

World insurance in 1994: Clear slowdown in premium growth in North America and Japan, reduced momentum in Europe

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In the latest edition of *sigma*, Swiss Re continues its annual study of the situation in the international insurance markets. It covers non-life and life business in 105 countries, thus providing the first and also the most comprehensive analysis of this type for the year 1994.

"World insurance in 1994" provides information on the importance of individual markets and shows the most important developments in the insurance industry in this year. In addition, initial estimates for 1995 are presented.

Premium growth rates are slowing noticeably

In 1994 gross premium income in the global insurance industry totalled USD 1968 billion. At 3.5% after adjustment for inflation, growth barely reached half of the previous year's level. With the exception of Latin America and Africa, activity in all regions tapered off. The year 1994 was also characterised by large regional diversities: in terms of global premium growth, insurance operations produced above-average growth in Latin America (32.3%), Africa (7.9%), Europe (4.7%) and Oceania (4.6%), whilst in Asia (2.7%) and North America (2.1%), expansion was below average. The extraordinary premium growth in Latin America is due mainly to special monetary influences in Brazil. The relatively restrained development in Asia was limited in particular by slowing growth rates in the Japanese insurance industry.

Non-life: stagnating premium rates and weak demand dampen premium growth

Growth rates halved in non-life business from 4.6% to 2.3%. This moderate result can be attributed, on the one hand, to stagnating or even crumbling prices (United States and Great Britain). On the other hand, in view of weak demand for additional cover, quantitative developments were unable to provide any noticeable impetus to premium volume, especially in Japan and Germany

Life operations continue to experience stronger growth than the gross domestic product

Life business, with an increase of 4.4% (previous year 7.2%), once again developed more strongly than non-life operations, but also lost momentum. In the United States, attractive bond yields reduced the appeal of life insurance. Business in Japan continued to suffer as a consequence of persisting economic stagnation. In contrast, European life insurance continued to expand at an above-average rate: in view of dwindling faith in the stability of government welfare provisions, the growth rate continued almost relentlessly.

1995: Growth in life operations is slowing noticeably. A slight recovery is visible in non-life business

Based on the preliminary but incomplete information we have available, growth in total business was once again weak in 1995. In life business, we predict an inflation-adjusted growth of merely 3%. One essential reason is the negative development in Japan, which represents over 40% of life insurance premiums world-wide. The fall in Japanese premium volume can be attributed in particular to the reduction in the guaranteed dividend yield and economic stagnation which has persisted for more than three years. The situation is emerging as more gratifying in the United States and Western Europe: American life operations have benefited from lower interest rates, which have decreased heavily since January 1995, and a corresponding shift in demand to the advantage of life policies, as well as an increase in disposable net income. In view of the shortcomings of government provision of welfare benefits in Western Europe, of which the general public are becoming increasingly aware, we predict a continuation of the dynamic development of previous years.

It can be assumed that non-life business gained momentum in 1995. We predict a growth rate of roughly 3.5%. In the United States demand for additional cover increased in accordance with economic trends. A certain stabilising of premium rates occurred simultaneously. The Japanese insurance market was characterised by a sharp increase in the sales of savings-type non-life policies. Less positive is the turnover

growth in Europe's non-life operations: Increasing price competition in the wake of deregulation and persisting sluggish demand for insurance cover has dampened growth.

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