

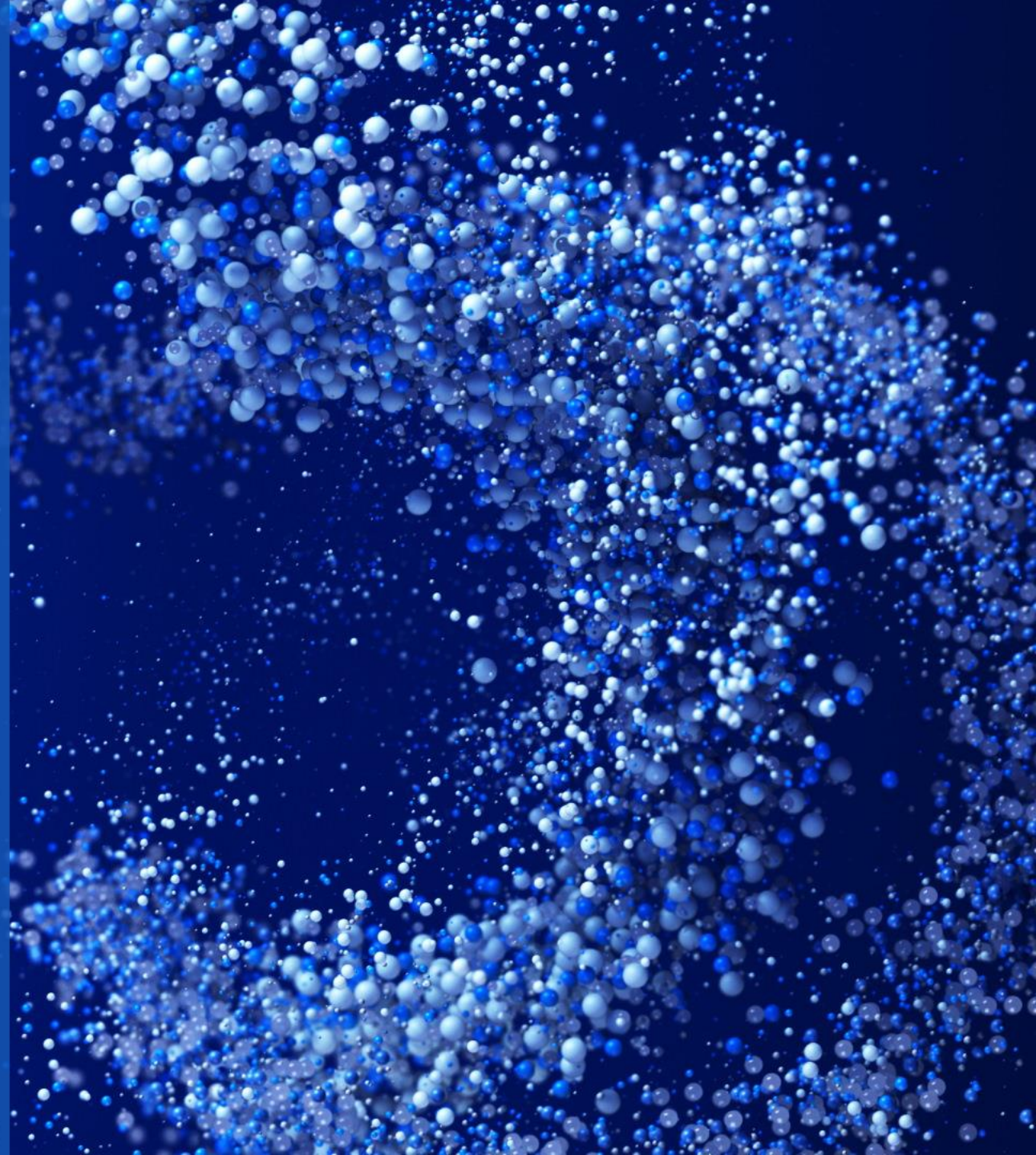
# Media Dialogue 2024

World insurance *sigma* 2024  
Deep dive into corporate insurance





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## Key figure and letter

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# Global growth has been and is expected to remain resilient, but downside risks prevail with financial markets priced to perfection

- Economic growth: US GDP growth** is re-aligning with its pre-pandemic real GDP trend and **will remain more robust compared to Europe, while underlying GDP aggregate figures indicate the growth picture is less robust** with **weaker GDP per capita growth amongst a number of key countries**
- Inflation: Globally the worst of the inflation crisis is over.** However, risks remain, especially from sticky inflation from service and wage prices in most advanced economies
- Monetary policy and interest rates: Cautious global rate cutting cycle continues, expected in the search of a new (higher) point of equilibrium.** Labor market rebalancing opens the door for cuts despite inflation not being yet at target
- Key economic risks: Downside risks prevail with financial markets priced to perfection.** Political risks may result in increasingly irresponsible fiscal policies and the potential for a global trade war

## SRI vs Consensus Forecasts

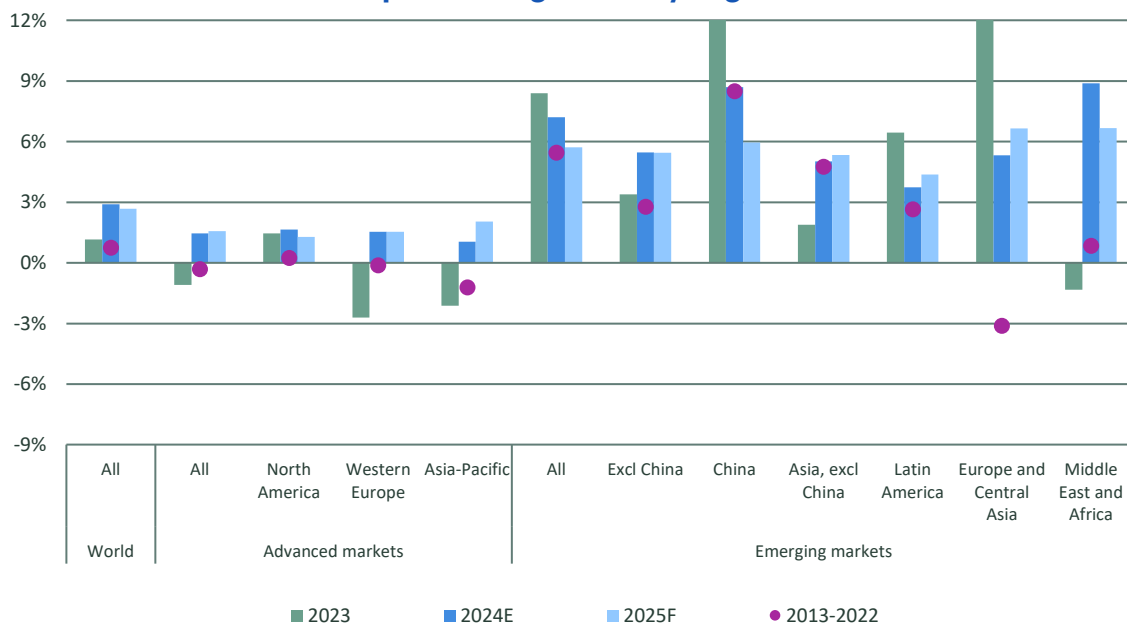
	Swiss Re Institute		Consensus	
	2024	2025	2024	2025
<b>Real GDP (% change)</b>				
Global	2.7	2.8	2.6	2.7
US	2.5	2.1	2.3	1.8
Eurozone	0.7	1.0	0.7	1.4
China	5.1	4.5	5.0	4.5
<b>CPI (% change)</b>				
Global	5.4	3.8	5.8	4.4
US	3.1	2.5	3.1	2.4
Eurozone	2.3	2.0	2.4	2.1
China	0.5	1.5	0.6	1.5
<b>10y Gov. Bond Yield (%)</b>				
US	4.4	4.2	4.1	3.9
Eurozone	2.2	2.0	2.2	2.1
China	2.3	2.4	2.3	2.2
<b>Central bank rate (%)</b>				
US	4.9	3.9	4.9	3.8
Eurozone	3.3	2.3	3.4	2.6
China	1.7	1.7	-	-

Sources: Bloomberg Consensus, Swiss Re Institute

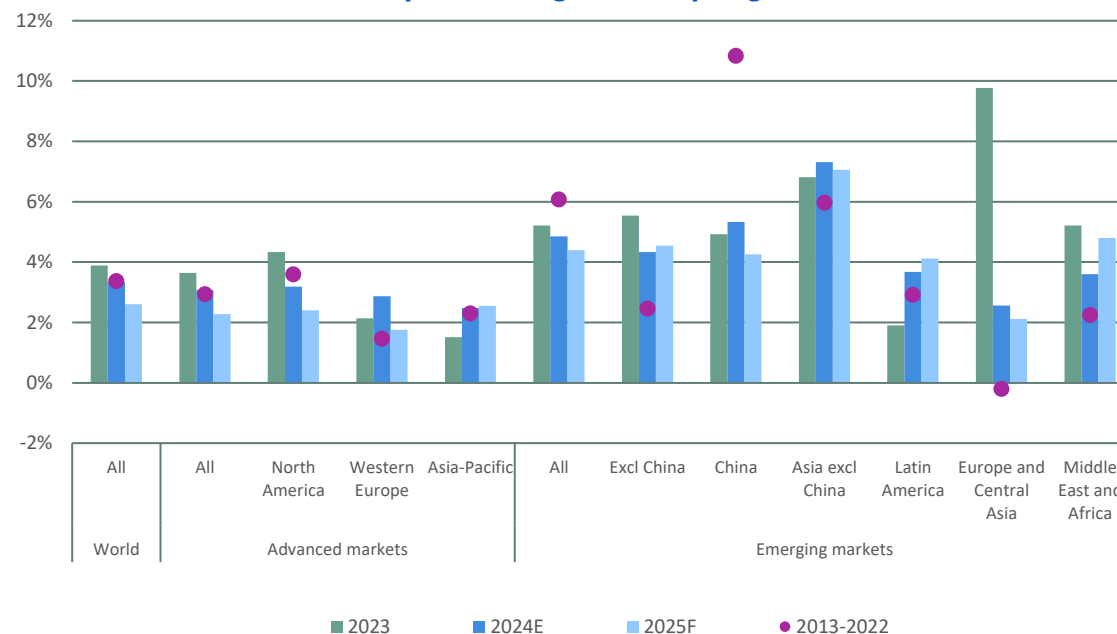
# Higher interest rates and hard market are driving life and non-life premium growth. Advanced markets showing a strong rebound in life sector

- **Primary life premiums are expected to grow by 2.9% in 2024 and 2.7% in 2025**, as higher interest rates boost demand for savings products. **Strong labour markets and improving real wages**, underpinned by lower inflation, should also support demand in the near term
- **Primary non-life market: expect robust growth in real premiums in 2024 (3.3%),** driven mainly by a continuation of hard market conditions, **especially in personal lines.** But **in 2025, premium rates are expected to ease as general inflation conditions soften**

Life real premium growth by regions



Non-life real premium growth by regions



Source: Swiss Re Institute

# Robust economic growth is supporting insurance markets and resilience, but focusing too much on the aggregate GDP growth picture is misleading

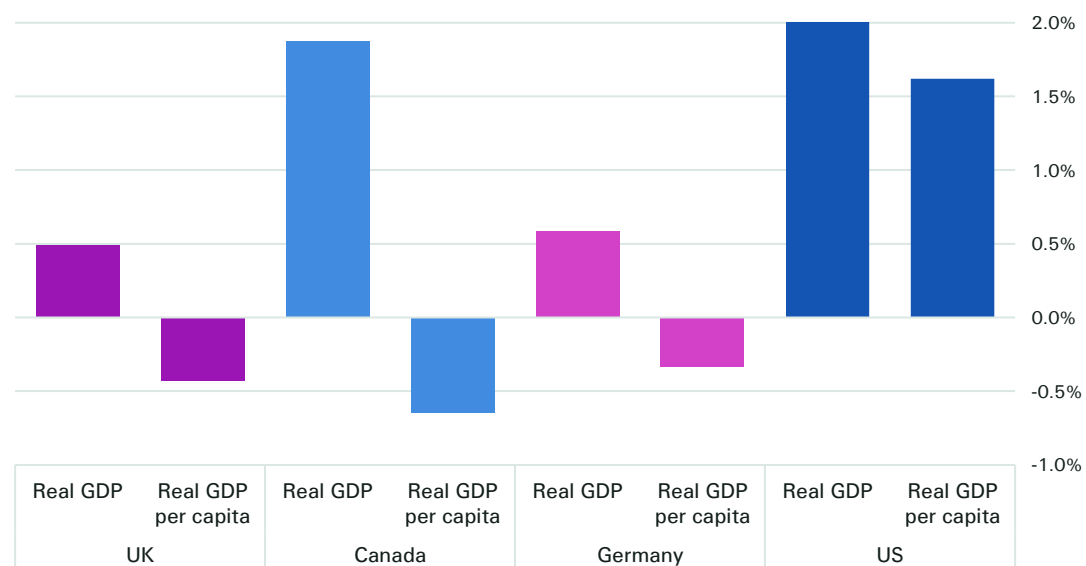
- **Steady economic growth, strong labour markets, rising real incomes as inflation moderates, and higher interest rates are driving demand for insurance.** Higher interest rates are also supporting industry profitability
- However, **robust headline GDP growth masks the weaker real GDP per capita, emphasizing the need to build more resilience and strong insurance markets**

## Impact of macroeconomic conditions on insurance markets

Macro indicators	Life insurance market	Non-Life insurance market
Higher GDP growth	↑ • <b>Positive impact</b> on premium and profitability	↑ • Higher economic activity <b>increases demand</b> for insurance
Lower headline inflation	→ • <b>Limited indirect impact</b>	↑ • Lower inflation will result in <b>lower claims cost</b>
Higher interest rates	↑ • <b>Higher demand</b> for savings products & <b>Higher investment income</b>	↑ • <b>Higher investment income</b> support profitability
Resilient labour market	↑ • <b>Increase demand</b> for life insurance products	↑ • <b>Increase demand</b> for <b>personal insurance</b> (eg motor and homeowners)

Note: ↑=positive impact; →=neutral impact

## Real GDP and real GDP per capita, year-on-year growth (3Q22-4Q23)



Source: Swiss Re Institute

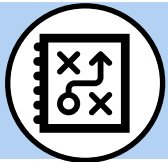
# Key takeaways



**Global growth is expected to remain resilient, but downside risks prevail with financial markets priced to perfection;** disinflation will continue, but beware of declaring victory too early



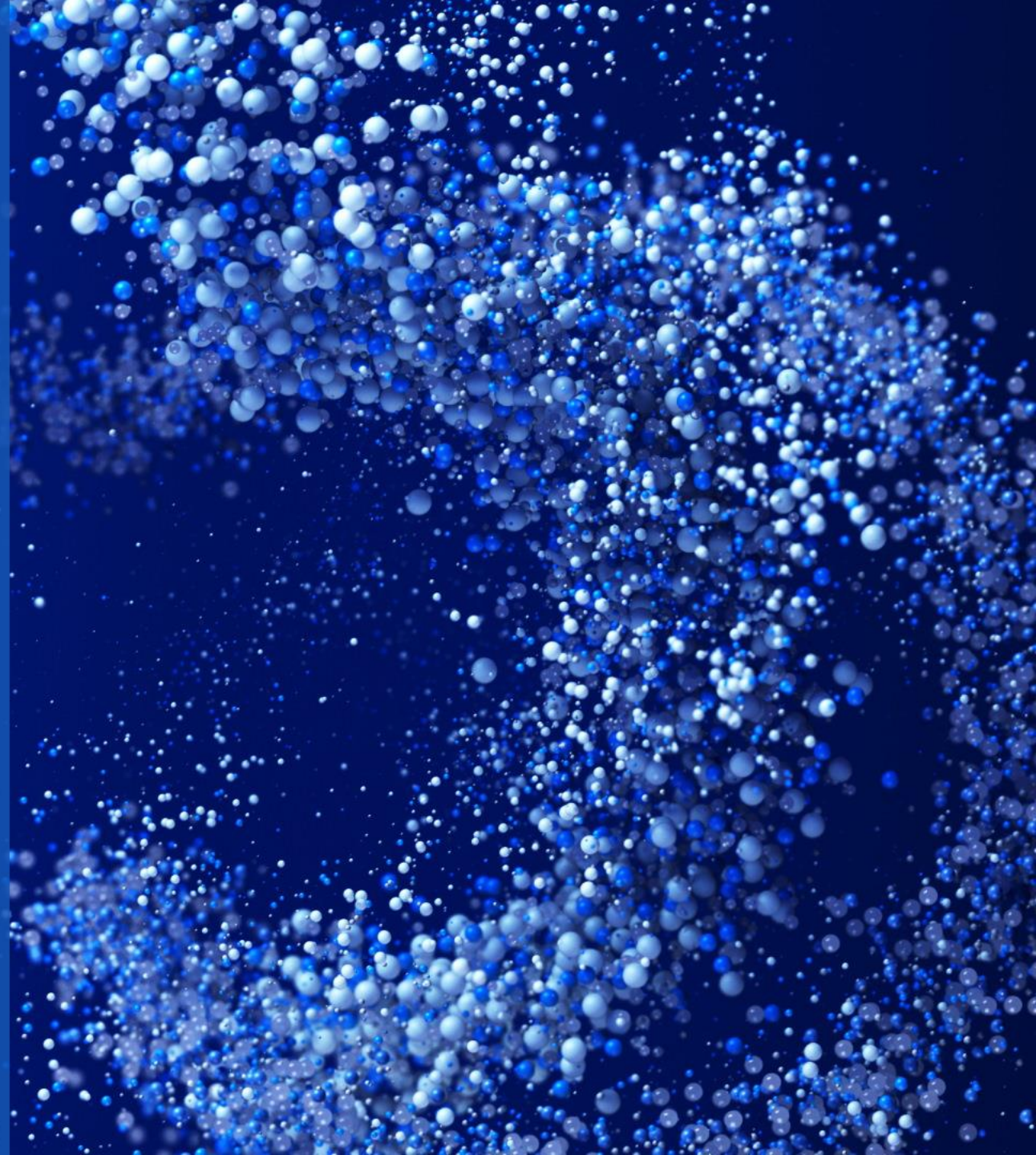
**Higher interest rates bring back the savings business;** together with moderating inflation, the macro factors support insurance profitability



**The underwriting cycle is ongoing, with the improving capital base supporting the industry's future risk absorption capacity**



Kera McDonald  
Chief Underwriting Officer  
Swiss Re Corporate Solutions

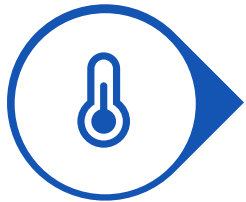


# What's top of mind for corporate clients?

The client risk landscape continues to evolve and pose challenges

Corporates rely on insurers to understand, manage and mitigate risk

# The risk landscape faced by our clients poses challenges as it continues to evolve (1/2)...



## Increase of severe weather events

Weather events are driven primarily by secondary perils such as convective storms.

Due to event frequency, annual global insured losses (inflation-adjusted) of more than USD 100 billion have become standard. Insured losses from natural catastrophe events are expected to grow by 5–7% every year.<sup>1</sup>



## Increasing cost of risk

Rising inflation and loss trends are making insurance more costly.

High inflation alone is estimated to have led to a 5–7.5% increase in claims in property and casualty insurance across the industry in 2022,<sup>1</sup> with short-tail lines of business being hit harder.



## Geopolitical, regulatory, & litigation uncertainty

Businesses remain vulnerable to impacts from regulatory, military, political and trade policy shifts.

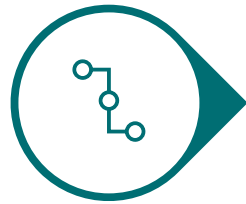
Heightened incidence of strikes, riots and civil commotion: Number of claims have increased by a factor of 30 over the last 2 decades (from 2000–2020).



## Growing multinational needs

Businesses are becoming increasingly global with risk exposure spanning multiple regions and jurisdictions.

# The risk landscape faced by our clients poses challenges as it continues to evolve (2/2)

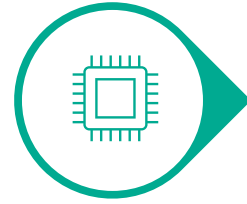


## Supply chain dependencies

Modern supply chains consist of several components, each with varying degrees of vulnerability to disruption.

It is estimated that within a 10-year timeframe, supply chain disruptions could erode close to half of a year's profits for corporates.<sup>1</sup>

Resiliency of supply chains will be tested directly or via contingent business effects.



## Rapid technological shifts

Higher risk exposure from existing and new technologies including AI across companies' IT landscape (cyber), people and processes.

The novelty of these technologies will lead to a dynamic situation, as they are subject to regulatory influences of varying precedence.



## ESG transition

Sustainability is a core part of the strategy for many large clients, and they have varying levels of need for transition assistance.

By end of 2022, approximately one third of the global economy by market capitalisation had committed to science-based targets.<sup>2</sup>

Insurers will need to align with clients' ESG ambitions to provide coverage and facilitate the transition to net-zero.

# Corporates are turning to insurers as partners to manage their risks



## Climate solutions

Assist clients in their **ESG transition** via a range of data driven climate and energy transition solutions.



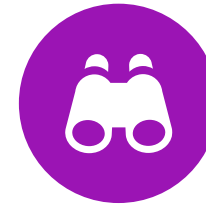
## Alternative risk transfer solutions

Clients are exploring risk management options such as risk retention and self-insurance. Provide options to manage risk beyond traditional coverage including **captive offerings**, **new products** (e.g. parametrics) and **access to alternative capital**.



## International programmes

Enable **seamless management** of global exposures by **orchestrating policies and claims** across networks of global and local insurers, reinsurers and claims experts.



## Data-driven risk pricing/assessment

Offer fit-for-purpose, **sustainably priced insurance** to effectively serve clients' needs across the risk spectrum.



## Risk engineering, mitigation and claims

Help clients **mitigate, prepare for** and **recover from** loss events across property, casualty and specialty risks.

# Q&A



# Thank you

Contact us if you have any  
further questions.

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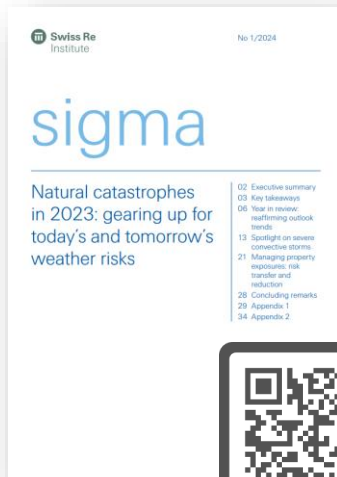
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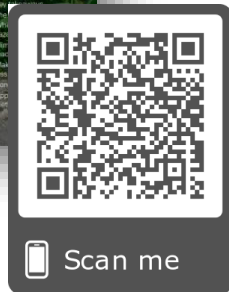
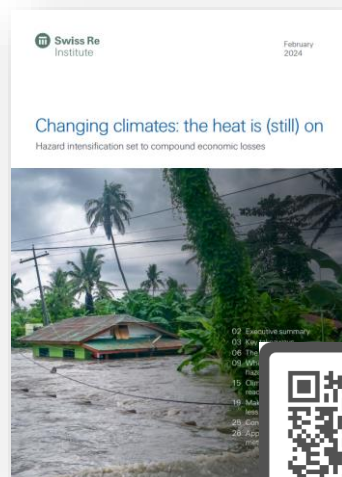
## Sigma publications

- Market information for managers and specialist in the (re)insurance industry



## Expertise Publications

- Expert analysis of specific risk topics in regional markets and the global (re)insurance industry



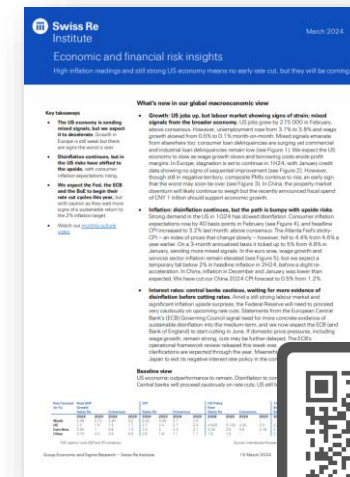
## Economic Insights

- Key findings on macro developments and market events, and their implications for the (re)insurance industry



## Economic Outlook

- Monthly newsletters on global economic and financial market risk landscape



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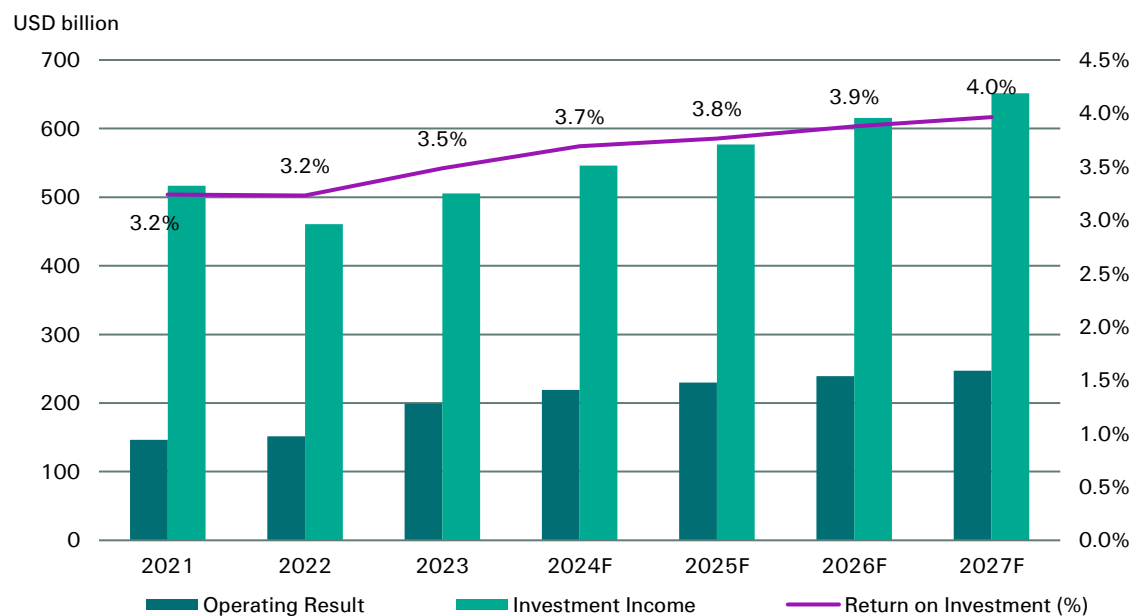
# Appendix



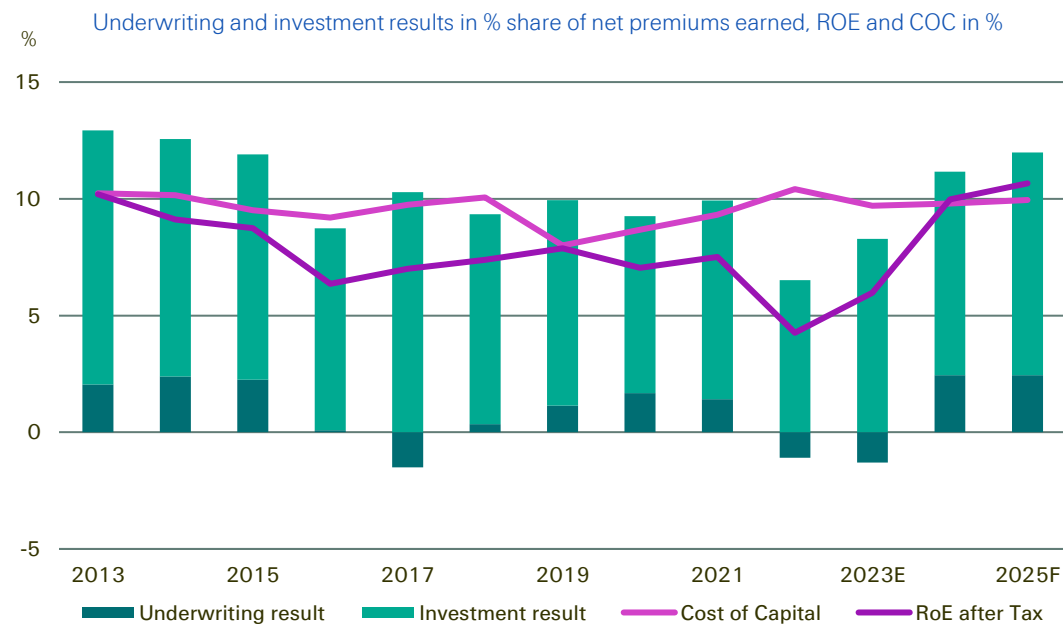
# Profitability for both life and non-life to remain on an upward trend

- **Strong profitability in the top eight major (primary) life insurance markets to continue through 2024-25.** We expect the **aggregate return on investment (ROI) in these markets to rise to 4% by 2027**, due to higher yields on fixed-income investments and reinvestments
- **Expect improvement in P&C ROE to 10% in 2024 and to 10.7% in 2025 (vs 6% in 2023)**, exceeding cost of capital for the first time in the last decade. Profitability of newly underwritten business significantly higher than legacy business as the full benefits of higher interest rates apply

## Life insurance operating results and return on investment, G8 markets








## P&C insurance operating results and investment income, G8 markets



# Upward trends in underwriting cycle to continue, driven by personal lines

- **Price increases in personal lines, driven by claims trends, may extend into 2025** for some specific lines of business.
- **Most of the increases in commercial prices – which is however flattening recently - is due to uncertainty** eg: around claims trends
- **Inflation surge for property and motor claims has peaked**, while **social inflation and sticky services inflation remains**

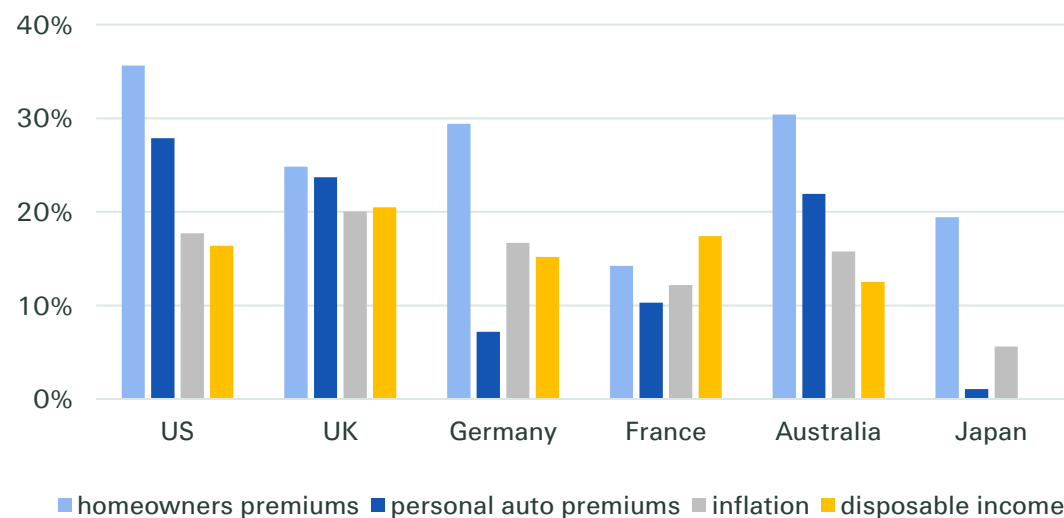
## Drivers of the underwriting cycle

	Component	Current trend	Medium-term trend
	Claims trends	Disinflation in property and motor while <b>social inflation and war-related risks persist</b>	Underwriting uncertainties continue
	Catastrophe losses	Recalibration to higher trend	Continued exposure growth at 5-7% CAGR
	Underwriting profitability of new business	Improving after recent price increases	Sustainable risk pricing after many years of underpricing
	Re-investment yields	Up for new business, peak of cash yields	Reset at higher level, positive term premium
	Balance-sheet capital	Improving, but <b>still below year-end 2021</b> (as of Dec 2023)	Recovery, need to grow in line with risk

# No strong evidence of lower insurance demand despite price adjustments in personal lines

- **Personal lines insurance premiums grew faster than disposable income** in several major markets between 2020 and 2023. **Construction cost inflation outgrew general CPI inflation in the US by 15 percentage points** over the period
- So far, **there is limited evidence that higher premium rates have materially reduced insurance uptake in these markets.** However, structural risk factors (eg higher frequency and severity of natural disasters) may necessitate future repricing

Personal lines' premium growth and CPI inflation vs disposable income growth in key markets, 2020-23



Replacement cost of US housing and homeowners' premiums index (1Q20=100)

