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News release

Global insurance premiums exceed USD 5 trillion for the first time as pivot east continues, Swiss Re Institute's latest *sigma* says

- Global insurance premiums topped USD 5 trillion for first time ever in 2018, with solid growth in non-life, subdued performance in life
- Life and non-life premiums will grow around 3% in real terms over 2019/20, based on strength in emerging markets across both sectors, and solid growth in non-life in advanced markets
- In advanced markets, traditional life insurance savings business remains challenging given low interest rates
- In non-life, ongoing evolution of advanced driver assistance systems will likely pressure motor premiums in the long term
- US remains largest insurance market, followed by China and Japan – ongoing shift of insurance business east continues
- By 2029, Asia-Pacific will account for 42% of global premiums – share of China is forecast to be 20% and the country is on course to become largest insurance market by mid-2030s
- Swiss Re Institute establishes its China Centre in Beijing

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Zurich, 4 July 2019 – Global insurance premiums passed the USD 5 trillion mark for the first time in 2018, equivalent to more than 6% of world gross domestic product (GDP). This was based mostly on solid growth in the non-life sector, particularly in China and other countries in emerging Asia, and also among advanced markets, the latest *sigma* from Swiss Re Institute, "World insurance: the great pivot east continues", says. Global insurance premiums are forecast to grow by 3% in real terms in 2019/20, led by the emerging markets. Life premiums will increase by 2.9%, well above the 0.6% annual average of the previous 10-years, with a bounce back in China the main driver. In non-life, global premiums are forecast to grow by 3%, with emerging Asia taking the lead, supported by solid growth in advanced markets. China will contribute most to life and non-life premium growth over the next two years, and its share of global premiums will reach 20% by 2029, up from around 11% currently. China remains on course to surpass the US as the largest insurance market by the mid-2030s. With the growing importance of the market in China and publication of this annual edition of *sigma*, Swiss Re Institute is pleased to announce the timely opening of its Swiss Re Institute China Centre in Beijing.

Global insurance premiums volumes surpassed the USD 5 trillion mark for the first time ever in 2018. "Global direct premiums written were equivalent to more than 6% of world GDP in 2018, underlining the very significant role insurance plays in supporting sustainable development and global resilience. With USD 5 trillion of premiums written globally per year, the role of the insurance industry as a long-term investor is becoming ever more important ", says Jérôme Jean Haegeli, Group Chief Economist at Swiss Re.

Global non-life premium growth was solid at 3% in 2018, outpacing the historic average (2.2%) as advanced markets slowed and emerging markets grew. In China, non-life premiums rose by 12%, driven by strong increases in personal accident and health insurance. This was accompanied by a solid performance in emerging Asia overall. Growth in the global life sector was subdued due to shrinking markets in Europe, China and Latin America.

Near-term insurance demand to remain robust

Swiss Re Institute forecasts that global insurance premiums will increase by 3% in real terms in 2019/20, based predominantly on strong life and non-life sector growth in the emerging markets. "The outlook is promising", Jérôme Jean Haegeli continues. "While global economic growth is slowing, we expect insurance demand to hold up over the next two years, and China will be the main contributor to premium volume gains in both the life and non-life sectors."

Table 1: Real premium growth in 2018, vs average 2008–17 and outlook
(click to drill down into underlying data on sigma-explorer)

	Life			Non-life			Total		
Markets	2018E	2008–2017	2019–2020F	2018E	2008–2017	2019–2020F	2018E	2008–2017	2019–2020F
Advanced	0.8%	–0.7%	1.2%	1.9%	1.1%	1.8%	1.3%	0.1%	1.5%
Emerging	–2.0%	8.1%	8.7%	7.1%	7.7%	7.0%	2.1%	7.9%	7.9%
World	**0.2%**	**0.6%**	**2.9%**	**3.0%**	**2.2%**	**3.0%**	**1.5%**	**1.2%**	**2.9%**

E = Estimate
F = Forecast
Source: Swiss Re Institute

Global life premiums are forecast to increase by 2.9% in each of the next two years, much stronger that the 0.6% annual average of the last 10. This will be mostly driven by emerging markets, where premiums are forecast to increase by 8.7%. China specifically is forecast to contribute almost half of the increase in global life premiums over next two years, with a rebound to 11% growth after a sharp 5.4% contraction in 2018 due to tightening of regulations. Elsewhere in emerging markets, favourable polices such as tax benefits (eg, in Argentina) and promotion of financial inclusion schemes in some Asian markets should support demand. So too will positive economic momentum and favourable demographics.

In the advanced markets, life premiums are forecast to grow by 1.2% in 2019/20. The US and Canada will lead, based on robust growth in the annuities business and solid wage and employment growth also. In advanced Asia-Pacific, long-term growth drivers like ageing populations and rising affluence will support premium growth. The traditional savings business will remain unattractive for consumers in advanced markets due to low interest rates. Overall sector profitability will remain subdued for the same reason.

Global non-life premiums are forecast to grow by 3% in real terms in 2019/20, above the 10-year average of 2.2%. Growth in the emerging markets will remain robust (7%), with China again being the main contributor, albeit at a slowing pace given more moderate economic growth there. Emerging Asia will be the world's fastest growing region, with strong demand for health, liability and agriculture covers. The non-life sectors in the Middle East, Africa and Latin America will recover as economies in those regions strengthen.

Non-life premiums in the advanced markets will grow by 1.8%, slower than in 2018 but above the historic average of 1.1%. This forecast is based on still solid premium growth expectations in the US and Canada, with premium rate increases lending support. The other advanced regions will likely follow long-term average growth trends. Profitability in non-life insurance overall will remain under pressure. There has been an improvement in underwriting conditions, but stabilisation of the soft market trend has not been sufficient to notably narrow the profitability gap that still besets the sector.

The non-life sector faces a fundamental structural shift over the next decades, with a possible decline in premiums from motor, the dominant line of business today. This potential decline will come as a result of the ongoing evolution of advanced driver-assistance systems and self-driving car technologies, which are expected to lead to lower claims, and so also lower premium rates and volumes in motor.

The pivot east, and to China, will continue over the longer term
The shift in global insurance business to Asia will remain ongoing. China consolidated its position as the second largest insurance market globally in 2018, with total premiums written of USD 575 billion in 2018. As Table 2 below shows, the Chinese market is currently still less than 40% the size of the US market (USD 1 469 billion), and is also smaller than the three largest markets in Europe combined (the UK, Germany, and France: USD 836 billion).

However, the current shortfalls only serve to highlight the catch-up potential. Swiss Re Institute forecasts that Asia-Pacific as a whole will account for 42% of the global premiums by 2029. China is and will remain a main driver of this development. Its share of the global premiums went from 0% in 1980 to 11% in 2018, and is forecast to reach 20% in 10 years' time, almost as high as the share projected for the whole of advanced EMEA. China remains on track to surpass the US as the world's largest market in the mid-2030s.

Swiss Re Institute China Centre
With the growing importance of China's insurance market, Swiss Re Institute is opening its China Centre. The aim of the Centre is for Swiss Re to build on and better leverage the long-standing China-related research and

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development (R&D) activities taking place across the Group. "The establishment of Swiss Re Institute China Centre will support our Group's growth ambitions in China," John Chen, Head Swiss Re China says. The Centre will be closely integrated with the business and other R&D teams in China and beyond. "The focus will be on R&D as a strategic differentiator, to help Swiss Re achieve our targets in this exciting market and globally."

Table 2: Top 10 ranking, and developments in major insurance markets in 2018

	Ranking by premium volume		Life Premiums		Non-life premiums		Total premiums			
	2017	2018E	USD bn	Change* vs 2017	USD bn	Change* vs 2017	USD bn	Change* vs 2017	Insurance density (USD)	Insurance penetration
Top 10 markets										
United States	1	1	593	2.4%	876	2.6%	1469	2.5%	4481	7.1%
China	2	2	313	−5.4%	262	12.0%	575	1.8%	406	4.2%
Japan	3	3	334	3.6%	106	−0.3%	441	2.6%	3466	8.9%
United Kingdom	4	4	236	−1.6%	101	0.5%	337	−1.0%	4503	10.6%
France	5	5	165	−1.4%	93	0.1%	258	−0.9%	3667	8.9%
Germany	6	6	96	−1.8%	145	1.1%	241	−0.1%	2908	6.0%
South Korea	7	7	98	−5.7%	81	1.7%	179	−2.5%	3465	11.2%
Italy	8	8	125	1.0%	45	1.4%	170	1.1%	2852	8.3%
Canada	9	9	54	1.4%	74	4.3%	128	3.1%	3457	7.5%
Taiwan	10	10	102	1.2%	20	2.8%	122	1.4%	5161	20.9%
Advanced markets			**2231**	**0.8%**	**1855**	**1.9%**	**4086**	**1.3%**	**3737**	**7.8%**
US and Canada			647	2.3%	950	2.7%	1597	2.6%	4377	7.2%
Advanced EMEA			934	−0.6%	627	1.1%	1561	0.1%	3276	7.6%
Advanced Asia–Pacific			650	1.4%	278	1.2%	928	1.3%	3603	9.7%
Emerging markets			**589**	**−2.0%**	**518**	**7.1%**	**1107**	**2.1%**	**169**	**3.2%**
Emerging Asia			445	−2.3%	312	11.7%	757	3.1%	196	3.8%
Latin America and Caribbean			71	−4.2%	92	0.5%	163	−1.7%	251	2.8%
Middle East and Africa			54	1.5%	56	−1.3%	110	0.0%	63	2.2%
Emerging Europe and Central Asia			20	4.8%	48	5.2%	68	5.1%	214	2.0%
World			**2820**	**0.2%**	**2373**	**3.0%**	**5193**	**1.5%**	**682**	**6.1%**

Notes:* in real terms, ie adjusted for inflation. 2018 data is based on Swiss Re Institute estimates and provisional data
Insurance penetration = premiums as a % of GDP; Insurance density = premiums per capita
E = Estimate
Source: Swiss Re Institute data based on final and provisional figures released by supervisory authorities and insurance associations, and own estimates.

Notes to editors

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The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, working to make the world more resilient. It anticipates and manages risk – from natural catastrophes to climate change, from ageing populations to cyber crime. The aim of the Swiss Re Group is to enable society to thrive and progress, creating new opportunities and solutions for its clients. Headquartered in Zurich, Switzerland, where it was founded in 1863, the Swiss Re Group operates through a network of around 80 offices globally. It is organised into three Business Units, each with a distinct strategy and set of objectives contributing to the Group's overall mission.

How to order this *sigma* study:

The English, German, French, and Spanish versions of the *sigma* 3/2019, "World insurance: the great pivot east continues " are available electronically on the Swiss Re Institute's website:
https://www.swissre.com/institute/research/sigma-research/sigma-2019-03.html

Printed editions of *sigma* 3/2019 in English, Chinese, German, French and Spanish are available. Please send your orders, complete with your full postal address,
https://www.swissre.com/institute/research/sigma-research/sigma-2019-03.html