Global Insurance Market Trends 2014

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 the Private Pensions Committee in 2005).

Today, the Committee's work focuses on: promoting insurance market monitoring; collecting and disseminating insurance statistics at the global level; ensuring that insurance markets and private pensions systems are efficient, resilient and stable; 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; and strengthening the capacity of individuals, businesses, and governments to address financial and other risks, including disaster risks, through enhanced insurance and private pension systems.

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

Foreword

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 international insurance statistics database.

As a complement to its insurance market statistics, the OECD decided to initiate the publication of an annual monitoring report that makes use of the GIS database. This publication, the *Global Insurance Market Trends*, provides an overview of market trends for developing a better understanding of the insurance industry's overall performance and health, and this fourth edition continues this objective.

The geographical coverage of the insurance statistics database has been expanded to include the collection of statistics from a number of non-OECD Latin American countries, achieved through cooperation with the Association of Latin American Insurers (ASSAL), a number of non-OECD countries in Asia as well as Latvia and South Africa. The contribution of data from these countries allows for the inclusion in the *Global Insurance Market Trends* of a more comprehensive overview of insurance market globally. The OECD will seek to include a broader set of countries in future editions of the report.

This monitoring report and the GIS database will provide an increasingly valuable cross-country source of data and information on insurance sector developments for use by governmental and supervisory authorities, central banks, the insurance sector and broader financial industry, consumers and the research community.

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HIGHLIGHTS

- 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.

GLOBAL INSURANCE MARKET TRENDS

Underwriting performance

Opposing trends of growth and decline of real gross premiums

The rate of gross premium growth in both the life and non-life insurance sectors diverged substantially across countries, as some countries saw strong growth while others experienced declines in the life insurance sector, non-life insurance sector or both.

Growth in gross premiums in non-OECD countries, experiencing faster economic growth, outperformed premium growth in OECD countries where economic growth has been weaker. Lower penetration rates in non-OECD countries, generally below 5%, may also be contributing to the faster premium growth experienced by those countries in recent years.

Few OECD countries experienced positive trends in both life and non-life sectors, while almost all non-OECD countries had positive growth in both sectors

Approximately one third of reporting OECD countries (Australia, Canada, Estonia, Finland, France, Germany, Hungary, Israel, Mexico, Sweden, Switzerland and Turkey) experienced positive real growth in gross premiums across both the life and non-life insurance sectors. By contrast, almost all reporting non-OECD countries experienced (often substantial) growth in both life and non-life gross premiums.

Countries such as Greece, Ireland and Spain continue to suffer from the impacts of the economic downturn on their insurance market. For example, in Greece, the insurance sector's prospects for growth are limited by high unemployment, depressed salaries and wages, increasing taxation and a continuing recession in the Greek economy. Insurance companies did, however, experience a marginal improvement in profitability. Italy and Portugal, on the other hand, experienced a recovery in gross life premiums in 2013 (although gross non-life premiums in both countries continued to decline), marking a divergence of recovery patterns among the crisis-affected countries.

In a number of countries, growth associated with non-life insurance has been driven by developments in the motor vehicle insurance industry. For example, in Turkey, liberalisation of premiums has led to increases in motor vehicle premiums which in turn drove premium growth in the non-life sector. Premium increases for voluntary automobile insurance and compulsory automobile liability insurance in Japan contributed to growth in non-life premiums.

In the Slovak Republic, competitive markets have led to lower premiums, impeding growth in non-life premiums. In Greece, a decline in the number of vehicles in circulation since the financial crisis has led to 10% fall in written premiums for motor third-party liability insurance.

Claims experienced across countries also varied substantially

The combined ratio for the non-life sector in most countries analysed was below 100% in 2013 which indicates that although there may have been instability in underwriting results, there was little overall loss.

Annual real gross premium growth: Life insurance

Signs of a recovery in the life insurance sector in many countries…

The disparity of growth of gross premiums in the life sector is high, with some OECD countries having exceptional growth and non-Members overall demonstrating relatively strong growth, while a number of OECD counties had negative growth in gross premiums in 2013. It has been a year of transition with some of the larger insurance markets falling back into negative growth, while some of the Southern European countries have started to return to growth.

In Finland, the growth in real gross life premiums was exceptional, partly due to high demand for unit-linked products as an alternative to low-rate deposits in the banking sector. Italy, Portugal and Turkey also experienced high growth rates in real gross life premiums. In Portugal, gross life premiums increased significantly in 2013 (after a two-year decline) as macroeconomic conditions improved, generating positive impacts for the life sector. Life insurance premiums also grew significantly in Italy, in contrast to substantial declines in 2011 and 2012.

In Hungary, life premiums increased in 2013, recovering from a decline in 2012. New legislation to support long-term life insurance penetration became effective from January 2014 and will benefit policyholders of pension insurance which have a long-term savings component.

In Australia, gross premiums in 2013 increased after a number of years of negative or limited growth, mostly as a result of growth in unit-linked superannuation investment business. Similarly, the life sector in Estonia has rebounded after several difficult, post-crisis years with a 3.6% increase in gross premiums in 2013.

In Mexico, the annual growth in gross life insurance premiums was substantial, primarily as a result of an increase in sales of life insurance products with saving components which continue to have a strong influence on life insurance premium growth.

A number of OECD countries continued to experience declining gross premiums

However, a number of countries experienced negative real growth in gross life premiums. Belgium saw a sharp decrease of more than 20% in real gross life premiums after strong growth in 2012, predominantly due to the low interest rate environment and the increase, as of January 2013, of the tax on new life insurance contracts from 1.1% to 2%. Greece and the Netherlands saw continued declines of more than 10% in real gross life premiums in 2013 (following a similar decline in 2012). Poland and the United Kingdom also experienced declines of more than 10% in real gross life premiums after strong growth in real gross life premiums the year before. Austria, the Czech Republic, Japan, Slovenia and Spain faced continued declines of gross life premiums, while growth in Ireland, Luxembourg, Norway and the United States turned negative in 2013; in some cases (Ireland, Luxembourg, Norway) reversing strong growth in 2012.

The largest life insurance markets faced negative growth in 2013

The largest life insurance markets outside the euro area (by premiums) -- the United States, Japan, United Kingdom and Korea -- experienced negative growth or limited growth, in gross life premiums in 2013, reversing two years of growth. By contrast, the large euro area life insurance markets (France, Germany, and Italy) experienced positive growth in 2013, reversing declines in 2011 and 2012.

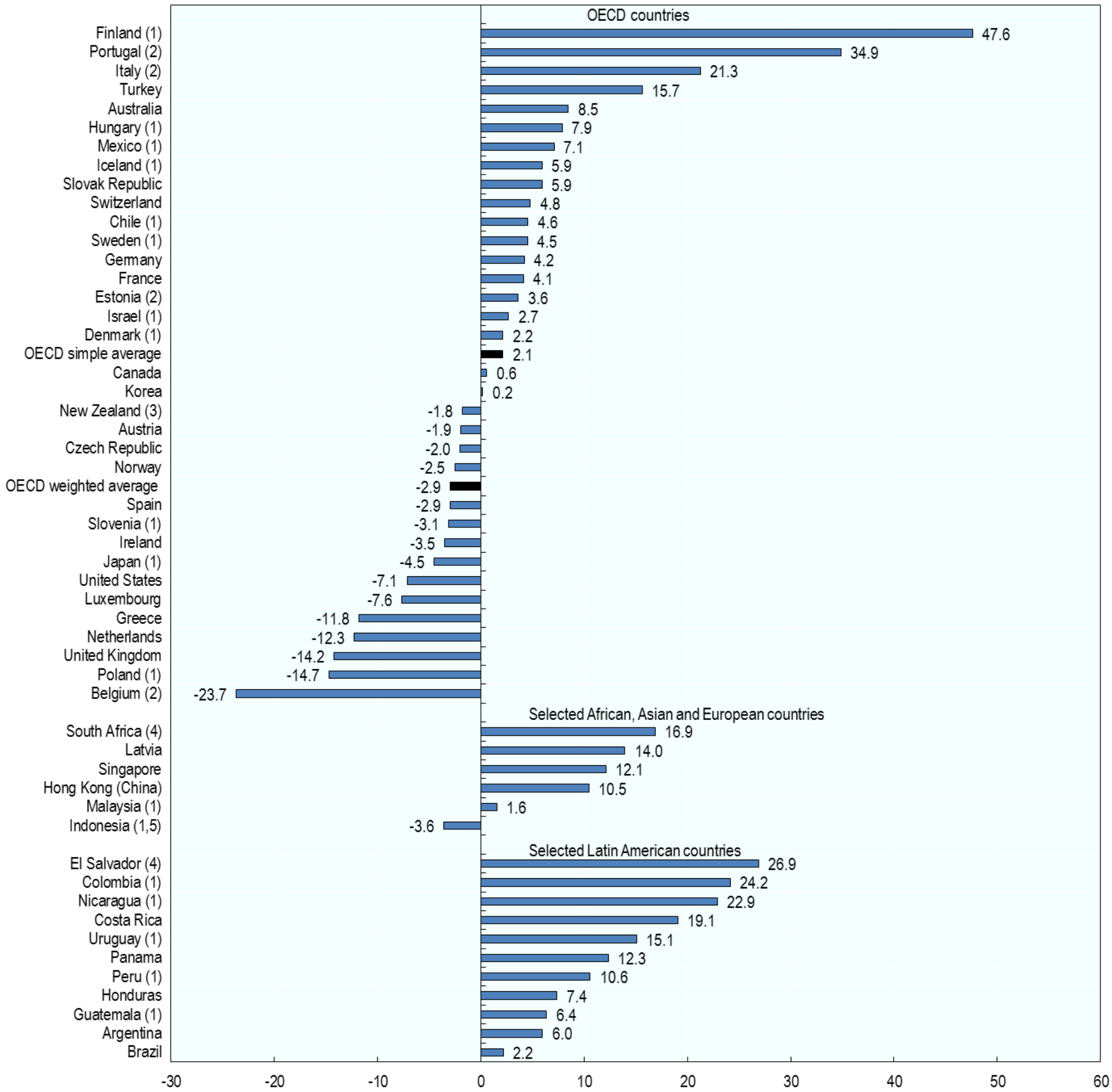
A number of non-OECD countries experienced significant life premium growth

For the majority of reporting non-OECD countries (Colombia, Costa Rica, El Salvador, Hong Kong (China), Latvia, Nicaragua, Panama, Peru, Singapore, South Africa and Uruguay), the performance of the life sector was very strong with positive growth rates in life premiums above 10%, the highest growth in gross life premiums being in El Salvador.

In Hong Kong, (China), gross life premiums grew substantially in 2013, maintaining the strong growth trend from previous years, driven by growth in gross premiums from individual life policies and annuities.

Indonesia was the only non-member country that saw a decline in gross life premiums in real terms in 2013 after a healthy growth rate in 2012.

Figure 1. Annual real gross premium growth: Life sector (2012-13) (%)



Note: For methodological notes, see page 34 onwards.
Source: OECD Global Insurance Statistics.

Annual real gross premium growth: Non-life insurance

Non-life premiums grew significantly in some OECD countries

In 2013, there were a number of OECD countries that experienced significant premium growth in the non-life sector. Finland, Luxembourg, Sweden, Estonia and Turkey all experienced significant growth of real gross non-life premiums.

Changes in premiums of motor vehicle insurance affecting some

In Turkey, the significant growth in non-life gross premiums was due mainly to an increase in land vehicle liability insurance. Changes in the general conditions of motor vehicle insurance, and an increase in the premiums for motor third-party liability after the introduction of a liberalised premium regime in 2013, drove growth in non-life gross premiums.

Natural catastrophe events affecting premiums

In Australia, premium growth was evident in householders and fire & industrial special risk (ISR) property classes, reflecting premium rate increases in 2012 and 2013 following natural catastrophe events in 2011 that increased reinsurance costs.

In the United Kingdom, there was a moderate level of growth in gross non-life premiums due to the economic recovery in the market following negative premium growth in 2012.

In Mexico, non-life insurance premiums registered a substantial real annual increase, although this was mostly due to a large, non-life policy written for PEMEX (Mexican Petroleum).

No recovery in stressed euro zone countries

Non-life insurance premiums declined in Greece, Italy, Portugal and Spain, continuing the trend from previous years (with declines registered in 2010, 2011 and 2012).

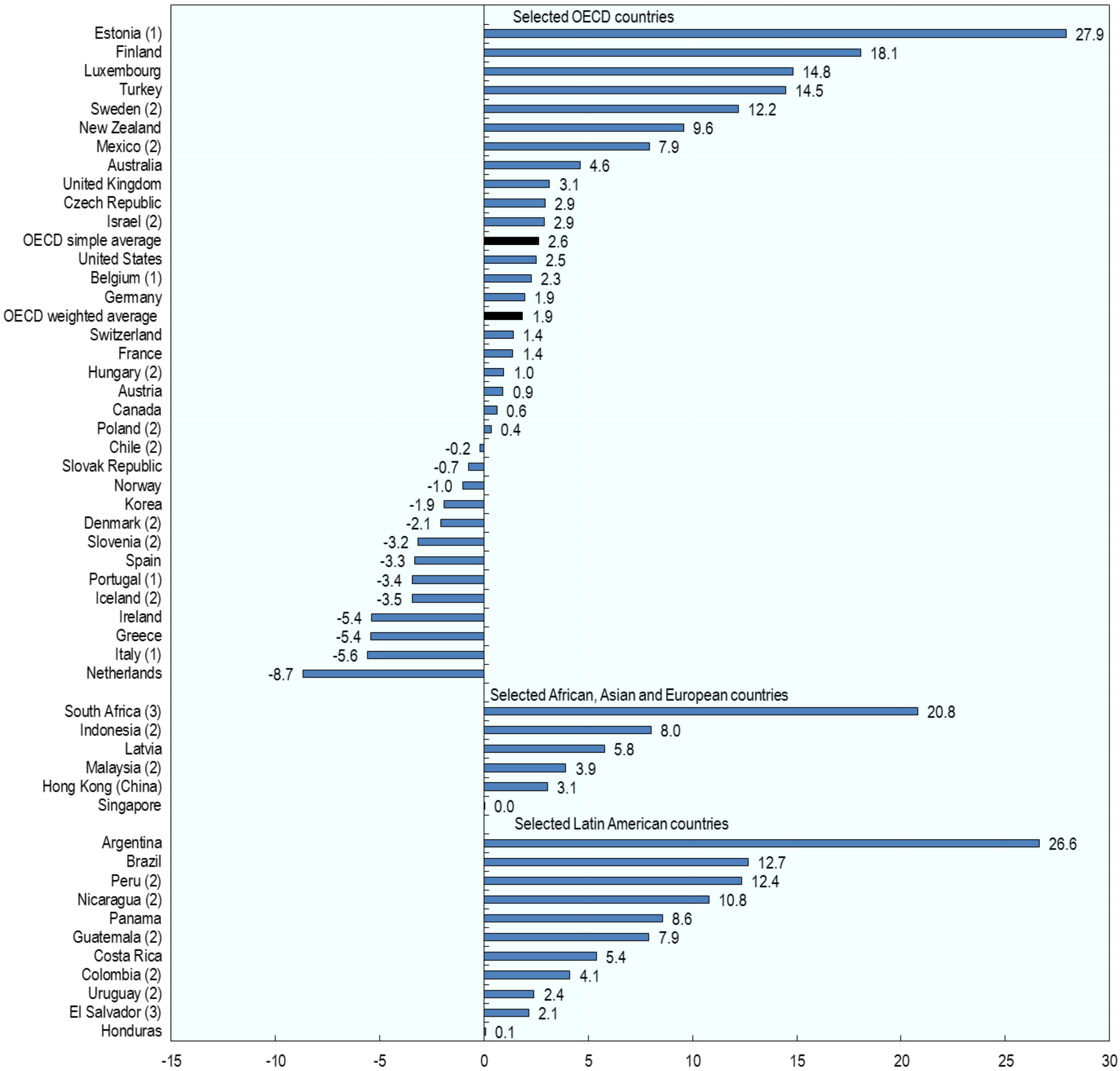
Estonia experienced a 27.9% increase in gross non-life premiums, although this was primarily due to the pan-Baltic merger of a number of insurers into an Estonian headquartered company.

Positive growth in all non-member countries

Almost all reporting non-OECD countries experienced positive growth rates in non-life premiums, with the largest increases registered in Argentina and South Africa. The only exception was Singapore where non-life premiums were stable relative to 2012.

Gross non-life premiums in Colombia grew in 2013, due to increased consumer and mortgage lending by the financial sector, which increased the sales of related insurance products.

Figure 2. Annual real gross premium growth: Non-Life sector (2012-13) (%)



Note: For methodological notes, see page 34 onwards.
Source: OECD Global Insurance Statistics.

Claims development: Life sector

Gross life insurance claims were stable across most member economies

Nominal claims in the life segment grew at a moderate rate in most countries, similar to 2012 and in contrast to 2010 and 2011 where claims grew at a significant pace across many countries reflecting surrenders of policies.

Continued growth in gross claims was observed

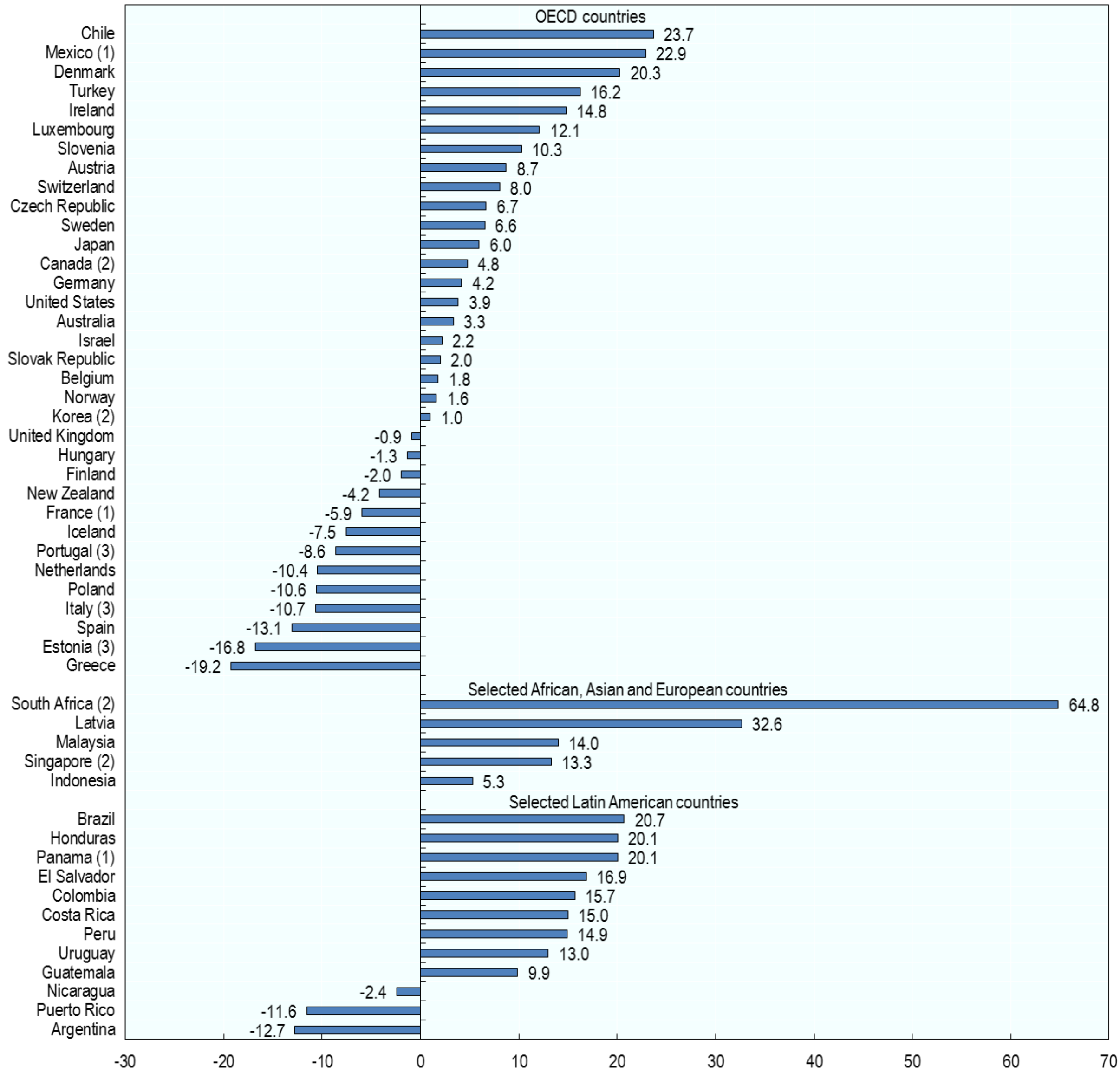
The largest growth in claim payments was in Chile, Denmark and Mexico. In Mexico, the increase in life claims was driven by increases in claims payments in traditional life insurance and annuities. Gross claims payments also increased substantially in a number of non-member countries, including Brazil, Honduras, Latvia, Panama and South Africa. In Latvia, the increase in claims was partly related to the expiry of a large number of endowment assurance contracts and the resulting payout of insurance indemnities.

Surrenders impacting claims

In some countries, such as Luxembourg, the increase in claims was partly due to surrenders related to unit-linked products where investment returns have been poor.

Estonia, Greece, Italy, the Netherlands, Poland, Portugal and Spain experienced substantial reductions in gross life claims. In some of these countries, the reduction of surrenders may be contributing to this trend. In Estonia, life insurance claims have been decreasing for a number of years, mostly in unit-linked products.

Figure 3. Nominal growth in gross claim payments: Life sector (2012-13) (%)



Note: For methodological notes, see page 34 onwards.
Source: OECD Global Insurance Statistics

Claims development: Non-life sector

Nominal non-life claims grew at a faster rate in a number of countries than in 2011 and 2012 when growth was more moderate. The occurrence of natural disasters had an impact on claims in a number of countries. Increases in gross non-life claims in Austria and the Czech Republic were influenced by summer floods. Australia experienced an increase in non-life claims as a result of natural disasters in 2013, including flood and storm damage from ex-tropical cyclone Oswald and, to a lesser extent, bushfires in parts of Australia. In Norway, there was a sharp increase in the number of claims for water damage to dwellings and commercial buildings.

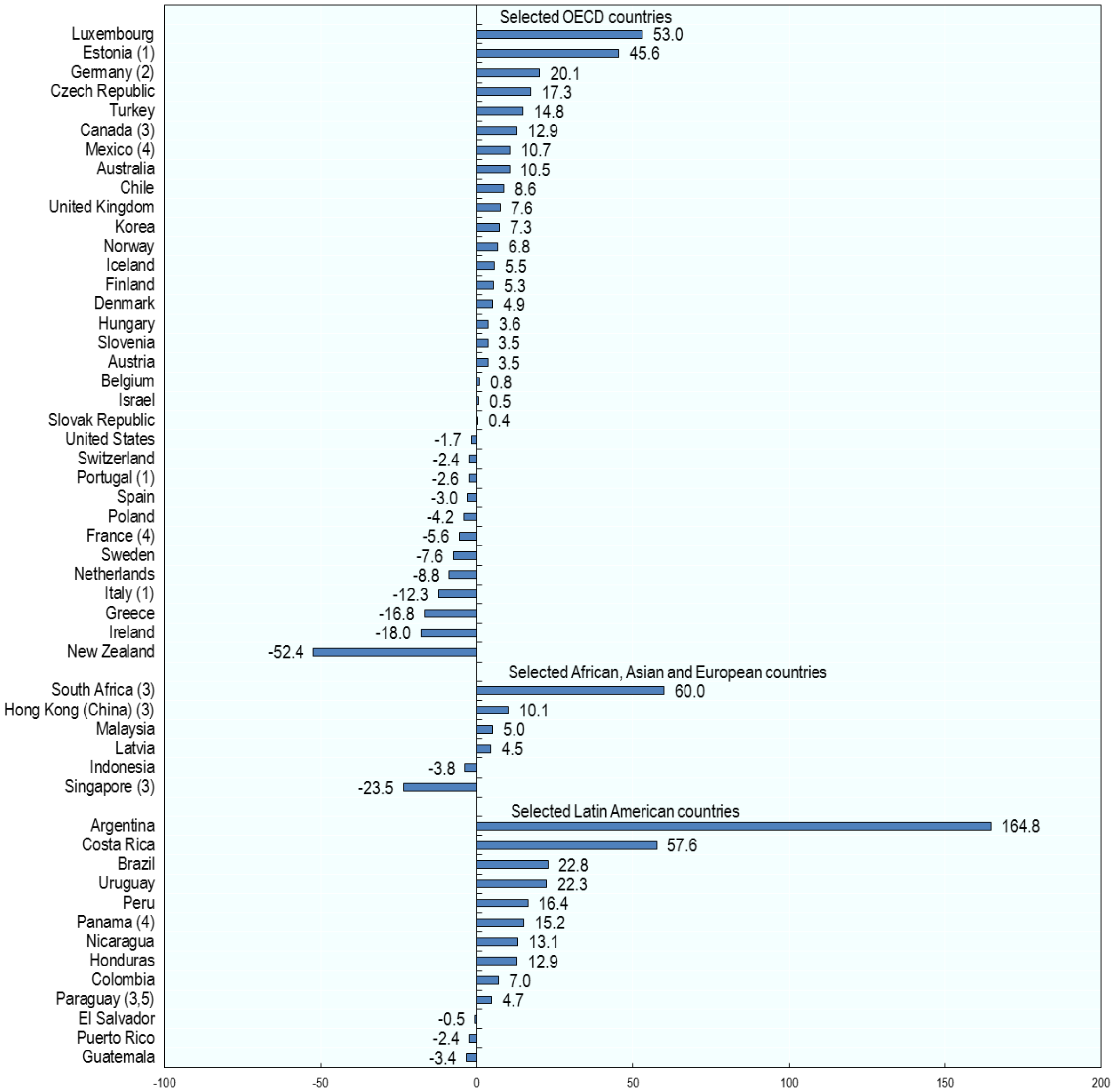
Natural disaster claims had a moderate impact in a number of countries

In Hungary, motor vehicle claims drove a moderate increase in non-life claims in 2013, after several years of declining claims. Luxembourg experienced the greatest increase in non-life claims payments. Significant increases in non-life claims also occurred in Estonia and Mexico. In Estonia, the increase was likely due to the pan-Baltic merger described above.

Most non-OECD countries also experienced growth in gross non-life claims, often significant, with the exception of El Salvador, Guatemala, Indonesia, Puerto Rico and Singapore.

A number of countries experienced significant declines in gross claim payments, including Greece, Ireland, Italy and New Zealand. In Greece and Italy, the decline in gross claims continues the trend from previous years, and may be related to macroeconomic conditions and other factors, such as reduced car ownership in Greece. In Ireland, the decline in claims incurred is due to a fall in claims paid across all the largest non-life companies in 2013 and to a fall in claims provisions that is largely attributable to a single large entity in administration that was over-provided. In New Zealand, the decline was the due to reduced claims related to the Christchurch earthquake after two years of significantly high claims.

Figure 4. Nominal growth in gross claim payment: Non-Life sector (2012-13) (%)



Note: For methodological notes, see page 34 onwards.
Source: OECD Global Insurance Statistics

Combined ratio: non-life sector

The combined ratio[1] 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. 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 the 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.

Roughly two-thirds of reporting countries had a combined ratio below 100% in 2013, which means that there was an overall underwriting profit in these countries. In 2013, the countries which experienced a combined ratio in excess of 100% included Belgium, Canada, Denmark, France, Germany, Hungary, New Zealand, Portugal, Slovak Republic, Sweden and the United States. Of which, France and Sweden continued to have the highest combined ratios in 2013; although it did fall relative to 2012 in these two countries.

The underwriting losses of a few countries improved because of reduced claims and improvements in pricing

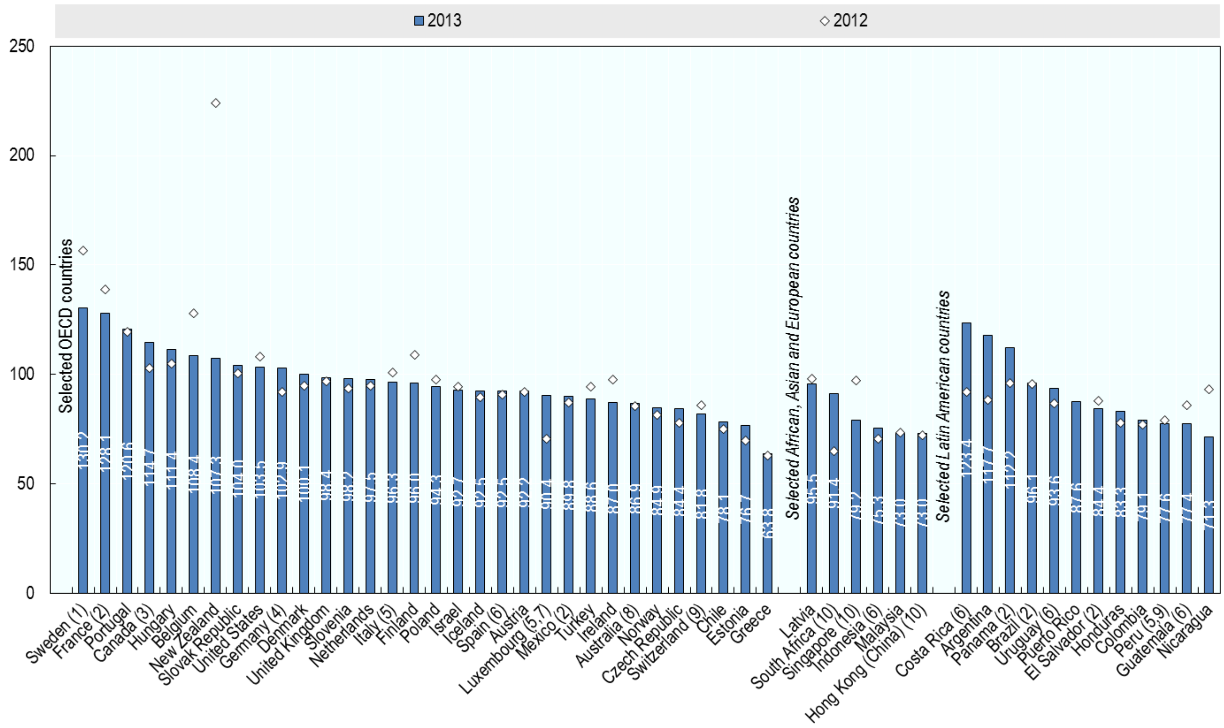
Italy and Finland had combined ratios that fell under 100% in 2013, after having combined ratios above 100% in 2012, which is likely a result of significant reductions in gross claims in the case of Finland. The combined ratio in Turkey declined in 2013, largely due to improved underwriting results in motor vehicle insurance with to the introduction of the liberalised premium regime.

The combined ratio for non-OECD countries has generally been lower than OECD countries, *i.e.*, non-OECD insurers have generally achieved better underwriting performance.[2] In 2013, in three Latin American countries (Argentina, Costa Rica and Panama), the combined ratio increased to reach over 100%.

[1] The combined ratio in this report is defined as a sum of gross claims paid, the variations in outstanding claims provisions, gross operating expenses and gross commissions divided by gross written premiums (for direct business only). It should be noted that the inclusion of reinsurance payouts in the calculation would likely have material impacts for many countries and could lead to some underwriting results calculated as losses becoming overall underwriting profits.

[2] As the calculation only includes direct business, the difference in the results for OECD and non-OECD members could be due to differences in the use of reinsurance between member and non-member economies.

Figure 5. Combined ratio for non-life segment (2012-2013) (%)



Note: For methodological notes, see page 34 onwards.
Source: OECD Global Insurance Statistics

Investment allocation and performance

Bonds continue to be dominate in insurers' investment portfolios

The investment portfolios of insurance companies in the majority of countries data continued to be heavily allocated towards bonds. This trend can be found in all three insurance sectors (life, non-life and composite). Investment in bonds was predominantly comprised of public sector bonds with a smaller proportion invested in private sector bonds in most countries.

Real estate investment remained low across the various insurance sectors, with the insurance sector in a number of countries not allocating any of their portfolios to real estate investments. There were some significant shifts in investment allocations, although these were not generalised across countries.

Investment returns improving among OECD countries

Investment returns generally improved across OECD countries, particularly in the life sector. The performance of the non-life sector was more mixed, while non-OECD countries generally faced a deterioration in investment returns, especially in the life sector.

Portfolio investment: life insurance

Bonds continue to dominate the investment portfolios of life insurers

Overall, the most favoured investment strategy was to invest in bonds. In 2013, the life insurance sector in 13 countries (Colombia, France, Hungary, Israel, Italy, Mexico, Peru, Portugal, Puerto Rico, Slovak

Republic, Spain, Turkey and Uruguay) allocated in excess of 75% of their investments to bonds.

In some countries the investment portfolios of life insurers were more than 85% invested in bonds

The life insurance sector in Uruguay allocated, as a whole, almost all of their investments in bonds. The life insurance sector in Hungary, Israel, Italy, Mexico, Slovak Republic and Turkey invested more than 85% of portfolio assets in bonds. Life insurance companies in most of the other reporting countries allocated more than 50% of their investment portfolios to bonds.

In some countries life insurers made significant investment in shares

In Denmark, Iceland, Indonesia, Latvia, Panama, Singapore, Slovenia, South Africa and Sweden, life insurance companies allocated more than 20% of their portfolios to shares. In Panama, 78% of the investment portfolio of life insurers was invested in shares (possibly including investments in mutual funds)[3], and insurers in Denmark and South Africa allocated about half of their investment portfolios to shares.

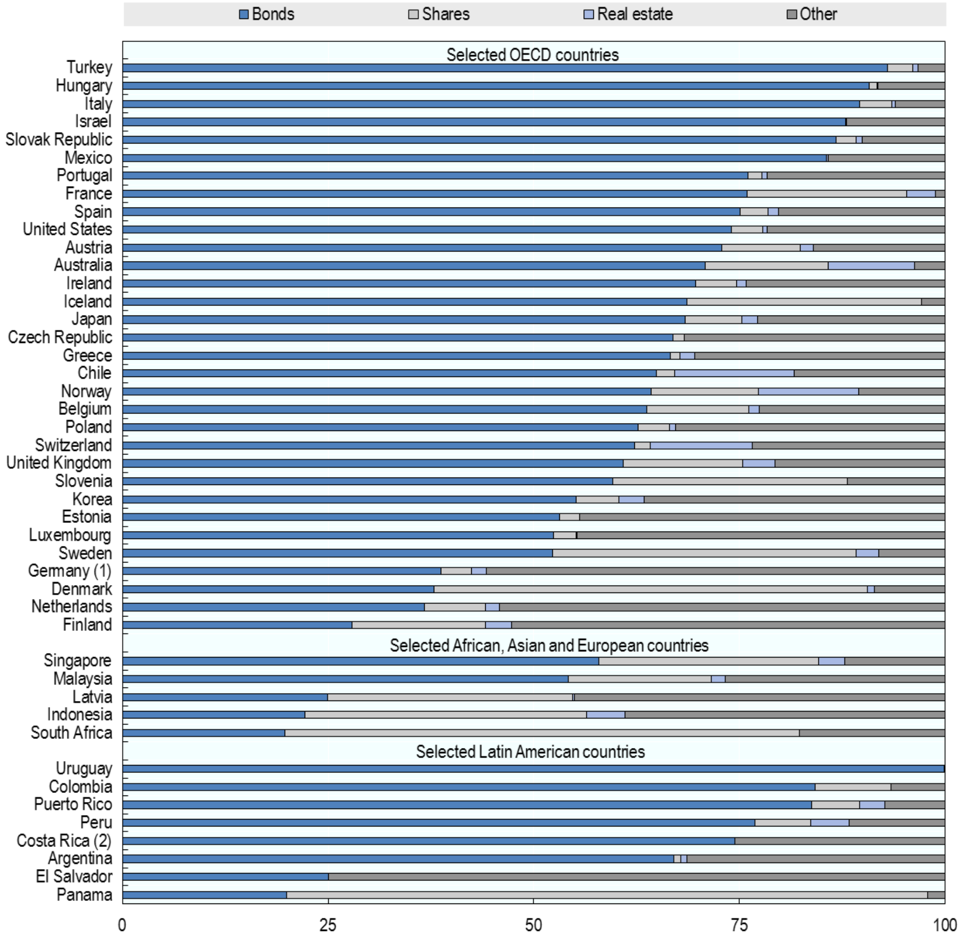
Investment in real estate was minimal. Australia, Chile, Norway and Switzerland were the only countries where life insurance companies made significant investments in real estate (between 10–15 %).

A number of countries reported significant investments in "other assets", but limited information was available to grasp the nature of investments in this asset category.

Most countries reported relative stability in terms of the allocation of assets across bonds, shares and other asset types. In a few countries, there was a shift in the allocation of assets from bonds, towards shares and other assets in 2013 relative to 2012, including in the Czech Republic, Denmark, France, Greece, Iceland, South Africa and Luxembourg. The opposite trend occurred for instance in Latvia, Spain, Switzerland and Turkey, shifting from other assets, towards bonds and shares.

[3] Reporting countries are requested to provide, for mutual funds and other collective investment schemes, portfolio allocation on a "look through" basis (*i.e.*, reporting should provide data on the ultimate asset class for investments in funds). However, not all countries are able to provide data on that basis.

Figure 6. Investment portfolio allocation: Life insurers (2013)
(as a % of total investments)



Note: For methodological notes, see page 34 onwards.
Source: OECD Global Insurance Statistics

Portfolio allocation: non-life insurers

Most countries reported general stability in non-life insurance companies' allocation of investment to different asset classes. However, the non-life insurance sector in a number of countries experienced a shift, in some cases substantial, away from bond investments towards shares and other assets in 2013, including, for instance, Denmark, France, Greece, Iceland, Ireland, Israel, Italy, Luxembourg, Norway, Sweden and Switzerland. Iceland and Indonesia's non-life sector, respectively, increased their allocation to shares by 5 and 14 percentage points.

Chile, Estonia, Finland, Netherlands, Slovenia and Turkey notably, experienced an opposite shift in investment allocations among non-life companies, increasing their investment into bonds and away from shares and other assets.

Bonds dominate the investment portfolios of non-life insurers

The non-life insurance sector demonstrated a portfolio investment strategy dominated by investment in bonds. In more than half of the reporting countries, the non-life insurance sector allocated over half of portfolio assets to bonds. Non-life sectors in nine countries invested in excess of 75% of their investment portfolio in bonds (Canada, Colombia, Hungary, Italy, Mexico, Paraguay, Puerto Rico, Turkey and Uruguay).

The non-life sector investment more than 85% of portfolios assets in bonds

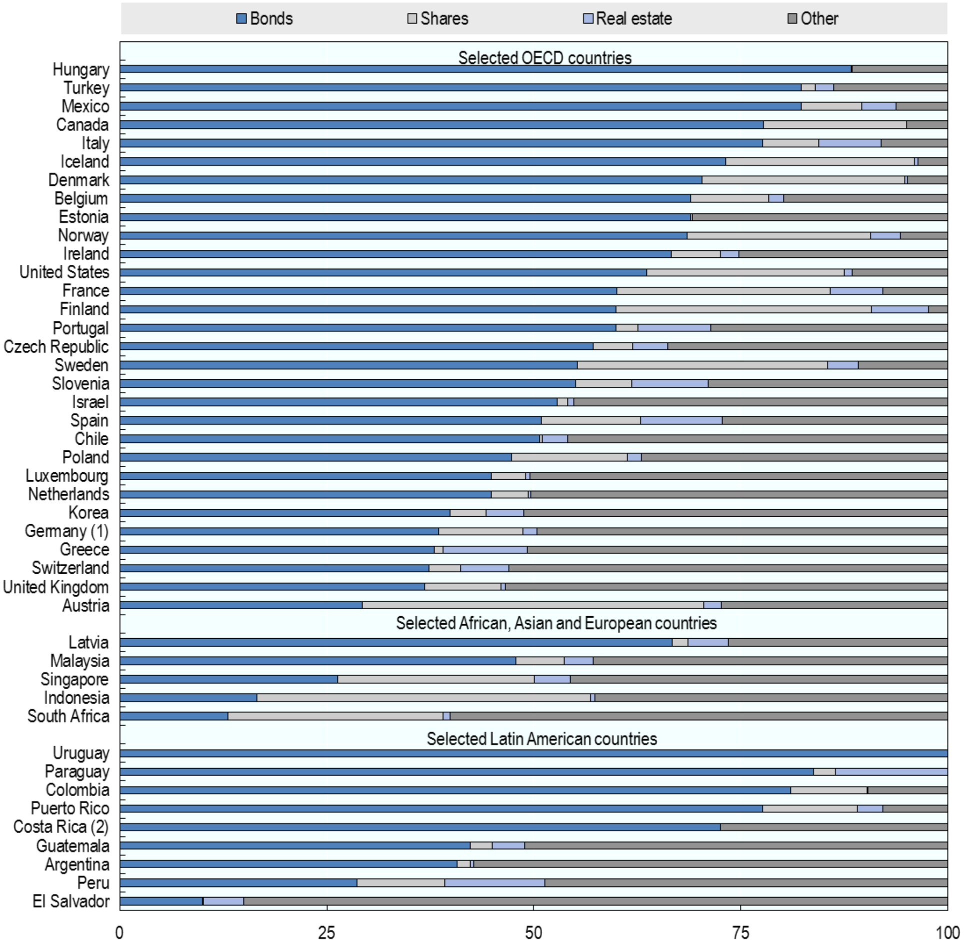
Hungary and Uruguay have the greatest proportion of investments in bonds. In Uruguay, all non-life insurer investment was in bonds, while in Hungary almost 90% of the investment portfolio was allocated to bonds.

Only the non-life insurers in Austria and Indonesia allocated more than 40% of portfolio assets to shares.

Real estate investment by non-life insurers remains limited in all countries

Real estate was a small part of investment portfolios in almost all countries. The non-life insurance sector in three countries (Greece, Paraguay and Peru) invested 10% or more of portfolio assets in real estate. Finland, Italy, Slovenia, Spain and Portugal also invested substantial shares of their assets in real estate, but at less than 10% of portfolio assets.

Figure 7. Investment portfolio allocation: Non-Life insurers (2013)
(as a % of total investments)



Note: For methodological notes, see page 34 onwards.
Source: OECD Global Insurance Statistics

Portfolio Allocation: composite insurers

Composite sector's investment is dominated by bonds

The investment portfolio of composite insurers was dominated by bonds.

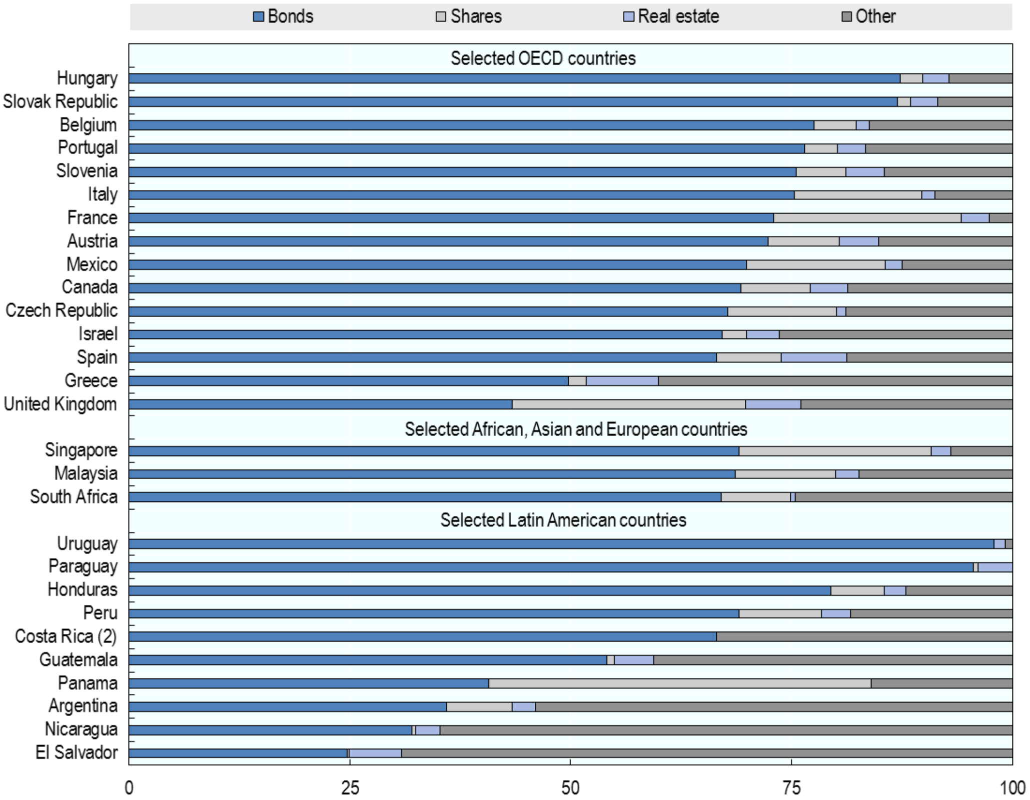
Composite sectors in the vast majority of countries invested smaller proportions of their portfolios into shares than into bonds. Composites in selected OECD countries invested more than 15% of their portfolios into shares: France, Mexico (which may include investments in mutual fund units which in turn may invest in bonds),[4] and the United Kingdom.

The composite sectors in El Salvador, Greece, Spain and the United Kingdom invested a moderate share of their portfolio in real estate assets (between 5 and 10% of their portfolios).

In terms of shifts in allocations, the most common shift among the countries with composite insurance companies was a shift away from investments in bonds, towards allocations to shares and other assets, relative to 2012. That said, the composite sector in a number of countries made a shift in the opposite direction.

[4] Reporting countries are requested to provide, for mutual funds and other collective investment schemes, portfolio allocation on a "look through" basis (*i.e.*, reporting should provide data on the ultimate asset class for investments in funds). However, not all countries are able to provide data on that basis.

Figure 8. Investment portfolio allocation: Composite insurers (2013)
(as a % of total investments)



Note: For methodological notes, see page 34 onwards.
Source: OECD Global Insurance Statistics

Bond allocation

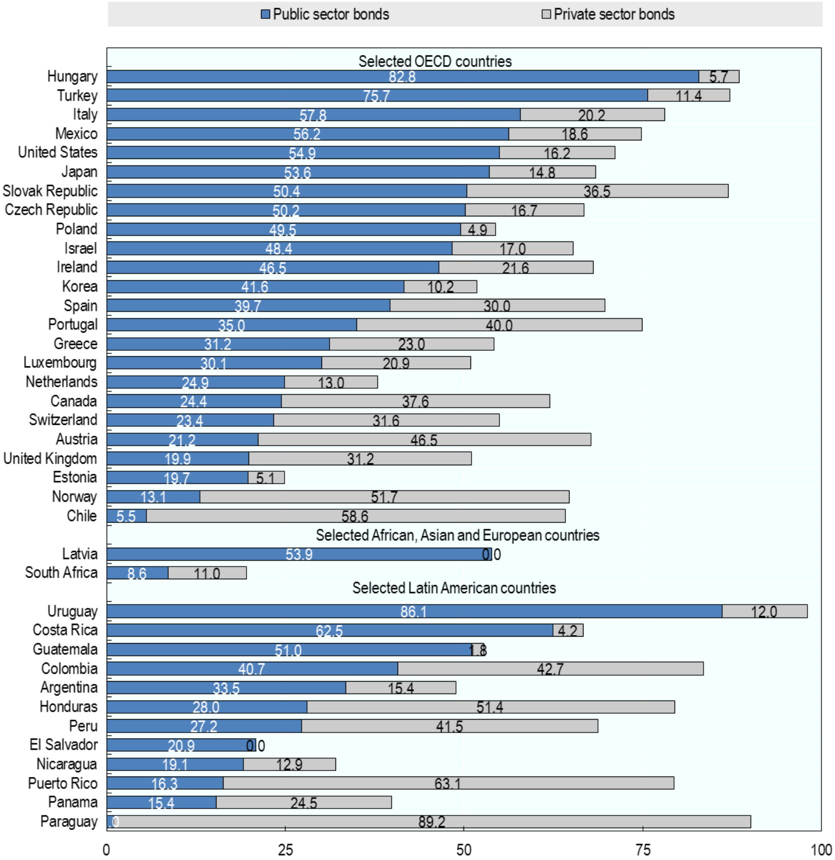
Allocations to public bonds is strong in many countries

Among the countries with data available on the breakdown of bond allocation between public and private bonds, insurance companies (life, non-life and composite) in approximately two thirds of reporting countries invested in excess of 50% of their bond portfolio in public sector bonds. Countries which had the highest proportion of public sector bonds in their bond portfolios included Hungary, Turkey and Uruguay.

The insurance sectors in Chile, Norway, Paraguay and Puerto Rico had the largest share of their bond allocation dedicated to private bonds.

The insurance sectors in Czech Republic, Hungary, Italy, Japan, Mexico, Slovak Republic, Turkey and the United States invest more than half of their portfolios in public bonds, and all allocate more to public than private sector bonds.

Figure 9. Portfolio allocation to bonds, public and private-sector bonds (2013)
(as a % of total investments)



Note: For methodological notes, see page 34 onwards.
Source: OECD Global Insurance Statistics

Table 1. Insurers' portfolio allocation in bonds and shares by type of insurer (2012-2013) (as a % of total investments)

		life		non-life		composite	
		2012	2013	2012	2013	2012	2013
Selected OECD countries							
Australia	*Bonds*	70.8	70.9	66.5	70.7	n.a	n.a
	Shares	20.5	15.0	c	c	n.a	n.a
	Other	8.7	14.2	c	c	n.a	n.a
Austria	*Bonds*	75.3	72.9	29.2	29.3	70.8	72.3
	Shares	10.5	9.5	43.7	41.2	8.3	8.1
	Other	14.2	17.5	27.2	29.5	20.9	19.6
Belgium	*Bonds*	69.0	63.8	71.0	69.0	80.1	77.6
	Shares	11.3	12.4	9.1	9.4	3.7	4.8
	Other	19.7	23.8	19.9	21.6	16.2	17.6
Canada	*Bonds*	..	..	80.5	77.8	68.9	69.3
	Shares	..	..	16.2	17.2	6.7	7.8
	Other	..	..	3.3	5.0	24.3	22.9
Chile	*Bonds*	65.3	64.9	47.2	50.7	n.a	n.a
	Shares	2.7	2.3	0.4	0.4	n.a	n.a
	Other	31.9	32.9	52.3	49.0	n.a	n.a
Czech Republic	*Bonds*	77.9	67.0	53.1	57.2	70.3	67.8
	Shares	1.1	1.3	4.6	4.7	11.2	12.2
	Other	21.0	31.7	42.3	38.1	18.5	19.9
Denmark	*Bonds*	40.6	37.9	73.8	70.4	n.a	n.a
	Shares	48.3	52.7	21.4	24.5	n.a	n.a
	Other	11.1	9.4	4.9	5.1	n.a	n.a
Estonia	*Bonds*	48.6	53.2	56.8	68.9	n.a	n.a
	Shares	2.4	2.4	4.2	0.2	n.a	n.a
	Other	49.0	44.4	39.1	30.8	n.a	n.a
Finland	*Bonds*	30.1	27.9	57.4	59.9	..	..
	Shares	19.6	16.3	31.3	30.8	..	..
	Other	50.3	55.9	11.3	9.2	..	..
France	*Bonds*	84.4	75.9	61.2	60.1	81.0	73.0
	Shares	11.6	19.5	25.6	25.8	12.8	21.2
	Other	4.0	4.6	13.2	14.1	6.2	5.8
Germany (1)	*Bonds*	38.2	38.7	37.5	38.5	n.a	n.a
	Shares	3.6	3.7	10.3	10.2	n.a	n.a
	Other	58.2	57.6	52.2	51.3	n.a	n.a
Greece	*Bonds*	75.6	66.6	38.9	38.0	46.3	49.8
	Shares	0.9	1.1	1.0	1.0	1.9	2.0
	Other	23.5	32.3	60.1	61.0	51.8	48.2
Hungary	*Bonds*	91.6	90.8	89.3	88.4	87.6	87.3
	Shares	0.8	0.9	0.6	0.0	2.4	2.5
	Other	7.5	8.3	10.0	11.6	10.0	10.2
Iceland	*Bonds*	73.6	68.6	78.9	73.1	n.a	n.a
	Shares	18.7	28.5	17.9	22.9	n.a	n.a
	Other	7.8	2.9	3.2	4.0	n.a	n.a
Ireland	*Bonds*	64.2	69.7	68.9	66.6	n.a	n.a
	Shares	5.0	5.0	5.3	5.9	n.a	n.a
	Other	30.9	25.3	25.8	27.4	n.a	n.a
Israel	*Bonds*	..	88.0	68.2	52.9	67.3	67.1
	Shares	..	0.0	0.8	1.2	2.5	2.8
	Other	..	12.0	31.0	45.9	30.1	30.1
Italy	*Bonds*	90.0	89.6	78.4	77.7	74.8	75.3
	Shares	4.0	4.0	6.7	6.8	14.0	14.4
	Other	6.0	6.4	14.9	15.5	11.2	10.2
Japan	*Bonds*	68.0	68.4	35.5	..	n.a	n.a
	Shares	6.6	7.0	25.4	..	n.a	n.a
	Other	25.3	24.6	39.1	..	n.a	n.a
Korea	*Bonds*	53.9	55.2	41.7	39.9	n.a	n.a
	Shares	5.8	5.1	5.3	4.3	n.a	n.a
	Other	40.3	39.7	51.5	55.8	n.a	n.a
Luxembourg	*Bonds*	55.7	52.4	49.2	44.9	..	..
	Shares	1.6	2.8	3.5	4.2	..	..
	Other	42.7	44.8	47.3	51.0	..	..
Mexico	*Bonds*	86.3	85.6	80.6	82.3	66.2	69.9
	Shares	0.0	0.0	7.3	7.3	15.5	15.8
	Other	13.7	14.3	12.1	10.4	18.3	14.4
Netherlands	*Bonds*	40.2	36.7	40.9	44.8	n.a	n.a
	Shares	21.2	7.4	5.5	4.5	n.a	n.a
	Other	38.6	55.9	53.6	50.6	n.a	n.a
Norway	*Bonds*	65.6	64.3	72.3	68.6	n.a	n.a
	Shares	11.8	13.1	21.9	22.2	n.a	n.a
	Other	22.6	22.6	5.8	9.3	n.a	n.a
Poland	*Bonds*	62.5	62.7	50.8	47.3	n.a	n.a
	Shares	3.9	3.8	19.2	14.0	n.a	n.a
	Other	33.6	33.5	30.0	38.6	n.a	n.a
Portugal	*Bonds*	80.8	76.1	58.5	59.9	79.4	76.5
	Shares	1.8	1.7	2.7	2.6	2.8	3.7
	Other	17.4	22.2	38.9	37.5	17.8	19.8
Slovak Republic	*Bonds*	86.9	86.7	97.0	..	84.2	87.0
	Shares	2.4	2.4	0.0	..	1.9	1.5
	Other	10.6	10.8	3.0	..	14.0	11.5

Table 1. Insurers' portfolio allocation in bonds and shares by type of insurer (2012-2013) (as a % of total investments)

		life		non-life		composite	
		2012	2013	2012	2013	2012	2013
Selected OECD countries							
Slovenia	*Bonds*	56.0	59.7	53.8	55.1	69.0	75.5
	Shares	27.1	28.5	7.7	6.8	8.9	5.6
	Other	16.9	11.9	38.5	38.1	22.1	18.8
Spain	*Bonds*	73.9	75.1	51.4	50.9	63.8	66.5
	Shares	2.7	3.4	10.4	12.0	7.8	7.3
	Other	23.4	21.5	38.3	37.1	28.4	26.2
Sweden	*Bonds*	56.4	52.3	59.2	55.3	n.a	n.a
	Shares	33.2	36.9	28.7	30.2	n.a	n.a
	Other	10.4	10.8	12.2	14.5	n.a	n.a
Switzerland	*Bonds*	60.7	62.3	38.6	37.3	n.a	n.a
	Shares	1.1	1.9	3.8	3.8	n.a	n.a
	Other	38.2	35.8	57.7	58.9	n.a	n.a
Turkey	*Bonds*	92.2	93.1	79.2	82.3	n.a	n.a
	Shares	2.5	3.0	4.5	1.7	n.a	n.a
	Other	5.4	3.9	16.3	16.0	n.a	n.a
United Kingdom	*Bonds*	61.7	60.9	35.9	36.8	45.9	43.4
	Shares	12.8	14.5	13.5	9.2	22.9	26.4
	Other	25.5	24.6	50.6	54.0	31.2	30.2
United States	*Bonds*	74.2	74.0	64.9	63.7	n.a	n.a
	Shares	3.6	3.8	22.0	23.9	n.a	n.a
	Other	22.1	22.2	13.1	12.4	n.a	n.a
Selected African, Asian and European countries							
Indonesia	*Bonds*	27.0	22.2	15.3	16.6	..	..
	Shares	24.0	34.2	26.7	40.3	..	..
	Other	49.0	43.5	58.1	43.1	..	..
Latvia	*Bonds*	21.9	24.9	58.8	66.7	..	..
	Shares	22.2	29.8	2.8	2.0	..	..
	Other	55.9	45.3	38.4	31.3	..	..
Malaysia	*Bonds*	57.2	54.3	53.8	47.9	70.5	68.6
	Shares	15.8	17.3	5.5	5.8	10.1	11.4
	Other	27.0	28.4	40.7	46.3	19.5	20.0
Singapore	*Bonds*	59.6	58.0	25.0	26.3	69.1	69.1
	Shares	23.3	26.7	22.8	23.8	19.0	21.8
	Other	17.1	15.4	52.2	49.9	11.9	9.2
South Africa	*Bonds*	22.9	19.7	12.2	13.0	39.3	67.0
	Shares	50.3	62.5	24.5	26.0	5.6	7.9
	Other	26.8	17.7	63.3	61.0	55.2	25.1
Selected Latin American countries							
Argentina	*Bonds*	65.1	67.0	36.0	40.8	35.0	36.0
	Shares	1.0	0.9	1.1	1.6	6.9	7.4
	Other	34.0	32.1	63.0	57.6	58.0	56.6
Bolivia	*Bonds*	50.4	..	20.9	..	..	..
	Shares	1.8	..	4.1	..	..	..
	Other	47.8	..	74.9	..	..	..
Colombia	*Bonds*	83.8	84.2	81.8	81.0	n.a	n.a
	Shares	7.3	9.3	8.5	9.2	n.a	n.a
	Other	8.8	6.6	9.7	9.7	n.a	n.a
Costa Rica (2)	*Bonds*	93.2	74.5	97.4	72.6	67.2	66.5
	Shares	0.0	0.0	0.0	0.0	0.0	0.0
	Other	6.8	25.5	2.6	27.4	32.8	33.5
El Salvador	*Bonds*	27.7	25.1	13.7	10.0	33.8	24.8
	Shares	0.0	0.0	0.0	0.0	0.2	0.2
	Other	72.3	74.9	86.2	90.0	66.0	75.0
Guatemala	*Bonds*	..	..	38.3	42.4	54.0	54.1
	Shares	..	..	0.8	2.7	0.6	0.9
	Other	..	..	60.9	55.0	45.4	45.0
Honduras	*Bonds*	..	..	..	..	..	79.4
	Shares	..	..	..	..	..	6.1
	Other	..	..	..	..	..	14.5
Nicaragua	*Bonds*	..	..	..	..	17.1	32.0
	Shares	..	..	..	..	0.6	0.5
	Other	..	..	..	..	82.3	67.5
Panama	*Bonds*	21.2	19.9	..	..	48.6	40.8
	Shares	76.1	78.0	..	..	43.1	43.3
	Other	2.6	2.1	..	..	8.3	16.0
Paraguay	*Bonds*	..	..	..	83.8	..	95.6
	Shares	..	..	..	2.6	..	0.5
	Other	..	..	..	13.5	..	3.9
Peru	*Bonds*	79.8	76.9	26.6	28.7	74.4	69.0
	Shares	5.1	6.8	10.3	10.6	8.6	9.4
	Other	15.0	16.3	63.1	60.7	17.0	21.6
Puerto Rico	*Bonds*	82.7	83.8	71.8	77.7	..	..
	Shares	4.6	5.9	10.1	11.5	..	..
	Other	12.7	10.4	18.2	10.9	..	..
Uruguay	*Bonds*	72.5	99.9	73.2	100.0	90.6	97.9
	Shares	0.0	0.0	0.0	0.0	0.3	0.0
	Other	27.5	0.1	26.8	0.0	9.1	2.1

"c" means confidential; "n.a" not applicable; ".." not available.
Note: For methodological notes, see page 34 onwards.
Source: OECD Global Insurance Statistics

Investment returns

Investment returns of life companies mostly improved in 2013 in the OECD

Based on available data, the life insurance industry's real net investment returns in 2013 were relatively stable compared to 2012. Investment returns edged higher in 2013 in the majority of reporting OECD countries. In Hungary, Iceland and Luxembourg, life insurance companies achieved real net investment returns in 2013 that increased by 4 percentage points (pp) or more over 2012.

Investment returns of life companies in non-OECD member countries deteriorated

Among non-OECD member countries, investment returns declined in all but Argentina and Colombia. Investment returns in the life sectors in Indonesia, Malaysia and Uruguay declined by 6 pp or more, relative to returns in 2012.

Investment returns among non-life companies was mixed

Among OECD countries, the change in real net investment returns for non-life insurance companies was more balanced as non-life insurers in ten countries achieved marginal improvements, while those in nine countries faced declining returns. The same applied in non-member countries where non-life companies achieved increasing returns in three countries, and faced declining returns in four countries.

In Poland, real net investment returns in the non-life sector increased by 5.2 pp. over 2012. In Israel, real net investment returns for the non-life sector declined by 4.3 pp in 2013 but remained positive.

The investment returns of the composite sector improved in most countries. Composite insurance companies in Hungary and Portugal achieved somewhat higher returns of 5% or higher. The composite sector in Canada, by contrast, faced a decline of 7.6 pp in 2013 relative to 2012.

Table 2. Average real net investment return by type of insurer (2012-2013) (%)

	Life		Non-life		Composite	
	2012	2013	2012	2013	2012	2013
Selected OECD countries						
Australia	12.2	13.0	5.4	3.2	n.a	n.a
Austria	..	..	1.3	..	1.2	..
Belgium	2.3	3.6	0.7	2.0	2.2	3.1
Canada	..	..	3.6	2.0	5.9	-1.6
Chile	5.4	4.8	3.4	4.5	n.a	n.a
Czech Republic	-0.6	0.0	3.2	-0.1	1.0	1.0
Estonia	1.2	0.5	..	0.1	n.a	n.a
Germany	3.0	4.0	1.7	2.4	n.a	n.a
Hungary	1.7	5.6	1.6	2.8	1.5	5.3
Iceland	-4.0	1.5	-3.9	-0.5	n.a	n.a
Ireland	5.3	-1.4	3.8	2.2	n.a	n.a
Israel	..	-0.2	7.0	2.7	5.0	4.8
Italy	3.2	3.3	2.9	2.2	2.1	3.3
Japan	3.3	0.8	3.1	..	n.a	n.a
Korea	2.8	3.0	2.3	2.3	n.a	n.a
Luxembourg	-2.2	1.9	-2.2	-0.1	n.a	n.a
Netherlands	5.8	4.7	4.4	1.8	n.a	n.a
Norway	4.4	3.2	4.4	..	n.a	n.a
Poland	4.0	4.5	4.7	9.9	n.a	n.a
Portugal	1.0	2.3	0.6	2.2	4.0	5.5
Spain	2.2	4.0	-0.2	3.1	-0.2	3.9
Switzerland	4.0	3.1	4.0	4.0	n.a	n.a
Turkey	0.2	-0.7	-5.6	-3.6	n.a	n.a
Selected African, Asian and European countries						
Indonesia	8.2	0.2	3.4	-0.5	..	..
Latvia	6.0	2.0	2.3	2.5	..	..
Malaysia	8.1	0.5	2.8	0.5	6.5	4.0
Singapore	4.0	0.8	-0.1	1.9	3.4	-0.6
Selected Latin American countries						
Argentina	8.2	10.0	5.3	8.1	8.9	12.9
Colombia	3.4	3.8	5.6	5.3	n.a	n.a
Costa Rica	4.3	..	3.8	..	4.7	3.7
El Salvador	3.1	..	2.9	..	6.3	..
Honduras	..	..	..	..	..	3.2
Nicaragua	..	..	..	..	-0.7	-0.6
Peru	3.9	3.4	7.4	10.7	6.8	7.8
Puerto Rico (1)	4.2	..	4.0	..	..	..
Uruguay	0.5	-5.5	0.6	-2.5	2.3	1.2

Note: For methodological notes, see page 34 onwards.
Source: OECD Global Insurance Statistics

Profitability: Return on equity

In general, return on equity (ROE)[5] across the insurance industries in reporting countries has demonstrated significant volatility over the last three years, with dramatic changes in profitability from year-to-year (both positive and negative).

Overall trend of improving ROE, especially in countries that faced problems in the crisis

The greatest increases in the ROE of the life insurance sector since 2011 occurred in Greece, Italy and Portugal, which have a common experience of economic instability generated by the financial crisis. The life insurance sector in Portugal achieved the most significant recovery in ROE, from a negative 7.8% in 2011, to returns of 17.6% in 2012 and 30.6% in 2013. The life insurance sector in Hungary and the Slovak Republic achieved a significant recovery in ROE in 2013 relative to the negative returns in 2012. For other countries, the overall trend was a

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

moderately positive ROE over the period 2011–2013 in the range of 5 to 10% in most countries.

ROE of non-life sector has been volatile

In the non-life insurance sector, ROE over the last three years has been volatile across counties, with substantial changes from year-to-year. The non-life sector in the Czech Republic and Hungary has faced negative returns on equity every year since 2011, although returns have improved. Non-life insurance companies in the Slovak Republic achieved a significant positive reversal in ROE from -43.5% in 2011 to 27% in 2013. Non-life insurers in Greece, Finland, Iceland, Mexico, Poland and Switzerland have achieved ROEs above 10% in all years since 2011.

Composite companies across all countries achieved positive ROE.

For composite insurers, ROE is generally increasing in most countries, with particularly significant gains in Greece, where the composite sector achieved positive ROE for the first time since 2009. The composite sector in all countries had positive ROE in 2013.

Table 3. Return on equity by type of insurer (2011-2013) (%)

	ROE								
	Life			Non-life			Composite		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Selected OECD countries									
Australia	15.4	15.9	11.9	9.6	17.7	17.3	n.a	n.a	n.a
Belgium	3.4	10.6	8.0	5.7	6.2	4.0	2.5	20.6	11.4
Canada	3.4	-5.2	0.9	9.8	11.3	4.2	7.1	9.9	12.3
Chile	5.3	15.0	8.7	12.2	9.4	11.0	n.a	n.a	n.a
Czech Republic	14.0	9.9	11.3	-8.4	-2.7	-7.8	16.6	20.6	17.7
Denmark	3.0	9.6	3.2	6.7	15.0	11.5	n.a	n.a	n.a
Estonia	9.8	17.0	4.9	13.8	16.7	4.8	n.a	n.a	n.a
Finland	-2.7	21.8	13.5	10.2	24.7	27.5	..	..	..
France	2.5	5.5	5.3	7.1	3.6	7.4	5.5	8.6	9.6
Germany	9.7	9.6	6.1	3.8	3.9	4.3	n.a	n.a	n.a
Greece	-6.0	-14.5	7.1	10.1	18.8	18.4	-36.5	-62.5	38.8
Hungary	-0.8	-8.1	6.6	-32.9	-6.3	-13.5	11.3	12.0	15.1
Iceland	21.4	18.2	18.8	12.3	20.4	10.4	n.a	n.a	n.a
Ireland	-8.2	10.5	14.5	10.0	16.1	9.2	n.a	n.a	n.a
Israel	..	..	..	3.9	17.9	32.6	-0.6	15.2	17.7
Italy	-16.5	25.1	9.9	-0.6	6.2	7.0	-6.5	9.4	8.8
Japan	..	..	15.0	..	6.8	..	n.a	n.a	n.a
Korea	8.5	7.6	5.5	15.3	11.8	8.4	n.a	n.a	n.a
Luxembourg	3.7	7.3	8.9	22.7	23.2	8.5	n.a	n.a	n.a
Mexico	12.7	19.5	13.8	11.8	21.0	13.3	16.3	18.5	18.5
Netherlands	..	..	2.6	..	..	11.7	..	..	..
New Zealand	..	..	12.7	..	..	13.7	..	..	..
Norway	..	10.9	7.0	..	36.1	16.1	n.a	n.a	n.a
Poland	22.5	21.6	20.4	18.0	16.8	29.1	n.a	n.a	n.a
Portugal	-7.8	17.6	30.6	3.0	-0.1	0.5	4.5	17.7	7.5
Slovak Republic	6.1	-3.8	9.4	-43.5	19.3	27.0	15.6	11.4	11.8
Spain	..	24.6	13.9	..	11.2	11.3	..	11.6	14.0
Switzerland	20.7	8.0	10.5	16.2	16.9	22.6	n.a	n.a	n.a
Turkey	13.2	13.3	12.7	0.3	-12.9	12.8	n.a	n.a	n.a
United Kingdom	7.0	3.2	12.9	-2.1	5.4	9.6	15.4	19.0	25.3
United States	5.3	12.0	12.0	5.0	6.9	10.1	n.a	n.a	n.a
Selected African, Asian and European countries									
Indonesia	..	..	6.7	..	..	15.5	..	..	..
Latvia	-21.3	30.8	-3.9	0.7	7.3	6.7	..	..	..
Malaysia	23.4	20.3	19.7	13.4	12.7	12.9	28.4	22.6	22.1
Singapore	20.6	22.5	9.4	-62.8	15.5	15.5	15.5	35.9	3.9
South Africa	91.0	49.3	47.4	35.0	170.2	21.0	31.7	8.6	23.4
Thailand	14.7	..	..	-123.4	..	..	n.a	n.a	n.a
Selected Latin American countries									
Argentina	..	..	33.5	..	..	21.6	..	..	16.6
Colombia	7.1	14.7	6.7	6.3	7.6	5.7	n.a	n.a	n.a
Costa Rica	..	3.3	12.6	..	-0.1	-18.1	..	8.9	6.4
El Salvador	..	29.9	28.9	..	4.3	4.7	..	20.3	19.5
Guatemala	..	..	..	..	..	28.8	..	..	25.8
Nicaragua	..	..	..	..	..	..	..	..	23.4
Panama	..	..	3.3	..	..	..	..	..	10.9
Paraguay	..	..	..	..	..	..	..	..	29.3
Peru	..	15.5	19.5	..	9.8	11.1	..	20.9	15.6
Puerto Rico	..	..	9.5	..	..	14.0	..	..	..
Uruguay	..	..	26.4	..	..	17.4	..	..	23.7

Note: For methodological notes, see page 34 onwards.
Source: OECD Global Insurance Statistics

Change in equity position

The change in equity position permits an understanding of the evolution of shareholder capital.[6] Changes may occur due to gains and losses recognised in the income statement, 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 which may nonetheless be important for understanding an 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 declined in most countries across all sectors

Table 4 below shows that shareholder equity of the life insurance sector decreased in just under half of reporting countries. In the non-life sector, shareholder equity declined in 15 countries while shareholder equity in the composite sector declined in eight countries. The sharpest decline was observed in the life insurance sector in the Czech Republic, where shareholder equity declined by 46.3% relative to 2012. In Estonia, the equity position in the life segment also dropped significantly. In the non-life sector in Canada, Denmark, Slovak Republic, the United Kingdom and Uruguay, there was a decline in shareholder equity that was greater than -25%.

Shareholder equity in the non-life industry in Israel grew dramatically. Among OECD countries, the life insurance sectors in Norway, Spain and the United Kingdom, and both life and non-life insurance industries in Austria, Finland, Greece, Switzerland and Turkey, also exhibited significant increases in shareholder equity.

[6] The shareholder equity position is obtained by dividing the total shareholder equity with total assets of the insurer, indicating the level of assets owned by shareholders. This is as opposed to debt to equity ratio, which indicates the leverage of the insurer.

Table 4. Change in equity position by type of insurer (2012-2013) (%)

	life		non life		composite	
	2012	2013	2012	2013	2012	2013
Selected OECD countries						
Australia	8.9	-1.2	1.9	-12.1	n.a	n.a
Austria	..	17.1	..	4.2	..	4.4
Belgium	8.6	-9.8	5.7	-8.2	0.9	2.8
Canada	-19.0	22.6	3.9	-26.7	8.8	2.8
Chile	9.0	-0.4	33.7	13.1	n.a	n.a
Czech Republic	0.3	-46.3	4.6	4.6	15.4	2.0
Denmark	7.7	0.2	7.0	-27.7	n.a	n.a
Estonia	18.6	-39.1	-0.2	0.0	n.a	n.a
Finland	25.2	4.8	15.5	23.2	..	..
France	8.0	0.3	-4.5	1.8	2.8	6.5
Germany	10.8	1.7	5.6	3.4	n.a	n.a
Greece	12.1	6.0	-13.9	16.4	83.0	87.8
Hungary	-8.7	-12.0	-10.6	2.9	-5.8	-13.8
Iceland	2.1	7.2	35.9	-8.8	n.a	n.a
Ireland	15.8	-1.8	-18.8	3.3	n.a	n.a
Israel	..	..	-0.5	201.4	19.9	-10.0
Italy	28.3	-9.0	8.6	8.5	10.5	23.0
Japan	..	8.4	1.4	..	n.a	n.a
Korea	27.2	-3.1	18.7	-0.6	n.a	n.a
Luxembourg	44.6	-4.8	10.5	2.1	n.a	n.a
Mexico	16.3	9.4	2.7	6.8	7.7	2.2
Netherlands	..	24.9	..	-8.0	n.a	n.a
New Zealand	..	3.0	..	9.1	..	..
Norway	100.2	11.5	224.9	-13.7	n.a	n.a
Poland	15.7	-13.3	17.7	-2.8	n.a	n.a
Portugal	88.6	1.2	1.5	5.8	52.4	-6.7
Slovak Republic	-7.5	-7.0	105.0	-29.4	10.1	-1.5
Slovenia	0.0	-8.0	-6.7	0.0	57.3	-34.5
Spain	32.8	43.2	6.7	8.1	0.8	14.8
Switzerland	7.8	9.5	-6.1	10.9	n.a	n.a
Turkey	14.5	7.1	-1.8	36.9	n.a	n.a
United Kingdom	0.6	9.4	1.7	-26.8	13.1	4.5
United States	4.2	3.4	6.3	6.5	n.a	n.a
Selected African, Asian and European countries						
Indonesia	..	3.3	..	13.7	..	..
Latvia	31.6	-4.2	0.4	-15.9	..	..
Malaysia	10.2	-0.2	28.0	-5.0	6.4	7.9
Singapore	108.9	7.3	268.1	2.7	431.1	55.9
South Africa	-20.5	66.1	43.8	1.3	-35.9	37.0
Selected Latin American countries						
Argentina	..	8.0	..	39.0	..	30.1
Colombia	4.5	-4.3	-4.4	4.6	n.a	n.a
Costa Rica	13.0	24.1	7.2	116.0	9.7	15.1
El Salvador	7.5	12.1	-1.0	16.0	11.7	-8.0
Guatemala	..	..	..	16.8	..	14.4
Nicaragua	..	..	..	..	..	10.3
Panama	..	8.9	..	..	..	-5.1
Paraguay	..	..	..	..	..	217.8
Peru	9.1	4.5	10.9	4.9	16.5	-10.0
Puerto Rico	..	-3.3	..	34.8	..	..
Uruguay	..	-20.6	..	-25.5	..	7.3

Note: For methodological notes, see page 34 onwards.
Source: OECD Global Insurance Statistics

ADDITIONAL NOTES

Notes to be taken into consideration when interpreting the data

This report is based on the responses provided by countries on results from the 2014 Global Insurance Statistics (GIS) exercise, including qualitative information supplied by countries or sourced from national administrative sources. More detailed information on the sector will be published in the *OECD Insurance Statistics* collection. Data collected under the GIS exercise can be found at the following OECD statistical portal: http://stats.oecd.org/Index.aspx.

Given possible divergences in national reporting standards, different methods for compiling data for the GIS exercise, and recent amendments to the OECD statistical framework, caution needs to be exercised in interpreting the data. For this reason, countries are regularly requested to provide methodological information relevant for developing a thorough understanding of their submissions to the Global Insurance Statistics (GIS) exercise. The methodological notes below provide some explanations in this respect.

– Economic data on exchanges rates and the Consumer Price Index (CPI) in countries come from the IMF International Financial Statistics (IFS) and the OECD Main Economic Indicators (MEI) databases.

– As per the OECD GIS framework, data in Figure 1 to 5 and Tables 3 and 4 normally refer to direct business and include domestically incorporated undertakings (i.e., incorporated under national law) and, where data are available, the branches and agencies of foreign undertakings operating in the country. Tables and figures about the asset allocation of insurers and investment rates of return in this publication only refer to domestic direct insurers. Some countries, particularly within the EU member states (such as Estonia, Italy and Portugal), in submitting data, may not be able to exclude the foreign branches of domestic undertakings. Therefore, data for those countries may include these foreign branches (particularly branches established within the EU).

– Composite undertakings operate in a number of countries, as shown in Table 7.

– Conventional signs: "c" means confidential; "n.a." not applicable; ".." not available.

– Data for *Estonia* refer to the whole direct business of Estonian companies, and include business written by branches of Estonian insurers.

– Data for *Indonesia* are unaudited.

– The 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 operating also in accident and sickness line of business.

– Data from *Japan* reflect fiscal year instead of calendar year. Non-life insurance statistics for 2013 will be available in 2015.

– Data from *Malaysia* cover global business (within and outside Malaysia) including Takaful insurance.

– Data for 2013 for the *Netherlands* are preliminary.

– Data supplied for *New Zealand* come from Statistic New Zealand's Annual Enterprise Survey. This is a financial survey of organisations from across the economy, compiling information at the latest balance date for each organisation. Data refer to the end of December for most undertakings operating in life insurance, and to the end of June in most cases for health and general insurance.

Specific notes

Figure 1:

Premiums refer to gross written premiums for direct insurance only, excluding reinsurance business accepted. Given OECD classification standards, life data do not include accident and health insurance. Real growth rates are calculated using the Consumer Prices Index (CPI) from the IMF IFS database.

All OECD reporting countries have been included in the calculations of the simple and weighted averages.

1. Data refer to domestic undertakings only.
2. Data refer to undertakings subject to domestic undertakings and branches of insurance undertakings with head office outside EU or EEA countries.
3. Data refer to net written premiums.
4. Data include reinsurance business accepted.
5. The real return is negative because of the increase in the consumer price index between 2012 and 2013.

Figure 2:

Premiums refer to gross written premiums for direct insurance only, excluding reinsurance business accepted. Given OECD classification standards, non-life data include accident and health insurance. Real growth rates are calculated using the Consumer Prices Index (CPI) from the IMF IFS database.

All OECD reporting countries have been included in the calculations of the simple and weighted averages.

1. Data refer to undertakings subject to domestic undertakings and branches of insurance undertakings with head office outside EU or EEA countries.
2. Data refer to domestic undertakings only.
3. Data include reinsurance business accepted.

Figure 3:

The claims payments indicator includes variations in outstanding claims provisions to reflect better the magnitude of the obligations that the industry had in 2013 as a result of insured events that occurred.

1. 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 to be the same as the one for gross written premiums.
2. Variations in outstanding claims provisions are not taken into account in the chart.
3. Data refer to undertakings subject to domestic undertakings and branches of insurance undertakings with head office outside EU or EEA countries.

Figure 4:

The claims payments indicator includes variations in outstanding claims provisions to reflect better the magnitude of the obligations that the industry had in 2013 as a result of insured events that occurred.

1. Data refer to undertakings subject to domestic undertakings and branches of insurance undertakings with head office outside EU or EEA countries.
2. The increase of claims payments is due large number of natural events which led to unusually high claims expenditures for the German property and casualty insurers.
3. Variations in outstanding claims provisions are not taken into account in the chart.
4. When the breakdown of gross claims paid or changes in outstanding claims provisions for composite undertakings into their life and non-life businesses was not available, the breakdown in each subsector was assumed to be the same as the one for gross written premiums.
5. Claims payments of composite undertakings are not taken into account in the chart.

Figure 5:

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.

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.

Due to limitations in data, it is not possible to calculate the combined ratio using earned premiums and claims incurred data, which would provide a more accurate depiction of underwriting performance.

The displayed combined ratio is an aggregate covering different types of business and hence different types of risks. For instance, in the United States, data for the non-life sector are the combination of figures from three types of business: title, property/casualty and health.

1. Commissions are not included in the calculation of the combined ratios. The reason behind the high ratios is that one of the larger Swedish insurance companies had written negative premiums in their annual statement. In 2012 this company decided to lower the premiums to 0 retroactively for the period 2007 – 2008 and in 2013 for the period 2005 – 2006. This lowered the total gross premiums in non-life insurance sector in Sweden and consequently increased the combined ratios.
2. When the breakdown of gross claims paid, changes in claims outstanding provisions, gross operating expenses or commissions for composite undertakings into their life and non-life businesses was not available, the breakdown in each subsector was assumed to be the same as the one for gross written premiums.
3. The non-life business of composite undertakings is not taken into account in the chart.
4. Natural events pushed the average combined ratio of the property and casualty insurers higher than 100% in 2013.
5. The value of commissions is not used in the calculation of the combined ratio because it is already included in gross operating expenses.
6. The value for commissions in 2013 is not used in the calculation of the combined ratio for 2013 because it is already included in gross operating expenses.

7. Data refer to the whole business of Luxembourgish companies in Luxembourg and abroad.
8. Earned premiums (instead of gross written premiums) were used in the calculation of the combined ratio. The numerator of the combined ratios includes reinsurance business.
9. Data include the reinsurance business accepted by direct insurers.
10. Variations in outstanding claims provisions are not taken into account in the calculation of the combined ratio.

Figures 6–9 and Table 1:

Data exclude assets linked to unit-linked products where risk is fully borne by policyholders.

1. The “Other” category mainly comprises loans and mutual fund investments for which no look-through was available.
2. Other investments include investments in bonds and other financial instruments that are not related with technical provisions.

Table 2:

Average real net investment return calculations are based on nominal net investment return reported by countries and CPI figures.

1. The rates of return are nominal.

Table 3:

ROE was calculated by dividing segment net income for the year N by average segment equity over N-1 and N.

Table 4:

Change in equity position is calculated as the change in shareholder equity divided by the level of shareholder equity from the previous year.

Table 5. Currency exchange rates and consumer price index (CPI)

National units per USD and CPI (percentage change), 2013

	Currency exchange rates, national units per USD	CPI (1)
OECD countries		
Australia	1.036	2.7
Austria	0.753	1.9
Belgium	0.753	1.0
Canada	1.030	1.2
Chile	495.282	3.0
Czech Republic	19.560	1.4
Denmark	5.618	0.8
Estonia	0.753	1.4
Finland	0.753	1.6
France	0.753	0.7
Germany	0.753	1.4
Greece	0.753	-1.7
Hungary	223.582	0.4
Iceland	122.167	4.2
Ireland	0.753	0.2
Israel	3.609	1.8
Italy	0.753	0.7
Japan	97.598	1.6
Korea	1094.926	1.1
Luxembourg	0.753	1.5
Mexico	12.770	4.0
Netherlands	0.753	1.7
New Zealand	1.219	1.6
Norway	5.877	2.0
Poland	3.160	0.7
Portugal	0.753	0.2
Slovak Republic	0.753	0.4
Slovenia	0.753	0.7
Spain	0.753	0.3
Sweden	6.513	0.1
Switzerland	0.927	0.1
Turkey	1.905	7.4
United Kingdom	0.640	2.0
United States	1.000	1.5
Selected African, Asian and European countries		
Hong Kong (China)	7.756	4.3
India	58.598	9.1
Indonesia	10461.240	8.1
Latvia	0.529	-0.4
Malaysia	3.151	3.2
Singapore	1.251	1.5
South Africa	9.655	5.4
Thailand	30.726	1.7
Selected Latin American countries		
Argentina	5.459	10.9
Bolivia	6.910	6.5
Brazil	2.157	5.9
Colombia	1868.785	2.0
Costa Rica	499.767	3.7
Cuba	..	..
El Salvador	8.750	0.8
Guatemala	7.857	4.4
Honduras	20.286	4.9
Nicaragua	24.723	5.7
Panama	1.000	3.7
Paraguay	4320.674	3.7
Peru	2.702	2.9
Puerto Rico	1.000	..
Uruguay	20.482	8.5

1. The CPI percentage change is calculated as the variation of the end-of-period CPI. For all countries, it refers to annual CPI inflation between December 2012 and December 2013, except for Japan where it refers to annual CPI inflation between March 2013 and March 2014.
Source: OECD MEI and IMF IFS databases.

Table 6. List of administrative sources

Countries	Statistical source	Website
OECD countries		
Australia	Australian Prudential Regulation Authority (APRA)	www.apra.gov.au
Austria	Financial Market Authority (FMA)	www.fma.gv.at
Belgium	National Bank of Belgium (NBB)	www.nbb.be
Canada	Department of Finance Canada	www.fin.gc.ca
Chile	Superintendency of Securities and Insurance (SVS)	www.svs.cl
Czech Republic	Ministry of Finance	www.mfcr.cz
Denmark	Danish Financial Supervisory Authority (FTNET)	www.finanstilsynet.dk
Estonia	Ministry of Finance of Estonia	www.fin.ee
Finland	Ministry of Social Affairs and Health	www.stm.fi
France	French Prudential Supervisory Authority (ACPR)	www.acpr.banque-france.fr
Germany	Federal Financial Supervisory Authority (BaFin)	www.bafin.de
Greece	Bank of Greece	www.bankofgreece.gr
Hungary	Central Bank of Hungary (MNB)	www.mnb.hu
Iceland	The Financial Supervisory Authority (FME)	www.fme.is
Ireland	Department of Finance	www.finance.gov.ie
Israel	Ministry of Finance	www.mof.gov.il
Italy	Institute for the Supervision of Insurance (ISVAP)	www.isvap.it
Japan	Financial Services Agency (FSA)	www.fsa.go.jp
Korea	Financial Services Commission (FSC)	www.fsc.go.kr
Luxembourg	The Insurance Commission (CAA)	www.commassu.lu
Mexico	The Insurance and Surety National Commission (CNSF)	www.cnsf.gob.mx
Netherlands	Statistics Netherlands (CBS)	www.cbs.nl
New Zealand	Statistics New Zealand	www.stats.govt.nz
Norway	Financial Supervisory Authority of Norway (Finanstilsynet)	www.finanstilsynet.no
Poland	Polish Financial Supervision Authority (KNF)	www.knf.gov.pl
Portugal	Insurance and Pension Funds Supervisory Authority (ISP)	www.isp.pt
Slovak Republic	National Bank of Slovakia (NBS)	www.nbs.sk
Slovenia	Ministry of Finance	www.mgrt.gov.si
Spain	Ministry of Economy	www.meh.es
Sweden	Statistics Sweden (SCB)	www.scb.se
Switzerland	State Secretariat for International Financial Matters (SIF)	www.sif.admin.ch
Turkey	The Undersecretariat of Turkish Treasury	www.hazine.gov.tr
United Kingdom	Bank of England	www.bankofengland.co.uk
United States	National Association of Insurance Commissioners (NAIC)	www.naic.org
Selected African, Asian and European countries		
Hong Kong (China)	Financial Services and the Treasury Bureau (FSTB)	www.fstb.gov.hk
India	Ministry of Finance	www.finmin.nic.in
Indonesia	Financial Services Authority (OJK)	www.ojk.go.id
Latvia	Financial and Capital Market Commission (FKTK)	www.fktk.lv
Malaysia	Central Bank of Malaysia (BNM)	www.bnm.gov.my
Singapore	Monetary Authority of Singapore (MAS)	www.mas.gov.sg
South Africa	Financial Services Board (FSB)	www.fsb.co.za
Thailand	Office of Insurance Commission (OIC)	www.oic.or.th
Selected Latin American countries		
Argentina	Superintendence of Insurance (SSN)	www.ssn.gob.ar
Bolivia	Supervision and Control Authority for Pensions and Insurance (APS)	www.aps.gob.bo
Brazil	Superintendence of Private Insurance (SUSEP)	www.susep.gov.br
Colombia	Financial Superintendence (SFC)	www.superfinanciera.gov.co
Costa Rica	General Insurance Superintendence (SUGESE)	www.sugese.fi.cr
Cuba	Cuba Insurance Superintendency	www.mfp.cu
El Salvador	Superintendency of the Financial System (SSF)	www.ssf.gob.sv
Guatemala	Superintendency of Banks (SIB)	www.sib.gob.gt
Honduras	National Commission on Banking and Insurance (CNBS)	www.cnbs.gob.hn
Nicaragua	Superintendency of Banks and Other Financial Institutions (SIBOIF)	www.siboif.gob.ni
Panama	Insurance and Reinsurance Superintendence of Panama (SSRP)	www.superseguros.gob.pa
Paraguay	Insurance Superintendence – Central Bank of Paraguay	www.bcp.gov.py
Peru	Superintendency of Banking, Insurance and Private Pension Funds Administrators (SBS)	www.sbs.gob.pe
Puerto Rico	Office of the Commissioner of Insurance (OCS)	www.ocs.gobierno.pr
Uruguay	Central Bank of Uruguay	www.bcu.gub.uy

Table 7. Composite undertakings

	Countries in which composite undertakings operate	Availability of separate data on composite undertakings
OECD countries		
Australia	No	x
Austria	Yes	Yes
Belgium	Yes	Yes
Canada (1)	Yes	Yes
Chile	No	x
Czech Republic	Yes	Yes
Denmark	No	x
Estonia	No	x
Finland	Yes	No
France	Yes	Yes
Germany	No	x
Greece	Yes	Yes
Hungary	Yes	Yes
Iceland (2)	No	No
Ireland	No	x
Israel	Yes	Yes
Italy	Yes	Yes
Japan	No	x
Korea	No	x
Luxembourg (3)	Yes	Yes
Mexico	Yes	Yes
Netherlands	No	x
New Zealand	Yes	Yes
Norway	No	x
Poland	No	x
Portugal (4)	Yes	Yes
Slovak Republic	Yes	Yes
Slovenia	Yes	Yes
Spain (5)	Yes	Yes
Sweden	No	x
Switzerland	No	x
Turkey	No	x
United Kingdom	Yes	Yes
United States	No	x
Selected African, Asian and European countries		
Hong Kong (China)	Yes	No
India	No	x
Indonesia	..	..
Latvia	..	..
Malaysia	Yes	Yes
Singapore	Yes	Yes
South Africa	Yes	Yes
Thailand	No	x
Selected Latin American countries		
Argentina	Yes	Yes
Bolivia	..	..
Brazil	Yes	Yes
Colombia	No	x
Costa Rica	Yes	Yes
Cuba	..	..
El Salvador	Yes	Yes
Guatemala	Yes	Yes
Honduras	Yes	Yes
Nicaragua	Yes	Yes
Panama	Yes	Yes
Paraguay	Yes	Yes
Peru	Yes	Yes
Puerto Rico	..	..
Uruguay	Yes	Yes

1. Most of life insurance companies are authorized to provide coverage for accident and sickness risks. The data for their life and non-life businesses (including accident and sickness) are provided separately under composite sector.
2. There are no composites, except that 2 life companies which have small operation in accident and sickness insurance which are classified as life company.
3. No official company is allowed to operate in both life and non-life business. However, a Portuguese composite subsidiary operates.
4. For profit and loss accounts (e.g. premiums) data is separated but for the balance sheet information and solvency (e.g. solvency ratio, capital, ROE,...) it is not separated.
5. The composite undertakings operating in Spain have to submit technical and non-technical accounts for all non-life and life classes separately. The balance sheet data are presented together with no differentiation by classes.

www.oecd.org/insurance