Executive summary

The OECD has been collecting insurance statistics for almost two decades, with data on the insurance sector dating back to the early 1980s. In response to the financial crisis, the Global Insurance Statistics (GIS) project was launched as part of the OECD's insurance market monitoring activities. The main objective was to expand the scope of the OECD's statistical framework for insurance and extend its global reach, with a view to enhancing the transparency of insurance markets. These changes led to the collection of key balance sheet and income statement items for the direct insurance and reinsurance sectors, and to the geographical expansion of the OECD's Global Insurance Statistics database.

This publication analyses recent insurance market trends to develop a better understanding of the insurance industry's overall performance and health in OECD countries, and selected non-OECD economies. A number of non-OECD economies from Africa, Asia and Europe – namely, Hong Kong (China), India, Indonesia, Latvia, Malaysia, Singapore, South Africa and Thailand – were already contributing to the OECD statistical exercise. A more global perspective is provided through the addition of a large group of Latin American countries, achieved through cooperation with the Association of Latin American Insurance Supervisors (ASSAL). The chapter on insurance market trends highlights the underlying reasons for the trends notably in gross premium growth, and claims developments between 2012 and 2013. It also presents key performance indicators.

This publication also provides detailed historical data, giving users a broader picture of the evolution of the insurance market in the OECD countries over the years. It covers major official insurance data from 2006 to 2013. The publication contains important insurance market indicators (e.g., OECD market share, penetration, density, premiums per employee, etc.), as well as data on insurance activities (number of companies, number of employees, gross premiums, etc.). The scope of data collection also includes gross claims payments, gross operating expenses and commissions.

Key findings on recent trends

In 2013, while the economic environment continues to be weak for a number of OECD countries, particularly for the euro area, the situation in insurance markets has started to improve with noticeable premium growth in many countries. Life sector premiums grew at a healthy pace in a number of countries that had been facing limited or negative growth since the economic and financial crisis. Premiums continued to register growth in most emerging market economies in Asia and Latin America. However, the recovery in gross life premium growth seen in 2012 in some of the larger life insurance markets reversed in 2013.

Low investment returns, combined with weak economic growth, have limited the profitability of life insurers in recent years and has affected the range of products and guarantees being offered. Savings products with market-linked returns have faced significant surrenders in recent years although this trend began to reverse in a number of countries in 2013.

Changes in motor vehicle insurance markets that allowed for premium increases in some countries had a positive impact on results for the non-life sector. However, other countries continued to face a highly-competitive motor insurance market leading to limited premium growth. The weak economic environment in a number of countries continued to impact the non-life sector which has yet to recover in many of the countries most impacted by the economic and financial crisis.

Losses from natural catastrophes affected the non-life sector in a number of countries although aggregate economic losses from natural and man-made disasters in 2013 were below 2012 (and 10-year average) levels. Some countries experienced reduced claims growth in the non-life sector following significant growth in past years resulting from large disaster events.

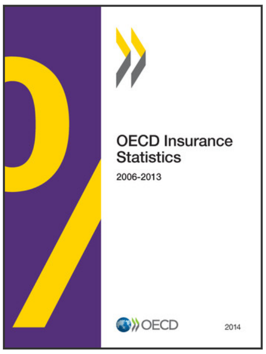
The prolonged low interest rate environment has made it more difficult for life insurers, with their generally large holdings of fixed-income assets, to earn adequate returns in relation to their obligations. This could result in a responsive shift of portfolio allocations towards more risky assets in a search for yield to improve investment returns. While no substantial and generalised shifts in investment allocations occurred in 2013, life insurance companies in a few countries have shifted investments away from bonds into other types of assets.

The impending exit from unconventional monetary easing in the United States and the United Kingdom and the resulting expectation of an increase in interest rates has been associated with volatility in emerging market assets in 2013. Investment returns in the life sector in many non-member countries declined substantially in 2013 relative to 2012.

Looking ahead, continued attention is being placed on the impacts of the low interest rate environment, in terms of possible changes in risk appetite to generate returns and reinvestment risk for maturing bond portfolios. Low interest rates continue to be most problematic where insurance products provide guaranteed returns. Interest rate risk remains significant given the increased probability of higher future rates. A sudden rise in rates would have an adverse impact on fixed-rate securities and could create broader financial market volatility. Some countries are closely monitoring competitive pressures in sub-sectors to ensure that intense competition does not lead to lower underwriting standards or the under-pricing of premiums. Long-term trends such as increases in longevity, health care costs, and the increased prevalence of natural disasters as a result of climate change are other risks that are attracting close attention.

As global uncertainty in the macroeconomic environment remains, demand for insurance products will likely remain constrained. Limited demand, combined with competitive pressures within the industry, particularly in the non-life sector, as well as between life insurance companies and banks for consumer savings and investments, is likely to maintain pressure on the industry to cut operational costs and boost investment performance especially given the limited capacity to increase premiums and fees. That said, insurance sectors in some countries have benefitted from new business in unit-linked products as a result of the low deposit rates offered by the banking sector.

Insurance regulators in Europe remain focussed on Solvency II implementation. The implementation of Own Risk and Solvency Assessment in a number of countries is also having an impact on the supervisory and regulatory approaches of many insurance sector regulators.



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