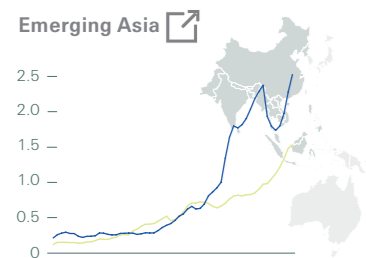
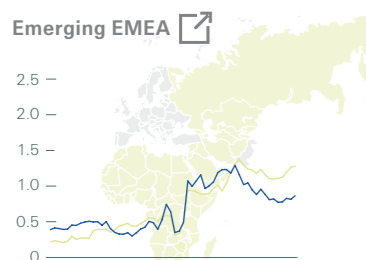
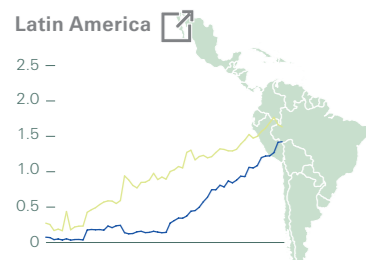
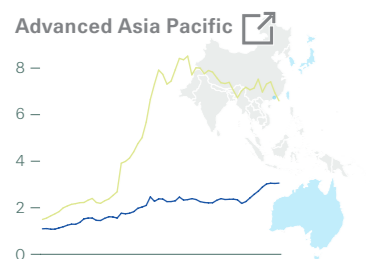
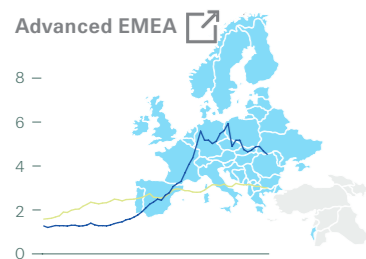
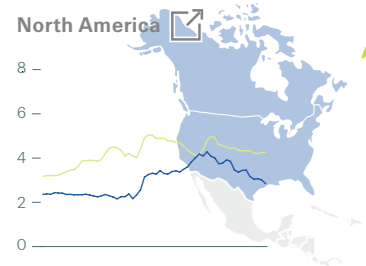


# Premium developments since 1960

and a look ahead to the next fifty years of sigma: regional growth patterns and insurance penetration

Life and non-life insurance penetration in %, 1960–2017



For 50 years, sigma has been publishing data on premiums written in the global insurance markets. These data provide an unmatched overview of the changing growth patterns and developments of insurance penetration over the past six decades and are helpful in predicting the future.

## A first shift to Asia

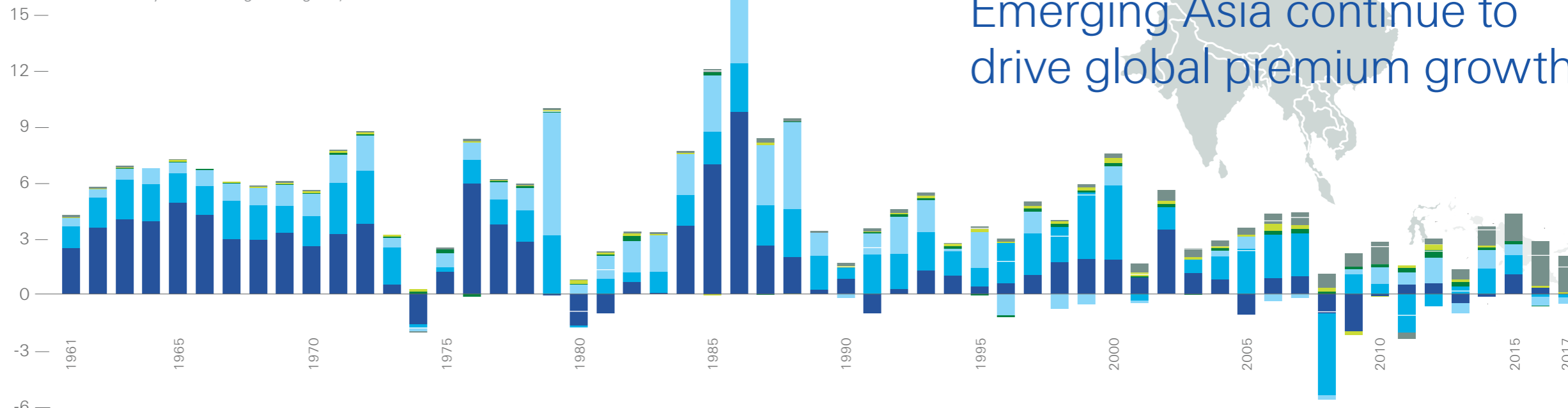
Up until the late 1970s, North America and Western Europe were the main contributors to global real premium growth. After World War II, the mass production of automobiles in the 1950s boosted the motor insurance business. Consequently, non-life insurance penetration (premiums/GDP) was on an upwards path (see left figures), ie insurance markets expanded more strongly than GDP (see Figure 6 sigma No 3/2018). Life insurance in these two regions, however, grew at about the same rate as GDP, ie penetration levels remained stable until the late 1970s.

The insurance industry also expanded rapidly in the advanced Asian markets, dominated by Japan. With the economy growing at 8% on average in the 1960s and 1970s, and GDP per capita converging towards US levels, life insurance growth outpaced economic growth. Life insurance in Japan was popular due to the soaring levels of household saving and the country's developing social security system for old age provision. sigma No 11/1981 notes that in the 1960s and 1970s, insurance growth cycles followed the economic cycles quite closely. In the life sector, this link has since weakened. Life insurance markets in North America and Western Europe surged in the 1980s until the turn of the century. Life savings business growth was supported by tax incentives, attractive interest rate guarantees and innovations, such as unit-linked products, which tied the return to the performance of a particular investment.

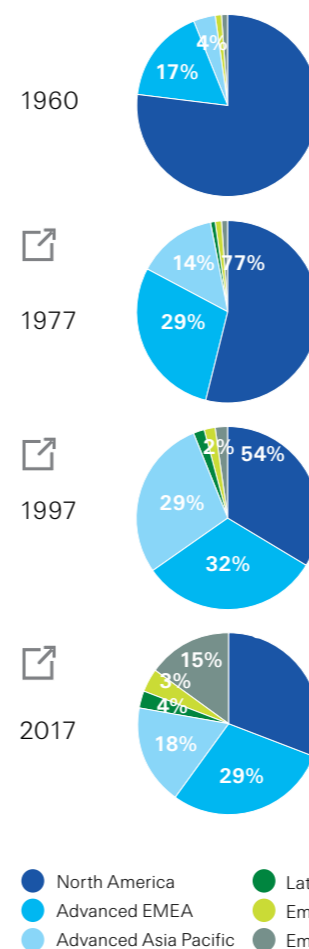
## Fast growth in the 1980s

Non-life premium growth gained strong momentum in the 1980s after a weak start to the decade and an oil price shock. According to sigma No 5/1995, growth was driven by „extraordinarily high claims payments that were incurred in the US because of changing legal precedents in questions of liability.“ This strained the capital base of the insurance industry and gave rise to massive premium rate increases, but the reviving economy also had a positive effect. As a result, premiums were rising at a rate that had never been seen before.

Contribution of main regions (in percentage points) to total real premium growth (in %; indicated by white line for years with negative regions), 1960–2017



Regional market shares, 1960–2017



The life boom in Japan came to a halt in 1990. Meanwhile, the European and US life sectors continued to be the main growth drivers for the global insurance markets well after the turn of the century as savings products were attractive in an environment of gradually declining interest rates. In contrast, non-life markets grew more slowly in the US and in Europe during the same period, as deregulation, alternative forms of risk transfer and competition from traditional suppliers put pressure on premium rates. This changed, however, with the terror attack of 9/11, which triggered another hard market. Since then, penetration in North America and Europe has remained virtually unchanged in the non-life sector – excluding the 9/11 spike – and has declined gradually in the life sector.

## The second shift to Asia and the rise of emerging markets

Emerging markets, especially China, have started to make a bigger contribution to premium growth since the turn of the century. This became clear in the aftermath of the financial crisis in 2008/2009, which affected advanced market non-life growth, and further weakened the already struggling life insurance markets. Since 2010, Emerging Asia has become the largest source of growth in the global insurance markets, although penetration levels have been gradually increasing across all regions.

The economic outlook for the advanced markets remains solid. They will remain an important source of growth given their current market share of 78% (see figures to the left). However, the ability of the insurance industry to offer solutions for new risks, such as cyber, and to offer viable savings products will be vital for future growth.

In the shorter term, China is likely to become the next Japan for insurance market growth given the recent steep increases in penetration levels and strong economic growth. Due to the sheer size of its population and the economy, China will remain the biggest contributor to global insurance market growth among emerging markets for the next decade at least. However, fifty years from now, when sigma celebrates its 100th anniversary, the world's fastest growing insurance market could be India, Indonesia, Brazil, Mexico, Pakistan, Nigeria or Ethiopia. Only time will tell.

How much longer will Emerging Asia continue to drive global premium growth?