



Life insurance premiums growth is expected to rebound in Emerging Asia in 2013

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- **Global life insurance premiums are projected to grow by 3% in 2013, fuelled by a strong rebound in emerging Asian markets.**
- **Huge health protection gaps in many key Asian markets offer opportunities to promote sales of risk protection products.**
- **Global non-life premiums are expected to grow by 4%, while similar premiums in emerging Asian markets will sustain double-digit growth in 2013.**

Hong Kong, 15 January 2013 – According to the Swiss Re study "Global re/insurance review 2012 and outlook 2013/14", life insurance premiums in emerging Asia will rebound in 2013, growing by about 10% in real terms. Life insurance growth will increasingly focus on risk protection products such as term life insurance, because regulatory changes and low investment yields will continue to dampen savings product growth. Huge health protection gaps that exist in many key emerging Asian markets, including India and China, will further drive consumers towards risk protection products.

A more favourable global economic backdrop

The global economy is currently fairly weak, but an improving housing market in the US, fiscal and monetary stimulus in China and a slow turnaround in the Euro area are expected to boost growth in 2013. Monetary policies will remain accommodative in major economies well into 2015, but low interest rates will reduce insurers' investment returns. Inflation will stay tame in advanced markets, but the risk of inflationary pressures re-escalating in emerging markets warrants close monitoring.

Clarence Wong, Swiss Re Chief Economist for Asia, says: "In China, recent economic indicators are pointing to an improving outlook in 2013. Exports and industrial productions rebound amidst a more constructive global backdrop. Purchasing Managers Index (PMI) readings in recent months also suggest continuous expansion of economic activities ahead. "

Life insurance growth to accelerate in Asia in 2013

Global life insurance premium growth was close to zero in 2012, but is expected to be better this year. Emerging Asia, in particular, will experience stronger premium growth, as India and China are more

fully adjusted to regulations passed in 2010/11. Advanced Asian markets will continue to maintain steady positive growth on generally stronger economic activity. Profitability will remain constrained, however, because investment yields will continue to decline as bonds mature and are replaced with lower yielding assets.

In 2012, life insurance premiums in emerging Asia fell marginally by 0.1%. Apart from low interest rates, on-going regulatory changes are key challenges to life insurers. In China, an earlier decline in premiums was partly driven by regulatory changes in 2011 that constrained bancassurance sales. In India, various regulatory changes are in motion to tackle existing issues in the sector, such as mis-selling and low transparency. "While the short-term impact of these measures can be negative, they will nonetheless help to promote further development of the region's life insurance market in the long term," Wong says.

It is important to note that there are huge health protection gaps that exist in many key emerging Asian markets, including India (*with a potential shortfall of USD43.6bn in 2020) and China (*with a potential shortfall of USD73bn in 2020), and such gaps will drive consumers towards risk protection products.

Looking forward, life insurance premiums will recover to 3.2% in 2013 globally, and further to 3.9% in 2014. In emerging Asian markets, growth is expected to accelerate to around 10% in 2013/14.

Sustained strong growth in 2013 for the Asian non-life business

Global non-life insurance premiums posted accelerated growth in 2012, a trend that will likely continue in 2013. Underwriting results improved in 2012, compared with figures for 2011 – a year with high catastrophe losses. Rates in advanced markets were stable to slightly up last year, but this was not enough to compensate for decreasing investment yields. In 2013, reserve releases, particularly in the US, are expected to dry up, supporting a stronger pace of price increases, specifically in the casualty lines.

The non-life insurance business in Asia has maintained strong growth momentum in the past years, partly due to proactive government policies to stimulate economic expansion through infrastructure investment. Private consumption – and thus personal lines – also benefited from efforts to shift from export-driven growth to expansion fuelled by domestic consumption. A steady recovery in trade activities, a boom in the asset and property markets, and sustained investment in regional infrastructure will continue to support non-life insurance premium growth in Asia in 2013. Furthermore, growth will also be driven by improved risk awareness among corporations and

households in the aftermath of a series of natural catastrophes in 2011/12.

Wong adds: "Another interesting development is market liberalisation in the motor segment. China, for instance, has begun to allow foreign participation in the motor third-party liability business while also granting insurers more freedom in pricing. Other markets are making similar moves. The drive towards liberalisation and deregulation will benefit consumers and help to improve the industry's overall efficiency and competitiveness."

Overall profitability, though, is not expected to rebound quickly. Underwriting profitability is likely to improve slightly in most markets and segments in 2013 and 2014. Investment returns this year will remain low and profitability will rise slowly as prices and interest rates increase.

Better outlook but risks remain

In conclusion, despite the challenges posed by an uncertain economic condition, low interest rates and tightening regulations, the insurance outlook for 2013 in emerging markets remains favourable. Emerging Asia, for instance, is expected to contribute 10% of global life insurance premiums and 8% of non-life premiums in 2013, compared with 4% and 2%, respectively, a decade ago.

***Source: Health Protection Gap: Asia-Pacific 2012**

Note to Editors:

Please refer to the appendix below for the classification of developed and emerging markets in Asia and more detailed figures on (1) real GDP growth rates, (2) life insurance real premium growth rates and (3) non-life insurance real premium growth rates.

Appendix:

Real GDP growth rate	2008	2009	2010	2011	2012 E	2013 F	2014 F
World	1.6%	-2.1%	4.3%	3.0%	2.5%	3.2%	3.8%
Industrialised countri	0.0%	-3.7%	3.0%	1.5%	1.2%	1.7%	2.4%
Emerging markets	5.6%	1.4%	7.0%	5.7%	4.7%	5.4%	5.8%
Total Asia	3.7%	1.8%	7.3%	4.5%	4.7%	5.0%	5.3%
Developed Asia	0.1%	-3.4%	5.1%	0.8%	2.0%	1.8%	2.4%
Australia	2.5%	1.4%	2.5%	2.1%	3.3%	3.1%	3.1%
Hong Kong	2.3%	-2.7%	6.8%	5.0%	2.0%	3.8%	4.5%
Japan	-1.1%	-5.5%	4.7%	-0.5%	1.6%	1.0%	1.6%
Korea	2.3%	0.3%	6.3%	3.6%	2.6%	3.5%	4.0%
Singapore	1.7%	-1.0%	14.8%	4.9%	1.2%	2.0%	4.3%
Taiwan	0.1%	-1.8%	10.7%	4.0%	1.2%	3.4%	3.4%
Emerging Asia	8.0%	7.4%	9.5%	8.0%	7.0%	7.5%	7.5%
China	9.6%	9.2%	10.4%	9.3%	7.7%	8.2%	8.0%
India	6.7%	7.4%	8.4%	6.5%	5.5%	6.5%	7.7%
Indonesia	6.0%	4.6%	6.2%	6.5%	6.3%	5.7%	5.4%
Malaysia	4.8%	-1.5%	7.2%	5.1%	4.5%	4.8%	4.7%
Philippines	4.2%	1.1%	7.6%	3.9%	5.0%	4.9%	4.7%
Thailand	2.5%	-2.3%	7.8%	0.1%	5.5%	4.8%	4.8%
Vietnam	6.3%	5.3%	6.8%	5.9%	5.0%	6.0%	6.0%

Life insurance real premium growth rate	2008	2009	2010	2011	2012 E	2013 F	2014 F
World	0.8%	-3.5%	2.8%	-2.9%	0.0%	3.2%	3.9%
Industrialised countries	-0.7%	-4.7%	1.6%	-2.5%	-0.5%	2.2%	2.8%
Emerging markets	14.7%	6.2%	10.9%	-4.8%	2.4%	8.8%	9.3%
Total Asia	2.0%	4.2%	8.5%	0.0%	5.3%	6.4%	5.6%
Developed Asia	-3.0%	1.8%	5.7%	4.5%	7.2%	5.2%	4.1%
Australia	-16.2%	-15.6%	-0.8%	5.9%	-6.2%	4.5%	4.5%
Hong Kong	-11.5%	-5.5%	9.5%	6.2%	6.6%	4.8%	5.2%
Japan	1.4%	4.7%	4.6%	8.5%	8.0%	5.0%	3.5%
Korea	-6.4%	1.8%	4.8%	-5.2%	4.9%	5.8%	4.8%
Singapore	-10.4%	-17.5%	3.1%	8.8%	5.6%	3.6%	5.7%
Taiwan	-1.7%	4.9%	15.8%	-8.0%	14.5%	7.0%	6.0%
Emerging Asia	19.2%	11.1%	16.1%	-10.6%	-0.1%	9.8%	9.9%
China	40.9%	12.8%	25.7%	-14.8%	-1.8%	12.0%	12.0%
India	1.7%	7.9%	-1.9%	-9.6%	-1.9%	5.6%	6.1%
Indonesia	-0.5%	14.2%	20.1%	17.4%	11.7%	8.3%	8.2%
Malaysia	-3.3%	7.0%	8.6%	1.1%	4.8%	5.1%	5.4%
Philippines	-32.0%	-4.3%	19.0%	16.5%	19.3%	9.9%	8.7%
Thailand	3.8%	19.6%	11.7%	6.7%	13.6%	8.5%	6.0%
Vietnam	-11.3%	7.3%	6.9%	-2.1%	1.4%	2.1%	4.9%

Non-life insurance real premium growth	2008	2009	2010	2011	2012 E	2013 F	2014 F
World	-1.7%	0.0%	1.5%	2.3%	2.9%	3.7%	4.7%
Industrialised countries	-2.6%	-0.5%	0.2%	1.1%	1.9%	2.8%	3.7%
Emerging markets	5.6%	2.8%	9.5%	8.7%	7.9%	7.9%	9.0%
Total Asia	2.1%	7.4%	10.1%	7.1%	7.8%	6.9%	7.2%
Developed Asia	0.1%	3.7%	4.1%	4.7%	6.5%	4.3%	3.6%
Australia	2.1%	4.3%	2.9%	-4.7%	3.6%	3.3%	3.4%
Hong Kong	5.6%	7.2%	2.2%	2.2%	4.0%	4.0%	4.5%
Japan	-4.0%	-0.1%	0.5%	3.6%	3.2%	3.7%	2.6%
Korea	6.6%	12.4%	13.7%	13.0%	14.6%	5.8%	5.3%
Singapore	6.0%	-1.3%	6.8%	0.7%	-0.8%	0.6%	2.4%
Taiwan	-7.5%	-4.6%	2.9%	5.1%	6.6%	5.2%	4.0%
Emerging Asia	7.7%	16.8%	23.8%	11.9%	10.1%	11.6%	13.0%
China	10.7%	23.2%	30.3%	12.6%	10.2%	13.0%	15.0%
India	1.6%	5.4%	9.8%	13.9%	8.5%	7.1%	8.2%
Indonesia	11.7%	2.1%	5.0%	11.2%	12.0%	9.0%	7.6%
Malaysia	2.9%	5.2%	7.3%	4.7%	6.1%	5.2%	4.8%
Philippines	0.8%	0.5%	12.0%	10.7%	10.1%	7.6%	6.1%
Thailand	0.0%	4.4%	10.1%	8.0%	17.7%	11.4%	6.0%
Vietnam	8.3%	17.4%	14.0%	1.6%	1.9%	6.7%	8.4%

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