

# Global Insurance Market Trends 2022



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# Foreword

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

For several decades, the OECD has collected and analysed data on insurance markets in OECD countries, such as on the number of insurance companies and employees, insurance premiums and payments, and the portfolio investments of insurance companies. Over time, the framework of this exercise has come to include 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. In addition to covering the 38 OECD countries, this edition covers a number of non-OECD Latin American countries – achieved through co-operation with the Association of Latin American Insurance Supervisors (ASSAL) – and selected non-OECD jurisdictions in the Asian region and elsewhere.

*Global Insurance Market Trends* and its associated database represent a rich source of comparable, global cross-country data on insurance markets. They provide a comprehensive source of information that can be used by governmental authorities (regulators, finance ministries, and central banks), the insurance sector, research community, and consumers. This report supports monitoring and analysis of the insurance sector.

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# Highlights

Following a slowdown in business due to COVID-19 in 2020, the insurance industry registered a rebound in premiums written in real terms in 2021. The lifting of movement restrictions facilitated the sales of policies through face-to-face meetings between customers and salespersons. At the same time, the recovery of the economy and stock markets spurred the demand for both life and non-life insurance products.

While claims payments in some lines of business such as motor vehicle insurance returned to levels close to pre-pandemic ones, some other lines, which had registered higher than normal claims, continued to be affected by the lingering effects of the pandemic. Some countries had a heavy death toll from COVID-19 in 2021, sometimes worse than in 2020, especially in Latin America, requiring insurers to make large payments under some life insurance policies. COVID-19 also continued to affect claims payments for health insurance in some countries, for instance by increasing care costs for infected patients and reducing payments in light of postponed medical procedures.

Overall, the insurance sector achieved underwriting gains in most jurisdictions in 2021. However, in the non-life sector, underwriting performance declined in comparison with 2020 in nearly half of the reporting jurisdictions.

Insurers also recorded lower investment rates of return in 2021 than in 2020, in real terms, despite buoyant stock markets. Insurers were already feeling the impact of a changing macroeconomic context. As inflation and bond yields were already on the rise in 2021, their large bond holdings may have already suffered a loss in value.

Although 2021 was still a profitable year, insurers faced further challenges in 2022, with inflation rising, fuelled by Russia's large-scale aggression against Ukraine. A rising interest rate environment through tighter monetary policy can pose a challenge to insurers' investment performance but it also permits new investments in newly issued and higher yielding bonds, reducing the value of insurers' long-term liabilities. Rising inflation could also affect the underwriting performance of non-life insurers by raising claims costs, which may be passed on to customers through price increases in insurance policies going forward.

# Trends in the insurance sector in 2021

The OECD follows the developments in the insurance sector closely 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 report presents the outcomes of the annual OECD data collection. It provides a set of indicators describing the trends and health of the insurance sector in 2021, the second year into the COVID-19 pandemic.<sup>1</sup> Results are standardised to the extent possible, in order to allow for cross-country comparisons. The report also outlines some of the drivers behind the trends, so as to shed light on the different dynamics in the sector around the globe. This analysis is based on information provided by insurance supervisors or other reporting national authorities.

The report is structured as follows: it first presents the underwriting performance of the life and non-life insurance business, based on the evolution of gross premiums and claims payments; it then looks into the investment allocation and investment performance of insurers; and, finally, it shows the profitability of insurance companies, measured by the return on shareholder equity.

## 1. Underwriting performance

A second year into the pandemic, gross premiums written by insurers rebounded, especially in the life sector. COVID-19 continued to affect pay-outs from life and non-life insurance policies in 2021, although to different extents across jurisdictions and lines of business. The economic recovery in 2021, coupled with the easing of COVID-19 related movement restrictions, led to larger amounts of claims paid, especially in motor vehicle insurance. Insurers still achieved underwriting profits in the non-life sector in most reporting jurisdictions in 2021.

### 1.1. Premium growth

Following a slowdown (in the non-life insurance sector) or even a decline (in the life sector) in 2020, the insurance industry experienced a rebound in gross premiums written in 2021.<sup>2</sup> This rebound was especially pronounced in the life insurance sector where gross premiums increased by 7.7% in real terms on average among 52 reporting jurisdictions (Figure 1). In the non-life sector, this increase was more moderate in real terms, at 2.5% on average, but still higher than in 2020 (below 1%). This premium growth varies across jurisdictions – with still some experiencing a decline in premiums – and ranged from -14.5% (in the

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<sup>1</sup> This report covers 61 jurisdictions around the globe. Tables and charts of this report may show results for a smaller number of jurisdictions depending on data availability.

<sup>2</sup> See (OECD, 2022<sub>[1]</sub>) for more information on the trends in the insurance sector in 2020.

Slovak Republic) to 68.5% (in Portugal) in the life sector, and from -7.7% (in the Slovak Republic) to 39% (in Luxembourg) in the non-life sector.

**Figure 1. Annual real growth rates of direct gross premiums in the life and non-life sectors in selected jurisdictions, 2021**

In percent



Note: Jurisdictions 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 real growth rates of gross premiums in the life and non-life sectors in 2021 among the selected jurisdictions. Data refer to all undertakings (i.e. domestic undertakings and branches and agencies of foreign undertakings operating in the reporting jurisdiction) except when only data on domestic undertakings are available. Gross premiums increased in real terms by 34.4% in the life and 39% in the non-life sector in Luxembourg, and 68.5% in the life and 3.1% in the non-life sector in Portugal (results not shown for readability purposes).

Source: OECD Global Insurance Statistics.

The insurance industry benefitted from the lifting of COVID-19 restrictions for its underwriting operations in 2021. COVID-19 disrupted the sales of insurance policies as some potential customers could not have in-person meetings with insurers or their intermediaries. The insurance industry tried to cope with this challenge through an upgrade in IT services and accelerated digitalisation of processes (OECD, 2022<sup>[1]</sup>). The easing of movement restrictions in 2021 facilitated the distribution of insurance products further, which was particularly visible in Luxembourg that recorded one of the largest increases in premiums in the life sector (34.4%) after a 19% fall in 2020. Yet lockdown measures in 2020 were still having lingering effects in 2021 for some lines, such as in the bulk annuity market in the United Kingdom where securing a bulk annuity takes time and disruptions in the process in the previous year were affecting annuity sales and premiums in 2021.

Customers have also shown a greater interest in life investment products in some countries following the positive performance of stock markets in 2021. Several jurisdictions reported an increase in premiums written for unit-linked products, such as Belgium, Bulgaria, Finland, Greece, Malaysia and Portugal. After a shock due to the COVID-19 outbreak in early 2020, stock markets recovered and fared well in 2021. Life insurance products such as unit-linked products, where policyholders can choose the investment mix depending on their risk appetite, may appear more attractive than guaranteed contracts and other savings options providing lower returns. Following years of low interest rates, insurers have also been scaling down their supply of guaranteed products – steering customers towards non-guaranteed products instead – or reducing the guarantee they can offer as insurers have to ensure sufficient margins to meet the promise in guaranteed contracts. However, some customers may still favour the security of the guarantees in these products such as in Poland where premiums for unit-linked products declined while those for guaranteed products increased in 2021.

The economy was also recovering in 2021, spurring the demand for insurance products and supporting premium growth, both in the life and non-life sectors. For example, Colombia observed a higher demand for group life and health insurance as the employment rate was improving after the fall in Q2 2020.<sup>3</sup> Costa Rica also noticed a rise in premiums for mandatory insurance covering occupational risks following an improvement in employment rates. As the economy recovered from the initial impacts of COVID-19 and policy makers were lifting movement restrictions, premiums for motor vehicle insurance – one of the main lines of non-life insurance before the pandemic (OECD, 2021<sup>[2]</sup>) – soared in many jurisdictions. For example, the rebound of auto premiums contributed to 2% premium growth for non-life insurance overall in the United States in 2021.

The pandemic has probably also heightened awareness and demand for certain insurance products in some countries in 2021. Honduras noted a higher demand for health insurance policies because of COVID-19. The economic and financial impact of the pandemic improved consumer awareness on the importance of financial safety nets and savings products, according to the Malaysian authorities.

In some jurisdictions, reforms in the insurance sector also influenced the underwriting business of insurers in 2021. The introduction of a mandatory traffic insurance in Bolivia in a decree in 2016 was still accounting for premium growth in 2021. Malaysia has been partly relying on incentives to boost insurance coverage in certain lines, announcing a voucher programme in 2021 to promote the uptake of life insurance and family takaful plans.<sup>4</sup> Hong Kong (China) increased the maximum property value in the Mortgage Insurance Programme, leading to a rise in premiums for pecuniary loss insurance. By contrast, some other policy measures reduced the premiums written, such as in Latvia where annuity premiums declined as participants in the state funded pension scheme were given the opportunity to postpone the choice of payout option (between a public pension or life annuity) until November 2021, to give them time to recoup in investment losses in early 2020 because of COVID-19.

Some of the trends in Figure 1 also reflect changes in national reporting, accounting, or market developments such as entry and exit. For instance, for Korea, the decrease in life premiums in 2021 reflects the merger of two life insurance subsidiaries in July 2021, with the premiums of one of the subsidiaries in the first half of 2021 treated as net profits of the second and omitted in life premiums for the entire sector in 2021. In the case of Finland, the market entry of the Finnish Mutual Patient Insurance Company contributed to the growth of premium income for liability insurance. By contrast, in Switzerland, the 7.5% decline in life premiums is due to an insurance company withdrawing from providing full coverage insurance for occupational pensions (FINMA, 2022<sup>[3]</sup>).

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<sup>3</sup> [Employment - Employment rate - OECD Data](#)

<sup>4</sup> See <https://budget.mof.gov.my/manfaat/en/faq/baucartenang.html>. The amount of the voucher was increased further in 2022 given the positive response that the Malaysian authorities observed to the incentive.

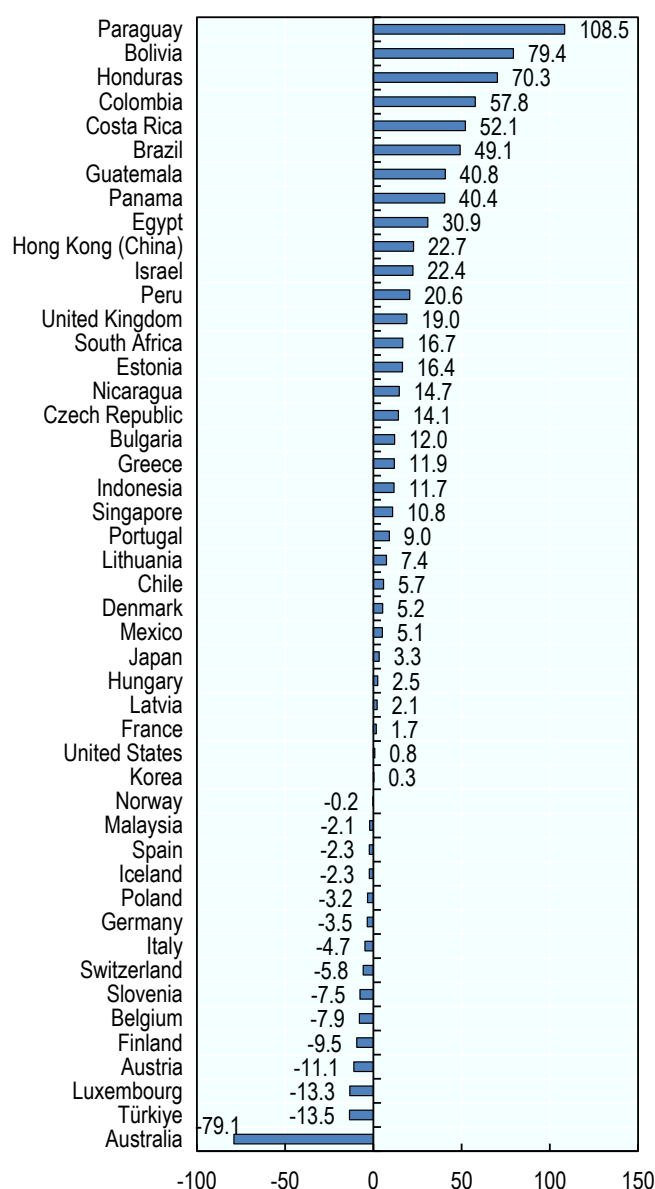


## 1.2. Pay-outs in the life sector

As premiums rose, pay-outs also rose in most reporting jurisdictions in real terms in 2021 in the life sector (Figure 2). However, trends varied widely across jurisdictions, with some experiencing almost the same level of pay-outs as in 2020 in real terms (0.3% increase in Korea, 0.8% in the United States), while others seeing a surge compared to 2020 (79.4% in Bolivia, 108.5% in Paraguay). By contrast, Australia recorded the largest decline (-79.1%).

**Figure 2. Annual real growth rates of pay-outs in the life sector in selected jurisdictions, 2021**

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 2021 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.

Source: OECD Global Insurance Statistics.

COVID-19 continued to impact pay-outs in the life sector, but to different extents across jurisdictions. COVID-19 took a heavy toll in Latin America, with an average weekly excess mortality of 35% over 2020-21 in Colombia and Mexico (OECD, 2022<sup>[4]</sup>). Some Latin American countries (e.g. Colombia, Paraguay) suffered their worst death toll in 2021 (The Economist, 2021<sup>[5]</sup>). As a result, life insurer payments increased by more than 40% in eight Latin American countries, probably covering death benefits. By contrast, in some other jurisdictions such as Australia, COVID-19 incidence and excess death was minimal and had little impact on life insurer payments in 2021. In the case of life annuity contracts, COVID-19 may have ended payments to some pensioners sooner than originally forecast (and thereby reducing the total expected pay-outs) depending on the excess death related to COVID-19 in the annuitant population.

Other factors also played a role in the trends of pay-outs in 2021, such as the surrender or the maturity of life insurance policies. For example, a drop in the surrenders and repayments of savings in life insurance policies accounts for the 9.5% decline in pay-outs in Finland, and the 13.3% decline in Luxembourg. Portugal also recorded a decline in surrenders and related payments, offset however by some life insurance contracts reaching maturity and leading to an increase in benefit payments.

Some country-specific factors, such as the pension reform in Estonia in 2021, have sometimes had an impact on the amount of life insurer pay-outs. Estonia gave customers the option to end their pension contracts with life insurers and withdraw their assets. The Estonian authorities reported that 40% of customers used that option, which contributed to the 16.4% increase in pay-outs in the life sector.

Pay-outs sometimes cover some business transfers such as in Australia and the United Kingdom. In Australia, the 79.1% decline in pay-outs in 2021 comes from one entity transferring a substantial amount of investment-linked business from its life company to other managed investment schemes in 2020, inflating the value of pay-outs in 2020. In the United Kingdom, the 19% increase in pay-outs is mainly due to the restructuring of a major firm in 2021.

### **1.3. Claims developments in the non-life sector**

The developments in non-life claims payments differed across jurisdictions, with 22 jurisdictions experiencing a decline and 25 an increase in real terms in 2021 (Figure 3). Honduras recorded the largest decline (-63.6%), followed by Australia (-21.3%). By contrast, Guatemala and Peru had the largest increase (at 37.8% and 31.4%) respectively.

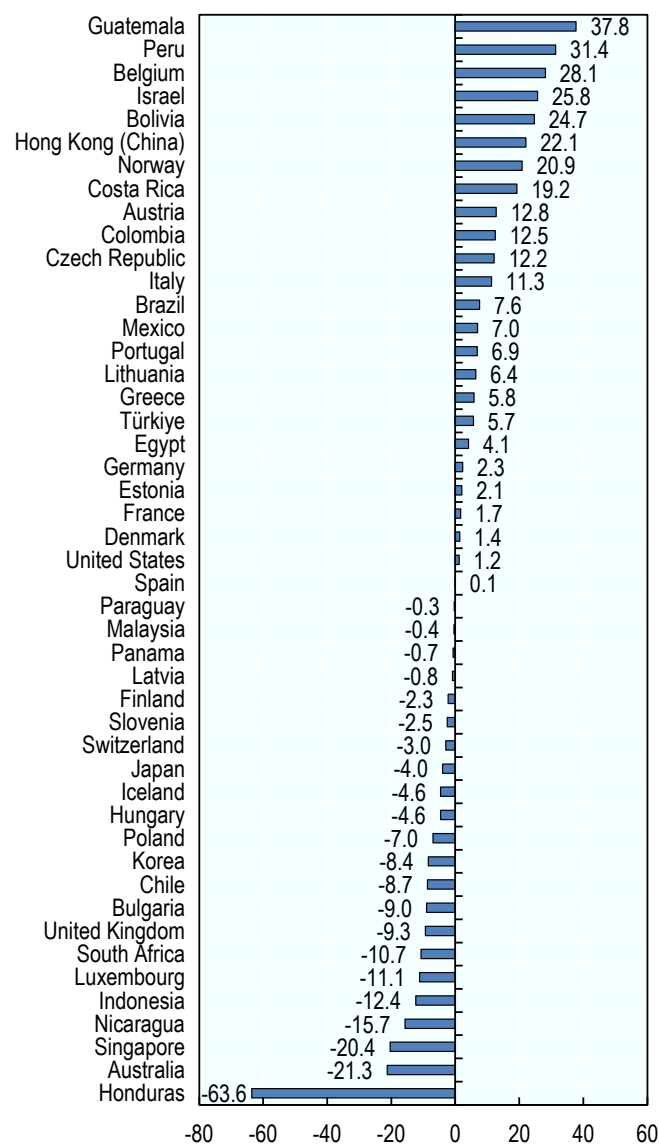
Among jurisdictions recording a decline in payments, one of the reasons was a lower incidence or impact of natural disasters in some of them in 2021. For example, insurers in countries that were hit by the hurricanes ETA and IOTA in 2020 (such as Honduras) had lower claims payments in 2021 after a spike in 2020. Insurers in Australia also incurred lower claims costs from natural disasters in 2021 than in 2020. Yet some other parts of the world faced natural disasters generating higher losses for insurers to cover in 2021. Munich Re estimates that natural disasters worldwide caused USD 280 billion of economic losses in 2021, of which USD 120 billion were insured, compared to USD 210 billion economic losses in 2020 (with USD 82 billion insured).<sup>5</sup> In Europe, extreme rainfall and flash floods caused USD 54 billion economic losses in 2021. The largest rise in non-life claims payments in Europe was recorded in Belgium (28.1%), where flooding led to larger payments by insurers than in 2020 in the fire and property damage segment.

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<sup>5</sup> [Hurricanes, cold waves, tornadoes: Weather disasters in USA dominate natural disaster losses in 2021 | Munich Re](#)

**Figure 3. Annual real growth rates of gross claims payments in the non-life sector in selected jurisdictions, 2021**

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 2021 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.

Source: OECD Global Insurance Statistics.

Some of the rises in non-life claims payments followed the economic recovery and reflected a return to normal in terms of claim experiences in some lines of business. This return to levels closer to the pre-COVID-19 period seems particularly visible for motor vehicle insurance, where many jurisdictions recorded more traffic accidents and claims payments in 2021 as COVID-19 related movement restrictions were lifted. Yet Finland, for example, still noted fewer commuting accidents in 2021 than before the pandemic as remote working continued in 2021.

The pandemic still had an impact on claims payments in some lines of business. For example, some countries (such as Costa Rica and Guatemala) experienced an increase in payments for health insurance due to care costs related to COVID-19. By contrast, in some other countries (e.g. Malaysia), the pandemic still delayed some non-critical medical treatments and therefore reduced payments by insurers on these medical procedures in the short term.

Overall, COVID-19 was estimated to have generated USD 35 billion in losses up to Q3 2021 for non-life insurers, mainly for business interruption, event cancellation and liability insurance (Howden, 2022<sup>[6]</sup>). A number of disputes have been brought to court to clarify the wordings of some (business interruption) policies and the obligations of insurers. Following decisions providing greater clarity, as well as the reopening of businesses, insurers had a lower need to set aside provision for future business interruption claims (unlike in 2020 in Australia for example).

As economies were reopening and customers were spending more than during lockdowns, supply chains faced constraints, leading to rising prices in some countries (Georgieva, Celasun and Kammer, 2022<sup>[7]</sup>) and potentially creating challenges for insurers. High levels of inflation over a prolonged period could have a greater adverse impact on non-life insurers than on life insurers. While some life insurance policies may have fixed obligations, whose value is eroded with inflation, claims in the non-life sector would reflect the costs of indemnification and thus, with inflationary trends, increase in nominal terms. This could affect the underwriting performance of non-life insurers depending on whether they pass on increased payments (in nominal terms) to customers through an increase in premiums (in nominal terms).

#### **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.<sup>6</sup> 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 offset by investment returns.

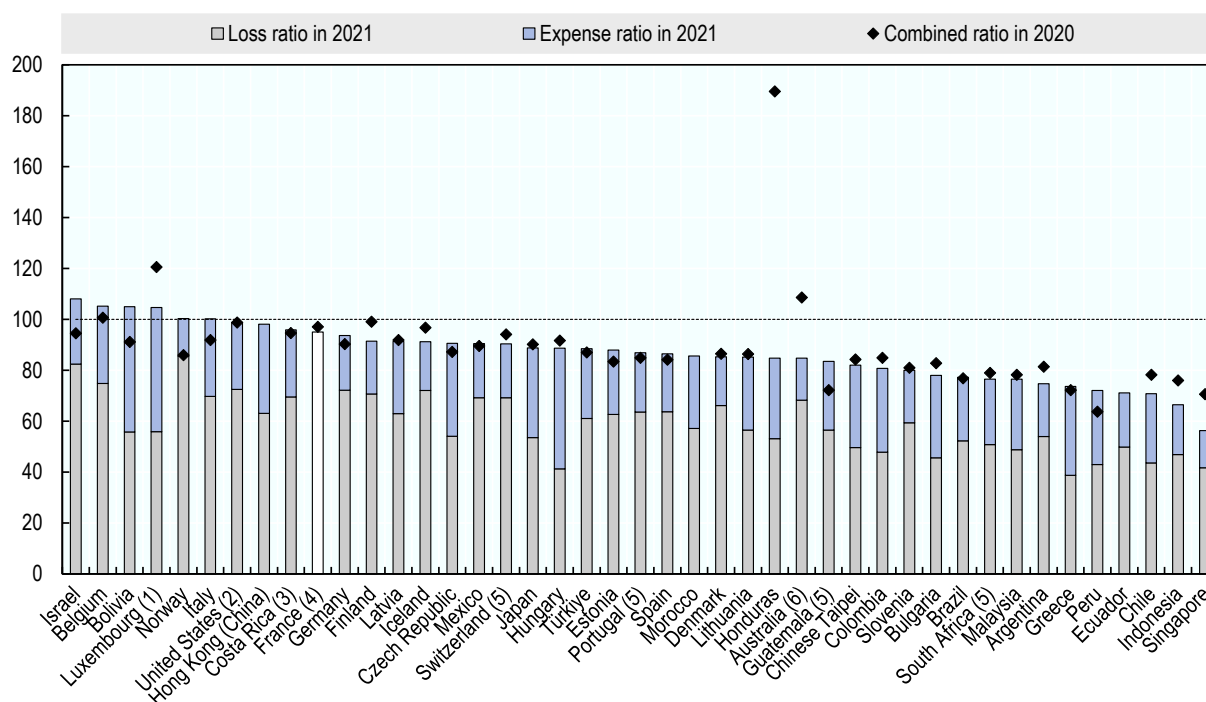
Insurers continued to achieve a positive underwriting performance in the non-life sector in 2021 in most reporting jurisdictions (Figure 4). The combined ratio was above 100% in six out of 43 reporting jurisdictions, greater than the number in 2020 where insurers in only three (out of 46 reporting) jurisdictions had underwriting losses overall in the non-life sector. The underwriting performance of insurers varies across lines of business. For example in Costa Rica, while the non-life insurance industry achieved overall underwriting gains, the fire branch and mandatory insurance for motor vehicles were reportedly not profitable for insurers in 2021, because of operating expenses (in the fire branch) and a rise in claims payments (for motor vehicle insurance).

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<sup>6</sup> 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 jurisdictions and could lead to some underwriting results calculated as losses becoming overall underwriting profits.

Figure 4. Combined ratio for the non-life sector in selected jurisdictions, 2020-21

In percent



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 premiums written. i.e. Combined ratio = "Loss ratio" + "Expense ratio", where:

- Loss ratio = (gross claims paid + changes in outstanding claims provision) / gross premiums written (the latter used as a proxy for gross earned premiums); and,
- Expense ratio = (gross operating expenses + commissions) / gross premiums written.

When available, this chart shows the breakdown of the combined ratio in 2021 between loss and expense ratios in 2021. 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 premiums written. Variations in outstanding claims provisions are not taken into account in the calculation of the combined ratio of some jurisdictions for which data are not available for either 2020 or 2021. The results of OECD calculations may differ from those of national authorities 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) Data include reinsurance accepted business. (6) Earned premiums (instead of gross premiums written) 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.

Source: OECD Global Insurance Statistics.

The loss ratio makes up most of the combined ratio in all reporting jurisdictions except Hungary where operating expenses of insurers amounted to 47.5% of gross premiums written while claims payments amounted to 41.2%. Operating expenses in Hungary is relatively higher than in other reporting jurisdictions, at around 27% of gross premiums written on average.

The combined ratio evolved differently across jurisdictions, as did claims payments in the non-life sector. The combined ratio improved in 22 jurisdictions and worsened in 18 jurisdictions providing data for both 2020 and 2021. Honduras experienced the largest improvement of the combined ratio (from 189.5% in 2020 to 84.8%) following the large decline in claims payments in 2021. Australia also recorded underwriting

gains after losses in 2020 following the 21% decline in claims payments in 2021. By contrast, some countries that recorded increases in non-life claims payments in 2021 (e.g. 28.1% in Belgium, 37.8% in Guatemala) experienced a deterioration of underwriting performance, especially when premium growth (16.8% in Belgium, 6.5% in Guatemala) was not as fast as claims payments in 2021. While premiums did not grow as fast as claims payments in Colombia either (10.1% compared to 12.5%), the improvement of the expense ratio (from 38% in 2020 to 33% in 2021) offset the deterioration of the loss ratio and enabled non-life insurers to improve their underwriting profits in 2021.

## 2. Investment allocation and performance

The OECD Global Insurance Statistics exercise captures a great level of detail on the investment allocation of insurance companies, providing a good understanding of their investment strategies. The statistical exercise collects separately the direct investments of insurers in different instruments and their indirect investments through collective investment schemes. These indirect investments are shown altogether hereafter (under the category “Collective Investment Schemes (CIS)”).

The assets of insurers were mainly invested in traditional instruments, in particular bonds in 2021. The large bond holdings in the portfolios of insurers make them sensitive to changes in interest rates.

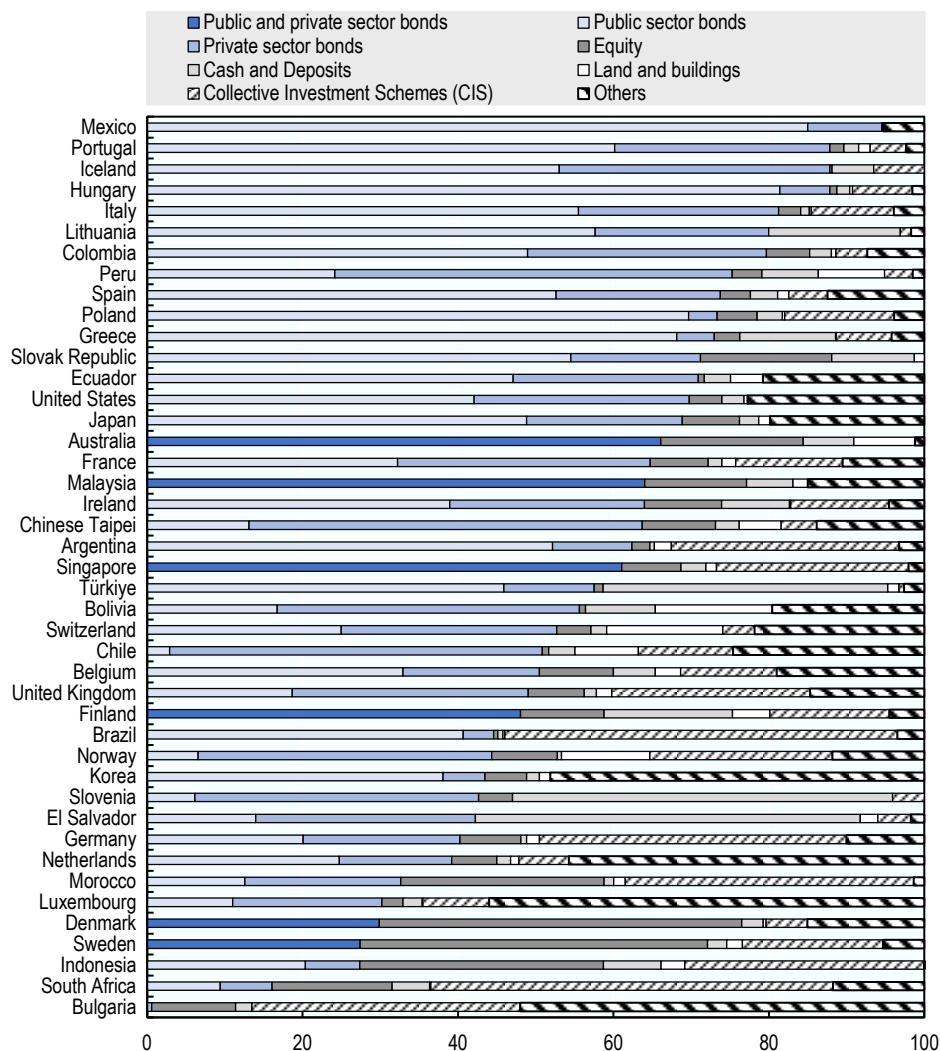
As inflation was already on the rise in 2021 with government bond yields going up, insurers recorded unrealised losses in some government bonds that they already held in the portfolios, and experienced a lower investment performance than in 2020, despite buoyant stock markets.

### 2.1. Portfolio allocation: Life insurers

In most jurisdictions, life insurers invested most of their portfolios directly in bonds. Bonds accounted for more than 50% of the investments of life insurers (excluding investments related to unit-linked products) in 27 out of 43 reporting jurisdictions (Figure 5). Life insurers in Mexico had the largest proportion of the investment portfolios in bonds (95%) at end-2021 among reporting jurisdictions and held primarily public-sector bonds (85% of total portfolios). Life insurers tend to invest mainly in fixed-income securities to match their long-term liabilities and to have a stable and regular source of income.

**Figure 5. Asset allocation of domestic life insurance companies in main instruments or vehicles, 2021**

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 jurisdictions were excluded from the calculations of the asset allocation.

Source: OECD Global Insurance Statistics.

Within their bond allocation, some life insurers favoured corporate bonds over public-sector bonds, such as in Chile, Peru and Chinese Taipei, where corporate bonds accounted for around 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.

Life insurers invested more in bonds than in equities overall, despite some notable exceptions. In Denmark and Sweden, life insurers invested 47% and 45% of their assets in equities, respectively, while investments in bonds represented 30% and 27% of their portfolios respectively. The Swedish authorities noted an increase in the proportion of equities in the portfolio of life insurers in 2021, which may come from a rise in the equity values amidst rising stock markets.

Life insurers in some jurisdictions held a large proportion of their assets in cash and deposits, such as in El Salvador and Slovenia where this asset class accounted for nearly 50% of the portfolios of life insurers. These holdings are liquid and present little investment risk.

Overall, the investment portfolios of life insurers are sensitive to changes in interest rates, given their relative large holdings of bonds. Low interest rates had been a concern for years for some life insurers, especially those promising a guaranteed return. The prospect of rising interest rates and higher yields of bonds reduces the reinvestment risk – i.e. the risk to reinvest future cash flows at a lower return – but also reduces the price and value of existing bonds in the portfolios of investors. The Malaysian authorities already noted in 2021 a shift by life insurers from long-term bonds towards medium-term bonds to shorten duration and minimise mark-to-market losses during a rise in bond yields.

## **2.2. Portfolio allocation: Non-life insurers**

Bonds are also one of the main instruments in which non-life insurers invest, as they are probably perceived as a stable and safe source of investment income. Overall, bonds accounted for more than half of the investments of non-life insurers in 24 out of 50 reporting jurisdictions (Figure 6). On average, non-life insurers allocated 50% of their assets to bills and bonds, less than life insurers (57%). Non-life insurers invested the most in bonds in Hungary (82%), mainly in government bonds. Some national authorities

(e.g. in Malaysia and Sweden) observed an increase in the duration of bonds in the portfolios of non-life insurers in 2021 (e.g. through a shift from short- to more medium-term bond investments in Malaysia) in a potential search for higher yield.

Non-life insurers tended to hold more cash and deposits on average (14% of assets) than life insurers (7%). Non-life insurers largely hold liquid financial instruments to meet claims requests. The proportion of cash and deposits was the highest in the portfolio of non-life insurers in Cuba (59%), El Salvador (55%), Türkiye (48%) and Guatemala (44%) among reporting jurisdictions.

Non-life insurers also invested a significant share of their assets in equities in some jurisdictions in 2021, exceeding 20% of their investments in ten of them, including France (21%), Japan (24%) and the United States (28%).

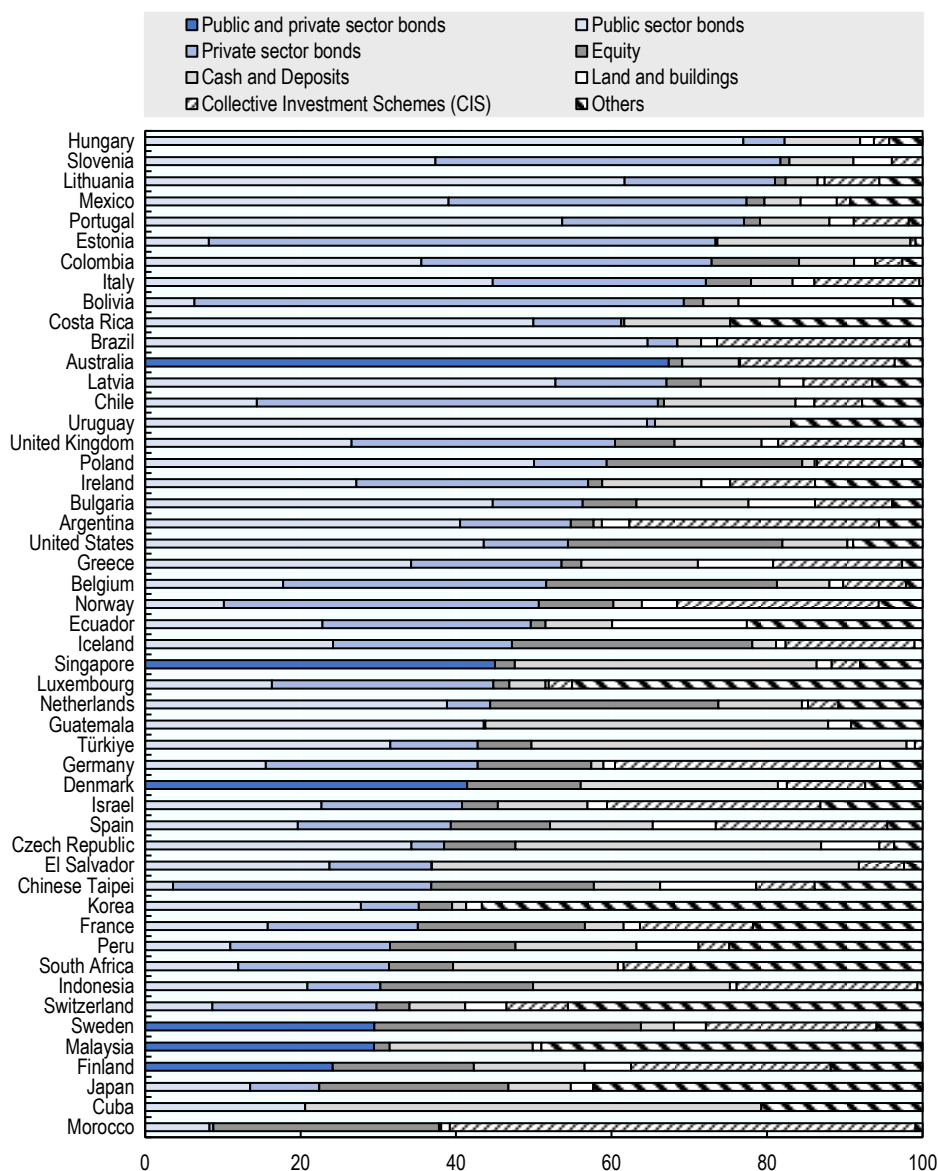
Insurers may invest a significant portion of their assets through collective investment schemes. In 2021, non-life insurers used this means the most in Argentina, Germany and Morocco, where they invested respectively 32%, 34% and 60% of their assets in collective investment schemes.

Non-life insurers also made investments in other types of instruments or vehicles. For instance, non-life insurers in Switzerland held 5% of the assets in land and buildings and 10% in loans in 2021. The portion of participations was also large in the portfolio of non-life insurers in Switzerland (29%) (FINMA, 2022<sup>[3]</sup>).



**Figure 6. Asset allocation of domestic non-life insurance companies in main instruments or vehicles, 2021**

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 jurisdictions were excluded from the calculations of the asset allocation.  
Source: OECD Global Insurance Statistics.

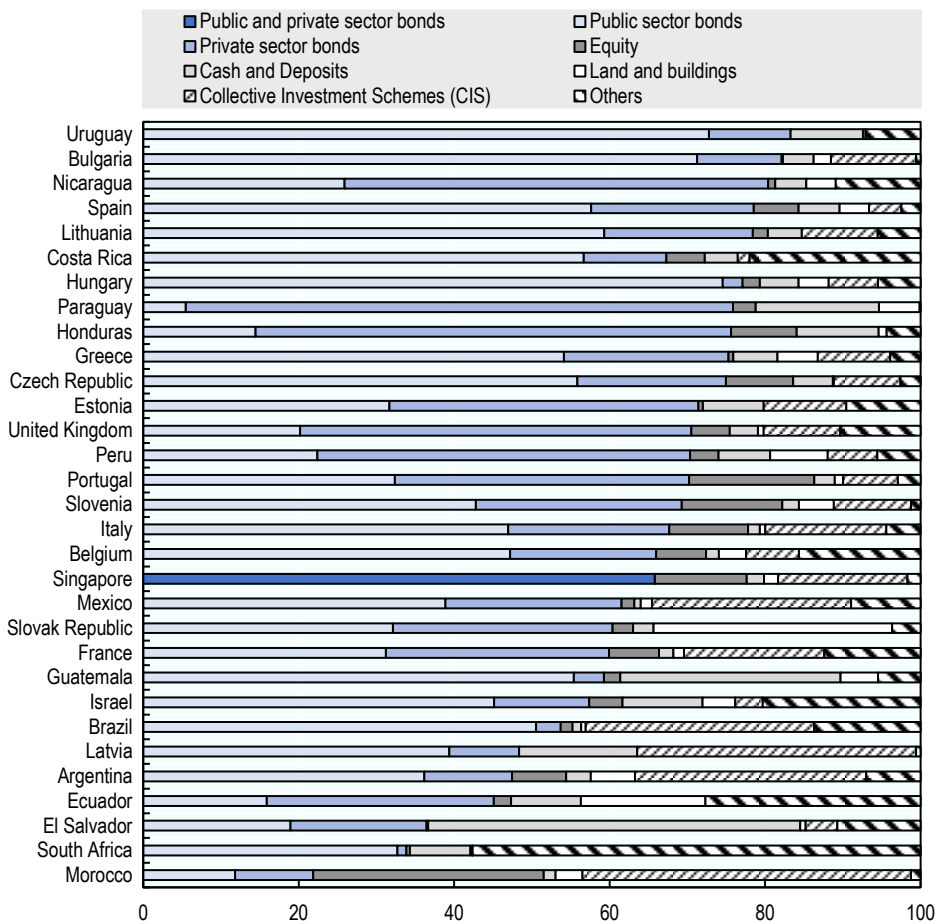
### 2.3. Portfolio allocation: Composite insurers

A number of OECD and non-OECD jurisdictions allow insurance companies to offer both life and non-life insurance products. For example, life insurance companies in many jurisdictions 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 traditional instruments such as bonds in 2021 (Figure 7). In 25 out of 31 reporting jurisdictions, composite insurers held more than 50% of their assets in bonds. Composite insurers in Uruguay held the largest share of bonds (83% of their investments), mainly in government bonds. Composite companies invested more in bonds than in equities in all reporting jurisdictions except Morocco (22% in bonds and 30% in equities). Yet, the share of equities was relatively significant in some jurisdictions such as Portugal (16%), Slovenia (13%) and Singapore (12%) for instance. In some countries, composite companies also held a significant amount of assets in cash and deposits, especially in some Latin American jurisdictions such as El Salvador (48%), Guatemala (28%) and Paraguay (16%).

**Figure 7. Asset allocation of domestic composite insurance companies in main instruments or vehicles, 2021**

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 jurisdictions were excluded from the calculations of the asset allocation.

Source: OECD Global Insurance Statistics.

Similar to life and non-life insurers, composite insurers in Argentina invested a significant share of their assets through collective investment schemes (30%). Composite insurers in Latvia also invested a large share of their assets through collective investment schemes (36% of their assets), more than non-life insurers (9%).

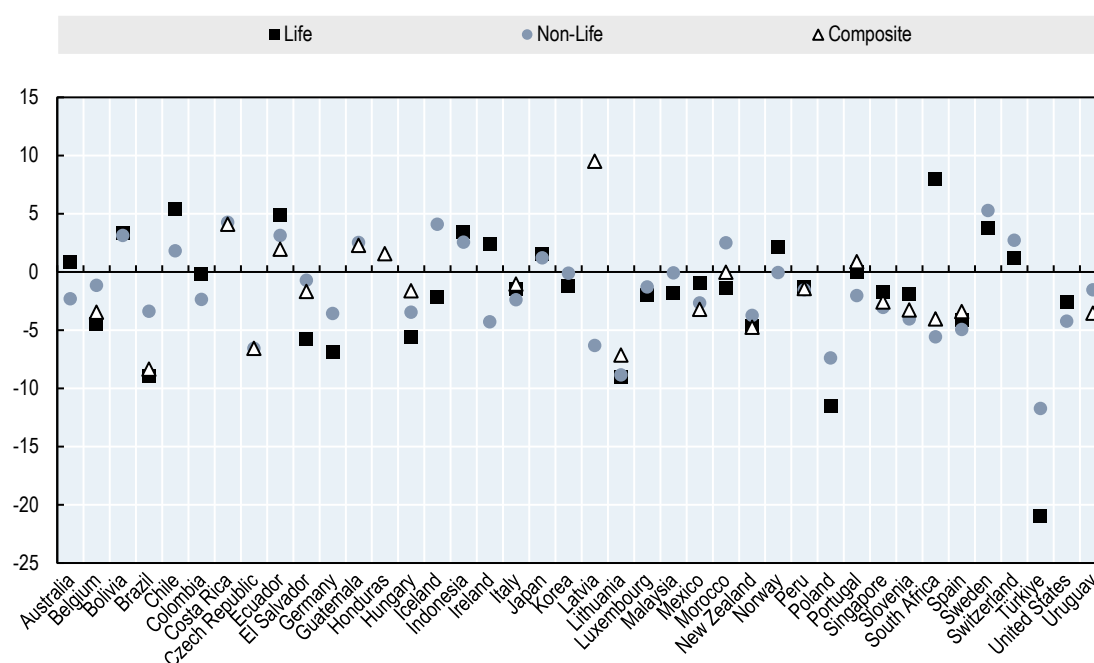
Composite insurers in four jurisdictions invested 25% or more of their assets in instruments or vehicles other than bonds, equities, cash and deposits, and collective investment schemes: Ecuador (44%), Israel (25%), the Slovak Republic (34%), and South Africa (58%). Land and buildings alone accounted for 4% of the assets invested by composite insurers in Israel, 16% in Ecuador and 31% in the Slovak Republic.

## 2.4. Investment returns

Insurance companies recorded mixed investment performance around the world. Real investment rates of return were positive in 11 out of 34 reporting jurisdictions for life insurers, 11 out of 39 reporting jurisdictions for non-life insurers and 6 out of 22 reporting jurisdictions for composite insurers (Figure 8). The strongest returns were observed by composite insurers in Latvia (9.5%), life insurers in South Africa (8%) and Chile (5.4%) and non-life insurers in Sweden (5.3%). By contrast, insurers in Türkiye experienced the lowest investment performance in 2021, at -11.7% for non-life insurers and -20.9% for life insurers in real terms (i.e. after adjusting for inflation).

**Figure 8. Average real net investment rates of return by type of domestic insurer in selected jurisdictions, 2021**

In percent



Note: Average real net investment rates of return are calculated based on the nominal net investment rates of return reported by jurisdictions for 2021 and the variation of the consumer price index over the same period.

Source: OECD Global Insurance Statistics.

Insurers already started to face the implications of a changing macroeconomic environment in 2021. Inflation was already hitting a 30-year high by December 2021, reaching 6.6% in the OECD area.<sup>7</sup> Türkiye had the highest inflation rate in the OECD, at 36.1%, probably accounting for the low investment return in 2021 to some extent. The rise of inflation particularly affects the value and investment performance of

<sup>7</sup> [Consumer Price Index - News Release \(oecd.org\)](https://www.oecd.org/news-releases/consumer-price-index-2022-01-27/)

some asset classes, such as those providing a fixed nominal stream of income (e.g. fixed-rate bonds), as it reduces the purchasing power of this cash flow over time. Government bond yields were on the rise in 2021 (BIS, 2021<sup>[8]</sup>; 2022<sup>[9]</sup>), which probably generated unrealised losses on some government bonds that insurers held in their portfolios.

The strong performance of stock markets in 2021 helped insurers to offset some of these losses. Major stock markets recorded gains in 2021, ending at higher levels at the end of the year than at the beginning: +6% for Nikkei 225, +14% for FTSE 100, +16% for DAX, and +27% for S&P 500 for example. Insurers investing in equities benefitted from buoyant stock markets in 2021, such as non-life insurers in Sweden which held 34% of their assets in equities and achieved a 5.3% real investment rate of return, one of the strongest investment performance among reporting jurisdictions.

Despite the gains in stock markets, insurers had lower investment rates of return in 2021 than in 2020. The investment performance declined in 28 out of 35 reporting jurisdictions for life insurers, in 37 out of 41 reporting jurisdictions for non-life insurers and in 21 out of 22 reporting jurisdictions for composite insurers.<sup>8</sup>

### 3. Profitability

#### 3.1. Return on Equity

Return on equity (ROE) is an indicator of profitability and income generating capacity of insurers.<sup>9</sup> It shows how much income insurance companies have generated with the capital that shareholders have invested.

Despite some investment losses, 2021 was still a profitable year for most insurers. The ROE was positive in 31 out of 34 reporting jurisdictions for life insurers, 39 out of 40 reporting jurisdictions for non-life insurers and all the 22 reporting jurisdictions for composite insurers (Figure 9). The strongest ROE was recorded by life insurers in Iceland (51.8%) and Türkiye (44.4%), non-life insurers in Bulgaria (46.5%) and Iceland (37.5%) and composite insurers in the Czech Republic (37.5%). The rebound in premiums written and underwriting gains contributed to the profits of insurers. By contrast, life insurers in Bolivia had the lowest ROE in 2021 (-6.4%) following the surge in life claims payments in 2021 because of COVID-19.

The profitability of insurers was lower in 2021 than in 2020. The ROE declined between 2020 and 2021 in 15 out of 30 reporting jurisdictions for life insurers, in 22 out of 37 reporting jurisdictions for non-life insurers and in 12 out of 21 reporting jurisdictions for composite insurers.<sup>10</sup> This decline may come from lower investment returns and lower underwriting gains in some lines (such as motor insurance where claims payments increased).

In some cases, the evolution of shareholder equity could influence the ROE. For example, Portugal attributes the relatively stronger ROE of insurers (8.8% for composite insurers, 12.3% for life insurers and 13.1% for non-life insurers) in 2021 to a decrease in shareholder equity.

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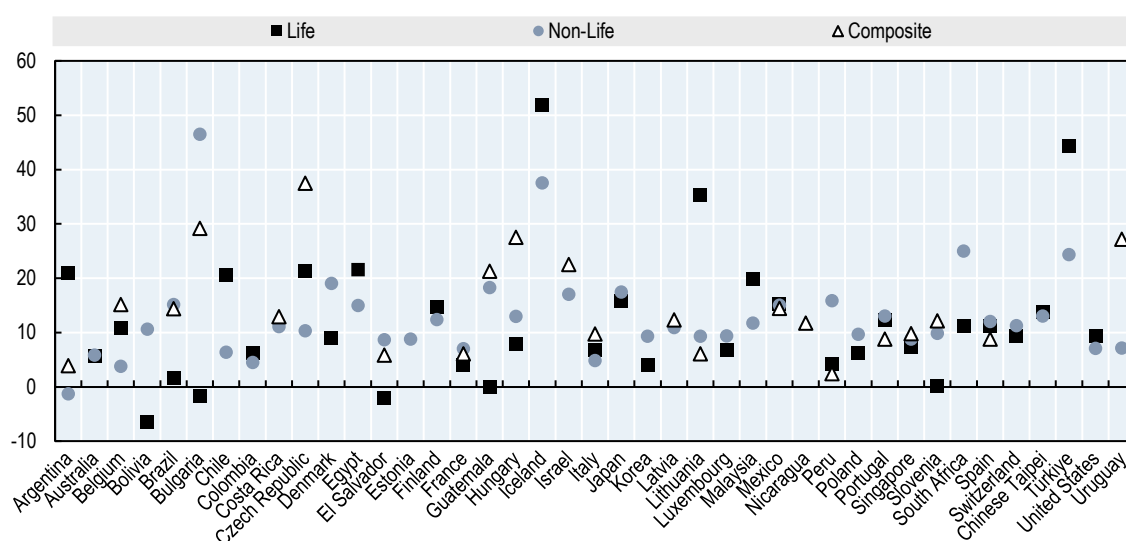
<sup>8</sup> See Table A A.1

<sup>9</sup> 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.

<sup>10</sup> See Table A A.2

**Figure 9. Return on equity by type of insurer in selected jurisdictions, 2021**

In percent



Note: ROE was calculated by dividing net income in 2021 by the average shareholder equity in 2020 and 2021.

Source: OECD Global Insurance Statistics.

### 3.2. Change in equity position

The change in equity position reveals the evolution of shareholder capital.<sup>11</sup> 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 increased in many cases in 2021. Shareholder equity was higher than in 2020 in 22 out of 37 reporting jurisdictions for life insurers, in 35 out of 43 reporting jurisdictions for non-life insurers and in 15 out of 24 reporting jurisdictions for composite insurers (Figure 10). The strongest increases occurred for life insurers in Belgium (140.8%) and composite insurers in Bulgaria (68.4%). Insurers in Argentina also recorded a strong increase in shareholder equity (46.1% for life insurers, 53.8% for non-life insurers and 57.3% for composite insurers). By contrast, the largest decrease was recorded in Hungary (-31.1% for life insurers).

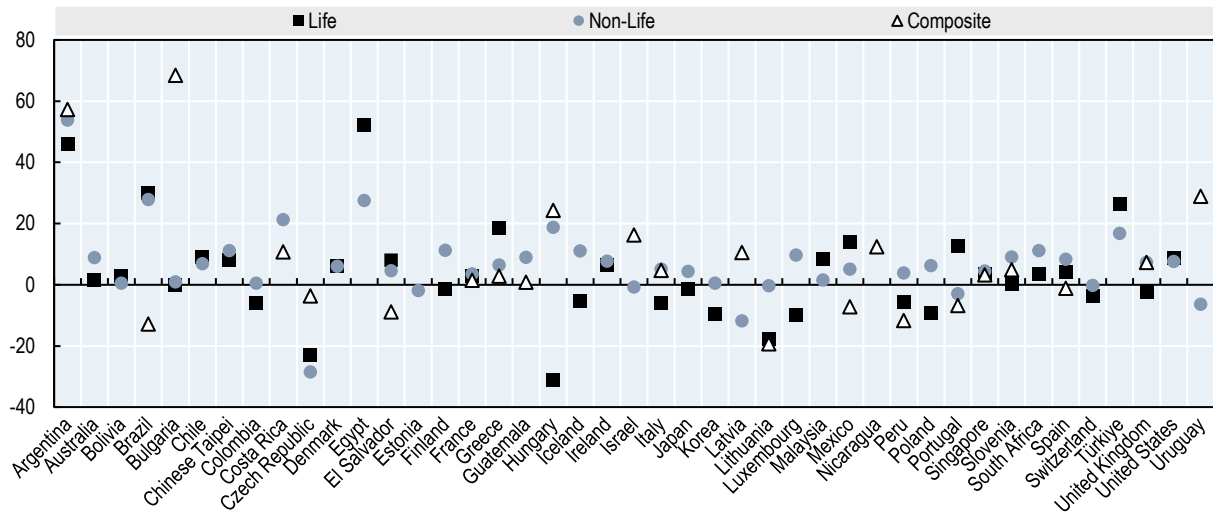
The growth of shareholder equity slowed down, reversed or declined further in most reporting jurisdictions (19 out of 34 for life insurers, 25 out of 41 for non-life insurers and 16 out of 23 for composite insurers).<sup>12</sup> This trend probably follows the distribution of dividends that insurers were withholding in some countries in 2020, following recommendations from national or international authorities (such as EIOPA) to refrain from it in the first year of the pandemic.

<sup>11</sup> 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.

<sup>12</sup> See Table A A.3

Figure 10. Change in equity position by type of insurer in selected jurisdictions, 2021

In percent



Note: Change in equity position is calculated as the change in shareholder equity divided by the level of shareholder equity of the previous year. For readability purposes, the chart does not show the change in shareholder equity of insurers in Belgium (available in annex). Source: OECD Global Insurance Statistics.

Some reorganisations in the insurance industry – actual or for reporting purposes only – have also played a role in the evolution of the capital of insurers (aggregated at the national level) in some jurisdictions. For example, the large increase in the shareholder equity for life insurers in Belgium in 2021 (140.8%) was due to the absorption (take-over) of an insurance company that was in run-off. In the case of Hungary, insurance companies were reclassified for reporting purposes, accounting for the large decline for the category “life insurers” (-31.1%) and the large increase for the category “composite insurers” (24.2%).

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## Annex A. Statistical tables

**Table A A.1. Average real net investment rates of return by type of domestic insurer in selected jurisdictions, 2020-21**

In percent

	Life		Non-Life		Composite	
	2020	2021	2020	2021	2020	2021
Argentina (1)	55.3	46.5	52.1	42.7	53.9	44.6
Australia	-4.1	0.9	1.4	-2.3	..	..
Belgium	0.3	-4.5	0.4	-1.2	1.6	-3.5
Bolivia	3.9	3.3	3.8	3.1	..	..
Brazil	-4.1	-8.9	2.0	-3.4	-3.3	-8.4
Chile	4.4	5.4	2.3	1.8	..	..
Colombia	4.5	-0.2	5.1	-2.4	..	..
Costa Rica	..	..	7.5	4.2	6.6	4.1
Cuba (1)	..	..	1.5	0.8	..	..
Czech Republic	c	c	0.4	-6.6	-0.2	-6.6
Ecuador	7.6	4.9	6.9	3.1	5.8	2.0
El Salvador	2.7	-5.8	1.5	-0.7	4.2	-1.7
Estonia	c	c	1.6	..	..	..
Germany	3.3	-6.9	2.3	-3.6	..	..
Guatemala	..	..	0.0	2.5	0.6	2.3
Honduras	..	..	..	..	3.0	1.6
Hungary	-1.1	-5.6	-0.8	-3.5	2.7	-1.6
Iceland	-0.7	-2.2	6.3	4.1	..	..
Indonesia	1.9	3.4	4.1	2.6	..	..
Ireland	4.0	2.3	3.0	-4.3	..	..
Italy	2.7	-1.5	1.6	-2.4	3.1	-1.1
Japan	3.2	1.6	2.5	1.2	..	..
Korea	2.8	-1.2	2.6	-0.1	..	..
Latvia	..	..	6.0	-6.3	9.8	9.5
Lithuania	0.2	-9.0	0.7	-8.8	2.0	-7.2
Luxembourg	1.1	-2.0	0.2	-1.3	..	..
Malaysia	10.2	-1.8	7.1	-0.1	..	..
Mexico	4.1	-1.0	1.4	-2.7	0.9	-3.2
Montenegro	4.2	..	3.0	..	..	..
Morocco	..	-1.4	..	2.5	..	0.0
New Zealand	2.1	-4.7	1.5	-3.7	4.6	-4.8
Norway	3.4	2.1	3.1	0.0	..	..
Peru	3.7	-1.3	4.9	-1.5	4.4	-1.4
Poland	0.9	-11.5	-1.0	-7.4	..	..
Portugal	-1.0	0.0	2.7	-2.0	3.5	0.9
Singapore	7.4	-1.7	2.2	-3.0	8.6	-2.6
Slovenia	1.1	-1.9	2.1	-4.0	2.9	-3.3
South Africa	-0.1	8.0	-0.1	-5.6	0.8	-4.0
Spain	2.3	-4.2	1.5	-5.0	3.2	-3.4
Sweden	2.5	3.8	3.1	5.3	..	..
Switzerland	3.1	1.2	5.7	2.7	..	..
Chinese Taipei (1)	3.5	4.0	3.5	4.6	..	..



	Life		Non-Life		Composite	
	2020	2021	2020	2021	2020	2021
Türkiye	-7.0	-20.9	-1.4	-11.7	..	..
United States	2.4	-2.6	1.3	-4.2	..	..
Uruguay	..	..	-2.3	-1.6	1.3	-3.5

Note: In some jurisdictions (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.2. Return on equity by type of insurer in selected jurisdictions, 2020-21

In percent

	Life		Non-Life		Composite	
	2020	2021	2020	2021	2020	2021
Argentina	33.3	21.0	15.6	-1.3	15.8	3.9
Australia	-2.2	5.7	-1.2	5.9	..	..
Belgium	5.2	10.8	3.1	3.8	15.7	15.2
Bolivia	3.0	-6.4	16.8	10.6	..	..
Brazil	6.3	1.6	20.9	15.2	20.9	14.4
Bulgaria	0.5	-1.6	31.8	46.5	15.0	29.2
Chile	13.6	20.5	3.8	6.4	..	..
Colombia	9.4	6.3	10.2	4.5	..	..
Costa Rica	..	..	16.5	11.1	8.3	12.9
Czech Republic	28.0	21.3	12.2	10.3	18.3	37.5
Denmark	4.5	8.9	14.8	19.1	..	..
Egypt	..	21.6	..	15.0	..	..
El Salvador	3.3	-2.1	8.3	8.7	6.0	5.8
Estonia	c	c	16.1	8.8	..	..
Finland	19.3	14.6	11.1	12.4	..	..
France	3.9	4.1	5.0	7.0	5.5	6.1
Germany	1.7	..	3.9	..	..	..
Guatemala	..	..	18.5	18.3	28.2	21.3
Hungary	10.3	8.0	13.7	13.0	32.1	27.5
Iceland	45.2	51.8	20.6	37.5	..	..
Indonesia	-0.7	..	8.7	..	..	..
Israel	..	..	13.5	17.0	13.1	22.5
Italy	8.1	6.8	12.6	4.9	12.5	9.7
Japan	16.0	15.8	12.0	17.5	..	..
Korea	..	4.0	..	9.3	..	..
Latvia	..	..	28.3	10.9	2.9	12.3
Lithuania	27.3	35.3	15.7	9.4	6.8	6.1
Luxembourg	5.3	6.9	3.1	9.4	..	..
Malaysia	32.1	19.8	13.0	11.8	..	..
Mexico	13.8	15.3	23.9	15.0	20.5	14.5
New Zealand	8.2	..	15.9	..	8.6	..
Nicaragua	..	..	..	..	..	11.8
Norway	6.7	..	14.2	..	..	..
Peru	7.8	4.1	17.7	15.9	11.6	2.5
Poland	8.2	6.3	10.0	9.7	..	..
Portugal	7.3	12.3	12.5	13.1	6.4	8.8
Singapore	11.8	7.4	4.8	8.8	12.0	9.8
Slovenia	..	0.2	11.2	9.9	9.1	12.2
South Africa	..	11.3	..	25.0	..	..
Spain	7.2	11.1	15.7	12.1	11.2	8.8
Switzerland	7.7	9.4	13.0	11.3	..	..
Chinese Taipei	9.4	13.8	10.8	13.1	..	..
Türkiye	39.3	44.4	27.7	24.4	..	..
United States	6.2	9.3	8.7	7.1	..	..
Uruguay	..	..	12.8	7.2	20.8	27.2

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

Source: OECD Global Insurance Statistics.

Table A A.3. Change in equity position by type of insurer in selected jurisdictions, 2020-21

In percent

	Life		Non-Life		Composite	
	2020	2021	2020	2021	2020	2021
Argentina	100.5	46.1	92.4	53.8	83.8	57.3
Australia	3.6	1.5	3.8	8.9	..	..
Belgium	-68.5	140.8	35.1	13.9	-3.8	-3.4
Bolivia	-4.2	2.7	5.3	0.5	..	..
Brazil	3.3	29.8	12.7	27.9	0.9	-12.9
Bulgaria	12.3	0.0	6.1	0.9	-0.8	68.4
Chile	5.4	9.1	15.7	6.9	..	..
Colombia	-2.4	-5.9	10.1	0.5	..	..
Costa Rica	..	..	16.8	21.3	0.3	10.7
Czech Republic	32.0	-22.9	1.7	-28.5	-1.2	-3.7
Denmark	2.1	6.1	6.5	6.1	..	..
Egypt	-5.7	52.3	-3.7	27.5	..	..
El Salvador	5.3	8.0	12.0	4.6	-7.4	-8.9
Estonia	c	c	-9.4	-1.9	..	..
Finland	15.1	-1.3	13.0	11.2	..	..
France	2.8	2.8	1.7	3.6	4.5	1.5
Germany	2.6	..	4.1	..	..	..
Greece	4.0	18.6	7.9	6.4	4.0	2.7
Guatemala	..	..	3.9	8.9	9.5	0.8
Hungary	10.4	-31.1	5.1	18.8	14.6	24.2
Iceland	-0.5	-5.5	22.4	11.1	..	..
Indonesia	-0.5	..	8.9	..	..	..
Ireland	3.3	6.3	2.3	7.7	..	..
Israel	..	..	34.0	-0.7	16.0	16.3
Italy	9.6	-5.9	14.1	5.1	4.8	4.7
Japan	8.8	-1.5	-2.9	4.4	..	..
Korea	..	-9.5	..	0.6	..	..
Latvia	..	..	23.7	-11.8	16.8	10.5
Lithuania	31.2	-17.7	41.8	-0.4	16.4	-19.3
Luxembourg	3.1	-9.8	11.1	9.6	..	..
Malaysia	12.2	8.6	7.0	1.5	..	..
Mexico	6.7	13.8	16.6	5.1	11.5	-7.2
New Zealand	-18.7	..	4.8	..	85.9	..
Nicaragua	..	..	..	..	..	12.4
Norway	7.0	..	5.2	..	..	..
Peru	1.8	-5.6	12.1	3.8	6.1	-11.7
Poland	1.7	-9.2	5.6	6.2	..	..
Portugal	4.5	12.5	6.3	-3.0	16.8	-6.8
Singapore	26.9	3.5	-2.7	4.4	5.8	3.2
Slovenia	..	0.2	13.4	9.1	11.4	4.9
South Africa	..	3.5	..	11.1	..	..
Spain	-1.6	4.2	13.9	8.3	5.1	-1.2
Switzerland	-9.6	-3.7	-11.7	-0.2	..	..
Chinese Taipei	30.5	8.1	6.9	11.2	..	..
Türkiye	15.6	26.5	28.4	16.8	..	..
United Kingdom	1.6	-2.4	3.8	7.3	2.5	7.3
United States	6.0	8.8	6.4	7.6	..	..

	Life		Non-Life		Composite	
	2020	2021	2020	2021	2020	2021
Uruguay	..	..	39.2	-6.3	14.3	28.9

Note: Change in equity position is calculated as the change in shareholder equity divided by the level of shareholder equity of the previous year.  
Source: OECD Global Insurance Statistics.

# Methodological notes

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

Data in this report may diverge from the short preview of insurance trends, published in July 2022. This preview was based on early estimates for domestic undertakings only, sometimes coming from other sources than in this report.

Some divergences may exist between national reporting standards and the compilation method of certain data in the GIS exercise. For this reason, jurisdictions are regularly requested to provide relevant methodological information for 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 1-4, 9-10 and Tables A.A.2 and A.A.3 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 (Figures 5-8 and Table A.A.1) 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 jurisdictions. In some jurisdictions, such as Costa Rica, most insurance companies are composite companies dealing with both life and non-life businesses.
- Data on stock variables refer to the end of the year while data on flow variables cover the whole year in the report. The reference period is the calendar year, except for Argentina, Egypt and Paraguay (12-month period ending in June of the year considered), and India and Japan (12-month period ending in March of the following year).
- Data for Indonesia and Malaysia cover conventional and takaful insurance products, unless specified otherwise.
- Data on composite insurers from Bulgaria, 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 OECD definitions.
- Data for the Netherlands cover both basic and additional health insurance.

