

News release

Global insurance industry grows steadily in 2015 amidst moderate economic growth but outlook is mixed, Swiss Re *sigma* report says

- Global insurance premium growth increased to 3.8% in 2015 from 3.5% in 2014
- Life premium growth slowed to 4.0% in 2015 from 4.3% in 2014, due to weaker performance in advanced markets
- Non-life premiums were up 3.6% based on strong growth in advanced markets; emerging markets' performance was mixed
- Still-low interest rates weigh on profitability, but the insurance industry remains well capitalised
- Advanced markets life premium growth to improve, non-life outlook mixed
- Global trade slowdown likely to impact marine and credit premium growth

Zurich, 29 June 2016 – Global insurance premiums grew by 3.8% in real terms in 2015, amidst variations in regional growth rates, Swiss Re's latest *sigma* report says. The overall performance was steady after a 3.5%-gain in direct insurance premiums written in 2014, and coming in an environment of just moderate (2.5%) global economic growth, the latter a key driver of insurance demand. There was a slight slowdown in the life sector in 2015, with global premium growth dipping to 4.0% from 4.3%, due to weaker performance in the advanced markets. On the non-life side, strong growth in the advanced markets of Asia, and improvement in North America and Western Europe, contributed to a 3.6% increase in global premiums, up from 2.4% growth in 2014.

While developments in real terms signal strength, premium volumes in US dollar (USD) at running exchange rates contracted by 4.2% in 2015. This could be seen as a sign of weakness of the insurance sector, but it is only caused by widespread currency depreciation against the USD¹

¹ Nominal values incorporate the effects of inflation on premium growth rates in different countries in local currency terms. When converting these to USD terms, exchange rate moves further impact growth rates. For this reason, *sigma* uses real growth rates as the adequate measure of insurance sector development. They strip out the impact of inflation to expose the true level of growth in a country or region, and allow meaningful international growth rate comparisons. See [sigma infographic](#) for an explanation of the disparity between premium growth rates expressed in real and USD-nominal terms.

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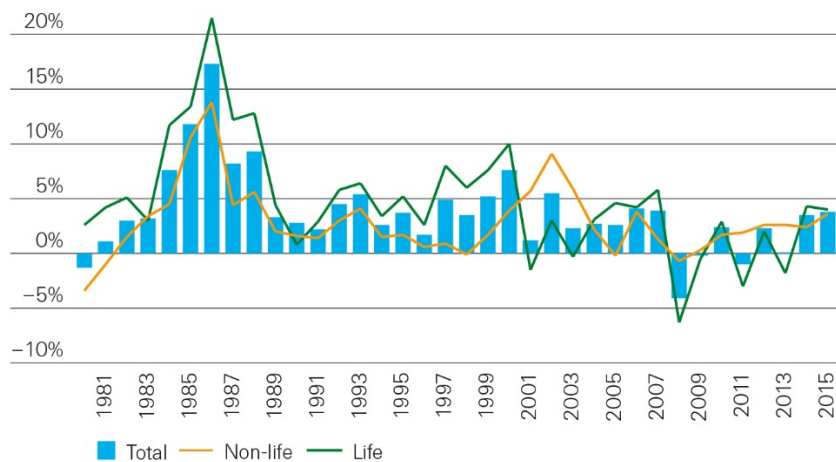
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Advanced market life premiums growth weak, non-life strong

In the advanced markets, overall life premium real growth slowed to 2.5% in 2015 from 3.8% the previous year. There was a return to positive growth in North America after two years of decline. Premium growth was also stronger in advanced Asia², driven by Japan and Korea. However, in Western Europe growth slowed significantly to 1.3% from 5.8% in 2014. In the emerging markets, overall life premium growth almost doubled to near 12%, supported by strong performance in emerging Asia, particularly China. Growth also improved in Latin America but was slower in the Middle East and Central Asia, and Africa, and premiums contracted in Central and Eastern Europe.

In non-life insurance, the advanced markets were the main drivers. Advanced Asia (+4.1%) registered the highest growth, and there was a considerable gain in North America (+3.2%) also. Growth was more moderate in Western Europe (+1.5%) but this was a significant improvement on previous years of stagnation. Emerging markets continued their robust premium growth trend (+7.8%), primarily driven by China.

Figure 1: Global real direct premium growth, 1980 – 2015



Source: Swiss Re Economic Research & Consulting.

Low interest rates weigh on profitability

Interest rates in the advanced economies remained very low in 2015, putting pressure on profitability in the life and, to a lesser extent, non-life sectors. In life, moderate premium growth in many markets also weighed on profits. In non-life, both underwriting and investment results were weaker than in 2014. The underwriting result was impacted by lower reserve releases and investment results were hit by the low interest rates.

² Advanced Asia = Japan, Korea, Hong Kong, Taiwan and Singapore.

"Interest rates and the macroeconomic and financial market environments will continue to shape the outlook for the insurance industry," says Kurt Karl, Chief Economist at Swiss Re. "With profitability under pressure, life insurers will continue to focus on improving capital management, lowering expenses and enhancing investment yields. Profitability in non-life will also remain subdued on still-low investment returns and soft pricing conditions."

Nevertheless, the insurance industry overall remains well capitalised, meaning that insurers are better able to withstand periods of economic or market turmoil. The life sector was better capitalised at the end of 2015 than 2014, reflecting solid results in China, but also the effect of decreasing interest rates which led to a higher mark-to-market value of fixed-income and derivative investments. Solvency in the non-life sector was at a record high of 130% in 2015. Capitalisation is expected to remain strong, but the support from higher unrealised gains due to ultra-low interest rates will disappear once rates begin to rise in the US and UK, mainly.

Advanced market life premium growth to improve, non-life outlook mixed

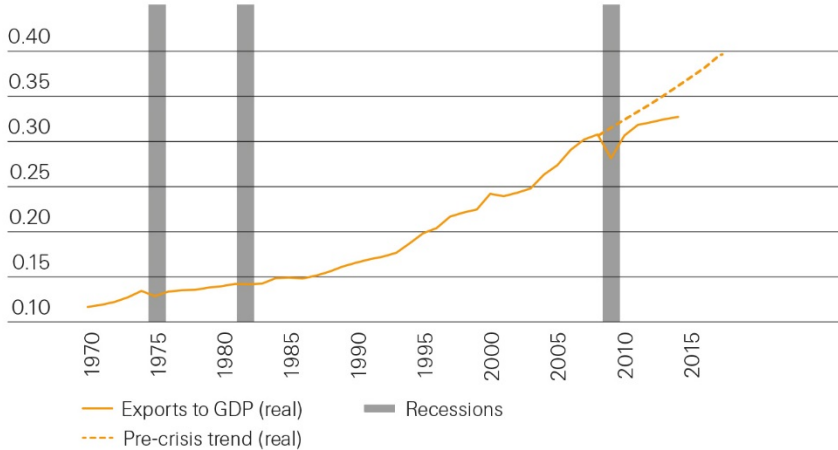
Life premium growth is forecast to increase slightly in the advanced countries in 2016, but slow in the emerging markets. The small improvement in the advanced markets will come from an expected recovery in Oceania and modest improvement in Western Europe. In the emerging markets, the pace of growth reflects sustained strong performance in emerging Asia. Premium growth in China, though slowing, is expected to remain strong.

Global non-life sector growth is expected to weaken due to moderate economic activity and soft pricing, mainly in the advanced markets. The outlook for the emerging markets is mixed. Non-life premium growth will likely be strong in emerging Asia, mainly supported by China. In certain other regions, however, growth is expected to weaken or even contract.

Global trade slowdown impacts insurance premium growth

The average annual growth rate of global insurance premiums since the financial crisis remains below the pre-crisis rate. The trend mirrors slower economic growth, and also a slowdown in growth of global trade volumes. Global trade grew about twice as fast as world GDP between the early 1990s and mid-2000s, but has only grown at the same pace as GDP in more recent years.

Figure 2: Development of global exports relative to global GDP (in real terms)



Grey bars indicate global recessions, equalized with global real GDP growth below 1%; the dashed line shows the pre-crisis trends according to the average growth rates between 1990 and 2007.

Source: World Bank, Swiss Re Economic Research & Consulting.

This *sigma* includes a special chapter on global trade and the implications for insurance sector growth. The slowdown in trade has in part been cyclical, due to sluggish economic activity. Trade should pick up again once economic activity accelerates, but the slowdown also reflects deeper, structural factors. These include, for example, limits in the further dispersion of global supply chains, protectionism and the transitioning of the Chinese economy from export- and investment-led growth to domestic services and consumption. The trade slowdown has reduced global growth, which in turn impacts insurance premium growth generally. Given that the structural factors behind the trade slowdown are likely to persist, a persistent slowdown in global trade will lead to lower growth in marine and credit insurance in particular.

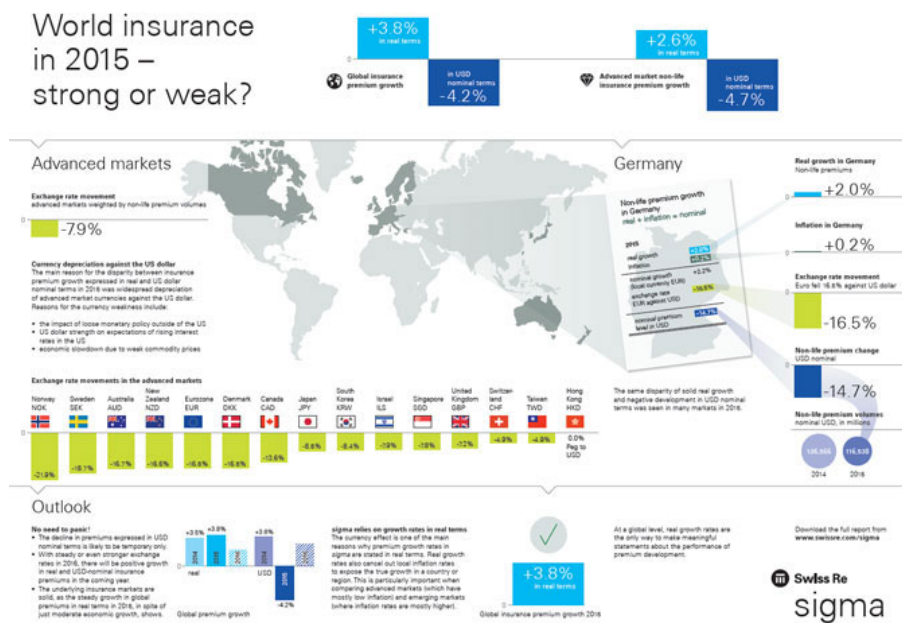
Table 1: Developments in the major insurance markets in 2015

	Ranking by premium volume 2015	Life premiums		Non-life premiums		Total premiums		Insurance density (USD)	Insurance penetration
		USD bn 2015	Change* vs 2014	USD bn 2015	Change* vs 2014	USD bn 2015	Change* vs 2014	2015	2015
Advanced markets		2090	2.5%	1614	2.6%	3704	2.5%	3440	8.1%
US	1	553	3.9%	764	3.1%	1316	3.5%	4096	7.3%
Japan	2	344	2.8%	106	3.1%	450	2.9%	3554	10.8%
United Kingdom	4	214	2.4%	106	1.5%	320	2.1%	4359	10.0%
France	5	150	2.9%	80	1.5%	231	2.4%	3392	9.3%
Germany	6	97	-2.5%	117	2.0%	213	-0.1%	2562	6.2%
Italy	7	125	2.9%	40	-2.7%	165	1.5%	2580	8.7%
South Korea	8	98	5.2%	55	4.0%	154	4.8%	3034	11.4%
Emerging markets		444	11.7%	406	7.8%	850	9.8%	135	2.9%
Latin America and the Caribbean		66	7.5%	92	2.3%	158	4.6%	251	3.1%
Brazil	14	37	6.7%	32	-2.6%	69	2.2%	332	3.9%
Mexico	26	11	4.7%	14	7.9%	25	6.4%	198	2.2%
Central and Eastern Europe		15	-3.5%	38	-4.9%	54	-4.5%	166	1.9%
Russia	31	2	3.4%	15	-12.0%	17	-10.3%	117	1.4%
Emerging Asia		312	15.6%	212	14.6%	524	15.2%	140	3.3%
China	3	211	19.7%	176	16.6%	387	18.3%	281	3.6%
India	12	57	7.8%	15	8.1%	72	7.9%	55	3.4%
Middle East and Central Asia		13	8.0%	41	9.0%	54	8.9%	152	1.9%
United Arab Emirates	39	2	9.3%	8	8.6%	10	8.7%	1102	2.3%
Africa		44	2.8%	20	1.3%	64	2.4%	55	2.9%
World		2534	4.0%	2020	3.6%	4554	3.8%	621	6.2%

Notes: *In real terms (ie, adjusted for inflation).
Insurance penetration = premiums as a % of GDP; insurance density = premiums per capita.

Source: final and provisional figures released by supervisory authorities and insurance association. Estimates by Swiss Re Economic Research & Consulting.

Infographic: real and nominal insurance premium growth, 2015 (click map for high-resolution image)
http://media.swissre.com/documents/sigma3_2016_infographic.pdf



Source: Swiss Re Economic Research & Consulting.

Notes to editors

Swiss Re

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