

# News release

## Swiss Re's insurance outlook for 2015 sees growth opportunities for insurers in a difficult environment

- Global economy to strengthen moderately in 2015 but prospects for different regions are mixed
- Long-term investments will continue to be a challenge despite growth and rising interest rates
- Real non-life premiums forecast to rise by 1.4% in the advanced markets in 2015; growth in emerging markets to recover to 8%
- Global life premium growth expected at 4% in 2015
- Property catastrophe reinsurance rates will likely remain under pressure at the 2015 renewals; thereafter decreases are expected to slow
- Aviation rates are increasing; in other segments, differences by market exist

London, 25 November 2014 – The global economy is expected to strengthen modestly next year, according to Swiss Re's latest publication, "Global insurance review 2014 and outlook 2015/16". Non-life insurance premiums are expected to grow 2.8% in 2015, supported by strong economic activity in emerging markets. The life insurance sector will be notably stronger in both the advanced and emerging markets, and global in-force premiums are forecast to increase by 4.8% this year and by around 4% in 2015 and 2016. The low yield environment remains a profitability challenge, in particular for life insurers.

### **Economic conditions support modest growth for insurers but investment returns will deteriorate**

Global economic activity is expected to improve next year as growth rates increase in the US, the Euro area and many emerging markets. Other countries, such as the UK, Japan and China, will slow.

The US and UK are very likely to tighten monetary policy and raise their policy rates next year. The combination of growth and rising rates will push government bonds higher, particularly in the US and the UK. However, investment returns for re/insurers will continue to weaken because companies are expected to be rolling over maturing fixed income paper into lower yielding, more-recently released bonds.

Media Relations,  
Zurich  
Telephone +41 43 285 7171

New York  
Telephone +1 914 828 6511

Hong Kong  
Telephone +852 2582 3660

Investor Relations,  
Zurich  
Telephone +41 43 285 4444

Swiss Re Ltd  
Mythenquai 50/60  
P.O. Box  
CH-8022 Zurich

Telephone +41 43 285 2121  
Fax +41 43 285 2999

[www.swissre.com](http://www.swissre.com)  
 @SwissRe

"Stronger economic activity will improve insurance premium growth, particularly in the emerging markets," says Kurt Karl, Swiss Re Chief Economist. "But profitability will still be challenging because of the low investment yields."

### **Non-life insurance premium growth driven by emerging markets**

Overall emerging market non-life premium growth is forecast to return to around 8% next year and more in 2016, with Emerging Asia in the lead. Advanced markets premium growth slowed to 1.7% this year and will remain near that pace into 2016.

In casualty lines, loss ratio data from the US and UK indicate that reserve releases are unlikely to continue for long. This is a good indicator that pricing prospects are expected to improve over the next couple of years.

**Table 1: Real growth of direct premiums in major non-life insurance markets and regions**

<b>Country/region</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015F</b>	<b>2016F</b>
United States	2.3%	3.2%	2.1%	0.8%	0.6%
Canada	1.6%	2.6%	1.2%	1.1%	3.0%
Japan	3.7%	4.3%	2.5%	2.0%	2.2%
Australia	5.5%	5.7%	1.9%	3.0%	2.6%
United Kingdom	1.5%	-0.5%	1.6%	1.7%	2.4%
Germany	2.4%	2.1%	2.7%	1.4%	0.7%
France	-2.7%	0.2%	0.6%	1.4%	1.6%
Italy	-5.5%	-6.1%	-3.7%	0.8%	1.0%
Advanced markets	1.8%	1.9%	1.7%	1.4%	1.6%
Emerging Asia	12.5%	12.2%	12.5%	12.8%	12.9%
Latin America	6.1%	7.5%	2.4%	4.1%	5.2%
Eastern Europe	5.3%	3.1%	-5.2%	1.9%	3.2%
Africa	4.6%	6.5%	4.2%	6.0%	5.8%
Middle East	7.8%	3.7%	1.8%	6.0%	5.5%
Emerging markets	8.5%	8.2%	5.5%	8.1%	8.7%
World	3.0%	3.1%	2.5%	2.8%	3.2%

**Source: Swiss Re, Economic Research & Consulting.**

For reinsurers, premium growth is expected to be lower than in the primary non-life sector mostly due to reduced reinsurance buying in China and softening property catastrophe reinsurance rates. Catastrophe reinsurance pricing will likely remain under pressure at the 2015 renewals. Thereafter the pace of decreases is expected to slow down.

Over the long term, demand for nat cat capacity is expected to continue to increase. For casualty and special lines, significant differences in pricing developments by market and line of business are expected. Aviation rates are expected to improve as the market reacts to recent loss activity.

### **Life premiums recover as insurers find new ways to increase profitability**

Premium growth of in-force life premiums in the advanced economies is expected to be nearly 4% this year and about 3% in 2015, rebounding from a 1.5% decline in 2013. Emerging market life premiums are forecast to grow 9% this year and 10% in 2015 after a sluggish 4.5% advance in 2013, driven again by a robust 13% premium growth in Emerging Asia.

Despite low investment returns, life re/insurers have improved profits over the last year with a RoE of about 12% up from 10% last year. This stems from their focus on new products, increased market penetration, improved distribution techniques and cost-cutting.

There have been stronger profits in the UK market, and also a pick up in North America and Continental Europe more recently. A key factor in new business growth in the major markets has been robust sales of savings products.

Global real life reinsurance premiums are expected to grow by less than 1% this year after shrinking 0.3% last year due to weakness in the advanced markets as the market adjusts to changing regulations in the US and UK.

In this environment, life reinsurers will seek non-traditional or less-developed areas of growth in the coming years, including taking over large blocks of business and providing major capital relief solutions. Life reinsurers are also providing solutions to take longevity risk from primary companies with annuity business. Momentum in this market remains strong and a record amount of longevity liabilities were transferred to reinsurers in 2014.

**Table 2: Real growth of in force life insurance premiums by major markets and regions**

<b>Country</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015F</b>	<b>2016F</b>
US	2.5%	-7.1%	1.3%	2.1%	2.8%
Canada	1.9%	3.0%	3.8%	4.1%	4.1%
UK	3.8%	2.6%	3.5%	3.4%	3.3%
Japan	5.8%	-5.8%	3.5%	4.5%	2.5%
Australia	-4.4%	9.6%	20.7%	5.6%	4.1%
France	-12.3%	6.8%	3.6%	3.4%	3.3%
Germany	-0.9%	1.6%	2.2%	0.8%	0.9%
Italy	-8.4%	20.4%	19.1%	2.5%	1.7%
Spain	-11.1%	-4.3%	-8.7%	0.6%	0.6%
Netherlands	-15.3%	-5.9%	-3.3%	3.1%	3.4%
Advanced markets	2.1%	-1.5%	3.9%	3.0%	2.8%
Emerging markets	5.5%	4.5%	9.1%	10.4%	10.7%
World	2.6%	-0.5%	4.8%	4.3%	4.2%

Source: Swiss Re, Economic Research & Consulting.

## Notes to editors

### How to order this study:

Copies of *Global insurance review 2014 and outlook 2015/16* are available electronically on Swiss Re's website: [www.swissre.com](http://www.swissre.com).

### Swiss Re

The Swiss Re Group is a leading wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Dealing direct and working through brokers, its global client base consists of insurance companies, mid-to-large-sized corporations and public sector clients. From standard products to tailor-made coverage across all lines of business, Swiss Re deploys its capital strength, expertise and innovation power to enable the risk-taking upon which enterprise and progress in society depend. Founded in Zurich, Switzerland, in 1863, Swiss Re serves clients through a network of over 60 offices globally and is rated "AA-" by Standard & Poor's, "Aa3" by Moody's and "A+" by A.M. Best. Registered shares in the Swiss Re Group holding company, Swiss Re Ltd, are listed on the SIX Swiss Exchange and trade under the symbol SREN. For more information about Swiss Re Group, please visit: [www.swissre.com](http://www.swissre.com) or follow us on Twitter [@SwissRe](https://twitter.com/SwissRe).

For logos and photography of Swiss Re executives, directors or locations go to [www.swissre.com/media](http://www.swissre.com/media)

For media 'b-roll' please send an e-mail to [media\\_relations@swissre.com](mailto:media_relations@swissre.com)



### Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets, and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase", "may fluctuate" and similar expressions, or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual results of operations, financial condition, solvency ratios, liquidity position or prospects to be materially different from any future results of operations, financial condition, solvency ratios, liquidity position or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets. Such factors include, among others:

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- the Group's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group's financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group's investment assets;

- changes in the Group's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that the Group's hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting the Group's ability to achieve improved ratings;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting the Group or its ceding companies and the interpretation of legislation or regulations;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

These factors are not exhaustive. The Group operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.