



Swiss Re *sigma* study on the worldwide insurance industry: attractive profitability in 2005, but moderate premium growth

Contact:

Rudolf Enz, Zurich
Telephone +41 43 285 2239

Thomas Holzheu, New York
Telephone +1 212 317 5190

Clarence Wong, Hong Kong
Telephone +852 2582 5644

Media Relations, Zurich
Telephone +41 43 285 7171

Swiss Reinsurance Company
Mythenquai 50/60
P.O. Box
CH-8022 Zurich

Telephone +41 43 285 2121
Fax +41 43 285 2999
www.swissre.com

Zurich, 12 July 2006 – In 2005, the worldwide insurance industry wrote premiums to the tune of USD 3 426 billion. According to a Swiss Re *sigma* study, life insurance grew by 3.9% and non-life by 0.6%. The 2003/04 trend towards improved capitalisation and profitability continued in 2005 in both life and non-life insurance.

Insurance premiums amounted to a total of USD 3 426 billion in 2005, which is 7.7% of worldwide economic value creation (GDP). USD 1 974 billion came from life and 1 452 billion from non-life insurance policies. According to a Swiss Re *sigma* study, life premiums increased by 3.9% in real terms compared to 2004. Non-life premiums, in contrast, lost momentum and grew by only 0.6%.

Industrialised and emerging markets differed markedly in premium and growth terms: the industrialised countries generated over four fifths of world premiums, or USD 2 999 billion, but grew by only 1.9%. Meanwhile, the emerging markets benefited from their hardening currencies and generated USD 427 billion in premiums, attaining a growth rate of 6.9%. South and East Asia reported particularly strong growth of 9.5%.

Looking at insurance spending, people in industrialised countries spent about 9% of the Gross Domestic Product on life and non-life protection. In the emerging markets, the respective shares ranged from 1.4% in the Middle East and Central Asia to 5% in South and East Asia.

Life insurance benefits from old-age insurance demand

Life and non-life sectors showed entirely different developments: in life insurance, the trends towards increasing life expectancy and governments shifting social security over to private systems were the main growth drivers. In 2005, life insurers sold considerably more annuity products than in the previous years. They benefited from favourable stock markets, which fuelled unit-linked policies sales. And the growing loan market generated more mortgage-related life insurance policies. Life insurers' profitability and their financial strength improved.

Changes in the legal, tax and financial market environment dampened the upsurge in some countries: in the US, the largest life insurance market, higher short-term interest rates and the poor stock market performance led to a premium drop. European life insurers have overcome their 2001–2003 crisis, which was characterised by the decline of equity capital and the loss of policyholders' confidence: in 2005 they recorded the highest premium increase since 2000.

Subdued growth in non-life insurance

The non-life sector continued to face rather saturated markets. Premium growth, which had previously been spurred by price increases, dropped to almost zero in 2005. Outside the US, retained profits and insurers' better stock market valuations led to increased insurance availability and heated up price competition in some countries. However, profitability improved in 2005: cost control and underwriting discipline yielded positive technical results for insurance companies. Good stock market returns – except for the US – further bolstered their results. Thanks to sound profitability and to reinsurance, US insurers were able to cope with the huge losses from hurricanes Katrina, Rita and Wilma.

Outlook: faster growth in life, stagnation in non-life

Premium growth in life insurance is expected to continue in 2006, given the favourable tax, demographic and financial market environment. In the US, non-life price increases will support premium growth, especially in lines of business affected by the large hurricane losses. In other industrialised countries, easing prices should lead to a slight premium decrease. Emerging markets are expected to continue on their growth path. Barring large catastrophes or stock market turmoil, profitability is expected to improve further in both the life and non-life sectors.

Note: Swiss Re's *sigma* study "World insurance in 2005" examines the insurance markets of 145 countries, making explicit reference to 88.

Developments in the major insurance markets in 2005

	Life premiums		Non-life premiums		Total premiums	
	USD bn	Change* vs 2004	USD bn	Change* vs 2004	USD bn	Change* vs 2004
Industrialised countries	1 717	3.4%	1 281	0.0%	2 999	1.9%
United States	517	-0.4%	626	-0.3%	1 143	-0.3%
Japan	376	0.8%	101	0.2%	476	0.7%
United Kingdom	200	1.9%	101	0.2%	300	1.3%
Germany	90	4.5%	107	-1.0%	197	1.4%
France	154	13.5%	68	0.9%	222	9.3%
Italy	92	9.8%	47	0.7%	139	6.5%
Emerging markets	256	7.5%	171	6.1%	427	6.9%
Latin America and Caribbean	23	-2.1%	35	4.6%	59	1.9%
Central and Eastern Europe	10	-14.9%	36	2.6%	47	-2.0%
South and East Asia	193	10.5%	74	7.0%	267	9.5%
Middle East and Central Asia	4	6.3%	12	5.4%	16	5.8%
Africa	28	5.8%	12	10.7%	40	7.1%
World	1 974	3.9%	1 452	0.6%	3 426	2.5%

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

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

Notes to editors

Swiss Re

Swiss Re is the world's leading and most diversified global reinsurer. The company operates through offices in over 30 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 "AA-" by Standard & Poor's, "Aa2" by Moody's and "A+" by A.M. Best.

How to obtain a copy of this *sigma* study:

The English, German, French, Italian and Spanish versions of the *sigma* study "World insurance in 2005" are available electronically on Swiss Re's website: www.swissre.com/sigma.

Printed editions of *sigma* No 5/2006 can be ordered: English and German versions are now available, those in French, Italian, Spanish, Chinese and Japanese will be available soon. Please send your orders, complete with your full postal address, to:

E-mail: sigma@swissre.com
 Zurich: tel + 41 43 285 25 51 fax +41 43 285 4749
 New York: tel +1 212 317 5135 fax +1 212 317 5455
 Hong Kong: tel +852 25 82 5695 fax +852 25 11 6603

How to obtain a copy of this *sigma* media release:

The English, German and French versions of this *sigma* news release are available electronically on Swiss Re's website: www.swissre.com

This media release is also distributed by e-mail. To receive your copy, please contact sigma@swissre.com