GLOBAL INSURANCE MARKET TRENDS

2020

OECD

OECD Insurance and Private Pensions Committee

The importance of insurance as a foundation for economic activity was acknowledged at the inception of the OECD with the creation of the Insurance Committee in 1961. The scope of activities of the Insurance Committee has gradually widened, and now covers the topic of private pensions, reflecting the importance of private pension systems in OECD countries (the Committee was accordingly renamed the Insurance and Private Pensions Committee in 2005).

Today, the work of the Committee focuses on:

- enhancing surveillance of insurance and private pensions markets developments and of their impact on economic growth and development;
- enhancing the long-term efficiency, resilience, stability and inclusiveness of insurance markets and private pensions systems, taking into account the role that technology and innovation can play;
- supporting the contribution of insurers and private pensions to well-diversified financing of long-term investment and inclusive growth through prudent investment strategies;
- promoting risk awareness, financial education and adequate consumer protection in insurance and private pensions;
- strengthening the capacity of private pensions systems to ensure adequate retirement income within overall pensions systems and address the challenges of ageing, including identifying best practices in funded pension arrangements;
- strengthening the capacity of individuals, businesses, and governments to address financial and other risks, including disaster risks, through enhanced and robust insurance and private pension systems, and the links of those risks with the recognised social and sustainability objectives of these systems.

The Committee engages in a range of co-operative activities with non-member economies.

More information on the Committee’s work is available at: www.oecd.org/daf/fin/insurance.

Global Insurance Statistical database: www.oecd.org/daf/fin/insurance/oecdinsurancestatistics.htm

Foreword

This tenth edition of *Global Insurance Market Trends* provides an overview of market trends to better understand the overall performance and health of the insurance market. This monitoring report is compiled using data from the OECD Global Insurance Statistics (GIS) exercise.

The OECD has collected and analysed data on insurance in OECD countries, such as the number of insurance companies and employees, insurance premiums and investments by insurance companies, dating back to the 1980s. Over time, the framework of this exercise has expanded and now includes key items of the balance sheet and income statement of direct insurers and reinsurers.

The geographical reach of the insurance statistics database has also expanded and will continue to do so. In addition to covering the 37 OECD countries, this edition covers a number of non-OECD Latin American countries – achieved through cooperation with the Association of Latin American Insurance Supervisors (ASSAL) – as well as several non-OECD countries from Asia and other regions.

This monitoring report and the associated database represent one of the few global publicly-available sources of comparable cross-country data on insurance. The *Global Insurance Market Trends* and OECD database provide a unique and growing source of data and information that can be used by central banks, the insurance sector and broader financial industry, consumers and the research community for research and analysis into the development of the insurance sector, and by governmental and supervisory authorities around the world for insurance sector policy development.

Table of contents

FIGURES

TABLES

Highlights

Before COVID-19, gross premiums were still mainly on the rise in the life and non-life sectors in 2019. An increased demand for some life insurance and non-life insurance policies, such as motor insurance, likely accounted for this expansion of insurance business worldwide.

As premiums grew, claims payments also increased in a number of countries. However, a relatively mild year for catastrophe losses meant that claims payments were not as high as they might have otherwise been. Overall, underwriting performance was positive and improved for non-life insurers in 2019.

Stock markets were also buoyant in 2019, after financial losses in the last quarter of 2018. Insurers benefitted from this upturn in stock markets and achieved positive investment rates of return in general, especially among those that invested a significant share of their assets in equity.

Overall, insurers had strong profits and a higher capital position before the onset of the COVID-19 health emergency. A number of authorities advised insurers to withhold dividend payments and new share buy-back programs, to protect against a possible deterioration in profitability in 2020. Publicly available data suggests that insurers managed to generate revenues from their underwriting activities despite a fall in premium volumes in some lines of business, as claim payments also fell. However, losses in the financial markets in the first quarter of 2020 affected investment revenues and thus the profitability of insurers.

Financial markets have recovered since then, but uncertainties remain high, going forward. The ultimate amount of claims payments by insurers is also unknown, particularly as a result of ongoing disputes over whether insurers are liable for some of the business interruption losses that companies incurred due to business closure in 2020.

1 Trends in the insurance sector in 2019

The OECD closely follows the developments in the insurance sector through its annual data collection from its member countries and other jurisdictions, mainly in Asia and Latin America. Monitoring the insurance sector and its developments is essential to identifying its strengths and weaknesses and anticipating potential challenges that can arise for the industry and policyholders. This requires collecting regular data on key aspects relevant to the insurance industry, such as its underwriting business and its investment activities for instance.

This first part of the report presents the outcomes of the OECD data collection and provides a set of indicators describing the trends and health of the insurance sector in 2019, before the COVID-19 outbreak.[1] Results are standardised to the extent possible, in order to allow for cross-country comparisons. This section also outlines some of the drivers behind the trends, in order to shed light on the different dynamics in the sector around the globe.

This part first presents the underwriting performance of the life and non-life insurance businesses, based on the evolution of gross premiums and claims payments. It then looks into the investment allocation and investment performance of insurers. Finally, it shows the profitability of insurance companies, measured by returns on shareholder equity.

1.1. Underwriting performance

Gross premiums continued to increase in the life and non-life insurance sectors in most countries in 2019. In many, specific insurance classes, such as motor vehicle insurance, were a major driver of the increase in gross premiums. Insurance company responses to Brexit also affected the premium growth significantly in some European countries in 2019.

As the insurance market generally expanded in 2019, the amount of claims paid also continued to increase. Policy surrenders and natural hazards are some of the factors that drove claims performance in the life and non-life sector respectively.

1.1.1. Premium growth

Gross premiums grew on average in both the life and non-life insurance sectors in real terms (i.e. after adjustment for inflation) in 2019, continuing the growth observed in previous years. In 2019, gross

[1] This report covers 59 jurisdictions around the globe. Tables and charts of this report may show results for a smaller number of jurisdictions depending on data availability.

premiums increased on average by 4.7% in the life sector and 3.6% in the non-life sector among 51 reporting jurisdictions (Figure 1.1).[2]

Figure 1.1. Annual real growth rates of direct gross premiums in the life and non-life sectors in selected countries, 2019

In per cent

Note: Countries are labelled with their ISO code. ISO codes are available on the webpage of the Statistics Division of the United Nations at the following link: http://unstats.un.org/unsd/methods/m49/m49alpha.htm. The red triangle shows the simple average of the growth rates of gross premiums in the life and non-life sectors in 2019 among the selected countries. Data refer to all undertakings (i.e. domestic undertakings and branches and agencies of foreign undertakings operating in the reporting country) except when only data on domestic undertakings are available.
Source: OECD Global Insurance Statistics.

Most countries in the reporting sample observed a premium growth in real terms (i.e. after adjusting for inflation) in 2019. Gross premiums increased in 32 countries (i.e. nearly two-thirds of the sample) in both life and non-life insurance sectors, in 12 countries in the non-life sector only, and in four countries in the life insurance sector only. Three countries recorded lower amounts of gross premiums in both life and non-life insurance sectors compared to 2018: Honduras, the Slovak Republic and the United Kingdom.

The scale of change in gross premiums varied across countries in the life sector, ranging from -23.0% (Australia) to 53.7% (Latvia) in 2019. Latvia observed the largest increase of life gross premiums in real terms in 2019, followed by Turkey (42.7%) and Finland (36.7%). Six other countries recorded growth over 10% in 2019. In 27 other countries, the growth of life gross premiums was more moderate, or even stable

[2] Average growth rates of gross premiums are calculated over all reporting countries. The number of reporting countries varies over the years though, limiting the comparability of results across editions of this report. Find previous editions of Global Insurance Market Trends at: www.oecd.org/finance/insurance/globalinsurancemarkettrends.htm.

(between 0% and 1%) in four of them: Denmark, the Netherlands, Singapore and Switzerland. Life gross premiums declined in 15 countries.

Some countries have reported significant variations in demand and hence premium levels written for different product lines in the life sector. Life insurance traditionally offers protection against risks affecting the policyholder directly as well as investment or savings contracts (e.g. unit-linked products, annuity contracts). In Australia for instance, national authorities observed an increase of premiums for non-investment-linked products but a decline in investment-linked products. Belgium recorded a larger increase for life insurance contracts with guarantees than for unit-linked contracts.

Premium growth in the life sector in 2019 may be the result of heightened consumer awareness and interest in life insurance products in some countries, spurring demand for some of these products. After several years of declining premiums for life insurance products, Belgium recorded a rebound in 2018 that continued into 2019, as customers have shown a renewed interest in life insurance contracts with guaranteed rates of return. A preference for low-risk products and a shortage of alternatives may have played a role in this increased demand for life insurance products. Brazil noted a heightened awareness of the need to save for retirement through insurance products to supplement retirement income, which may, to some extent, account for the overall 10% increase in the gross life premiums in 2019. In Lithuania, the number of new unit-linked insurance contracts peaked in June and July 2019 following a pension reform giving workers until the end of June 2019 to choose whether to participate in a workplace pension plan or not. Lithuanian policyholders have been purchasing unit-linked insurance contracts as a supplement (in some cases) or as an alternative (in other cases) to participating in a workplace pension plan.

Changes in taxation have also influenced the demand for life insurance products in the case of Finland in 2019. It was more beneficial for tax purposes to surrender some life insurance policies in 2019 before amendments to the Income Tax Act came into force in 2020. Surrenders of these policies therefore soared in 2019, which then led to the purchase of new policies.[3] This probably accounted for the rise in life premiums in Finland in 2019 (by 37%).

Insurance companies have lowered the guarantees they offer in their contracts or promoted unit-linked contracts (which do not provide return guarantees) due to the low interest rate environment. The Belgian authorities reported a lowering of the guaranteed interest rate offered on non-unit-linked contracts in 2019 (from 2.31% to 2.16%). Insurers in Portugal also trended towards the sale of life products with lower guarantees. In Norway, nearly all new premiums written are related to unit-linked products. In Switzerland, insurance companies are scaling back, if not halting, their offer of savings insurance with guaranteed returns. Low interest rates have put pressure on insurance companies that sold products with guarantees given the need to set aside higher technical provisions.

As in the case of the life sector, different dynamics could be observed in the non-life insurance sector across countries in 2019. The strongest growth in non-life gross premiums was recorded in European countries, with Luxembourg having the highest growth (22.5%), followed by Ireland (16.6%), Bulgaria (13.1%), Hungary (13.0%) and the Czech Republic (12.2%). Most countries – 39 out of 51 reporting countries – observed a growth rate between 0% and 10% in 2019. The level of gross premiums fell in seven reporting countries, including Brazil (-2.7%) and the United Kingdom (-14.9%).

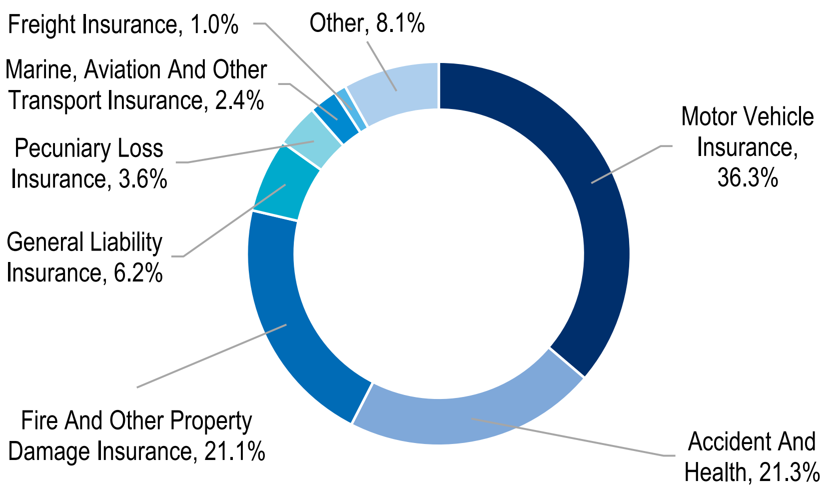
Trends in the non-life sector could be attributed to various factors. Non-life insurance policies cover many types of risks, including motor vehicle, fire and other property damage and accident and sickness, amongst others. These different insurance classes can experience different rates of growth and a decline in one class could offset growth in another and impact the overall level of premium growth in the non-life insurance sector.

[3] www.finanssiala.fi/en/material/FA-Julkaisu-Finnish-insurance-2019.pdf

Growth in motor vehicle insurance is often important in explaining the overall trends in the non-life sector as insurers collect the largest amount of premiums in motor vehicle insurance (Figure 1.2). This line of business was identified as a particular driver of developments in the non-life segments in a number of countries such as Poland or Lithuania where it accounts for 60% or more of non-life premiums (well above the 36% average in the sample of reporting countries).[4] Non-life premium rose in Lithuania in 2019 following the increase in motor vehicle premiums as the size of the motor vehicle fleet grew. In Hungary, premium growth in the non-life sector was due to an increase in the price of the motor third party liability (MTPL) policies following the introduction of a new tax (at a 23% rate) payable as part of the insurance premium on these policies.[5] In Poland, the supervisor intervened in response to depressed pricing in MTPL insurance from tough competition among insurance companies, which had resulted in underwriting losses in this line of business in the past.

Figure 1.2. Average breakdown of non-life insurance premiums by insurance class in selected countries, 2019

In per cent



Note: The average breakdown of non-life insurance premiums by insurance classes is calculated over a sample of 49 jurisdictions (including 33 OECD Member countries).
Source: OECD Global Insurance Statistics.

Accident and health insurance is also an important underwriting activity that influences trends in the non-life sector in many countries. For instance, in Guatemala, the 3% premium growth in 2019 in the non-life sector is partly due to an increase in premiums for accident and health insurance, which represents 36% of premiums in the non-life segment.

In several European countries, trends largely reflected structural changes in the insurance sector in 2019. The largest increase in the life sector in Latvia (54%) was the result of the consolidation of insurance companies of a group, operating in the Baltic States, into a single company with its headquarters in Latvia (and branches in Estonia and Lithuania). Likewise, the exit of the United Kingdom from the EU has caused

[4] Table A A.1 in annex provides the split of non-life gross premiums by class of insurance and by country in 2019.

[5] This new tax replaces the previous “accident tax”. See https://www2.deloitte.com/content/dam/Deloitte/ce/Documents/tax-legal-highlights/august-2018/ce-tax-legal-highlights-hungary-august-2018.pdf and https://www.xprimm.com/STATISTICS-HUNGARY-FY2019-insurers-posted-EUR-3-5-billion-in-2019-GWP-while-the-market-profit-expanded-to-EUR-230-million-articol-2,10,19-14887.htm.

structural changes in Europe, with some firms in the United Kingdom relocating their business to other European countries (e.g. Belgium, Luxembourg and Ireland) in order to ensure continued access under European passporting rules. This likely accounted for the premium growth in the non-life sector in 2019 in Belgium, Luxembourg and Ireland, while the United Kingdom reported a 14.9% decrease in non-life premiums, the largest among all reporting jurisdictions.

1.1.2. Claims development: Life

As insurance business continued to expand and premiums grow, insurance companies also experienced an increase in their gross claims payments in 2019. Gross claims payments increased in the life sector of most reporting countries (33 out of 49) (Figure 1.3).[6] The largest increases in claims payments were recorded in Russia (80.2%), France (73.3%), Latvia (56.9%), and Finland (53.5%). Gross claims payments also increased by more than 20% in three other countries: El Salvador (34.6%), Iceland (33.2%), and Costa Rica (29.4%). Seven countries experienced a growth of claims payments between 10% and 20%, including Malaysia (11.7%) where life premiums have also been growing for a number of years. By contrast, Poland, Portugal and the United Kingdom experienced the largest decline in gross claims payments in 2019 (-21.7%, -14.7% and -22.7% respectively).

Trends in claims payments in the life sector are mainly accounted for by changes in the number of contracts reaching their maturity date and changes in the behaviour of customers. Payments are generally triggered when contracts mature, customers pass away or surrender their policies.

In the case of Russia, the large increase in claims payments, up by more than 80% in 2019, was due to an increase in maturing contracts. A number of 3- and 5-year investment life insurance contracts reached their terms in 2019. The Central Bank of Russia expects a peak of payments for 3-year investment life insurance contracts in 2020 as premiums paid for these types of contracts were the highest in 2017.

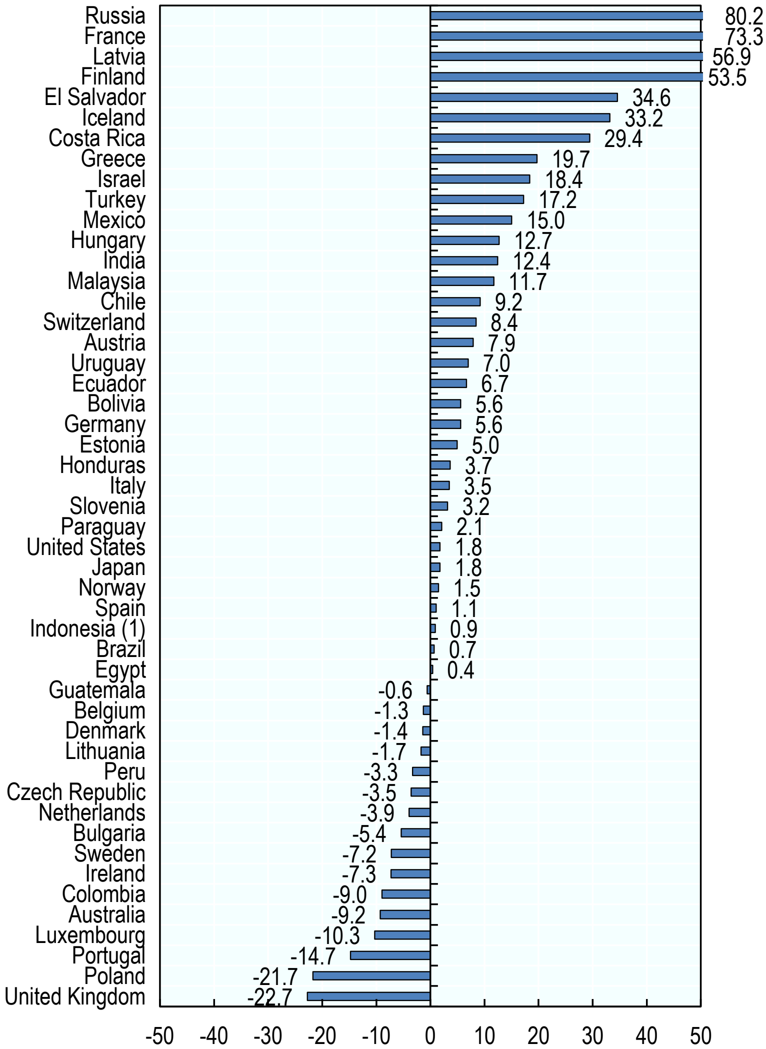
Policy surrenders have driven the trends in claims payments in several other countries, such as Finland, Portugal and Switzerland. In Switzerland, an insurance company stopped providing insurance for occupational pensions, leading to an increase in claims payments from contract terminations. In contrast, the decrease in claims payments in Portugal (-14.7%) was mainly due to a decrease in surrenders.

Just as an expansion in life premiums can explain increases in gross claims payments, a decline in premiums can also lead to declining claims payments over time. For example, the decline in gross claims payments in the Czech Republic in 2019 (-3.5%) may be partly explained by a continued fall in gross premiums in recent years.

[6] Unlike preliminary data published for 2019 in the OECD note *Insurance Markets in Figures 2020*, gross claims payments in this report (both in the life and non-life sectors) include changes reported in outstanding claims provisions (when available) to better reflect the magnitude of the obligations of the industry as a result of insured events that occurred in 2019. Outcomes in this report may therefore deviate from preliminary results published in early 2020.

Figure 1.3. Annual real growth rates of gross claims payments in the life sector, 2019

In percent



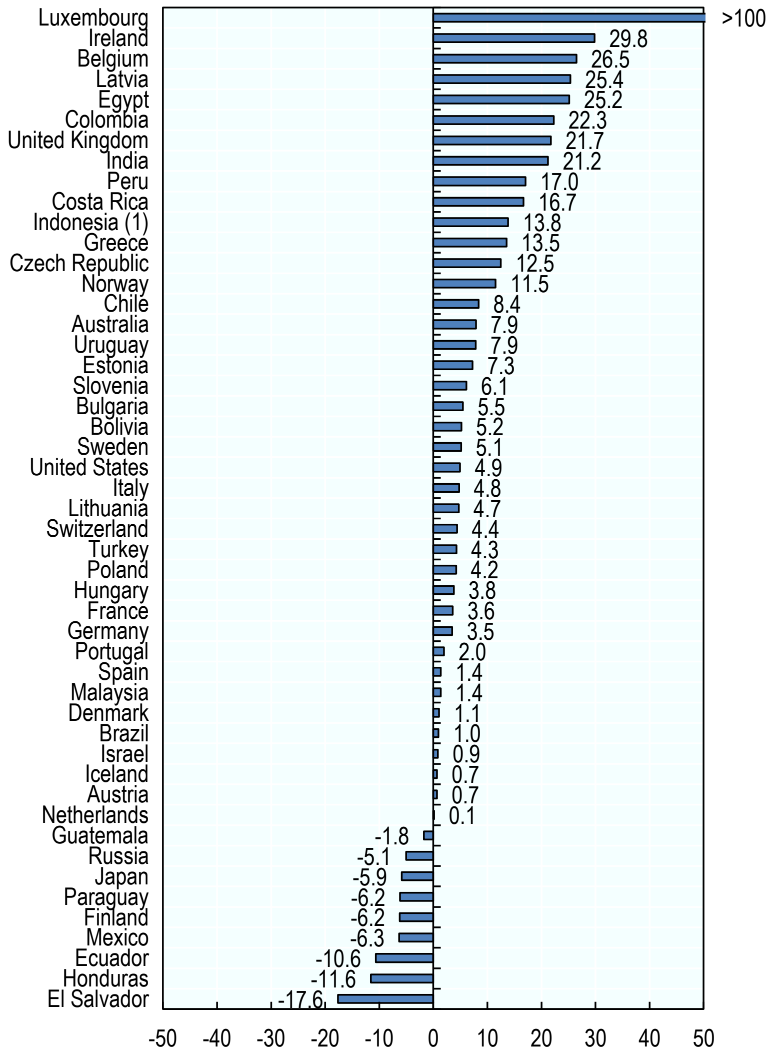
Note: Growth rates of gross claims payments take into account the variations in outstanding claims provisions (when this information is available) to reflect better the magnitude of the obligations that the industry had in 2019 as a result of insured events that occurred. When the breakdown of gross claims paid or changes in claims outstanding provisions for composite undertakings into their life and non-life businesses was not available, the breakdown in each subsector was assumed the same as for gross premiums written. (1) Data refer to conventional products only.
Source: OECD Global Insurance Statistics.

1.1.3. Claims development: Non-Life

Similar to the life sector, gross claims payments also increased in the non-life sector in most countries. Figure 1.4 shows that 40 out of 49 reporting countries experienced an increase in gross claims paid by insurers in real terms. The most pronounced changes in the amount of gross claim payments in the non-life sector were recorded in Luxembourg (over 100%), Ireland (29.8%), and Belgium (26.5%) as new companies entered the domestic market, shifting their business from the United Kingdom. By contrast, gross claims paid by insurers for their non-life activities declined by 17.6% in El Salvador in 2019 compared to 2018.

Figure 1.4. Annual real growth rates of gross claims payments in the non-life sector, 2019

In per cent



Note: Growth rates of gross claims payments take into account the variations in outstanding claims provisions (when this information is available) to reflect better the magnitude of the obligations that the industry had in 2019 as a result of insured events that occurred. When the breakdown of gross claims paid or changes in claims outstanding provisions for composite undertakings into their life and non-life businesses was not available, the breakdown in each subsector was assumed the same as for gross premiums written. (1) Data refer to conventional products only.
Source: OECD Global Insurance Statistics.

Trends in gross claims payments in the non-life sector are related to the frequency and severity of events that insurers cover.

Catastrophic events can have a large impact on claims payments in the non-life sector. Australia faced the Townsville flood catastrophe in early 2019, and multiple bushfire events over the 2019-20 summer, accounting for the increase in claims payments for the non-life sector (7.9%). In Belgium, two spells of bad weather in March 2019 contributed to the rise in claims paid by insurance companies in 2019. In the Czech Republic, the increase in claims paid (12.5%) was related to the second largest number of storm and hail claims in the last decade due to the storm Eberhard and the strong hailstorm at the beginning of July.

However, economic losses from natural catastrophes were not as high in 2019 as they had been in recent years. Swiss Re estimates that natural and man-made disasters generated a USD 146 billion economic loss worldwide in 2019, less than in 2018 (USD 176 billion) and in the previous ten years on average (USD 212 billion).[7] Levels of claims payments returned to lower levels in 2019 in some countries, such as in Japan, after large payments in 2018 in the wake of earthquakes, heavy rains and typhoons (Jebi and Trami).

Events other than natural disasters triggered larger claims payments than in 2018 in several countries. The increase in claims payments in Chile was mainly caused by fire and related risks following the social unrest in October 2019. In Colombia, large claims were paid for material damage and replacement of equipment at a hydroelectric project plant, contributing to the overall rise in non-life claims paid by insurers in 2019 (22.3%).[8] Poland and Lithuania recorded an increase in non-life claims payments in 2019 (4.2% and 4.7% respectively), partly driven by claims related to insured motor vehicles. Likewise in the United Kingdom, motor damage claims swelled as the installation of costly sensors, often positioned within bumpers and thus making them prone to damage, has proliferated in new vehicles.

1.1.4. Combined ratio: Non-Life

The combined ratio measures the operational underwriting profitability of insurance companies in the non-life sector on their direct business, allowing for the disaggregation of the sources of profitability.[9] It is the aggregation of the loss ratio (which measures claims paid and changes in claims provisions relative to gross premiums written) and the expense ratio (which measures expenses incurred and commissions relative to gross premiums written). A lower combined ratio can be due to higher premiums, better cost control and/or more rigorous management of risks covered in insurance classes. A combined ratio of more than 100% represents an underwriting loss for a non-life insurer. It should be noted that an underwriting loss does not indicate an overall loss, as these losses can be recovered through investment earnings.

In most reporting countries, the non-life insurance industry achieved an overall underwriting profit in 2019. The combined ratio of the non-life sector was below 100% in 42 out of the 48 reporting countries (Figure 1.5). The combined ratio was above 100% in the remaining countries – including Luxembourg and the United Kingdom – although only slightly above 100% in Bolivia.

The combined ratio improved in most reporting countries in 2019, in some cases resulting from declining levels of claims (e.g. Japan) or claims increasing at a slower pace than premiums (e.g. Iceland, Slovenia).

While losses from claims payments usually represent the largest share of the combined ratio, expenses that insurers faced were high in some countries, close to or above the loss ratio (e.g. in Hungary), and sometimes drove the evolution of the underwriting performance. For instance in Colombia, administrative expenses, and in particular fixed costs of insurers that may not be assigned to any line of business specifically, increased significantly in 2019 according to national authorities, accounting partly for the deterioration of the combined ratio (from 83.3% in 2018 to 92.2% in 2019). In Luxembourg, the combined ratio exceeded 100% in 2019 for the first time in years as the new companies entering the market reported higher commissions than other companies already operating in Luxembourg.

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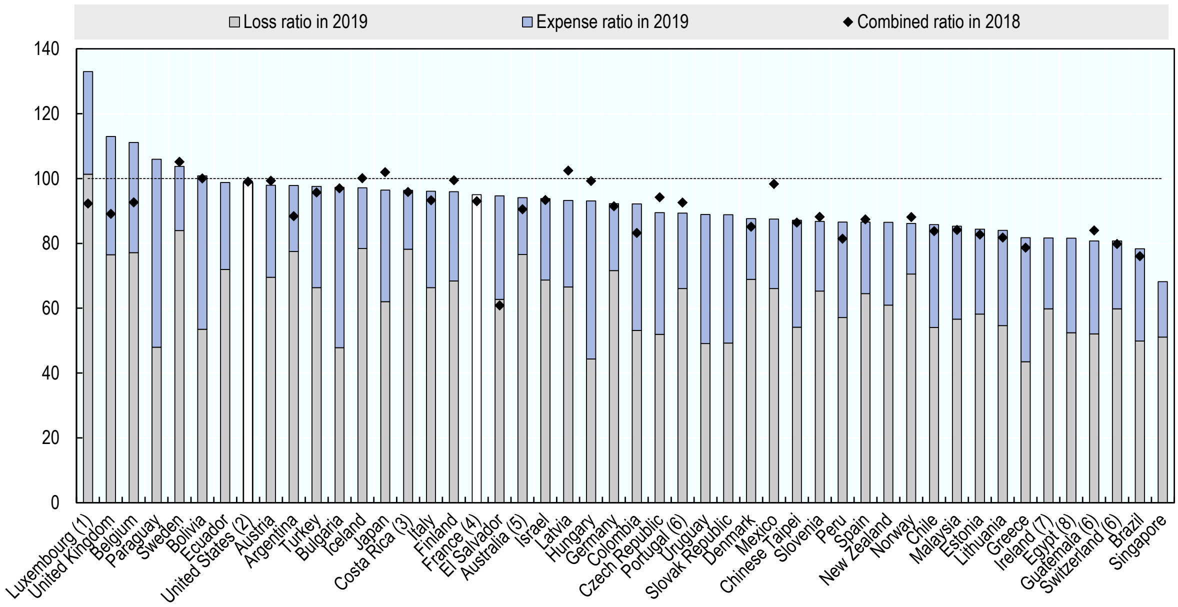
[7] https://www.swissre.com/institute/research/sigma-research/sigma-2020-04.html

[8] https://www.epm.com.co/site/investors/home/epm-received-new-payment-of-usd-100-million-from-mapfre

[9] The combined ratio in this report is defined as the sum of gross claims paid, the variation in outstanding claims provisions, gross operating expenses and gross commissions divided by gross premiums written (for direct business only). Results in this report may therefore deviate from calculations of this indicator by national authorities. It should be noted that the inclusion of reinsurance pay-outs in the calculation would be likely to have material impacts for many countries and could lead to some underwriting results calculated as losses becoming overall underwriting profits.

Figure 1.5. Combined ratio for the non-life sector in selected countries, 2018-2019

In per cent



Note: The combined ratio is calculated in this report as the sum of gross claims payments, changes in outstanding claims provision, gross operating expenses, and gross commissions divided by gross written premiums. i.e., Combined ratio = “Loss ratio” + “Expense ratio”, where:
• Loss ratio: (Gross claims paid + changes in outstanding claims provision) / gross written premiums (the latter used as a proxy for gross earned premiums); and,
• Expense ratio = (Gross operating expenses + commissions) / Gross written premiums.
When available, this chart shows the breakdown of the combined ratio in 2019 between loss and expense ratios in 2019. The combined ratio is used in analysing the underwriting performance of insurance companies, especially for non-life insurance where the risk exposure is short-term -- generally one year. The use of the combined ratio for long-term business such as life insurance is of limited use only.
These ratios are calculated on the whole non-life business (i.e. all business of non-life insurers and non-life business of composite insurers). When the breakdown of one of the variables for composite undertakings into their life and non-life businesses is not available, the breakdown in each subsector was assumed to be the same as the one for gross written premiums. Variations in outstanding claims provisions are not taken into account in the calculation of the combined ratio of some countries for which data are not available for either 2018 or 2019. The results of OECD calculations may differ from those of national authorities (such as Colombia), which may use premiums earned instead of premiums written and take into account the reimbursements received from reinsurers in the calculation of the combined ratio. (1) Data include business abroad of domestic undertakings. (2) Source: NAIC. Data refer to the combined ratio of the US property and casualty insurance industry. (3) Results are those of the national authority. (4) Source: ACPR. (5) Earned premiums (instead of gross written premiums) for direct insurers were used in the calculation of the combined ratio. The numerator of the combined ratios includes reinsurance business accepted by direct insurers. (6) Data include reinsurance accepted business. (7) Source: Central Bank of Ireland. (8) Source: Financial Regulatory Authority.
Source: OECD Global Insurance Statistics.

1.2. Investment allocation and performance

The OECD modified its statistical exercise in 2016 in order to capture a greater level of detail for the investment allocation of insurance companies. The changes consisted of the introduction of new categories (e.g. structured products, hedge funds) that allow for a better understanding of the asset allocation of insurance companies and reflect developments in investment strategies. The underlying asset allocation of investments by insurance companies through collective investment schemes are now collected separately as well. This last change allows for a better assessment of the direct exposure of insurance companies to some assets.

This section shows the allocation of assets of life, non-life and composite insurers at end-2019, excluding assets linked to unit-linked products where policyholders can select an investment mix and bear the related risk.

Bonds were dominant in the portfolios of all types of insurance companies and represented a large share of their direct allocation. Insurers may have a larger exposure to bonds through their investments in collective investment schemes as well. As most insurers invested most of their assets in bonds, they were still exposed to reinvestment risk as a result of the historically low interest rate environment, i.e. the risk related to the maturing of older bonds with higher yields and the purchase of new bonds with lower yields.

Insurers achieved overall positive real investment rates of return in most countries, likely driven in part by gains from buoyant stock markets in 2019, particularly in countries where insurers invested significantly in equities.

1.2.1. Portfolio allocation: Life

In most countries, life insurers invested more than half of their portfolio in bills and bonds directly. Bonds accounted for more than 50% of the investments of life insurers (excluding investments related to unit-linked products) in 28 out of 43 reporting countries (Figure 1.6). Bonds represented more than 90% of the investment portfolios in two countries: Mexico (93.7%) and Portugal (91.5%). Life insurers in both Mexico and Portugal primarily held public-sector bonds (respectively 83.1% and 61.1%).

Within their bond allocation, some life insurers favoured corporate bonds to public-sector bonds, such as in Chile, Peru and Chinese Taipei where these instruments represented close to or over 50% of their investments. Insurers in Chinese Taipei invested largely in corporate and financial sector bonds, available in high volumes and with a long-term horizon, as part of their long-term asset liability management.

Life insurers invested more in bonds than in equities overall, despite some notable exceptions. In Denmark and Sweden, life insurers invested over 35% of their assets in equities while investments in bonds represented respectively 32.4% and 34.2% of their portfolios.

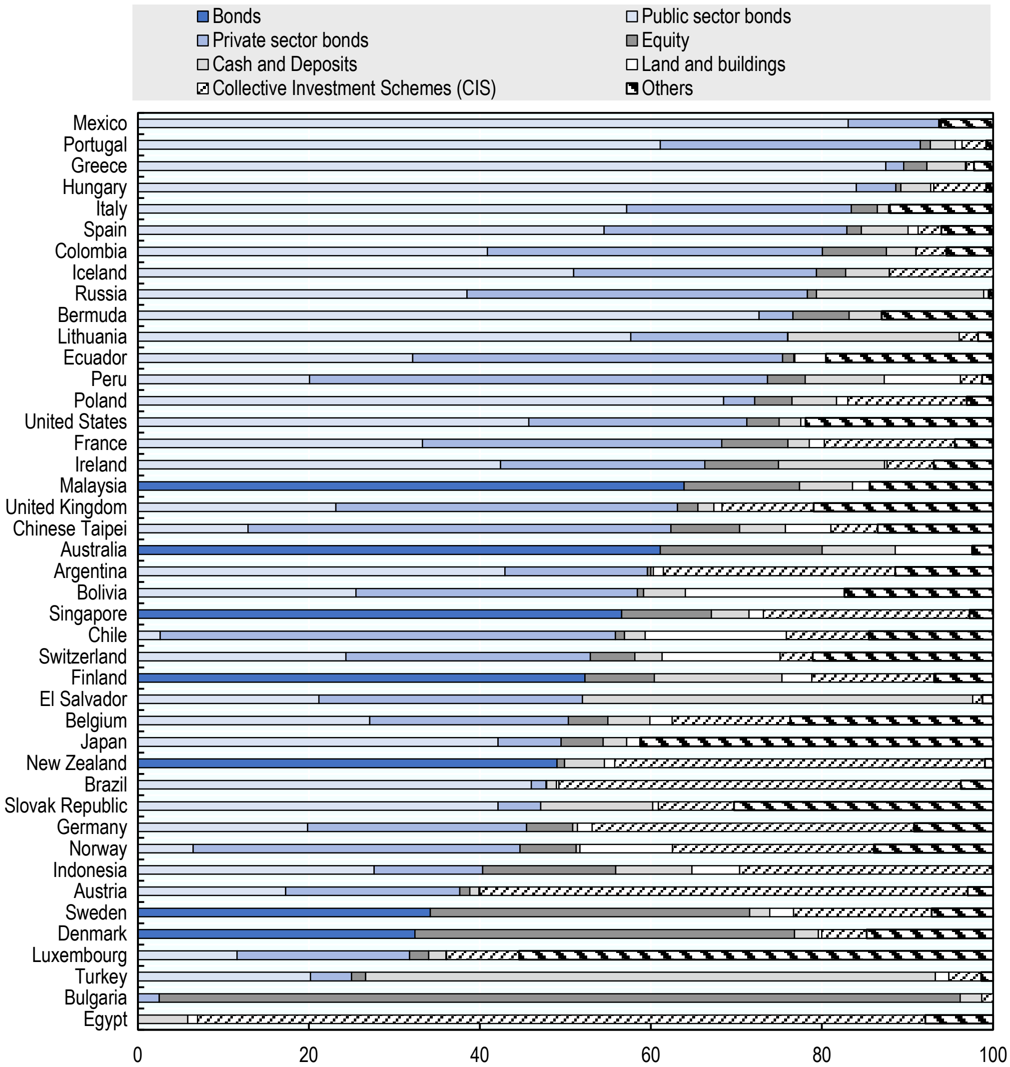
Land and buildings also represented a noticeable share of assets of life insurers in some countries, such as in Bolivia, Chile, Norway and Switzerland where they accounted for more than 10% of investments. Life insurers in Peru invested close to 10% of their assets in real estate as they aimed to receive a steady income from rental or lease contracts. At the end of March 2019, Peru allowed insurance companies to invest in new instruments, securitisation trusts for investment in real estate income and investment funds for real estate income, giving insurers more options to invest in alternative assets.

The prolonged low yield environment remains a challenge for life insurers and may have led some to search for higher yields. Some insurers in Denmark and Switzerland have changed their asset allocation to invest more in illiquid alternative assets. However, some other jurisdictions reported little change in the asset mix of life insurers (e.g. France, Lithuania) and did not see any sign of higher-risk investment strategies.[10]

[10] See the ACPR's report for 2019: https://acpr.banque-france.fr/sites/default/files/medias/documents/rapport_chiffres_2019_vf-acpr.pdf (in French).

Figure 1.6. Asset allocation of domestic life insurance companies in main instruments or vehicles, 2019

As a percentage of total investment



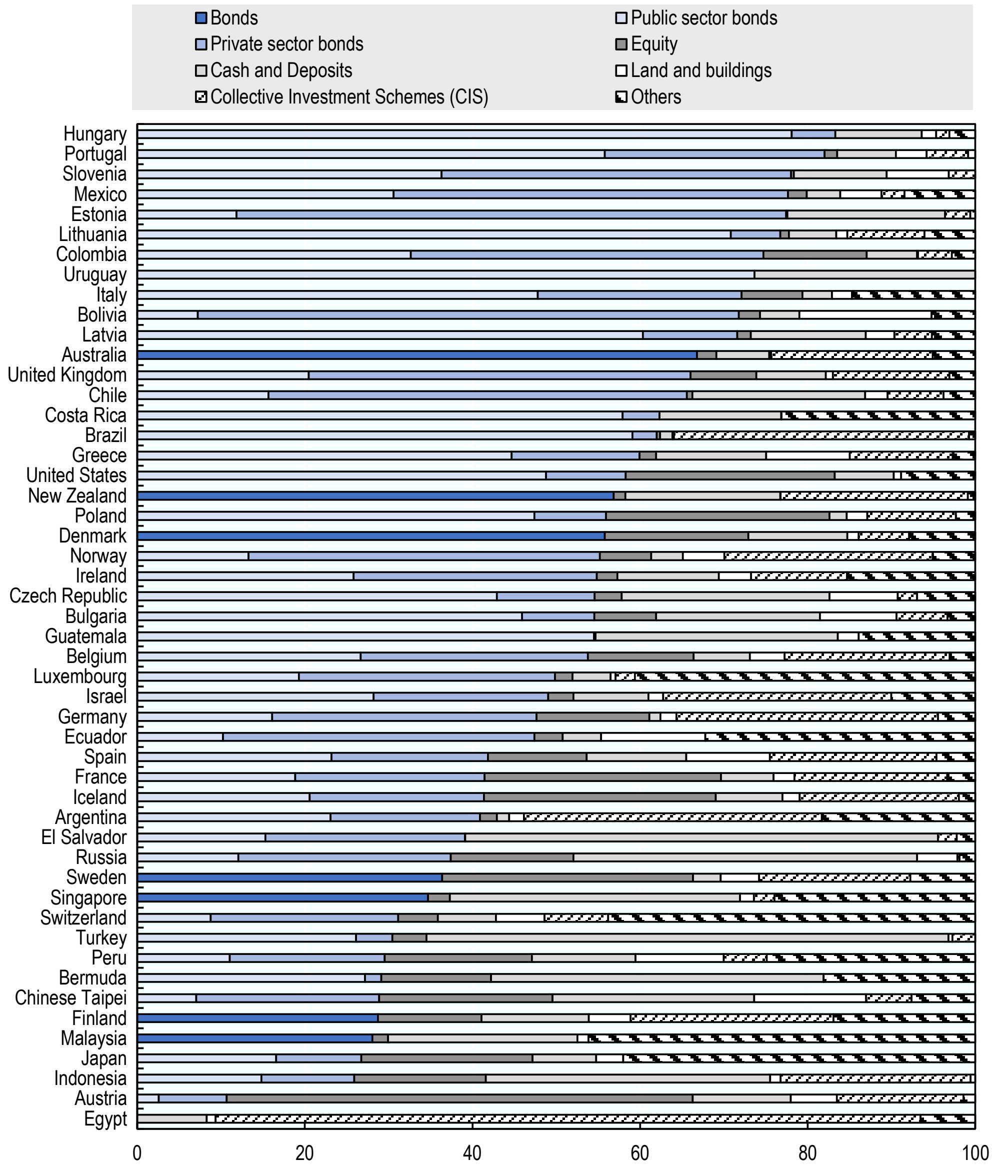
Note: Data exclude assets linked to unit-linked products where risk is fully borne by policyholders. The "Others" category includes investments in loans, private equity funds, hedge funds, structured products and other investments. Negative values in some categories for some countries were excluded from the calculation of the asset allocation.
Source: OECD Global Insurance Statistics.

1.2.2. Portfolio allocation: Non-Life

Bonds are seen as a stable source of investment income for non-life insurers as well. Overall, bonds represented more than half of the investments of non-life insurers in 27 out of 50 reporting countries (Figure 1.7). On average, non-life insurers allocated 51.0% of their assets to bills and bonds, slightly less than life insurers (58.7%). Non-life insurers invested the most in bills and bonds in Hungary (83.3%) and Portugal (82%), mainly in government bonds.

Figure 1.7. Asset allocation of domestic non-life insurance companies in main instruments or vehicles, 2019

As a percentage of total investment



Note: The "Others" category includes investments in loans, private equity funds, hedge funds, structured products and other investments. Negative values in some categories for some countries were excluded from the calculation of the asset allocation.
Source: OECD Global Insurance Statistics.

Non-life insurers tend to hold more cash and deposits on average (14.7% of assets) than life insurers (7.4%). The proportion of cash and deposits held by non-life insurers exceeded this average at more than 20% of their assets in 12 jurisdictions, mainly from Asia (e.g. Indonesia, Malaysia, Singapore, Chinese Taipei) and Latin America (e.g. Chile, El Salvador, Guatemala, Uruguay). Malaysian authorities explained that non-life insurers largely held liquid financial instruments such as cash, deposits and short- to medium-term corporate bonds to match their liability structure that has a shorter-term than for life insurers.

Non-life insurers also invested a significant share of their assets in equities in some countries in 2019, exceeding 20% of their investments in eight of them, including France, Japan and the United States.

Insurers may invest a portion of their assets through collective investment schemes. In 2019, non-life insurers used this means the most in Argentina, Brazil and Egypt, where they invested respectively 35.6%, 35.2% and 84.1% of their assets in collective investment schemes.

Non-life insurers also made investments in other types of instruments or vehicles. Non-life insurers in Switzerland held 6% of the assets in land and buildings and 9% in loans in 2019, for instance. The portion of participations is also large in the portfolio of non-life insurers in Switzerland.[11]

1.2.3. Portfolio allocation: Composite

A number of OECD and non-OECD countries allow insurance companies to offer both life and non-life insurance products. For example, life insurance companies in many countries offer health/accident and sickness insurance, which is classified as non-life business under the OECD classification of insurance activities. Companies engaged in both life and non-life insurance activities are defined as composite companies.

Composite companies also invested predominantly in bonds in 2019 (Figure 1.8). In 28 out of 32 reporting countries, composite insurers held more than 50% of their assets in bills and bonds. Composite insurers in Uruguay held the largest share of bonds in 2019 (88.5% of assets), mainly in government bonds.

Composite companies usually invested less in equities than in bonds, although the share of equity in their portfolios was relatively significant in Bermuda (22.0%), Portugal (15.2%) and Singapore (15.8%) for instance.

In some countries, composite companies also held a significant amount of assets in cash and deposits, including in El Salvador (44.7%) and the United Kingdom (30.2%).

Similar to life and non-life insurers in these countries, composite insurers in Argentina and Brazil invested a significant share of their assets through collective investment schemes: 26.6% for Argentina, 34.8% for Brazil. Composite insurers in Latvia also invested a large share of their assets through collective investment schemes (30.7% of their assets), more than non-life insurers (4.5%).

Composite insurers in three countries invested more than 25% of their assets in instruments or vehicles other than bills, bonds, equities, cash and deposits, and collective investment schemes: Ecuador, Israel, and Honduras. Land and buildings alone represented 17.6% of the assets invested by composite insurers in Ecuador and 5.2% in Israel.

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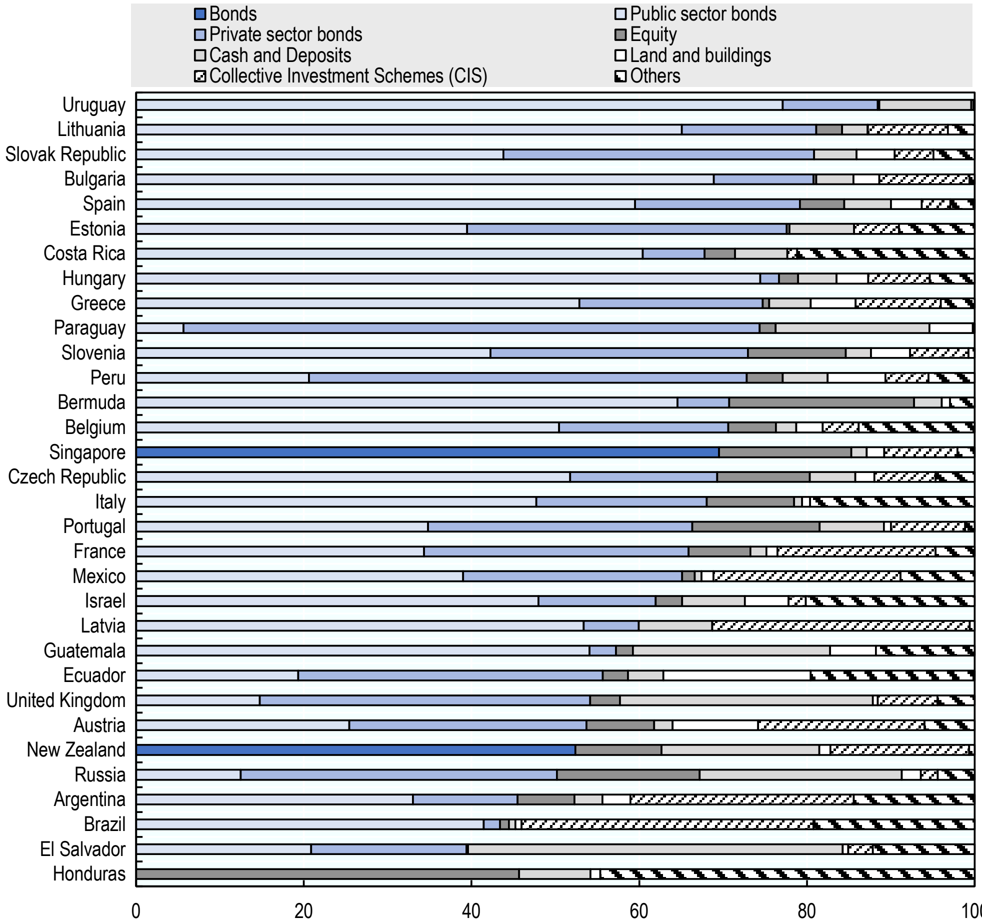
[11] See FINMA's Insurance Market Report 2019 at : https://www.finma.ch/en/documentation/finma-publications/reports/insurance-reports/

Figure 1.8. Asset allocation of domestic composite insurance companies in main instruments or vehicles, 2019

As a percentage of total investment



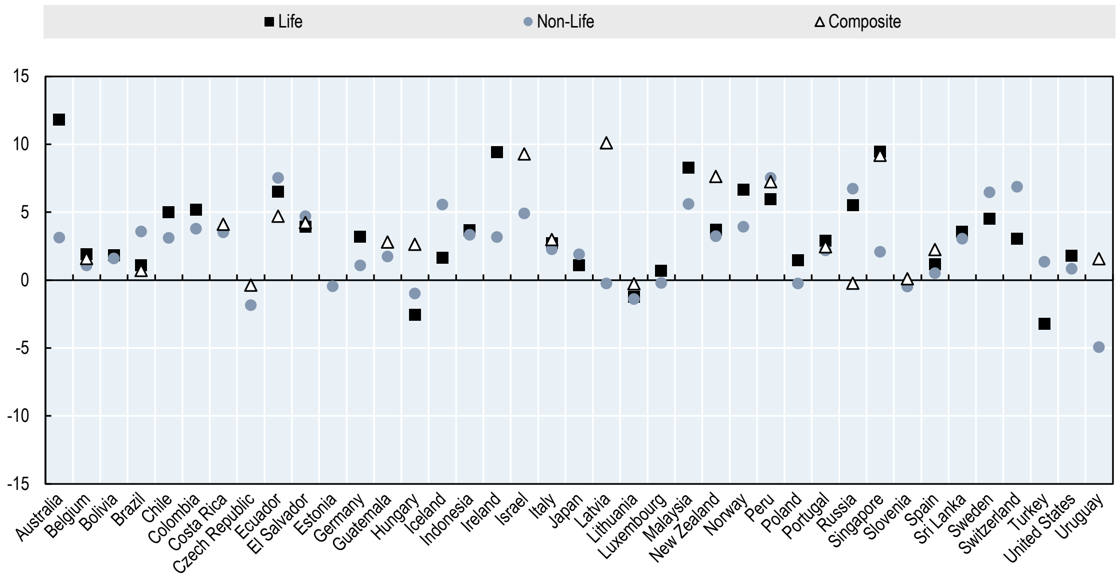
Note: Data exclude assets linked to unit-linked products where risk is fully borne by policyholders. The "Others" category includes investments in loans, private equity funds, hedge funds, structured products and other investments. Negative values in some categories for some countries were excluded from the calculation of the asset allocation.
Source: OECD Global Insurance Statistics.

1.2.4. Investment returns

Insurance companies achieved positive real investment rates of return in most countries in 2019, whether they engaged in life, non-life insurance activities or both (Figure 1.9). The strongest returns were observed in Australia (11.8%), Ireland (9.4%), and Singapore (9.5%) among life insurers; in Ecuador (7.5%), Peru (7.5%) and Switzerland (6.9%) among non-life insurers; and Israel (9.3%), Latvia (10.1%) and Singapore (9.2%) among composite insurers.

Figure 1.9. Average real net investment rates of return by type of domestic insurer in selected countries, 2019

In per cent



Note: Average annual real net investment rates of return are calculated based on the nominal annual net investment rates of return reported by countries for 2019 and the variation of the consumer price index over the same period.
Source: OECD Global Insurance Statistics.

Investment returns of insurers in 2019 were generally higher than in 2018.[12] The investment performance improved in 2019 in 23 (out of 31) reporting countries for life insurers, in 26 (out of 39) reporting countries for non-life insurers and in 11 (out of 18) reporting countries for composite insurers.

Insurers may have benefitted from the strong performance of stock markets that recovered in 2019 after heavy losses in the last quarter of 2018. Major stock market indices ended 2019 at higher levels than 2018 (e.g. +25% for the FTSE 250, +26.5% for the DAX and +28.9% for the S&P 500), as trade tensions between the United States and China eased and prospects for a Brexit deal improved.[13] Financial gains from stock markets may have boosted the investment performance of insurers that held the largest share of assets in equities, such as life insurers in Australia (holding 19% of assets in equities), non-life insurers in Peru (holding 17.6% of assets in equities), and composite insurers in Singapore (holding 15.8% of assets in equities). The Latvian authorities also attributed the better investment performance of composite insurers (10.1%) relative to non-life insurers (-0.3%) in 2019 to the riskier investment strategy of composite insurers and a larger proportion of assets invested in equity and collective investment schemes.

While falling interest rates have enabled insurers to achieve unrealised gains in the fixed-interest investments they already held in some countries (e.g. in New Zealand and Malaysia), the low yield environment remained a challenge for insurers. Low interest rates limit the ability of insurers to achieve strong investment returns through bonds and expose them to reinvestment risk.

A relatively high inflation rate may also be a challenge for insurers in some countries (e.g. 11.8% in Turkey and 8.8% in Uruguay in 2019). Life insurers in Turkey and non-life insurers in Uruguay achieved an

[12] Table A A.2 in annex provides average real investment rates of return by type of insurer in 2018 and 2019.

[13] Source: Market Data Center of the Wall Street Journal, and BIS Quarterly Review (December 2019).

investment return that was positive in nominal terms (8.2% and 3.4% respectively), but negative after taking inflation into account (-3.2% and -4.9% respectively).

1.3. Profitability

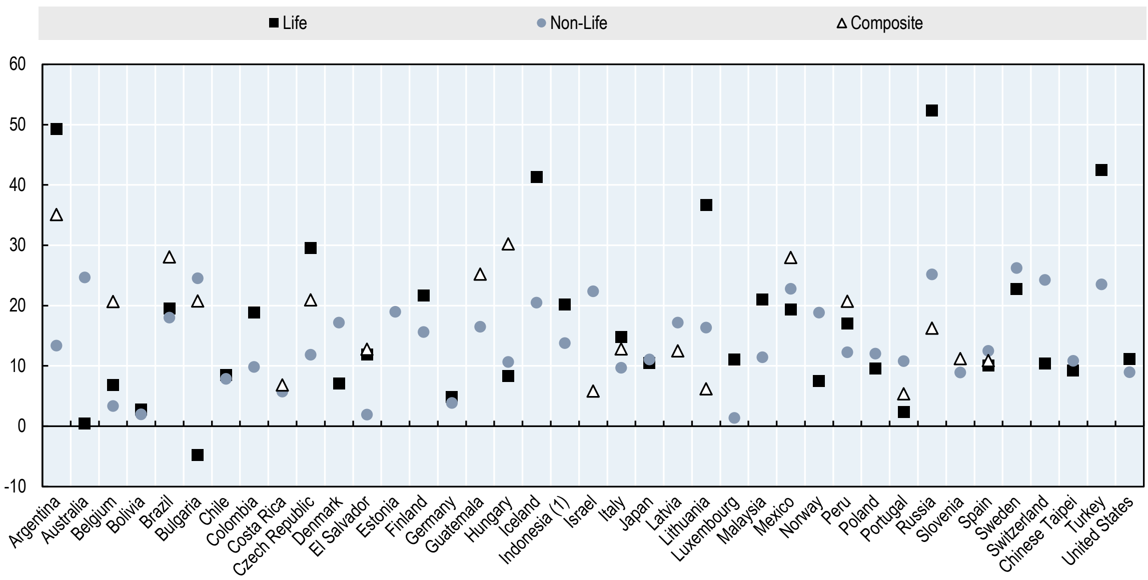
1.3.1. Return on Equity

Return on equity (ROE) is an indicator of profitability and income generating capacity of insurers.[14] It shows how much income insurance companies have generated with the capital that shareholders have invested.

In 2019, ROE was positive in almost all countries for all types of insurers at the aggregated level (Figure 1.10). Some of the highest ROEs were achieved by life insurers in Argentina (49.3%), Russia (52.3%) and Turkey (42.4%).

Figure 1.10. Return on equity by type of insurer in selected countries, 2019

In per cent



Note: ROE was calculated by dividing net income in 2019 by average shareholder equity in 2018 and 2019. (1) Data refer to conventional products only.
Source: OECD Global Insurance Statistics.

Several factors can explain the positive ROEs that were observed. Underwriting performance may explain in some cases the positive ROE, such as in Hungary where non-life insurers earned an underwriting profit, driven by the growth of gross premiums written for motor third party liability insurance. The investment performance of insurers was another driver of positive ROEs, as reported by the national authorities of Argentina, Malaysia and Switzerland.

14 In this report, the return on equity (ROE) is calculated as the current year's net income divided by the average of the current and previous year's shareholder equity, as reported on the balance sheet aggregated at an industry level.

The profitability of insurers has improved in 2019 in 19 out of 29 reporting countries for life insurers, in 24 out of 35 reporting countries for non-life insurers and in 9 out of 17 reporting countries for composite insurers.[15] This improvement may be attributable to the stronger investment returns of insurers in 2019, sometimes combined with larger underwriting profits.

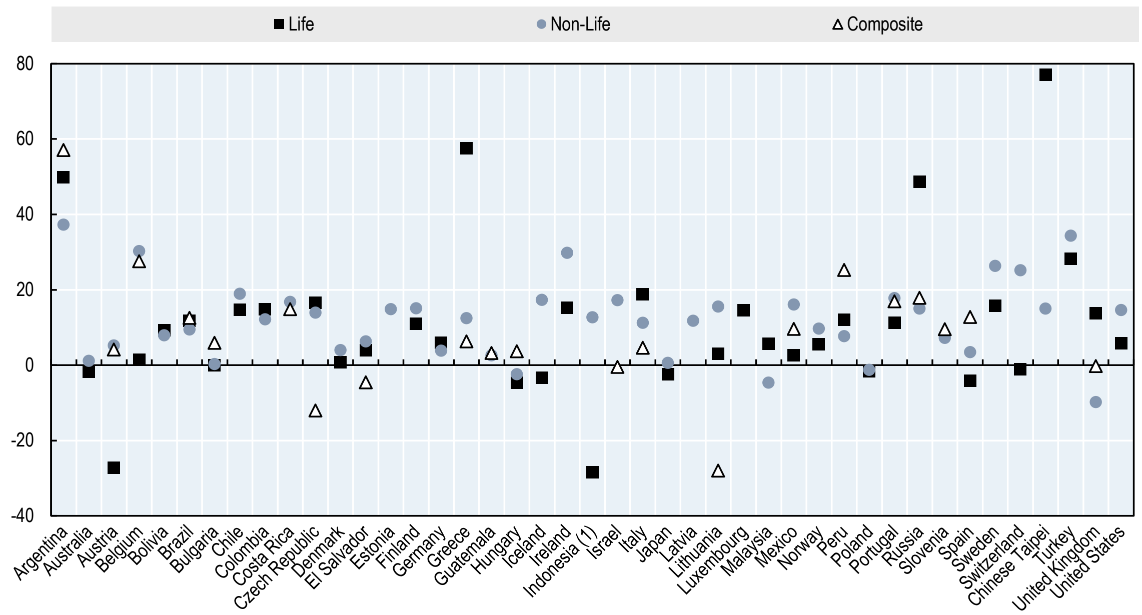
1.3.2. Change in equity position

The change in equity position reveals the evolution of shareholder capital.[16] Changes may occur due to dividend distributions, share buybacks and issuance of share capital. They may also reflect unrecognised gains or losses that do not appear in the income statement but nonetheless may be important to understand the undertaking's financial position. For instance, unrealised gains and losses on investments held to maturity within an investment portfolio do not appear in the income statement, yet they are reflected in changes to shareholder equity.

Shareholder equity has increased in most cases in 2019 compared to 2018 (Figure 1.11).[17] Shareholder equity increased in 27 out of 37 reporting countries for life insurers, in 39 out of 43 reporting countries for non-life insurers and in 17 out of 22 countries for composite insurers.

Figure 1.11. Change in equity position by type of insurer in selected countries, 2019

In per cent



Note: Change in equity position is calculated as the change in shareholder equity divided by the level of shareholder equity from the previous year. (1) Data refer to conventional products only.
Source: OECD Global Insurance Statistics.

[15] Table A A.3 in annex shows the ROE in 2018 and 2019 by type of insurer.

[16] The change in equity position is obtained by dividing the change in total shareholder equity relative to the previous year over the total shareholder equity in the previous year.

[17] Table A A.4 in annex provides changes in equity position for 2018 (compared to 2017) and 2019 (compared to 2018) by type of insurer.

The largest changes in shareholder equity occurred in Latvia (over 100% increase for composite insurers). This increase is a result of the consolidation of life insurance companies operating in the Baltics into a single company, with its headquarters in Latvia and branches in Estonia and Lithuania.

Brexit also had a significant impact on the evolution of shareholder equity. The 152% increase for non-life insurers in Luxembourg, which was the largest among non-life insurers, was attributed to companies transferring their activities to Luxembourg for instance. For the same reason, the shareholder equity for non-life insurers in Belgium and Ireland also increased significantly (30.3% and 29.9% respectively).

2 Preliminary developments in the insurance sector in 2020 and the impact of COVID-19

The year 2020 has been like no other one for many people and businesses, and for insurance companies too. The world has faced an unexpected challenge as a new virus spread fast around the globe. Quickly becoming a pandemic, COVID-19 has threatened people's health and had consequences on people's lives and livelihoods, as governments tried to contain the spread of the virus through preventive measures such as business closures and lockdowns. This health crisis, and the unprecedented government responses, has completely modified the normal activities of people and businesses, impacting in turn the business performance and claim experience of insurers.

Initiatives from insurance companies are also likely to have affected trends in 2020. Some provided financial support to policyholders through premium payment grace periods, renewal extensions and premium refunds for instance.[18] Decisions on coverage applicability or exclusions for people or business are also likely to affect the overall level of claim payments by insurers.

This second part of the report examines preliminary developments in the insurance sector in 2020, based on data that is already publicly available at the national level. Insurance supervisors in some countries or regions (e.g. Europe) have aggregated information up to mid-2020, and even in some cases to end Q3 2020, as part of their regular data collection exercises. Some countries have even introduced new data collection exercises to monitor more closely developments in the insurance industry.

2.1. Premiums written in 2020

Preliminary data and estimates available for the first quarters of 2020 would suggest that the evolution of premium written varied greatly by type of insurance business. Swiss Re forecasts gross premium to contract more sharply for the life than for the non-life segment in 2020.[19] Data from the European Insurance and Occupational Pensions Authority (EIOPA) confirm this forecast in the European Economic Area (EEA). Gross premiums written declined in the first half of 2020 in the life segment compared to the same period in 2019 (from EUR 447 billion in H1 2019 to EUR 396 billion in H1 2020), while they increased in the non-life segment (from EUR 272 billion in H1 2019 to EUR 282 billion in H1 2020).

[18] See OECD Insurance Sector responses to COVID-19 by governments, supervisors and industry: http://www.oecd.org/pensions/Insurance-sector-responses-to-COVID-19-by-governments-supervisors-and-industry.pdf

[19] https://www.swissre.com/institute/research/sigma-research/sigma-2020-04.html

Some jurisdictions explained the decline in gross premiums written in the life segment by an increase in the lapse rate (e.g. Australia) or a decline in new business written (e.g. Australia, Luxembourg, Slovenia). The difficulty of having in-person meetings may have contributed to the decline in sales of new life insurance contracts in some countries. For example, in Slovenia, it is a legal requirement for customers to conclude a life insurance contract during physical meetings to allow for a face-to-face identification, limiting the possibility of selling new contracts in the time of COVID-19. Some countries relaxed these types of requirements on a temporary basis in response to the health crisis.[20]

Some lines experienced larger drops in premium volumes than others, especially travel insurance and motor vehicle in the non-life segment. Several countries recorded a drop in premiums in motor vehicle insurance (e.g. Belgium, Estonia, Malaysia, Singapore, the United Kingdom), as shop closures and the reduced need for a car during lockdowns led to a fall in vehicle sales and therefore new motor vehicle insurance policies. Some initiatives that include premium suspension or refunds are also likely to affect trends in some lines (including motor vehicle insurance).

By contrast, insurers have experienced premium growth in some lines of business in 2020, such as in the health insurance sector in Australia, Belgium and the United States. Australia noted a 1.5% growth in premium revenue in Q3 2020 compared to Q2 2020 due to an increase in membership and reduced lapses. Some countries, such as Malaysia, also expect a higher take-up of medical and health insurance policies as the COVID-19 outbreak may have triggered a higher degree of awareness on the importance of having medical and health insurance coverage among consumers.

The overall number of policies that were purchased and premiums written for 2020 is still uncertain at the time of publication of this report, especially as countries were facing a second (third) wave of COVID-19 and a new set of preventive measures in the last quarter of 2020. Another slowdown of the economy, after the contraction of GDP in the first half of 2020, is likely to disrupt the purchase of insurance policies and premium volume, at least for some lines of business. However, reports of a hardening market (accelerating as a result of COVID-19) could lead to higher premium prices which should have a positive impact on premium revenue in 2020.

2.2. Claims in 2020

COVID-19 has changed claim experiences significantly in a number of lines of business.

There has been a widespread decline in claims payment for motor vehicle insurance, including in Australia, Denmark, Iceland, Japan, Malaysia, the Netherlands, New Zealand, as a result of reduced vehicle traffic in 2020.

By contrast, some countries have observed an increase in claims in the life insurance segment due to COVID-19. The surrender of unit-linked products, i.e. life investment products where policyholders bear the financial risk, increased in Estonia in the first quarter during the financial market downturn. Some jurisdictions (e.g. Australia and the United Kingdom) indicated that a significant uptick in mortality claim payments had not occurred yet as the mortality rate due to COVID-19 was still relatively low.

Claims payments for health insurance may have increased in 2020, such as in the United States. The National Association of Insurance Commissioners (NAIC) recorded a 2% increase in hospital and medical benefits in the first half of 2020.[21] This increase is even taking into consideration factors such as delays or cancellations of non-emergency surgeries that will have reduced medical costs.

[20] http://www.oecd.org/pensions/Insurance-sector-responses-to-COVID-19-by-governments-supervisors-and-industry.pdf

[21] https://content.naic.org/cipr_topics/topic_insurance_industry_snapshots_and_analysis_reports.htm

Claims for event cancellations have also increased (e.g. in Bermuda), and so have claims for travel insurance (e.g in Denmark and Norway) as COVID-19 was more often accepted as a covered event. This was however not the case all the time. For instance, Estonian authorities did not note a loss for insurance companies for travel insurance due to COVID-19 as a pandemic is usually excluded from the policies.

While COVID-19 and the subsequent preventive measures have had a major impact on businesses due to business interruption, the ultimate cost to the insurance industry will depend on the interpretation of individual policy wordings. According to OECD estimates (forthcoming), lockdown measures and business closures like those experienced in most OECD countries in March/April could lead to USD 1.7 trillion in lost revenues across OECD countries. However, according to one estimate, reported losses among large insurance and reinsurance companies had reached only USD 28.15 billion as of 20 November 2020, well below estimates of ultimate insured losses related to COVID-19 of USD 50 – 70 billion.[22]

There remains significant uncertainty related to the ultimate levels of claims that insurers and reinsurers will face as a result of the COVID-19 health crisis as second or even third waves of the pandemic occur and as claims disputes and litigation are resolved, particularly in the context of business interruption coverage (although insurance companies are likely to apply clear exclusions for COVID-19 or pandemic-related losses which should limit future claims liability). Claims development in some lines of business, such as credit insurance (should government support be removed) and various liability lines, may only become apparent in the coming months. Some jurisdictions anticipate an increase in legal insurance claims (e.g. Germany and Ireland) due to legal disputes.

COVID-19 may also increase the risk of cyber-attacks and losses in this area, as more people have been working from home and relying on (potentially less secure) digital tools. Most respondents to a survey of Willis Towers Watson in 2020 foresee an increase in the frequency of cyber-attacks because of COVID-19.[23] Just over half of the respondents (54%) believe the severity of the attacks will also increase. This is likely to lead to an increase in claims payments for cyber insurance.

2.3. Profitability of insurers in 2020

COVID-19 has created uncertainties around the revenue prospect of insurers in 2020. In this context, some authorities, including EIOPA, have encouraged insurance companies to exercise caution and avoid paying dividends and starting buyback programs, in case their profitability deteriorates in 2020. Maintaining capital could help cushion unexpected capital consumption due to a spike in claims for instance.

The profitability of some insurers seems to have deteriorated to some extent during 2020 in some countries where data is already available. The Australian Prudential Regulation Authority (APRA) assessed that the profit was lower for the general insurance industry during the year ending 30 September 2020, and even negative for life insurance. The Czech authorities also observed a slight worsening of the profitability of insurers (P&C) in the first quarter of 2020. The net profit of the property and casualty insurance industry in the United States declined by 23% in the first half of 2020.

The deterioration of the profitability of insurers seems mainly attributable to losses on financial markets (at least in Australia and the United States). Equity prices fell sharply in the first quarter of 2020 as COVID-19 was spreading worldwide and countries were shutting parts of their economy. Financial markets have recovered since then but uncertainties remain going forward.

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22 See https://www.reinsurancene.ws/covid-19-insurer-reinsurer-loss-reports/ and https://www.artemis.bm/news/global-covid-19-claims-under-70bn-lloyds-estimate-too-high-analysts/

23 This survey covers buyers, risk managers, underwriters, claims staff, actuaries and brokers. See : https://www.willistowerswatson.com/en-US/Insights/2020/09/covid-19-has-changed-how-we-think-about-cyber-risk

Available data seems to suggest that insurance companies may have been able to preserve their underwriting performance in 2020. In the United States, the NAIC finds that underwriting results in the first half of 2020 were better than any mid-year period over the last ten years in the P&C insurance industry. This is due to an improvement in the loss ratio related to less driving. The underwriting performance in the health insurance industry also improved in the United States in the first half of 2020 as the premium volume rose faster than claims payments. However, as noted above, this could change depending on how coverage disputes and litigation are resolved and how claims develop in credit insurance and liability lines.

Annex A. Statistical tables

Table A A.1. Split of direct gross premiums in the non-life segment, by class of insurance, in 2019

In per cent

	Motor Vehicle Insurance	Marine, Aviation And Other	Freight Insurance	Fire And Other Property Damage	Pecuniary Loss Insurance	General Liability Insurance	Accident And Health	Other
Argentina	45.1	0.6	1.2	15.4	1.8	2.0	32.0	2.0
Australia	38.5	4.4	..	33.6	2.7	14.9	2.4	3.4
Austria	29.3	0.1	1.1	25.2	1.3	7.5	28.3	7.2
Belgium	29.2	0.6	0.5	22.9	2.9	7.4	29.4	7.1
Bolivia	26.8	4.5	4.8	24.7	0.0	5.1	15.7	18.4
Brazil	50.2	1.1	2.0	21.4	5.9	5.7	0.0	13.7
Bulgaria	69.4	0.8	0.7	10.8	5.6	1.7	9.4	1.6
Chile	26.3	5.8	0.0	37.0	3.2	1.5	2.7	23.6
Colombia	25.0	1.3	2.1	19.6	15.5	8.6	3.1	24.9
Costa Rica	25.3	0.4	1.0	16.6	4.3	2.6	49.7	0.0
Czech Republic	44.2	0.9	..	22.7	3.0	14.7	12.1	2.2
Denmark	29.1	1.8	..	34.9	2.4	4.9	24.3	2.6
Ecuador	31.8	5.7	4.8	28.1	0.6	6.0	10.5	12.6
El Salvador	20.3	2.7	..	20.0	..	..	24.9	32.2
Estonia	56.0	1.1	..	23.8	3.7	3.7	11.1	0.7
Finland	36.0	2.5	1.3	23.4	0.6	2.3	30.1	3.8
France	20.5	0.5	..	18.8	1.7	2.7	49.9	5.9
Germany	23.2	2.0	..	22.1	1.5	9.2	37.8	4.3
Greece	49.5	1.9	0.0	20.3	1.8	4.2	15.3	7.0
Guatemala	25.0	0.9	3.2	19.1	4.3	1.9	36.4	9.1
Honduras	22.7	1.2	2.3	31.7	0.0	1.4	32.2	8.6
Iceland	56.8	4.2	0.0	21.8	0.1	6.1	11.1	0.0
Indonesia	25.7	4.3	4.5	23.5	18.9	2.6	8.7	11.8
Ireland	22.5	2.5	0.0	18.6	11.2	16.6	27.4	1.2
Israel	45.0	0.1	0.6	15.2	1.2	11.0	25.2	1.8
Italy	47.3	0.8	0.5	16.4	3.4	9.4	18.7	3.5
Japan	53.9	1.1	2.1	19.6	4.3	6.8	10.7	1.5
Latvia	58.9	0.6	0.5	16.5	3.2	3.6	13.4	3.2
Lithuania	62.2	0.2	0.5	17.8	3.8	3.5	11.5	0.6
Luxembourg	29.1	3.7	3.5	20.1	24.0	7.8	10.0	1.7
Mexico	35.7	5.7	..	13.3	0.4	4.2	28.6	12.1
New Zealand	25.6	1.8	..	40.2	..	7.0	19.9	5.4
Norway	29.0	13.2	..	29.4	..	3.8	14.0	10.5
Panama	27.0	2.5	1.9	13.8	10.6	4.0	30.4	9.8
Paraguay	54.6	4.6	0.0	11.6	0.0	3.9	3.4	21.9
Peru	20.3	2.9	2.8	32.3	5.3	6.4	27.6	2.4
Poland	59.6	1.0	..	18.3	4.8	6.0	6.8	3.5
Portugal	33.7	0.6	0.4	18.0	2.1	2.6	39.7	2.9
Russia	15.3	1.7	2.2	18.2	4.6	20.0	17.0	20.9
Slovak Republic	59.2	1.0	..	25.0	..	6.7	..	8.1
Slovenia	33.1	0.6	0.4	15.5	2.9	4.1	41.1	2.3
Spain	32.7	0.7	0.6	3.1	0.6	3.1	28.7	30.6
Sweden	25.2	0.8	..	30.4	0.8	3.0	7.0	32.8
Switzerland	21.1	1.1	..	14.5	2.9	7.0	50.5	2.9
Chinese Taipei	53.4	4.5	..	14.6	..	7.6	12.5	7.3
Turkey	48.0	1.8	1.8	24.1	1.7	3.0	19.1	0.4
United Kingdom	19.7	9.7	..	29.8	2.1	20.4	14.7	3.7
United States	20.0	0.1	2.1	10.8	2.4	9.1	55.2	0.2
Uruguay	37.4	3.2	..	10.3	4.8	7.3	32.8	4.1

Source: OECD Global Insurance Statistics.

Table A A.2. Average real net investment rates of return by type of domestic insurer in selected countries, 2018-2019

In per cent

	Life		Non-Life		Composite	
	2018	2019	2018	2019	2018	2019
Argentina (1)	34.2	40.3	33.3	40.2	34.5	38.5
Australia	-1.2	11.8	1.4	3.1	..	..
Belgium	0.3	1.9	-0.1	1.1	0.1	1.6
Bermuda (1)	..	7.4	..	8.7	..	8.6
Bolivia	2.9	1.8	2.5	1.6	..	..
Brazil	1.5	1.1	4.3	3.6	1.3	0.7
Canada	-2.0	..	0.2	..	-0.8	..
Chile	4.0	5.0	3.9	3.1	..	..
Colombia	3.2	5.2	2.9	3.8	..	..
Costa Rica	..	..	5.8	3.5	4.0	4.1
Czech Republic	c	c	1.1	-1.8	-2.6	-0.4
Ecuador	6.5	6.5	4.3	7.5	..	4.7
Egypt	-2.8	..	-5.2	..	..	..
El Salvador	..	3.9	..	4.7	..	4.2
Estonia	c	c	-3.6	-0.4	..	..
Germany	0.5	3.2	0.9	1.1	..	..
Guatemala	..	..	2.7	1.7	4.0	2.8
Hungary	-0.9	-2.6	2.0	-1.0	2.8	2.6
Iceland	4.0	1.6	4.0	5.6	..	..
Indonesia	-1.8	3.7	2.9	3.3	..	..
Ireland	-4.7	9.4	-0.2	3.2	..	..
Israel	..	..	0.6	4.9	-0.1	9.3
Italy	0.9	2.7	-0.1	2.3	1.6	3.0
Japan	1.4	1.1	2.0	1.9	..	..
Korea	1.6	..	1.6	..	..	..
Latvia	..	..	-1.5	-0.3	-3.8	10.1
Lithuania	-1.8	-1.2	-1.6	-1.4	0.2	-0.3
Luxembourg	0.5	0.7	-0.4	-0.2	..	..
Malaysia	1.9	8.3	5.4	5.6	..	..
Netherlands	0.2	..	-1.4	..	..	..
New Zealand	1.5	3.7	1.2	3.2	0.3	7.6
Norway	-2.7	6.7	-2.5	3.9	..	..
Peru	3.3	5.9	-0.1	7.5	3.0	7.2
Poland	-0.9	1.5	1.5	-0.2	..	..
Portugal	-1.5	2.9	-1.1	2.2	2.8	2.5
Russia	1.5	5.5	2.0	6.7	4.7	-0.2
Singapore	..	9.5	..	2.1	..	9.2
Slovenia	..	..	-0.2	-0.5	0.7	0.1
Spain	1.2	1.2	0.0	0.5	1.3	2.3
Sri Lanka	9.1	3.6	7.1	3.0	..	..
Sweden	-2.5	4.5	-0.3	6.5	..	..
Switzerland	1.1	3.0	3.2	6.9	..	..
Chinese Taipei (1)	3.4	3.5	2.8	3.2	..	..
Turkey	-10.1	-3.2	-4.5	1.4	..	..
United States	2.3	1.8	1.3	0.8	..	..
Uruguay	..	..	-2.6	-4.9	1.5	1.6

Note: In some countries (such as Germany), there is no composite undertaking (i.e. no company operating both in the life and non-life segments as defined by the OECD). (1) Data are expressed in nominal terms.
Source: OECD Global Insurance Statistics.

Table A A.3. Return on equity by type of insurer in selected countries, 2018-2019

In per cent

	Life		Non-Life		Composite	
	2018	2019	2018	2019	2018	2019
Argentina	41.8	49.3	20.6	13.4	30.8	35.1
Australia	5.6	0.4	12.6	24.7	..	..
Belgium	5.5	6.9	8.5	3.3	21.5	20.7
Bolivia	2.3	2.7	2.3	2.0	..	..
Brazil	9.9	19.5	11.7	18.0	28.1	28.1
Bulgaria	..	-4.8	..	24.5	..	20.7
Canada	2.6	..	7.6	..	11.6	..
Chile	11.5	8.5	11.6	7.9	..	..
Colombia	15.9	18.8	8.1	9.8	..	..
Costa Rica	..	..	-3.3	5.8	7.6	6.8
Czech Republic	25.2	29.6	14.4	11.9	17.1	21.0
Denmark	-4.8	7.1	10.5	17.2	..	..
El Salvador	..	11.9	..	1.9	..	12.8
Estonia	..	..	15.8	19.0	5.3	..
Finland	28.5	21.7	7.7	15.6	..	..
Germany	5.4	4.8	4.3	3.9	..	..
Guatemala	..	..	18.2	16.5	24.9	25.2
Hungary	11.5	8.4	18.0	10.7	31.5	30.3
Iceland	25.5	41.3	9.9	20.5	..	..
Indonesia (1)	-15.3	20.2	7.6	13.8	..	..
Israel	..	..	13.3	22.4	4.7	5.8
Italy	-0.1	14.8	7.5	9.7	7.1	12.8
Japan	15.1	10.5	18.0	11.1	..	..
Korea	5.5	..	9.1	..	..	..
Latvia	..	..	11.5	17.2	-17.2	12.5
Lithuania	36.9	36.7	15.5	16.4	7.2	6.2
Luxembourg	6.8	11.0	5.8	1.4	..	..
Malaysia	..	21.0	..	11.5	..	..
Mexico	17.4	19.3	14.4	22.8	26.1	28.0
Netherlands	9.5	..	3.7	..	..	..
Norway	8.7	7.5	7.9	18.9	..	..
Peru	6.0	17.0	11.6	12.3	17.5	20.7
Poland	8.9	9.6	10.7	12.0	..	..
Portugal	4.1	2.4	8.8	10.8	11.8	5.4
Russia	37.1	52.3	23.3	25.2	30.2	16.3
Slovenia	..	..	1.8	8.9	11.6	11.2
Spain	13.3	10.1	11.2	12.5	10.5	10.9
Sri Lanka	37.0	..	9.4	..	9.5	..
Sweden	0.3	22.8	5.7	26.2	..	..
Switzerland	8.9	10.4	17.2	24.2	..	..
Chinese Taipei	..	9.2	..	10.8	..	..
Turkey	37.6	42.4	20.3	23.5	..	..
United States	9.8	11.1	10.3	9.0	..	..

Note: ROE was calculated by dividing net income for the year N by average shareholder equity over N-1 and N. (1) Data refer to conventional products only.
Source: OECD Global Insurance Statistics.

Table A A.4. Change in equity position by type of insurer in selected countries, 2018-2019

In per cent

	Life		Non-Life		Composite	
	2018	2019	2018	2019	2018	2019
Argentina	29.3	49.9	33.1	37.3	40.1	57.1
Australia	-4.4	-1.7	-3.5	1.1	..	..
Austria	2.2	-27.2	5.6	5.2	-12.8	4.2
Belgium	45.2	1.4	3.3	30.3	-0.4	27.6
Bolivia	17.3	9.3	-2.1	7.9	..	..
Brazil	-58.4	11.8	-6.1	9.5	28.4	12.6
Bulgaria	..	0.0	..	0.3	..	5.9
Canada	21.3	..	-19.7	..	8.9	..
Chile	0.8	14.7	12.6	19.0	..	..
Colombia	8.5	14.9	9.6	12.2	..	..
Costa Rica	..	..	14.7	16.8	7.4	14.9
Czech Republic	-36.9	16.6	-10.9	13.9	25.8	-12.0
Denmark	-8.9	0.8	-2.5	4.0	..	..
El Salvador	..	4.0	..	6.3	..	-4.6
Estonia	..	..	8.7	14.9	-1.8	..
Finland	5.7	10.9	-7.5	15.1	..	..
Germany	6.1	6.0	2.7	3.9	..	..
Greece	-27.9	57.6	-17.4	12.5	0.3	6.3
Guatemala	..	..	9.5	2.6	7.8	3.3
Hungary	15.2	-4.6	22.4	-2.4	12.2	3.7
Iceland	4.0	-3.3	-7.8	17.3	..	..
Indonesia (1)	-21.6	-28.4	7.1	12.7	..	..
Ireland	-1.6	15.2	1.3	29.9	..	..
Israel	..	..	13.5	17.3	5.5	-0.5
Italy	-6.8	18.9	3.1	11.2	-1.9	4.6
Japan	4.3	-2.4	5.7	0.6	..	..
Korea	3.6	..	8.5	..	..	..
Latvia	..	..	2.2	11.8	-15.9	435.8
Lithuania	-2.6	3.1	15.2	15.5	1.1	-28.0
Luxembourg	0.1	14.6	20.2	151.7	..	..
Malaysia	..	5.7	..	-4.6	..	..
Mexico	0.0	2.6	2.3	16.1	1.1	9.6
Netherlands	6.3	..	1.7	..	..	..
Norway	4.0	5.6	-5.2	9.7	..	..
Peru	-36.8	12.1	4.7	7.7	13.4	25.3
Poland	-2.8	-1.6	-0.1	-1.2	..	..
Portugal	-29.5	11.2	17.4	17.8	-9.4	17.0
Russia	13.6	48.7	8.9	15.0	35.5	17.9
Slovenia	..	..	-0.1	7.2	26.9	9.6
Spain	-12.7	-4.2	-11.2	3.4	-0.2	12.8
Sri Lanka	-44.2	..	-47.0	..	0.9	..
Sweden	-7.0	15.8	1.4	26.3	..	..
Switzerland	-7.9	-1.1	13.4	25.2	..	..
Chinese Taipei	..	77.1	..	15.0	..	..
Turkey	5.6	28.2	13.7	34.4	..	..
United Kingdom	-5.2	13.8	-4.7	-9.8	-8.9	-0.2
United States	1.1	5.9	21.6	14.7	..	..

Note: Change in equity position is calculated as the change in shareholder equity divided by the level of shareholder equity from the previous year. (1) Data refer to conventional products only.
Source: OECD Global Insurance Statistics.

Methodological notes

This report is based on responses provided by countries to the annual Global Insurance Statistics (GIS) exercise and includes qualitative information supplied by countries, or sourced from national administrative sources. Data collected under the GIS exercise can be accessed at: www.oecd.org/daf/fin/insurance/oecdinsurancestatistics.htm.

Data in this report may diverge from preliminary data collected and published in the note *Insurance Markets in Figures* that is based on early estimates for domestic undertakings only. This report may also sometimes rely on other sources than the ones used for the preparation of the note *Insurance Markets in Figures*.

Given possible divergences in national reporting standards and different methods of compiling data, caution needs to be exercised when interpreting them. For this reason, countries are regularly requested to provide relevant methodological information to enable a thorough understanding of their submissions to the GIS exercise. The methodological notes below provide the main explanations in this respect.

- Conventional signs: "c" means confidential; ".." means missing value (not available or not applicable).
- Economic data on the Consumer Price Index (CPI) come from the OECD Main Economic Indicators (MEI) and the IMF International Financial Statistics (IFS) databases.
- According to the OECD GIS framework, data in Figures 1.1 to 1.5, Figures 1.10 - 1.11 and Tables A.A.1 and A.A.3 – A.A.4 usually refer to direct business and include domestically incorporated undertakings (i.e., incorporated under national law) and, where data are available, branches and agencies of foreign undertakings operating in the country. In this publication, tables and figures on the asset allocation of insurers and their investment rates of return refer to domestic direct insurers only. Some countries may be unable to exclude foreign branches of domestic undertakings; therefore, their data may include these foreign branches.
- Composite undertakings operate in a number of countries. In some countries, such as Costa Rica, most insurance companies are composite companies dealing with both life and non-life businesses.
- Data for Argentina, Egypt, India, Japan and Paraguay refer to the fiscal year (ending in June of the year considered in Argentina, Egypt and Paraguay, and in March of the following year for India and Japan), instead of the calendar year.
- Data for Indonesia and Malaysia cover conventional and takaful insurance products, unless specified otherwise.
- Statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
- Data on composite insurers from Italy and Portugal include life insurers also operating in the accident and health line of business.
- Data for Korea's non-life insurance sector include private pension products offered by non-life insurers. Private pension products are considered as life insurance products under the OECD definition.
- Data for the Netherlands cover both basic and additional health insurance.
- Data for the United States also include insurance activities in Puerto Rico.

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