

## Swiss Re sigma study: turbulent financial markets and high claims burden in 2001 brought lowest growth in premiums for over two decades

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The global insurance industry attracted USD 2 408 billion in premium income in 2001, representing a modest 1% growth over 2000, according to Swiss Re's new *sigma* study - World insurance in 2001. The survey points to the continuing turbulence in financial markets and a high claims burden as the primary factors shaping the limited development of the global insurance markets in 2001.

Of the USD 2 408 billion total, USD 1 439 billion is attributed to life insurance and USD 969 billion to the non-life sector. The rise of 1% over both sectors in 2001 is the lowest growth rate recorded since the beginning of the 1980s. Adjusted for inflation, the life markets, which had performed well in recent years, suffered a rare decline in premium income of 1.8% in 2001 compared with 2000. In contrast, non-life insurance premiums rose by 5.4% in 2001, a higher growth rate than the previous 10 years had delivered.

The comprehensive analysis of 2001 - which covers developments in individual regions and provides detailed premium information from 89 key countries - shows how insurers were hit by falling investment returns and low profitability.

### **Life insurance: declining trend in premium income and investment returns; recovery for 2002 in sight**

The recent boom in the life insurance market came to an abrupt end, with business progress considerably stymied by the stock market downturn in 2001 which, in turn, hindered demand for unit-linked insurance products. The decline in the sale of these policies was only partially offset by increased demand for life insurance with guaranteed returns and pension provisions.

The drop in premium income in 2001 was particularly evident in the industrialised countries. In contrast, the emerging markets recorded strong insurance premium growth as they continued to catch up with the industrialised countries. However, growth rates were mostly below the levels seen in previous years.

For 2002, the *sigma* authors expect premium volume to have increased, albeit not in the same levels seen during the 1990s. The stock market losses experienced since the middle of 2000 have dampened not only premium growth, but also the profitability and capital bases of some life insurers. European companies in particular have seen the value of their investments plummet, as a result of the large equity component of their investment portfolios. On top of this, interest rates have persisted at historically low levels and poor economic conditions have prompted write-downs on defaulting credit and corporate bonds. In combination, these factors have led to significant equity losses and weakened life insurers' balance sheets.

### **Hard market accelerated in 2001 and non-life insurers record higher premium income**

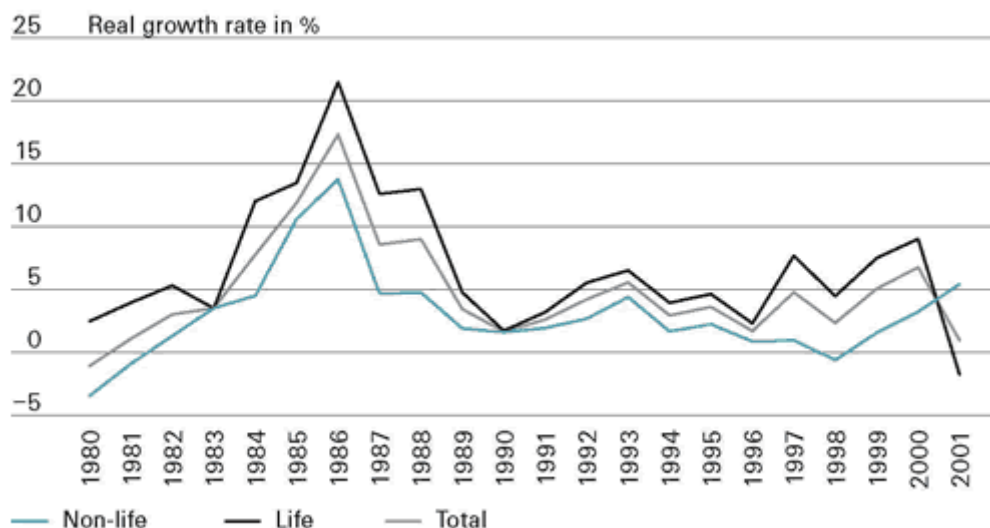
In the non-life insurance market, the recovery seen in 2000 accelerated through 2001 in terms of premium income. In particular, rate increases were achieved in the highly competitive commercial insurance and motor lines, where premiums saw a considerable boost. The trend has continued into 2002. In the industrialised countries, premium growth in 2001 was clearly above the long-term average. In the emerging markets, too, premiums overall were up on previous years.

### **Despite significant premium increases, for some insurers, 2001 was the worst year in their corporate history**

Despite clear price increases, non-life insurers' profitability suffered significantly in 2001. Claims from the attack of 11 September, reserve-strengthening from the days of the soft-market and falling investment returns on the back of share price collapses all took their toll on insurers' financial results. As in the life insurance business, these factors considerably depleted equity in the non-life markets, thereby weakening insurers' balance sheets.

	Life insurance premium volumes		Non-life insurance premium volumes	
	USD bn	Change over previous year, inflation-adjusted	USD bn	Change over previous year, inflation-adjusted
World	1 439.2	-1.8%	969.1	5.4%
Industrialised countries	1 297.9	-2.7%	872.6	5.0%
US	443.4	-1.2%	460.6	5.9%
Japan	356.7	1.3%	89.1	-1.2%
UK	152.7	-15.6%	65.7	12.3%
Germany	55.6	-0.6%	68.1	1.3%
France	75.1	-8.4%	38.4	3.2%
Italy	41.5	13.4%	27.5	4.5%
Emerging markets	141.3	8.0%	96.5	8.6%
Latin America and Caribbear	13.6	5.9%	27.6	7.1%
Central and Eastern Europe	8.8	24.4%	13.9	10.4%
South and East Asia	96.8	8.1%	41.7	8.7%
Middle East and Central Asia	3.9	7.3%	6.9	16.0%
Africa	18.3	4.0%	6.3	4.1%

### Global growth in the insurance industry 1980–2001



Source: Swiss Re Economic Research & Consulting

#### Notes for editors:

Swiss Re is one of the world's leading reinsurers with over 70 offices in more than 30 countries. Swiss Re reported a loss of CHF 165 million in 2001, predominantly due to losses from 11 September. In the 2001 financial year, gross premium volume amounted to CHF 28.5 billion. At the end of June 2002, Swiss Re's shareholders' equity amounted to CHF 18.3 billion and the total balance sheet stood at CHF 168 billion. Swiss Re is rated "AA+" by Standard & Poor's, "Aa1" by Moody's and "A++" by A.M. Best.

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