

World insurance in 2000: another boom year for life insurance; return to normal growth for non-life insurance

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In 2000 insurance companies wrote USD 2 444 billion in premiums worldwide, translating into a 6.6% increase in premiums over 1999 when adjusted for inflation. Booming life insurance and first signs of a recovery in non-life insurance were the drivers of this growth. Life insurance benefited as a result of the shift from public to private pension provision. Non-life insurance reported premium increases, but was adversely affected by low prices as a result of premium rate erosion in previous years.

With analyses of developments in individual regions and detailed premium information from the 88 most important countries, Swiss Re's most recent sigma provides a comprehensive overview of the development of insurance world-wide.

Premium expenditure per capita: USD 2 384 in the industrialised countries and USD 42 in the Emerging Markets

In 2000, 62% of worldwide premium volume was attributable to life and 38% to non-life insurance. Over nine tenths of premiums derived from the industrialised countries, where on average 9.1% of GDP or USD 2 384 per capita and per annum was spent on insurance. The Japanese spent the most per capita on life insurance, whereas in non-life the main buyers were the Swiss. In the Emerging Markets an average of just 3.2% of GDP or USD 42 per capita was spent on insurance.

Record growth in life insurance reinforced by growing popularity of index-linked policies

In 2000 life insurance companies also continued to benefit from their increasingly important role in private pension provision as well as from the soaring demand for index-linked products on the back of the stock market boom, which petered out, at least temporarily, at mid year. The inflation-adjusted growth rate of 9.1% was twice as high as the average over the previous ten years. Outstanding growth rates were achieved in Europe: an average growth rate of 17% in Western Europe and 35% in Eastern Europe. At the other end of the scale, Japan and Oceania reported growth rates of below 2%. Australia suffered a decline in growth, while the modest increase in Japan indicates a turn for the better. The remaining regions reported increases of between 7.7% and 11.6%.

The upswing in life insurance was in large part attributable to single-premium business. However, as single-premium income is very volatile, the growth in life insurance is expected to be more erratic in future.

Signs of a turnaround in non-life insurance

Non-life insurance reported an inflation-adjusted increase of 2.7%, a slight acceleration over the previous year. Favourable economic conditions in 2000 and premium rate increases in some countries (such as the UK) contributed to growth. However, growth rates in the major markets – the US, Japan, Germany and France – were considerably lower. Insurance premium income in Japan fell once again. The earnings reported by the insurance industry remained lacklustre despite their registering comparatively few major losses in 2000. The combined ratio ([costs + losses]/premiums) – the most important gauge of profitability in the insurance underwriting business – remained at a high 109% in Western Europe, and even increased further to 110% in the US.

Non-life insurance in the Emerging Markets recovered from the 1998 Asian and Russian financial crises, with growth generally outpacing GDP; growth was also greater than the average during the 1990s. The China/Hong Kong SAR/Taiwan region in particular reported double-digit growth rates.

How to access sigma:

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