



Swiss Re: Global insurance industry led by double-digit growth in emerging Asia

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Hong Kong, 13 January 2011 – Swiss Re’s economist predicts sustained strong growth in Asia’s insurance industry in 2011, with emerging markets continuing to outpace mature markets. Life and non-life insurance premiums in emerging Asia grew strongly by 16.8% and 17.3% respectively, in real terms in 2010, with significant contribution in particular from China. Such strong momentum is expected to continue in 2011; but there are emerging risks to watch out for.

Emerging Asia’s GDP expected to grow 8% in 2011

The world economy is expected to continue expanding steadily by an annual average of 3.5% in 2011. Emerging Asia (China, India, Indonesia, Malaysia, Philippines, Thailand and Vietnam) is forecast to grow at 8% in 2011. China and India are the key engines for the economic growth, which are projected to maintain an annual growth rate of 8-9% in the coming two years. By 2020, China and India are expected to be the second and fifth largest economies in the world.

“The Asia economic outlook remains positive, driven by robust domestic consumption and investment demand, sustained capital inflows into Asia, rising intra-regional trade and investment, and supportive government fiscal and monetary policies,” said Clarence Wong, Swiss Re Chief Economist Asia.

“However, the rosy prospect is clouded by emerging risks, such as rising inflation, brewing asset bubbles, potentially abrupt reversal of capital flows, and increasing risks of currency wars and trade protectionism,” added Clarence Wong.

Strong growth in emerging Asian insurance premiums

The global insurance industry has recovered from the financial crisis and premium growth is expected to accelerate in 2011.

“In Asia, life insurance and personal non-life business lines will benefit from the region’s vibrant economic performance, rising incomes,

urbanisation and demographic change caused by aging populations,” said Clarence Wong.

Life insurance premium growth continues in Asia

In emerging Asia, the real growth rate of life insurance premiums accelerated to an estimated 16.8% in 2010 from 10.7% in 2009 and is expected to grow by around 10.3% in 2011. China’s life insurance premium grew remarkably by 24.4% in 2010 (after adjustment for inflation), while Indonesia, Malaysia, Thailand and Vietnam also recorded growth in excess of 10%.

“Emerging Asia outpaces all other emerging regions. This is most obvious in life insurance while emerging Asia can sustain annual growth of 8-10% over the next 10 years. Alongside robust demand for investment-linked insurance products, the potential of protection-type insurance in Asia is also significant,” said Clarence Wong.

Rising disposable household income, low deposit interest rate, and improving investment sentiment will drive demand for investment-linked products. Health insurance has also seen tangible increases in demand over the past years.

However, current low interest rates may impact insurers’ investment yields. Those insurers with embedded guarantees in their products may suffer further losses.

Life reinsurers continued to benefit from strong growth in the primary insurance markets. There are also rising demands for reinsurance solutions aimed to provide capital relief and to support M&A transactions in the primary sector.

China’s non-life insurance premium growth outpaces the world

Emerging Asia is also the growth leader in non-life insurance, where premiums increased by 17.3% in real terms in 2010. It is forecast to grow at 12.5% in 2011. Growth is particularly strong in China (21.5% in 2010 and 14.1% in 2011) and Vietnam (13% in 2010 and 14.2% in 2011).

Motor business will benefit from further increases in car ownership. Higher incomes will fuel demand for property insurance. Demand for commercial lines insurance will continue to increase due to government-sponsored infrastructure projects and recovering trade-related lines of business.

“Non-life insurers tend to exhibit a pattern of improved premium growth but weak profitability due to pressure on pricing, low investment returns, and rising claims,” added Clarence Wong.

For the property and casualty sector, the 1 January renewals in Asia indicated that the overall reinsurance capacity remained abundant, suppressing reinsurance pricing. Nonetheless, price corrections were seen in areas where there had been losses, such as the natural catastrophe area following the Australian hailstorms and New Zealand earthquake.

Challenges ahead

Although interest rate hikes may help improve insurers’ investment returns, these will put pressure on available capital if assets are marked-to-market. Underwriting will need to be disciplined to maintain profitability since inflation is rising in Asia that could impact insurers’ claim costs.

“We expect risk-based capital (RBC) solvency regimes to be more common in Asia alongside firmer enforcement of RBC standards. Some regulators are also increasingly making use of scenarios and stress tests to compliment RBC regimes. This will add pressure to insurers’ balance sheets and increase their need for capital. Insurers should focus on underwriting and risk management, and ensure that premium rates are sufficient to cover their increasing risk exposures,” said Clarence Wong.

Notes to editors

Please refer to the Appendix below for more detailed figures on (1) real GDP growth rate; (2) life insurance real premium growth rate; and (3) non-life insurance real premium growth rate.

Swiss Reinsurance Company Ltd

Swiss Re is a leading and highly diversified global reinsurer. The company operates through offices in more than 20 countries. Founded in Zurich, Switzerland, in 1863, Swiss Re offers financial services products that enable risk-taking essential to enterprise and progress. The company’s traditional reinsurance products and related services for property and casualty, as well as the life and health business are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Re is rated “A+” by Standard & Poor’s, “A1” by Moody’s and “A” by A.M. Best.

Swiss Re has been associated with Asia since 1913 and now has about 1,000 staff in Asia-Pacific. The company’s Asia headquarters is in Hong Kong.

Appendix:

Real GDP growth rate	2008	2009	2010	2011 (E)	2012(E)
World	1.9%	-1.8%	3.9%	3.5%	3.8%
Industrialised countries	0.3%	-3.3%	2.5%	2.3%	2.5%
Emerging markets	5.8%	1.4%	6.4%	6.0%	6.2%
- Emerging Asia	8.1%	7.3%	8.9%	8.0%	7.7%
China	9.6%	9.1%	9.7%	8.7%	8.1%
India	6.7%	7.4%	8.4%	8.6%	9.0%
Indonesia	5.8%	4.5%	6.1%	6.0%	6.1%
Malaysia	4.1%	-1.7%	7.3%	4.8%	5.1%
Philippines	3.7%	0.9%	7.0%	4.9%	4.2%
Thailand	4.8%	-2.3%	8.1%	4.6%	5.0%
Vietnam	6.3%	5.3%	7.4%	7.3%	6.1%
Other Asian markets:					
Australia	2.3%	1.2%	2.8%	2.9%	3.0%
Hong Kong	2.5%	-2.8%	6.0%	4.5%	5.0%
Korea	2.4%	0.2%	5.9%	4.8%	4.5%
Singapore	1.5%	-2.0%	14.5%	5.0%	4.3%
Taiwan	0.7%	-1.9%	10.0%	4.6%	3.7%
Japan	-1.2%	-5.2%	4.2%	1.2%	1.5%
- Middle East	4.5%	0.0%	5.5%	5.5%	5.6%
- Latin America	4.2%	-1.9%	5.2%	4.4%	5.0%
- Central and Eastern Europe	4.7%	-5.6%	2.9%	3.7%	4.6%

Life insurance real premium growth rate	2008	2009	2010	2011 (E)	2012(E)
World	-7.3%	-0.2%	4.0%	3.8%	4.2%
Industrialised countries	-9.5%	-0.8%	2.7%	2.9%	3.3%
Emerging markets	13.9%	4.2%	13.5%	9.1%	9.3%
Total Asia	3.5%	5.3%	7.5%	5.1%	5.3%
- Emerging Asia	19.3%	10.7%	16.8%	10.3%	10.3%
China	40.9%	12.8%	24.4%	11.1%	10.0%
India	1.7%	7.9%	3.4%	9.5%	12.0%
Indonesia	-0.5%	-5.8%	13.5%	10.9%	11.2%
Malaysia	-2.6%	11.9%	10.5%	6.1%	6.0%
Philippines	-31.7%	-2.6%	9.5%	6.7%	6.3%
Thailand	3.7%	16.0%	11.7%	5.7%	6.0%
Vietnam	-14.9%	0.7%	12.1%	16.1%	13.9%
Other Asian markets:					
Australia	-16.2%	-15.6%	2.6%	3.5%	4.0%
Hong Kong	-11.5%	-4.7%	8.7%	6.8%	6.2%
Korea	-6.4%	1.8%	2.2%	3.7%	3.8%
Singapore	-9.8%	-13.0%	10.3%	7.9%	7.1%
Taiwan	-1.7%	4.9%	23.0%	3.5%	3.5%
Japan	1.4%	4.7%	0.3%	1.9%	2.0%
Other Emerging Markets:					
- Middle East	3.4%	8.2%	7.4%	10.2%	9.0%
- Latin America	4.8%	8.6%	8.5%	9.0%	9.0%
- Central and Eastern Europe	19.4%	-18.0%	8.3%	5.5%	7.6%

Non-life insurance real premium growth rate	2008	2009	2010	2011 (E)	2012(E)
World	-1.4%	0.2%	1.3%	2.7%	3.7%
Industrialised countries	-2.6%	-0.4%	0.3%	1.7%	3.0%
Emerging markets	7.1%	3.9%	7.3%	8.2%	7.3%
Total Asia	2.6%	5.9%	7.9%	7.0%	6.2%
- Emerging Asia	7.7%	16.5%	17.3%	12.5%	9.7%
China	10.7%	23.2%	21.5%	14.1%	10.0%
India	1.6%	5.4%	9.0%	10.4%	12.1%
Indonesia	11.7%	-4.6%	8.6%	8.9%	5.3%
Malaysia	3.6%	5.1%	6.4%	5.6%	5.2%
Philippines	-0.2%	1.3%	4.4%	8.6%	7.2%
Thailand	-0.3%	4.4%	5.1%	6.1%	6.1%
Vietnam	2.6%	9.8%	13.0%	14.2%	12.1%
Other Asian markets:					
Australia	1.5%	6.6%	2.6%	-1.3%	1.6%
Hong Kong	5.6%	7.2%	6.6%	4.1%	4.5%
Korea	6.6%	12.5%	8.3%	7.3%	6.3%
Singapore	6.3%	-1.0%	7.9%	7.1%	6.0%
Taiwan	-7.5%	-4.6%	0.5%	1.9%	3.5%
Japan	-4.0%	-1.1%	1.7%	1.9%	1.9%
Other Emerging Markets:					
- Middle East	4.5%	4.1%	7.7%	9.1%	8.9%
- Latin America	9.2%	3.8%	4.0%	6.6%	5.1%
- Central and Eastern Europe	7.1%	-5.6%	-0.5%	4.1%	5.9%

Source: Swiss Re Economic Research & Consulting