

China and India lead the way in dynamic growth of Asia's insurance markets, reveals new Swiss Re sigma study

28 Aug 2001 CET

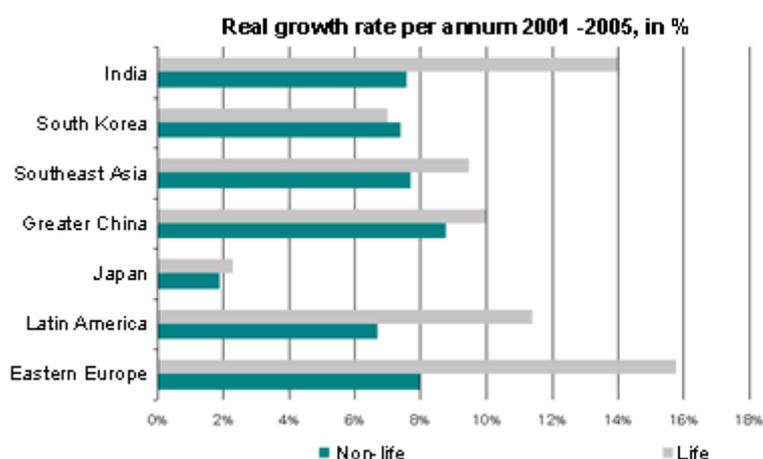
Swiss Re's latest *sigma* study, "Insurance markets in Asia: sanguine outlook despite short-term uncertainties", outlines current and future trends in Asia's USD 600 billion insurance market. The study concludes that prospects for the life insurance industry are particularly positive.

Among the key findings:

- China and India dynamically driving regional growth
- deregulation opening up the market
- cheaper and more effective distribution channels, and
- ongoing industry consolidation.

Asia's insurance markets have bounced back from the slump following the Asian financial crisis, with non-life and life insurance businesses, excluding Japan, expected to grow annually by 7.9% and 8.9%, in real terms, from 2001 to 2005. The boost from further economic development – underpinned by sounder fundamentals – will ensure that the region remains one of the fastest growing insurance markets in the world. However, Japan will continue to lag behind with annual growth of only 1.9% in non-life and 2.3% in life.

Globalisation and other associated trends (see following chart) are bringing about an irreversible transformation of the Asian insurance marketplace.



Source: Yearbooks of national insurance supervisors and insurance associations;
Swiss Re Economic Research & Consulting

Note: Kampo's and Zenkyoren's premiums are excluded from Japan's figures. Only the non-savings part of non-life premiums in Japan is included in the calculation.

This process has been expedited by the soothing impact of the Asian financial crisis on reform resistance and its contribution towards the acceleration of change:

- The globalisation of Asia's insurance markets is set to gather steam, particularly on the back of the gradual opening up of the two most important future growth markets – China and India. Deregulation has gained widespread acceptance in Asia, resulting in a pronounced shift towards solvency-based supervision. Looking ahead, greater differentiation among insurers, a squeeze on margins and more volatile underwriting results are expected. This will ultimately lead to more emphasis on capital productivity.
- Insurers will intensify their quest for more cost-efficient distribution channels. Aided by the scrapping of regulatory obstacles, bancassurance is likely to gain prominence. Internet distribution will continue to be explored, but the focus is expected to be on the enhancement rather than on the disintermediation of traditional agency channels.

- Consolidation will continue to characterise most insurance marketplaces, but regional differences in terms of the pace and rationale for consolidation will become more pronounced.

Along with the unfolding of these industry-shaping trends, life insurance business is expected to derive additional impetus from a number of specific factors:

- Asia's high savings rates and policyholders' increasing willingness to take on investment risks offer attractive asset management opportunities to insurers.
- The region's rapidly ageing population signals the need for governments to provide sufficient retirement provisions. Most Asian governments are looking to the private sector to take a leading role in meeting this challenge.
- Bancassurance is helping life insurers to better segment clients and access high net-worth sectors. Based on this innovative approach to distribution, life insurance penetration is set to increase, particularly in China and India, where banks boast far-flung distribution networks.

How to access *sigma*:

The English, German, French, Spanish and Italian versions of the *sigma* study are available electronically in the **sigma section** of the website.

Contact

Clarence Wong, Hong Kong, tel. +852 2582 5644
Thomas Hess, Zurich, tel. +41 1 285 2297
Kurt Karl, New York, tel. +212 317 5564

Printed studies: *sigma* No. 4/2001 can now be ordered. English and German versions are now available, those in French, Spanish, Italian, Chinese and Japanese will be available soon. Please send your order, including your full postal address, to:

E-mail: sigma@swissre.com

This press release is also distributed by e-mail. To receive a copy, please contact **sigma@swissre.com**

This press release can also be downloaded in:

-  **English**
-  **German**
-  **French**

Swiss Re is one of the world's leading reinsurers with over 70 offices in more than 30 countries. In the 2000 financial year, gross premium volume amounted to CHF 26.1 billion (USD 15.4 billion) and the net income after tax reached CHF 3.0 billion (USD 1.8 billion). Swiss Re is rated "AAA" by Standard & Poor's, "Aaa" by Moody's and "A++" (superior) by A.M. Best.