World insurance in 2015 – strong or weak?

Advanced markets

Exchange rate movement
advanced markets weighted by non-life premium volumes

-7.9%

Currency depreciation against the US dollar
The main reason for the disparity between insurance premium growth expressed in real and US dollar nominal terms in 2015 was widespread depreciation of advanced market currencies against the US dollar. Reasons for the currency weakness include:

- the impact of loose monetary policy outside of the US
- US dollar strength on expectations of rising interest rates in the US
- economic slowdown due to weak commodity prices

Exchange rate movements in the advanced markets

Norway NOK -21.9%
Sweden SEK -18.7%
Australia AUD -16.6%
New Zealand NZD -16.5%
Eurozone EUR -16.5%
Canada CAD -13.6%
Japan JPY -13.6%
South Korea KRW -8.5%
Israel ILS -8.4%
Singapore SGD -7.9%
United Kingdom GBP -7.8%
Switzerland CHF -7.2%
Taiwan TWD -4.9%
Hong Kong HKD 0.0%
Norway Peg to USD

Germany

Inflation in Germany
+0.2%

Real growth in Germany
Non-life premiums
+2.0%

Non-life premium growth in Germany
real + inflation = nominal
2015

Real growth + inflation
+2.2%

nominal growth
+0.2%

exchange rate
EUR against USD
-16.5%

Non-life premium change USD nominal
-14.7%

The same disparity of solid real growth and negative development in USD nominal terms was seen in many markets in 2015.

Exchange rate movement
Euro fell 16.5% against US dollar

Outlook

No need to panic!

• The decline in premiums expressed in USD nominal terms is likely to be temporary only.
• With steady or even stronger exchange rates in 2016, there will be positive growth in real and US dollar nominal insurance premiums in the coming year.
• The underlying insurance markets are solid, as the steady growth in global premiums in real terms in 2015, in spite of just moderate economic growth, shows.

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sigma relies on growth rates in real terms
The currency effect is one of the main reasons why premium growth rates in sigma are stated in real terms. Real growth rates also cancel out local inflation rates to expose the true growth in a country or region. This is particularly important when comparing advanced markets (which have mostly low inflation) and emerging markets (where inflation rates are mostly higher).

Global premium growth

2014 2015
2014 2015
real +3.5% +3.8% +3.6%
USD +4.2%

Global insurance premium growth 2015

At a global level, real growth rates are the only way to make meaningful statements about the performance of premium development.

Download the full report from www.swissre.com/sigma