



Swiss Re's *sigma* study "World insurance in 2004": growing premiums and stronger balance sheets

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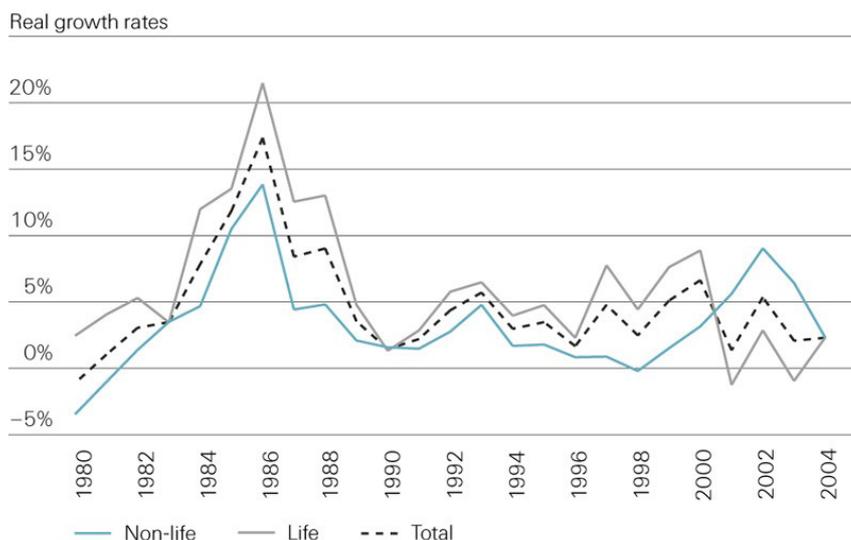
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Zurich, 23 June 2005 – The insurance industry continued to expand and regain financial strength during 2004, according to Swiss Re's latest *sigma* study. Globally, inflation-adjusted premiums rose by 2.3%, to USD 3 244bn. Key highlights of 2004 were: the return to growth in the life business and the positive underwriting results achieved by non-life insurers. Looking forward, 2005 is likely to see growth gain momentum in life but decelerate in non-life insurance.

Thomas Hess, Head of Economic Research & Consulting at Swiss Re, comments: "Life premiums returned to growth, while non-life insurers reaped the benefits of focusing on underwriting discipline. With its financial strength improving further in 2004, the industry is in good shape to leverage growth opportunities in 2005."

According to the *sigma* study "World insurance in 2004", global premiums expanded by 2.3% in 2004, totalling USD 3 244bn. After declining in 2003, the life business returned to growth with premiums climbing to USD 1 849bn. Following two years of strong growth, premium growth decelerated in the non-life sector, although premiums did continue to increase to USD 1 395bn.

Global premium growth 1980–2004



Life insurance: back to revenue growth

Global life premiums rose by 2.3%. Strong growth in Western Europe, Oceania and most emerging markets led the increase, although this was somewhat offset by stagnation in the US and the ongoing recession in Japan. Changes in pension regulation and renewed consumer confidence in life insurance pushed premiums up by 4.0% in Western Europe. The UK turned around the declining trend of previous years and reported upbeat premium income. Sustained economic growth in the developing countries resulted in life premiums expanding by 7.4%. South and East Asia, the largest emerging area, recorded growth close to 10%.

Life insurers improved profitability. To continue strengthening their capital position in 2004, they maintained a low equity exposure and retained profits. The result was an increase in risk capital which markedly reduced pressure on their balance sheets.

Non-life insurance: continuous revenue growth

The non-life business also expanded by 2.3% in 2004, following substantial increases in the previous two years (2002: +9.0%; 2003: +6.4%). Growth in the US and Western Europe largely counter-balanced the minor decline reported in Japan. Premiums in the emerging markets rose by 7.7% on average in 2004. China, Russia, South Africa and India recorded double-digit real growth rates.

Tight terms and conditions and disciplined underwriting – sustained since 2002 – allowed non-life insurers to post positive underwriting results, despite the record high catastrophe losses in 2004. Their conservative investment strategy and modest financial market performance in 2004 resulted in only average investment results. However, combined technical and financial profits pushed the operating return on sales to double-digit levels. Accordingly, non-life insurers continued to strengthen their capital base in 2004.

Outlook: growth accelerates in life and slows down in non-life

Life premiums are set for continued growth, as sales of savings products are expected to pick up gradually. Regulatory changes are forecast to shift more pension business to private insurers, particularly in Europe. In the emerging markets, life premiums will grow around 2.5 percentage points faster than GDP in 2005.

Non-life business is expected to expand at a slow pace this year, especially in the industrialised countries. While sustained global economic growth will foster insurance demand, pricing developments will hold back premium growth. Assuming average claims levels, return on sales may be a low double-digit figure again in 2005.

Note: Swiss Re's *sigma* study "World insurance in 2004" examines the insurance markets of 145 countries, making explicit reference to 88.

Developments in the major insurance markets in 2004

Markets	Life premiums		Non-life premiums		Total premiums	
	USD bn	Change vs 2003	USD bn	Change vs 2003	USD bn	Change vs 2003
Industrialised countries	1 621.5	1.7%	1 250.2	1.7%	2 871.7	1.7%
United States	494.8	0.1%	603.0	2.0%	1 097.8	1.1%
Japan	386.8	-1.0%	105.6	-0.5%	492.4	-0.9%
United Kingdom	189.6	3.6%	105.2	-0.5%	294.8	2.1%
France	128.8	10.6%	65.8	2.1%	194.6	7.6%
Germany	84.5	-0.6%	106.3	1.5%	190.8	0.6%
Italy	82.1	2.3%	46.7	2.5%	128.8	2.3%
Emerging markets	227.2	7.4%	145.1	7.7%	372.2	7.5%
South and East Asia	165.5	9.8%	64.1	6.6%	229.6	9.0%
Latin America and the Caribbean	20.2	17.1%	29.1	5.9%	49.3	10.5%
Central and Eastern Europe	11.2	-11.2%	30.4	13.5%	41.7	5.6%
Africa	26.2	-4.7%	11.4	10.1%	37.6	-1.3%
Middle East and Central Asia	4.0	4.1%	10.1	2.2%	14.1	2.6%
World	1 848.7	2.3%	1 395.2	2.3%	3 243.9	2.3%

Note: The table above is based on definitive and provisional figures released by supervisory authorities and insurance associations, and on some estimates.

Notes for editors

Swiss Re

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