Executive summary

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

This publication analyses for the first time in a new chapter recent insurance market trends for developing a better understanding of the insurance industry's overall performance and health in OECD countries, and additional key partner countries. In an effort to enhance its global reach, for the first time ever, it includes major OECD Key partners, namely: Hong Kong (China), India, Malaysia, the Russian Federation, Singapore, South Africa and Thailand. More key partners will be included in the future as the Global Insurance Statistics exercise evolves. This chapter highlights the underlying reasons of the trends notably in gross premium growth, and claims developments between 2010 and 2011. It also presents key performance indicators.

This publication also provides detailed historical data on the insurance sector, enabling the users to have a broader picture of the evolution of the insurance market in the OECD countries over the years. It covers major official insurance data from 2004 to 2011. The publication contains important insurance market indicators (e.g., OECD market share, penetration, density, premiums per employee, etc.), 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.

In this publication, a significant effort has been made to achieve comparability among countries. Definitions, classifications, calculation methods, and units have been standardised as far as possible.

Key findings on recent trends

The year 2011 was marked by a historically high incidence of disasters and the ongoing financial and economic crisis. These affected the insurance industry to varying degrees across countries. In some countries, natural disasters were the main theme, affecting the non-life insurance sector. In other countries, especially those of the euro zone, difficult macroeconomic conditions posed challenges for the industry as a whole. Most countries were affected by continued financial market volatility and prolonged low interest rates.

In comparison with 2010, the life sector suffered from sluggish demand. A number of factors affected demand for life insurance products, including the low-yield environment that reduced the attractiveness of life insurance products, strong competition from the banking industry in search of sources of funding, and a desire among individuals to maintain precautionary liquidity given the adverse economic environment, thereby reducing demand for longer-term business.

By contrast, the non-life sector was able, on average, to sustain 2010 premium levels. In a number of countries, growth was achieved through premium rate increases following disasters. That said, price competition in various non-life segments continued to curb premium income growth in some countries.

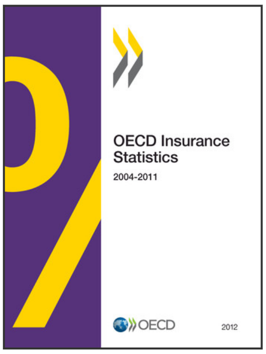
The low-yield environment remained one of the most important challenges facing the insurance industry since, in most countries, debt instruments continued to dominate insurers' investment portfolios. While falling yields generate investment gains, they also increase insurance liabilities for long-tailed business and, if prolonged, increase reinvestment risk. The effect is pronounced for those countries where the life insurance industry provides yield guarantees. In some countries where these guarantees are widespread, life insurers have tried to cope with the low-yield environment by lowering their guaranteed rates on new policies.

Sovereign debt problems were another challenge that continued to affect insurers in 2011. For a number of countries within the euro zone, losses were realised by the insurance sector on sovereign debt securities, particularly those of euro zone countries facing financing problems. On the other hand, based on information received, insurance markets outside the euro zone did not have significant exposure to the debt securities of these euro zone countries, thus reducing the direct effects of euro zone developments.

The catastrophes that occurred in 2011 led to large increases in claims payments, which had a negative impact on profitability in related non-life markets. In some cases, these impacts triggered price adjustments. These events had an impact on insurers in their catastrophe reinsurance program renewals, with higher reinsurance prices forcing insurers to increase their retention levels. The challenge for insurers was to establish adequate risk subscription and pricing to avoid exposure to the risk of significant losses, as this placed downward pressure on solvency.

Looking ahead, great attention is being directed toward the business and financial risks linked to the ongoing economic and financial crisis and risks arising from catastrophe events:

- As global uncertainty in the macroeconomic environment remains, demand for insurance products will likely continue to be constrained. Making these conditions difficult are continued competitive pressures within the industry, particularly in the non-life sector, as well as increased inter-sectoral competition between the life insurance and banking sectors for consumer savings and investments. In this context, underpricing in the non-life sector and increases in lapses and cancellations in the life sector are risks that need to be closely monitored.
- The financial crisis also poses challenges regarding the investment activities of the insurers. For some countries, turbulence in the euro zone will remain a relevant risk for the industry. More generally, the low interest rate environment and financial market volatility remain continuing themes in terms of key risks and vulnerabilities for the insurance industry, particularly for those life insurers offering guarantees.
- While the catastrophe events in 2011 generated large losses for the insurance sector, the industry demonstrated its resilience. That said, the events highlighted the need for insurers to monitor closely reinsurer counterparty risk and manage reinsurance placement risk given potentially adverse post-disaster pricing impacts.



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