

To gain more insights on the Chinese market, we conducted several interviews with key players of the country's entrepreneurial ecosystem: NIO Capital, Tencent, Naspers and CVC Capital Partners. While some of these players have either started a business in China recently (such as NIO Capital), gaining insights from investors like CVC Capital Partners as well as Naspers, who were among the first investors in Tencent, was important to understand the underlying Chinese ecosystem in more detail.

NIO Capital (蔚来资本) is an investment firm founded by leading Chinese electric vehicle maker NIO. It was co-founded with Sequoia Capital and Hillhouse Capital. The fund focuses on investments within the electric and smart automotive sector by leveraging its access to global innovation and a strong Chinese and global ecosystem.

Tencent Holdings is a Chinese investment holding company whose subsidiaries provide media, entertainment, internet and mobile phone value-added services, and operate online advertising services in China. Additionally, over the last 11 years, Tencent has amassed a portfolio of 700 companies around the globe, 63 of which have gone public.

Naspers is a South Africa-based multinational media company with principal operations in electronic media and print media. In 2001, Naspers made an early investment of EUR 28mn in Chinese internet company Tencent and made further investments in other technology companies such as PayU, Brainly, Flipkart and Mail.Ru.

CVC Capital Partners is a private equity financing and investment advisory firm that manages capital on behalf of institutional, governmental and private investors worldwide. CVC acquires controlling or significant minority interests in European, Asian and North American companies in partnership with their management teams, assisting in developing plans to create sustainable long-term value.

Source: Allianz X

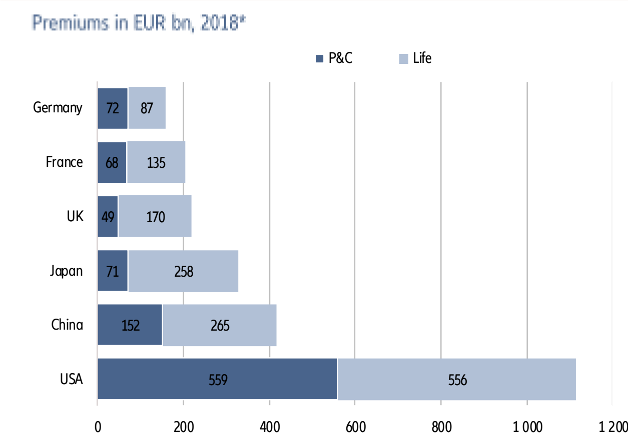
CHINA'S INSURANCE MARKET: HUGE AND FAST-GROWING BUT RELATIVELY CLOSED

The past growth of China's insurance market was simply amazing: During the last decade, since the financial crisis, insurance premiums (w/o health) almost quadrupled. **With premiums of EUR 417bn (2018), China's insurance market is already the second biggest in the world** (see Figure 3).

According to our interview partners, this rapid growth was not only driven by China's economic rise but also partly by Chinese insurance companies' creativity in coming up with insurance consumption scenarios. Great examples include insurance for delays in the delivery of takeaway and for the return of e-commerce parcels. However, the **culture of consuming insurance in China is very different to what we see in Europe**. For instance, Chinese travelers heavily consume pay-as-you-go insurance, such as flight delay insurance at the airport. With products in very specific niches, companies are currently serving only a dedicated part of the Chinese society. This suggests there is plenty of catch-up potential: the market opportunity is massive.

This becomes more evident when looking at premiums per capita (insurance density), which amount to EUR 294 in China; in all the other top five insurance markets around the world, people spend roughly ten times as much (see Figure 4).

Figure 3 Top six insurance markets worldwide



Source: Allianz Research

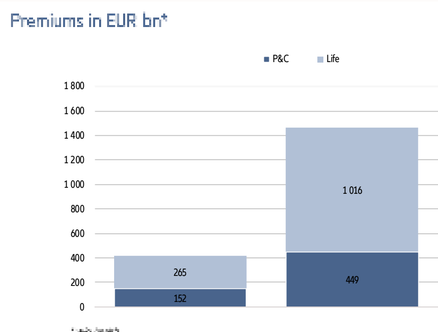
Figure 4 Insurance density in the top six insurance markets worldwide

Source: Allianz Research

Arne Holzhausen, Head of Insurance, Wealth and Trend Research

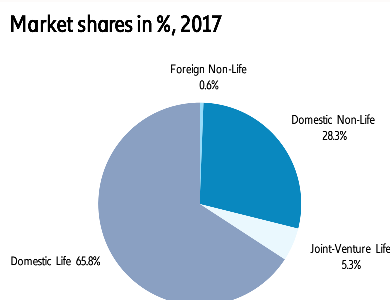
"The past growth of China's insurance market was simply amazing. And it will continue: we expect double-digit growth in premiums in China for the time being, in particular in the life sector, driven by demographic change."

Figure 5 China's insurance market in 2030



Source: Allianz Research

Figure 6 China's insurance market structure



Source: CIRC

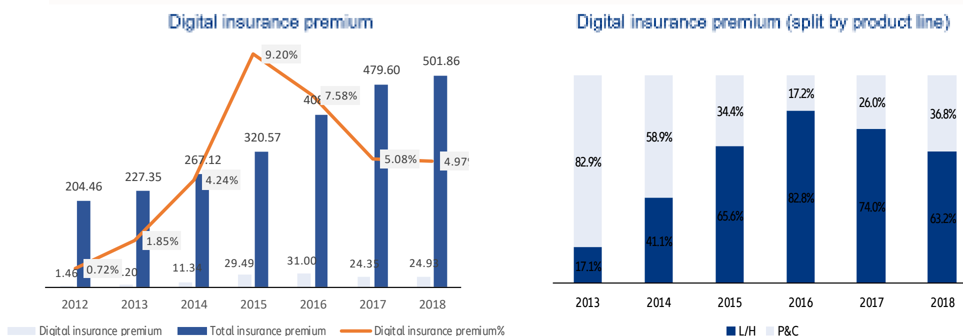
Subsequently, we expect double-digit growth in premiums in China for the time being, in particular in the life sector, driven by demographic change. Due to the one-child policy, the aging population in China is increasing rapidly, fueling demand for insurance and pension products that can secure income in old age. This process is being further aggravated by ongoing urbanization, which tends to undermine family support for the elderly. The upshot: China's life premium income is set to grow fourfold within the next decade (see Figure 5). With premiums of EUR 1,465bn in 2030, the Chinese insurance market will be on par with the U.S. market and the entire European market.

But the Chinese insurance market stands out not only in terms of size and growth. It is also highly concentrated: The top five life insurers control 55% of the market and the top five P&C insurers 74% of premiums. Moreover, the share of foreign players is negligible (see Figure 6), albeit slowly increasing in recent years. This development might reflect the gradual opening of the Chinese market. Regulatory hurdles to enter the market have been lowered, and progress to level the playing field is undeniable. Current legislative changes include the Interim Measures for the Supervision of the Internet Insurance Business (2015), the Special Management Measures (Negative List) for the Access of Foreign Investment in the Pilot Free Trade Zones (2018), the Law on Chinese-Foreign Contractual Joint Ventures (2017) and the Law on Wholly Foreign-Owned Enterprises (2016).

For insurance, the updated negative list relaxed the ratio of foreign share of life insurance companies from 50% to 51%. It also plans to cancel restrictions on the proportion of foreign capital shares of insurance companies in 2021. But the story of market opening is not complete without mentioning the pervasiveness of implicit barriers, which are closely related to monopolistic structures in the Chinese market. Catching up with national champions after they have cemented their dominant position increases the practical costs of market entry considerably. It is the "Didi Syndrome", a reference to the deal the ride-sharing company Didi brokered with Uber China, taking it over against a stake. Even after equal market access has been granted, monopolies can revert to covert means to protect their market share and dominance. Implicit barriers also stem from the language and cultural barriers, and to information asymmetries due to the sometimes volatile nature of regulation: some policy changes can be informal and sudden, which can disadvantage foreign actors. Lessons learnt from Europe in dealing with regulatory frontiers in insurance, especially privacy and consumer protection issues, could prove pivotal to maintain trust and avoid security breaches in retail insurance startups. Working hand in hand between insurance actors (regulators, governments, companies) is the best way to maintain a productive environment for the insurance sector to grow healthily.

Traditional distribution channels still form the backbone of China's insurance industry, especially in the personal insurance sector, where agencies and banks take up more than 90% of the distribution market. But technology is beginning to play a bigger role, with internet distribution channels growing in recent years. Ping An and Ant Financial, for example, acquired 50mn consumers over the last five months. And this sets the stage for the further development of insurtech in China.

Figure 7 China's digital insurance market



Source: Allianz SE

INSURTECH IN CHINA

The global insurtech boom

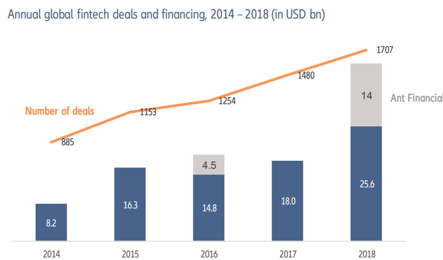
The global rise of fintechs seems unstoppable: In 2018, the number of VC-backed deals, as well as the amount of funding, set new records (see Figure 8). Even if Ant Financial's mega round in Q2 2018 is excluded from the dataset, the increase over the previous year is still impressive: The number of deals climbed by more than 15% and funding surged by 42%.

Three regions – North America, Europe and Asia – still dominate the fintech landscape; less than 4% of global funding goes beyond these core markets. The weights between the core markets, however, have been shifting (see Figure 9). Back in 2014, more than two thirds of all activity was concentrated in the U.S.; Asia – i.e. mainly China – and Europe were still on par with a share of around 14% for each region. Four years later, the picture has changed. While Europe remains stuck at its 14% share, Asia has risen to 35% (again, not counting the mega-round of Ant Financial); in terms of deal numbers, Asia is already in striking distance of the U.S. (515 vs 659 deals), despite the temporary setback in the second half of 2018.

Within booming fintech, one particular segment is doing extraordinarily well: insurtech. In 2018, funding for this segment topped EUR 3.5bn, a whopping increase of 87% over 2017; the number of deals increased by 27%. As a consequence, the share of insurtech in the overall fintech landscape reached 16.4% in 2018, up from 10.4% in 2014.

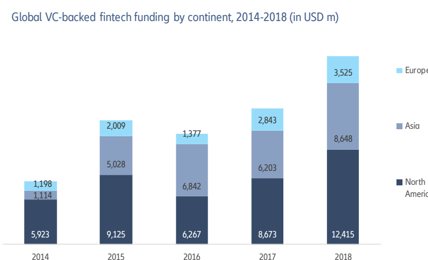
And there are no signs that investments in insurtech are ebbing. On the contrary, with the influx of corporate investors, the number of deals and particularly funding is set to increase further – because corporate investors tend to concentrate their bets in already established insurtech companies, as opposed to seed deals. The rationale is clear: Incumbents try to use insurtech companies as levers to transform their business models and generate ecosystems. But notwithstanding these general trends, there are stark differences between the insurtech markets in the U.S., Europe and China.

Figure 8 A new record year for fintechs



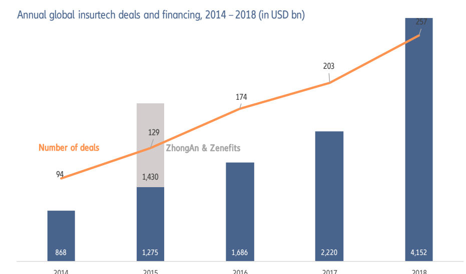
Source: CBInsights

Figure 9 Asia becomes increasingly important



Source: CBInsights

Figure 10 Insurtech is booming



Source: CBInsights

Box 2: Categorization of the insurtech market

In general, the insurtech market can be segmented into three parties: traditional insurance companies, internet insurance companies and technology service companies. While traditional insurance companies have strong industry experience and product design capabilities, and are able to independently develop products and distribution formats, they hardly provide tailored services to users. Internet insurance companies have a strong integration with the internet and mobile internet platforms, as well as streamlined processes, but their product integration is rather low. Technology service companies are able to provide point-to-point services and have strong technological resources but are unable to independently develop products and services. They need to work closely with insurance companies.

Source: Allianz X

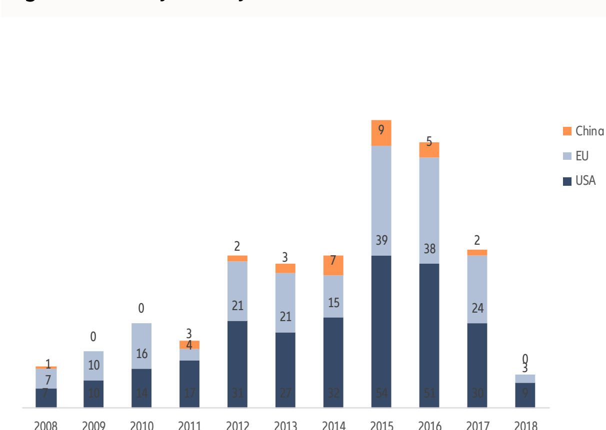
Comparison between China, Europe and the U.S.

The first observation when comparing the three leading markets for insurtech companies is somehow surprising, given the size of the underlying economies and the preeminence of insurance platforms in China: The Chinese insurtech landscape is much smaller. Only 7% of the insurtech companies analyzed are located in China, but 55% are in the U.S. and 38% in Europe. Our interview partners, too, think that China's insurtech investments remain in the early stages, with most financing focused around series A and B. The insurtech industry only started getting heavier traction in recent years. The dynamicity of the mar kets, however, is quite similar (see Figure 11): The velocity of tech company formation already peaked in 2015/2016 in all regions. While funding is still on an upward trend, founding is drying up.

Although the gap between the U.S. and China in terms of the number of companies is huge – there are eight times as many American insurtech companies as Chinese ones – the funding gap is much smaller (see Figure 12): Whereas U.S. insurtech companies raised EUR 5.8bn in total in 2018, in China, total funding amounts to EUR 4.1bn – more than four times the European figure. As a consequence, average funding per company is much higher in China than elsewhere: EUR 113mn compared to EUR 20mn in the U.S. and a meagre USD 5.2mn in Europe. These numbers, however, should be taken with a pinch of salt as they are distorted by mega funding rounds, in particular in China: Here, the EUR 2.8bn raised by Ping An Healthcare and Technology Company and the EUR 805mn raised by ZhongAn (both through IPOs) stand out. Although mega rounds exceeding EUR 88mn (i.e. USD 100mn) are also common in the U.S. – we count 12, compared to only two in Europe – the greater overall number of U.S. deals mitigates against the distortion of average numbers. Nonetheless, the numbers confirm the picture of the Chinese insurtech scene being highly concentrated and richly funded.

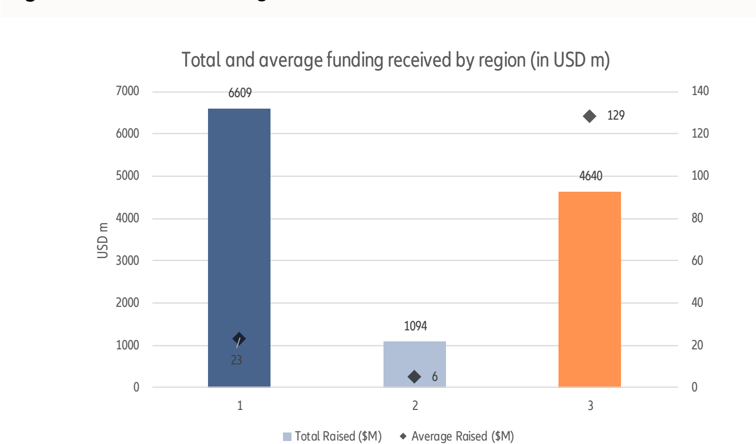
Our interview partners share a very similar view. According to them, investments have shifted from a disperse, wide-net strategy to a focused, centralized strategy. In 2015, only four companies received funding over EUR 88mn and by the end of 2018, there were more than 13 companies receiving EUR 88mn or more. From this it is possible to observe that the market consensus is gradually being formed: investors now have a better idea as to where the industry is heading. As of now, insurance sales and price comparison platforms based on internet distribution are the ones that gain the most traction.

Figure 11 The dynamicity of the insurtech market



Source: Pitchbook

Figure 12 Insurtech funding



Source: Pitchbook

Looking at the funding strategies (financing status), the high proportion of venture capital in China becomes evident (see Figure 13). The flip side: Other strategies such as private equity or corporate-backed are hardly existent in China. The U.S. and also Europe both boast a much more diverse funding landscape. However, if the amounts raised are analyzed, the picture changes again: More than 90% (U.S.) or 80% (Europe) of all funds are raised through venture capital. In China, on the other hand, the share of venture capital is less than 10%, thanks to the successful listings of Ping An Healthcare and Technology Company and ZhongAn.

Last but not least, we look at the different exit channels, focusing on IPOs and M&As (see Figure 14). This reveals one of the most striking features of the Chinese insurtech landscape: Already four companies have made a public listing, more than in the U.S. (two) and Europe (one) together. On the other hand, the dominant exit channel of M&As is much less popular in China: only one insurtech company has so far been acquired by another company. Why is this the case? It is possible that the generous funding available in the market deters corporate buyers and enables startups to stay independent. Or the high concentration of the market could be leading to a dearth of corporate buyers as insurance market incumbents tend to nurture their own insurtech companies but do not sell them to competitors. Either way, the lack of M&A in China increases the risks for investors.

Sarah Theinert,
Venture Capital Investor
at Allianz X

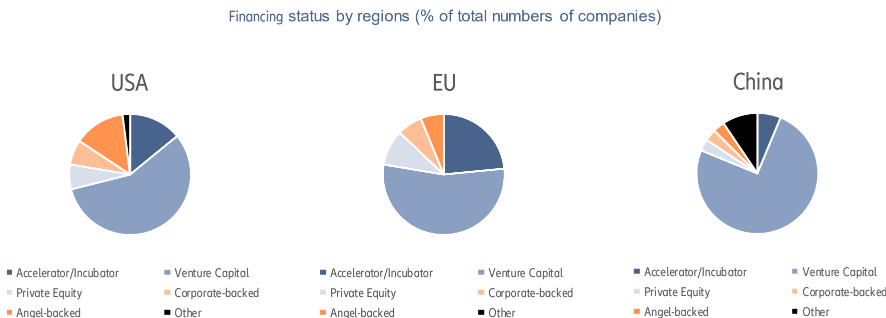
"This reveals one of the most striking features of the Chinese insurtech landscape: Already four companies have made a public listing, more than in the U.S. (two) and Europe (one) together."

Our interview partners, however, say that the overall trend is beneficial for insurtech startups and foreign investors as a whole. China strongly encourages startups, particularly technology-related ones, to grow, giving out benefits to entrepreneurs. Although insurtech isn't particularly in strong focus, the industry still receives much benefit from the overall trend. And unlike insurers, insurtech companies aren't as highly regulated, given their tech-focus nature, as opposed to finance and money. For our interview partners, there is right now an interesting window of opportunity to invest – or even for insurers to buy whole insurtech groups.

There also seems to be some similarities between the structure of the Chinese insurance market and that of Germany. Incumbents seem to have the right offline infrastructure to distribute their products, for instance. Growth engines would therefore be on the tech side for both investment and partnership. For instance, tech-intensive distribution channels and products could experience exponential growth if properly managed on the technical - underwriting and pricing - side.

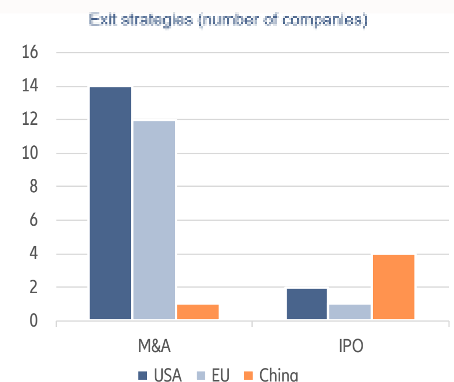
Complementarities between China and international insurance giants (Europeans and Americans) are obvious. As China becomes pivotal to the insurance world in a platform economy, thanks to scale, purpose and agility, foreign insurers are lured into the Chinese insurance markets. Indeed, the Chinese consumer is a godsend for insurtech companies, and tech-intensive distribution channels and products will experience exponential growth. In addition, regulators and authorities have the means and the will to nurture not only national but global champions in technologies and services.

Figure 13 Different funding strategies



Source: Pitchbook

Figure 14 China: No land for corporate buyers



Sources: IHS, Bloomberg, WTO, Euler Hermes

Director of Publications:
Ludovic Subran, Chief Economist
Allianz and Euler Hermes
Königinstraße 28, 80802 Munich | Germany
+4989380018516

https://www.allianz.com/en/economic_research.html
allianz.research@allianz.com

Allianz

@Allianz

FORWARD-LOOKING STATEMENTS

The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements.

Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the EUR/USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

NO DUTY TO UPDATE

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law.