



New Swiss Re sigma study “World insurance in 2008” reveals falling life premiums in industrialised countries; strong growth in emerging economies

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Zurich, 30 June 2009 – World insurance premium volume rose slightly to USD 4 270 billion in 2008. However, adjusted for inflation, premiums declined by 2%. Global life premiums fell by 3.5% in 2008, mainly driven by a sharp fall in the sale of unit-linked and single premium life insurance products in the industrialised countries. Non-life premiums decreased by 0.8%.

The global financial crisis hit life insurance premium growth in particular, mainly in the second half of 2008. Sales of unit-linked products and products linked to equity markets were severely impacted by falling stock markets in 2008, causing life insurance premiums in industrialised countries to drop by 5.3% (USD 2 219 billion). Sales of non-linked savings products, such as fixed annuities and traditional life savings, continued to increase in many countries, but failed to offset the declines seen in the unit-linked business.

In contrast to the industrialised countries, life premium growth in the emerging markets accelerated to 14.6%. Daniel Staib, one of the authors of the new sigma study, said: “Since many emerging market countries profited from a sharp increase in commodity prices during the first half of last year, their economies continued to perform well, even as the decline in industrialised countries set in from September.”

As a result of the turmoil in financial markets in 2008, shareholder capital in the life insurance industry shrank by 30-40% on average, with some companies suffering declines of up to 70%. Staib noted: “The size of the loss of shareholder capital in the life insurance industry is a reflection of the fact that a life insurer not only assumes insurance risks, but also asset risks. It has to be said though that the extent of the losses does demonstrate the extraordinary dimension of the crisis.”

Non-life insurance remains profitable, despite falling premiums

In contrast to life insurance, non-life premiums declined only marginally by 0.8% in 2008 (USD 1 779 billion), mainly due to lower demand for cover and softening rates. While non-life premiums fell 1.9% in the industrialised countries, growth in the emerging markets remained strong at 7.1% compared to 2007 levels.

At the same time, underwriting results in non-life remained equally positive in most markets, despite very high losses from natural catastrophes. Towards the end of the year, rate increases were observed in selected countries and lines of business.

Outlook: subdued in 2009, recovery to be expected in 2010

“Though financial markets remain vulnerable, they have stabilised recently, reducing pressure on asset prices and shareholder capital,” said Staib. Still, according to Swiss Re’s economists, growth in life insurance premiums in 2009 is expected to remain subdued or may even turn negative as turbulent stock markets and gloomy employment prospects continue to negatively impact sales of unit-linked savings products. Markets with a large volume of single premium unit-linked business in proportion to total in-force business will be impacted the most.

Staib said: “As the economy recovers, we expect both higher life premiums and better investment results as asset prices are expected to improve. This will not only have a positive impact on profitability, but also on shareholder capital and the ability to raise capital. In the medium and long-term, the outlook for life insurance remains positive.”

In non-life, real premiums, ie premiums adjusted for inflation, are expected to remain flat in 2009, as the economic downturn is likely to curb demand, particularly in the commercial lines of business. Staib said: “Demand for personal lines of insurance, for example motor, is likely to be less affected, since insurance spending is less discretionary, particularly in the industrialised markets. Nevertheless, the economic situation will also impact this segment.”

Staib concluded: “While it is expected that the recession will reduce demand for insurance cover, capital shortages will support the upward movement of prices. Furthermore, demand for additional cover should increase in 2010 along with the economy. Profitability in non-life is likely to improve, mainly due to rising prices and stronger investment results.”

Table 1: Developments in the major insurance markets in 2008

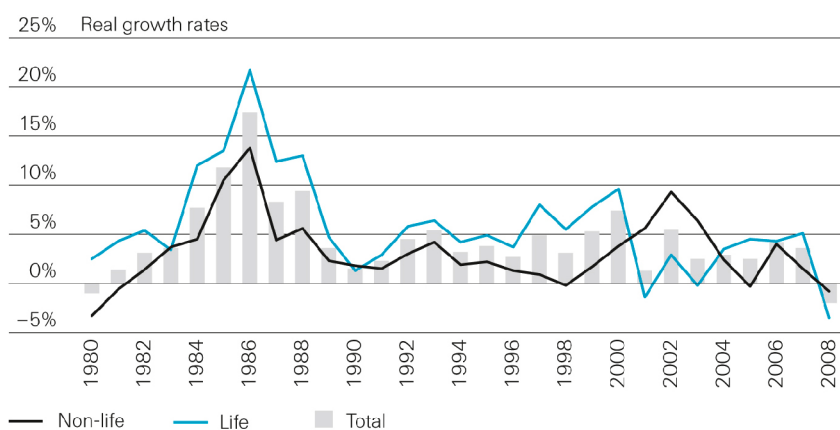
	Life Premiums		Non-life premiums		Total premiums	
	USD bn	Change* vs 2007	USD bn	Change* vs 2007	USD bn	Change* vs 2007
Industrialised countries	2 219	-5.3%	1 538	-1.9%	3 757	-3.4%
United States	578	-3.8%	662	-3.1%	1 241	-3.4%
Canada	48	2.4%	57	0.4%	105	1.3%
Japan	367	9.6%	106	-2.1%	473	6.8%
United Kingdom	343	-15.7%	107	-3.2%	450	-13.0%
Germany	111	-1.0%	132	-1.5%	243	-1.3%
France	181	-13.4%	92	0.0%	273	-9.3%
Italy	83	-15.6%	58	-3.3%	141	-10.9%
Australia	43	17.9%	28	-1.5%	71	9.3%
Newly industrialised Asian economies**	152	-3.0%	50	2.8%	202	-1.6%
Emerging markets	272	14.6%	241	7.1%	513	11.1%
Latin America and Caribbean	41	7.0%	64	9.5%	105	8.4%
Brazil	22	7.8%	25	9.0%	47	8.4%
Central and Eastern Europe	26	18.6%	71	5.5%	97	8.8%
Russia	1	-28.0%	38	7.9%	39	6.9%
South and East Asia	164	19.0%	65	9.5%	229	16.3%
China	96	40.9%	45	14.8%	141	31.3%
India	49	0.2%	7	-0.7%	56	0.1%
Middle East and Central Asia	8	9.3%	22	3.1%	29	4.7%
Africa	38	5.5%	17	3.0%	55	4.9%
World	2 490	-3.5%	1 779	-0.8%	4 270	-2.0%

Notes: * in real terms, ie adjusted for inflation.

** Hong Kong, Singapore, South Korea, Taiwan

Sources: final and provisional figures released by supervisory authorities and insurance associations, and some estimates.

Table 2: Real premium growth in Life and non-life



Sources: final and provisional figures released by supervisory authorities and insurance associations, and some estimates.

Notes to editors

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