OECD Insurance Statistics, Volume 2012

Insurance market trends

This chapter draws on the second edition of the report *Global Insurance Market Trends*, and presents most up-to-date figures.

Underwriting performance

A sharp reversal in real premium growth in life insurance was observed in more than half of the reporting countries in 2011, with some countries exhibiting large drops

The positive real premium growth of 2010 was sharply reversed in many countries, with life premiums declining substantially in some countries (Figure 1). The most important factor behind this was the macroeconomic environment. Most of the indicators related to economic activity suggest that economic growth was sluggish, especially in advanced economies. The demand for life insurance products was negatively affected by this environment. In some countries, competition from the banking sector and the low yield environment also curbed the demand for life insurance products, thus negatively affecting the performance of life insurers.

In some of the euro zone countries, dramatic declines in life premiums were experienced. The decline was above 40 per cent in Portugal, above 30 per cent in Finland and Luxembourg, above 20 per cent in Italy and above or close to 10 per cent in Austria, Estonia, France and Ireland. In 2010, real premium growth was positive in all of these countries except for Austria.

In Portugal, life insurance premiums declined significantly. Underlying factors were the relatively high level of premiums in 2010, a deteriorated macroeconomic environment, and competitive pressure from the banking sector in addition to a reduction of tax incentives for retirement savings plans. In Finland, premium growth reversed severely in 2011. This change was partly the result of high premium levels in 2010, especially in group pensions and capital redemption contracts with single premiums; in 2011, the sharpest decline in premium revenue was registered in these same segments.

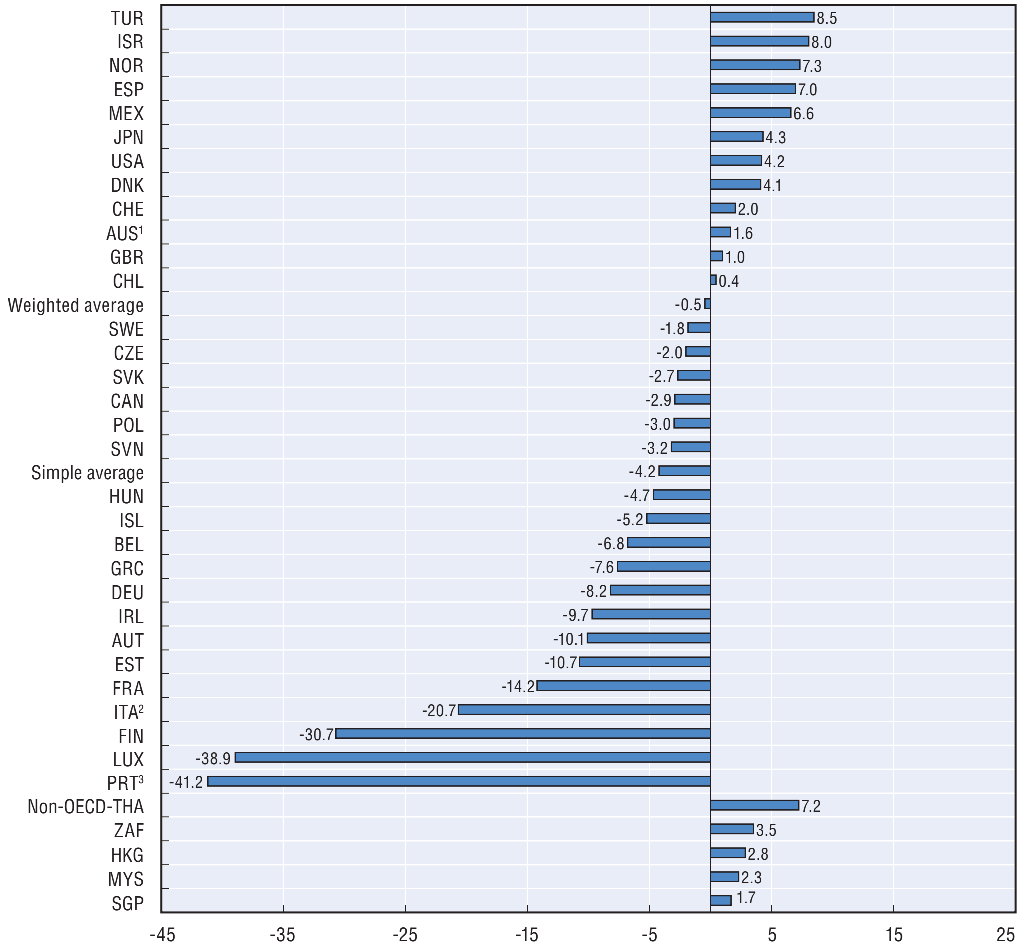
In Italy, the positive trend in premium growth rate was also reversed. Data for the different life segments show significant and widespread declines in premiums. Single premium, capital redemption and unit-linked and index-linked policies all registered significant declines in contrast to 2010.

In France, the net inflows of life insurance slowed in comparison with previous years. This can be explained by both a decrease in gross inflows compared to last year and an increase in claims (in particular, surrenders). The attractiveness of alternative products to life insurance, including regulated savings accounts, was strong in 2011. Indeed, in addition to a level of performance comparable to that of other types of investments, these products could be seen as more liquid and received the status of "safe haven" in times of crisis.

In Estonia, negative premium growth was mainly the result of a sharp decline in unit-linked life insurance premiums. In Austria, the decline in life premiums was in part accounted for by unit-linked and index-linked life products, whose growth trend slipped

Figure 1. **Annual real gross premium growth: Life sector, 2010-11**

In per cent



Notes: 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 OECD's *Main Economic Indicators* (MEI) and other sources. All reporting countries have been included in the calculations of the simple and weighted averages.

1. Premiums for accident and sickness insurance underwritten by life companies are not included in non-life premiums, but rather life premiums. Health insurance is underwritten by specialised health insurance companies, and is not included in the Australian data. As of 1 July 2010, the reporting framework has been changed from a written premium concept to an earned premium concept.
2. Composite undertakings include life companies that pursue accident and sickness insurance.
3. Premiums include deposits made for investment contracts, which, according to the national GAAP are not accounted in P&L account.

Source: OECD Global Insurance Statistics.

in 2011. Austrian life premiums were also negatively affected by a change in the tax treatment for single premium business. In Germany, the decrease is ascribed entirely to a normalisation in the single premium business in life insurance, which had previously been extraordinarily fast-growing in previous years.

In Greece, the observed premium decrease in life segment was mainly the result of the ongoing economic crisis. In Belgium, underwriting performance followed the declining trend witnessed in recent years; as a result, life premiums reached their lowest level since 2003. There were three inter-related factors behind this decline: firstly, the crisis eroded the demand for life insurance products; secondly, the attractiveness of life insurance products decreased due to the low-yield environment; and lastly, the predominance of *bancassurance* business in the country gave banks the opportunity to channel household savings to banking products rather than to life insurance in order to meet the banks' liquidity needs.

For some countries like Canada, the Czech Republic, Slovak Republic and Sweden, the decline was rather moderate. Yet, it represents a deterioration relative to 2010. In the Czech Republic, the decline was accounted for single premium contracts, which were the driving force of the previous year's positive growth. In Hungary, life premium growth turned negative in 2011 basically due to the declining trend of non-unit-linked premiums.

By contrast, twelve OECD countries and all of the reporting non-OECD countries achieved real growth in life premiums in 2011, as shown in Figure 1. These countries include Australia, Chile, Denmark, Hong Kong (China), Israel, Japan, Malaysia, Mexico, Norway, Singapore, South Africa, Spain, Switzerland, Thailand, Turkey, the United Kingdom and the United States.

In Australia and the United States, life premium growth turned positive in 2011. In Australia, life insurance risk premium revenues grew strongly while investment premium growth remained mute. In the United States, the rise was primarily due to growth of individual annuities and individual life policies.

In Switzerland, real premium growth was led by group life occupational pension schemes, which dominate the market. In Mexico, premium growth continued due to growth arising mainly in life insurance products with a savings component. In Mexico, annuity business decreased since more pensioners chose other options for the payout phase of their pensions. In Japan, the growth of life insurance premiums increased further in 2011 due to increases in sales of deposit-type products.

In Spain, the growth of life premiums was caused by higher underwriting activity in traditional business, with unit-linked business contracting due to the lack of risk appetite of policyholders and the volatility of financial markets. In South Africa, this growth is explained by a combination of inflationary increases on premiums and contributions by pension funds. A further reason for the increase was the overall growth in the economy. The growth is largely driven by investment business, which remained the dominant class of business.

In Thailand, life premiums continued to grow. The increase was fed mostly by renewals of ordinary life contracts. In Hong Kong (China), life premiums continued their moderate growth, driven largely by individual life and annuity (non-linked) business, which remained the dominant class of new long-term business.

In comparison with the life sector, more countries experienced real premium growth in their non-life sector

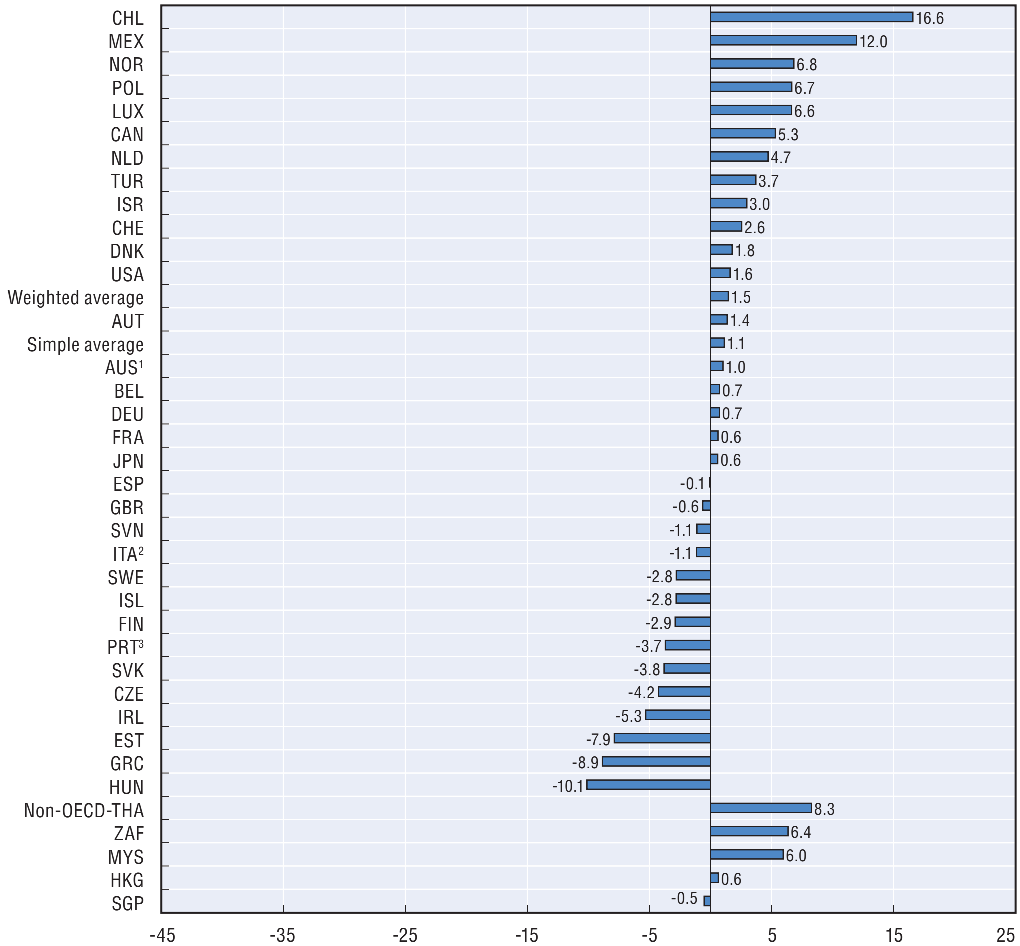
The non-life sector exhibited more positive performance across countries, with less dramatic declines compared with the life sector. In some countries, real premium growth rates either turned positive or accelerated. In other countries, the decline of premiums decelerated (Figure 2).

However, the macroeconomic environment curbed non-life premium growth. In addition, competitive pressures in motor insurance markets, which typically comprise a large portion of the non-life sector in many countries, continued to limit premium growth in some countries. In contrast, price adjustments following disaster events contributed to premium growth in relevant markets.

In Mexico, non-life premium growth turned strongly positive in 2011. The growth is explained primarily by property and casualty insurance which grew by 24 per cent, excluding motor insurance. This is partly accounted for by the renewal of a multi-year policy of PEMEX, a government-owned oil company. Yet, real premium growth was still

Figure 2. **Annual real gross premium growth: Non-life sector, 2010-11**

In per cent



Notes: 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 CPI from the OECD's MEI and other sources. All reporting countries have been included in the calculations of the simple and weighted averages.

1. Premiums for accident and sickness insurance underwritten by life companies are not included in non-life premiums, but rather life premiums. Health insurance is underwritten by specialised health insurance companies, and is not included in the Australian data. As of 1 July 2010, the reporting framework has been changed from a written premium concept to an earned premium concept.
2. Composite undertakings include life companies that pursue accident and sickness insurance.
3. Premiums include deposits made for investment contracts, which, according to the national GAAP are not accounted in P&L account.

Source: OECD Global Insurance Statistics.

high when premium figures are adjusted for the effect of PEMEX's insurance policy. Motor insurance as well as health and accident insurance also grew in 2011 albeit at a slower rate.

In Thailand, the strong growth in non-life premiums was influenced by miscellaneous insurance as well as by automobile insurance which dominates premium revenues. Non-life premium growth continued to exhibit strength in Poland. Growth was driven by motor third party liability, fire and natural forces and other damage and loss property segments.

In South Africa, non-life premiums continued to increase in 2011 driven largely by growth in premiums of the property insurance segment, which comprises at least a third of the non-life market. The growth in the non-life sector similar to the life sector can be attributable to inflationary increases, growth in the economy and a slight improvement in credit lending transactions.

In the United States, non-life premiums grew in real terms across each of the three main property and casualty segments (personal, commercial, and combined), the first time they did so together since 2006. On the other hand, the US title industry continued to be constrained by the housing crisis that has resulted in a significant reduction in mortgage originations and title orders.

In Australia, premium growth was evident in personal and commercial property classes as insurers sought to recoup the higher cost of reinsurance following natural catastrophe events in late 2010 and early 2011. By contrast, premium growth in commercial long-tail classes continued to be subdued.

In Belgium, real premium growth turned positive in 2011, driven by increased pricing across most non-life insurance classes in response to previous underwriting losses. In Japan, non-life premium growth has been increasing due to changes in the premium rates of automobile insurance and accident insurance. Similarly, in France, the increase in premiums in the non-life sector is primarily due to price increases, as in 2010, which are in part intended to offset a loss which had deteriorated sharply in previous years.

In some countries, non-life premiums declined in real terms. In Hungary, non-life premiums continued their declining trend since 2008. Although property insurance premiums have been witnessing a growing trend, motor third party liability insurance premiums have been declining since 2008. This decline basically followed the falling number of motor accidents and number of injured persons, with insurers adjusting their prices downwards in parallel with this declining trend.

In Greece, non-life premiums declined for the first time since the beginning of the financial crisis. This development was the consequence of a fall in written premiums for motor insurance, the dominant non-life business in the Greece, reflecting the substantial decline in number of circulating vehicles.

In the Czech Republic, premiums continued to decline essentially as a result of competition in motor insurance. Similarly, in Iceland, the premium decline can in part be explained by the small drop in premiums of the motor insurance segment, which comprises almost half of the non-life market.

Claims developments

In 2011, nominal growth in claims payments in the life segment was widespread among reporting countries[1] (Figure 3). Only Canada, Chile, Finland, Hungary, Norway, and Spain witnessed declining claims payments in the OECD.

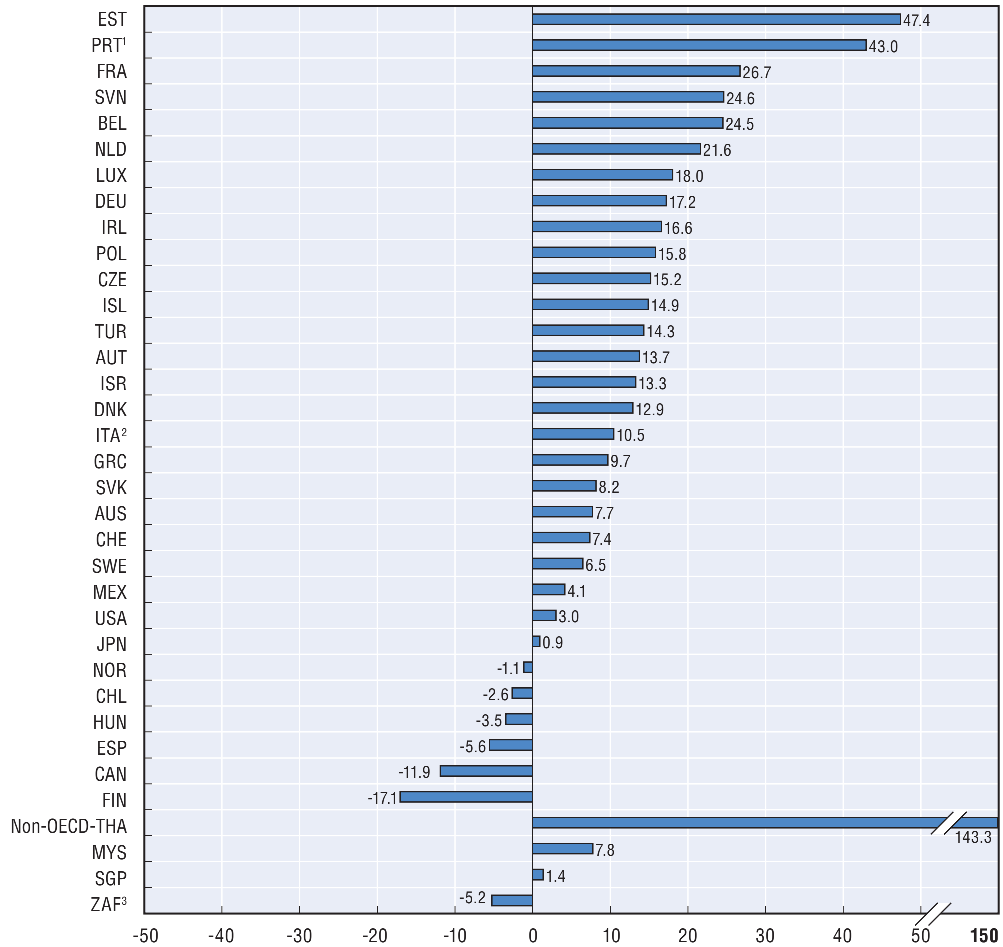
Claims payments in the life sector were affected by the ongoing economic crisis and competitive pressure from the banking sector. In a number of countries, life claims increased as a result of surrenders linked to these two factors. In France, for instance, life insurers faced an important increase in surrender rates, especially in the second half of 2011, since households preferred to invest in liquid banking products or to pay back their real estate loans with the funds invested in their insurance policies.

In Portugal, life insurance claims also continued to increase significantly as a consequence of the growth in surrenders, which constituted 62 per cent of all life claims in 2011. In Greece, claims in life business were affected adversely by the financial crisis. A considerable change in policyholder behaviour was observed and can explain the decline.

In the Slovak Republic and Slovenia, claims payment growth was dominated by unit-linked products. In Finland, life insurance claims decreased in contrast to 2010, when claims growth was significant. The decline in claims arising from policy surrenders and policy benefits shaped this outcome.

Figure 3. **Growth in gross claim payments: Life segment, 2010-11**

In per cent



1. Claims paid include the payment made for investment contracts, which, according to the national GAAP, are not accounted in P&L account.
2. Composite undertakings include life companies that pursue accident and sickness insurance.
3. Variations of outstanding claims provisions are not included in the calculation.

Source: OECD Global Insurance Statistics.

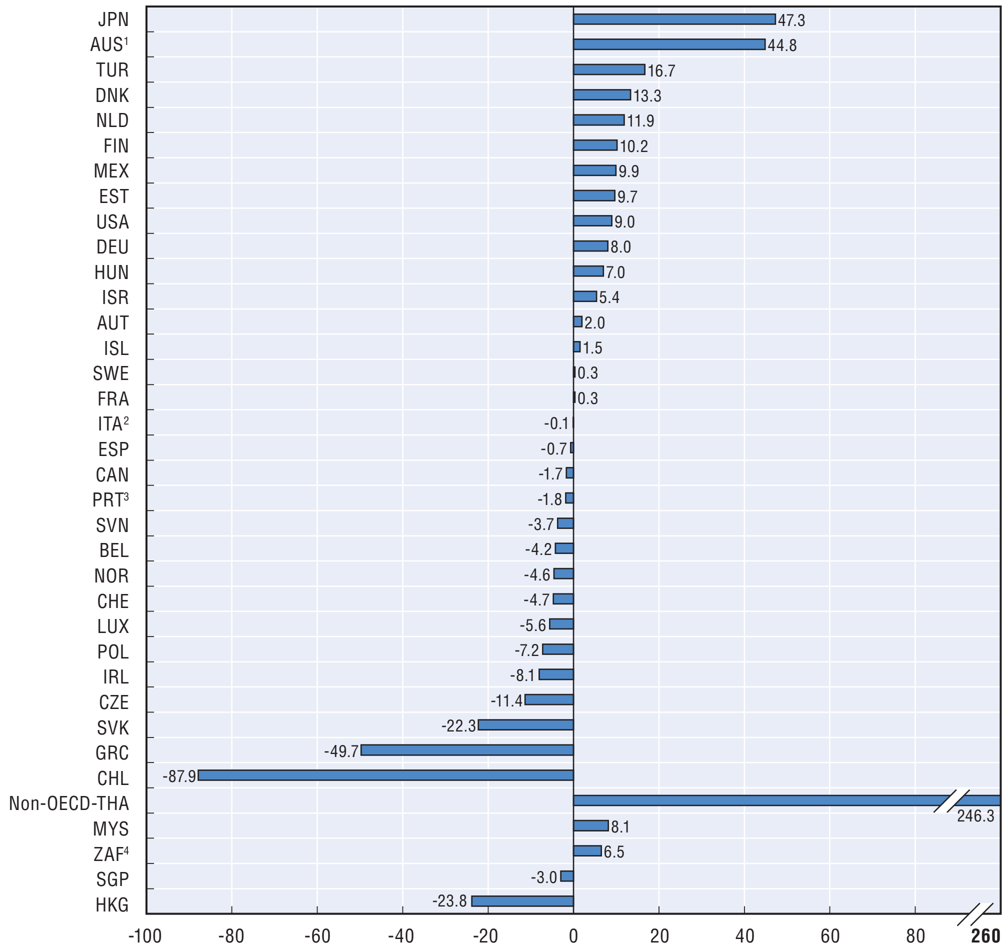
2011 was an exceptional year in terms of disaster events. Following a series of natural disasters in 2010, further devastating events occurred in 2011. A tsunami triggered by an earthquake in Japan, floods in Thailand, an earthquake in New Zealand, severe storms and tornados in the United States, and floods in Australia were among the costliest natural disasters in 2011 in terms of insured losses. These disasters dominated developments in claims payments in relevant non-life markets. In Thailand, Japan, Australia, and the United States claim payments increased accordingly (Figure 4).

In Estonia and Mexico, claims payments also increased as a result of weather-related events. In the case of Mexico, a drought affecting 40 per cent of the Mexican territory led to a rise in claim payments in agricultural insurance. While Norway experienced hurricanes and major floods in 2011, aggregate claims payments nonetheless declined.

In contrast, claim payments decreased in several EU countries. In most cases, the decrease was moderate. However, in Greece, claims payments declined dramatically, mainly driven by a decrease in the frequency of incidents covered by the motor third party liability insurance which may be attributed to the decline of the vehicles in circulation.

Figure 4. **Growth in gross claim payments: Non-life segment, 2011**

In per cent



Note: Under OECD classification standards, non-life data generally include accident and health insurance.

1. The growth rate in claims for non-life insurance is calculated for 2011 year end compared to 30 June 2010.
2. Composite undertakings include life companies that pursue accident and sickness insurance.
3. Claims paid include the payment made for investment contracts, which, according to the national GAAP, are not accounted in P&L account
4. Variations of outstanding claims provisions are not included in the calculation.

Source: *OECD Global Insurance Statistics.*

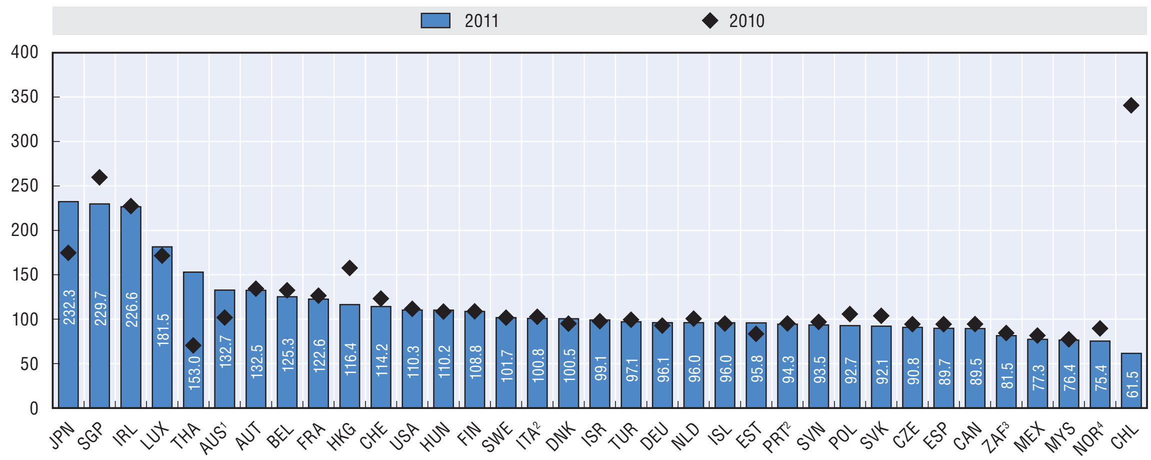
Combined ratio for non-life segment

The combined ratio[2] measures operational underwriting profitability in the non-life sector and allows the sources of profitability to be highlighted. An improvement in the 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 per cent represents an underwriting loss for the non-life insurer. A company with a combined ratio over 100 per cent may nevertheless remain profitable due to investment earnings.

Approximately half of the reporting countries had a combined ratio below 100 per cent in 2011 (Figure 5). Chile had the lowest combined ratio among these countries. Compared with the previous year, combined ratios were stable or declining except in countries that experienced significant disaster loss. Australia, Japan and Thailand are among the countries that witnessed a significant deterioration on their combined ratio. On the other hand, in Ireland, an improvement in the loss ratio was offset by a deterioration in the expense ratio,[3]

Figure 5. **Combined ratio for non-life segment, 2011**

In per cent



Notes: 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. The non-life industry combined ratio is calculated for the period 30 June 2010 and 31 December 2011. Commissions have not been included in the calculation since they are already included in gross operating expenses (equivalent to gross total underwriting expenses).
2. Commissions have not been included in the calculation since they are already included in gross operating expenses.
3. Variations of outstanding claims provisions are not included in the calculation.
4. The combined ratio calculations for 2011 does not include commissions data.

Source: *OECD Global Insurance Statistics*.

leaving the combined ratio unchanged. In Belgium, France, Hong Kong (China), Poland, Slovak Republic, Switzerland, and Turkey, the combined ratio improved slightly.

Investment allocation and performance

Portfolio investments

In most countries, insurers continued to invest heavily in fixed-income securities, namely government and private bonds. In the life sector, the share of bonds in insurers' portfolios remained above the levels in non-life and composite sectors due to the fact that investment in long-term bonds allows for a better matching of assets with the long-term liabilities of life insurers (Figures 6, 7 and 8).

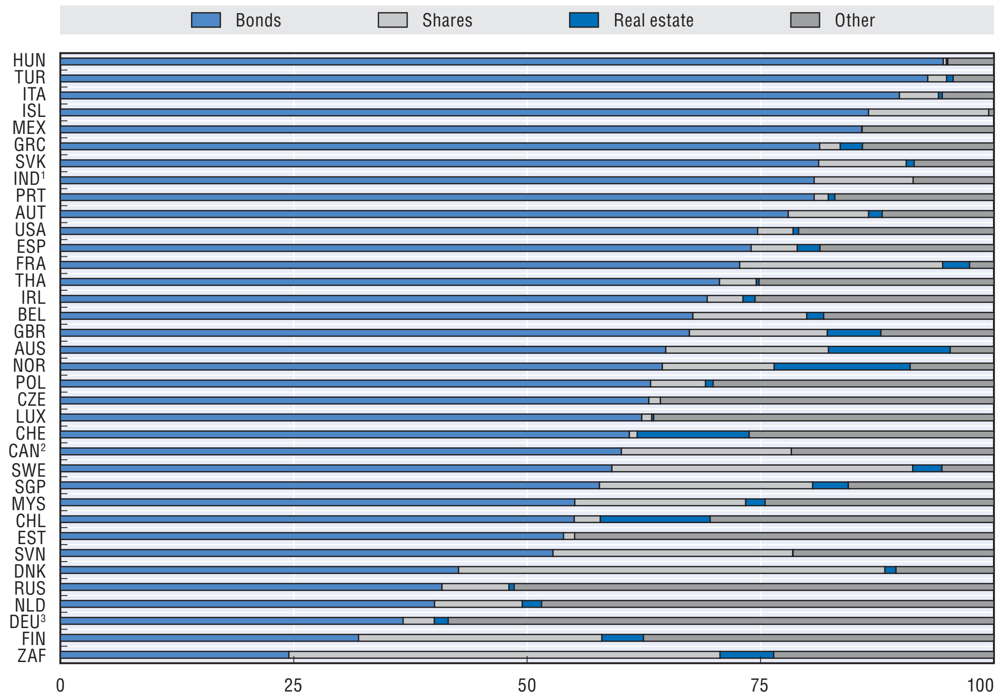
With the exception of Denmark, Finland, Germany, the Netherlands, Russia and South Africa, the life insurance sectors in reporting countries allocated more than 50 per cent of their investment portfolio to bonds. With allocations above 90 per cent, life insurers in Hungary and Turkey were exceptional in the extent to which they invested in bonds.

Life insurers in most countries had, in aggregate, less than 10 per cent of their assets invested in equities. Denmark, Sweden, and South Africa had the highest allocation to equities among reporting countries. Finland, France, Malaysia, and Singapore also had an important allocation, with around or close to 20 per cent of assets invested in equities.

The non-life insurance industry in most countries continued to invest heavily in bonds, but typically to a lesser extent compared to the life industry. By the same token, investments in equity are somewhat higher in the non-life sector: With allocations above 40 per cent, non-life insurers in Finland and Austria had the highest equity allocation. France, Norway, Poland, South Africa, Sweden, Thailand, and the United States also had relatively important allocation to equities, above 20 per cent. In roughly half of reporting countries, the share of equity in portfolios was below 10 per cent in 2011.

Figure 6. **Investment portfolio allocation: Life insurers, 2011**

As per cent of total investments



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

1. Data refer to end of March 2011.
2. Data for life insurers include assets in segregated funds. Data for life insurers include data for both "life" and "accident and sickness" branches of their operations – no breakdowns are available.
3. Figures, accounting for the "Other investments", consist of the "loans" category and of mutual fund investments for which no look-through was available.

Source: OECD Global Insurance Statistics.

The composite insurance industry also generally allocated a large proportion of its investment portfolio to bonds. With the exception of Russia and the United Kingdom, in those reporting countries where composite undertakings are permitted, the industry as a whole allocated more than 60 per cent of its investments to bonds. In terms of their equity investments, composite insurers in the United Kingdom, Singapore and Italy had the highest allocation.

Investment allocation to direct real estate investments appears to be relatively small in most countries. With allocations above 10 per cent, life insurers in Australia, Norway and Switzerland, and non-life insurers in Greece, Slovenia and the United Kingdom, have relatively high real estate investments.

In many countries, public sector bonds dominated insurers' bond portfolios and therefore constituted, given the large allocation of insurer investments to bonds, a substantial portion of insurers' overall investment portfolios (Figure 9). Greece, Hungary, and Turkey had the highest portfolio allocation to public sector bonds, while Chile, Norway and South Africa had the lowest allocation. These exposures are relevant in terms of assessing sovereign debt risks for the insurance industry.

In 2011, the asset allocation of insurers did not, with a few exceptions, change significantly. As shown in Table 1, in countries such as Estonia and Singapore, the share of equities declined substantially while in Slovenian life insurance companies it increased significantly. Observed declines in equity allocation across a number of countries may reflect a declining value of equities and/or a pro-active shift to a less risky portfolio. In

Figure 7. **Investment portfolio allocation: Non-life insurers, 2011**

As per cent of total investments

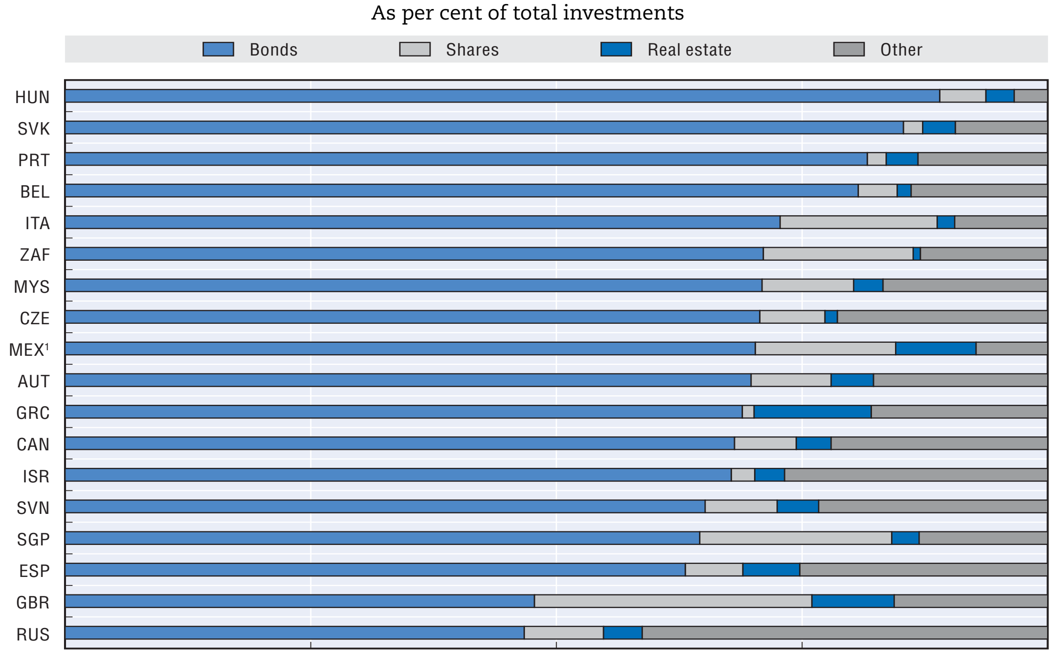
Note: Data exclude assets linked to unit-linked products where risk is fully borne by policyholders.

1. Data refer to end of March 2011.
2. Figures, accounting for the "Other investments", consist of the "loans" category and of mutual fund investments for which no look-through was available.

Source: OECD Global Insurance Statistics.

Figure 8. **Investment portfolio allocation: Composite insurers, 2011**

As per cent of total investments



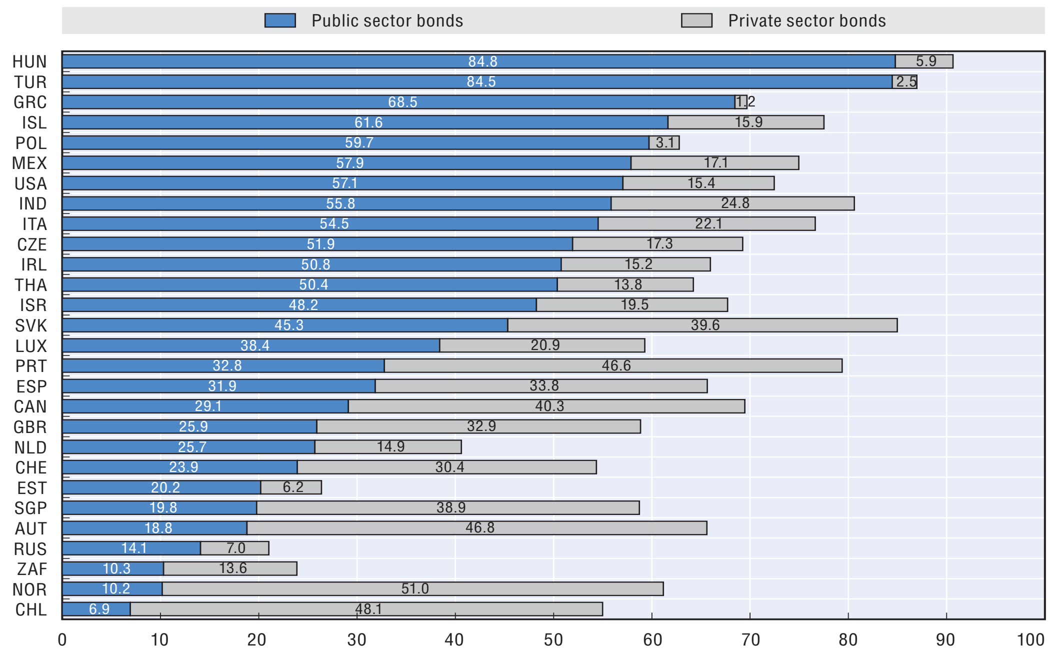
Note: Data exclude assets linked to unit-linked products where risk is fully borne by policyholders.

1. The level of composite insurer investments in equity does not represent a direct exposure to the equity market since such investments include investment in the shares of mutual funds, which in the case of these insurers mainly invest in bonds.

Source: OECD Global Insurance Statistics.

Figure 9. **Portfolio allocation to bonds, public and private-sector bonds, 2011**

As a percentage of total industry investment portfolio



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

Source: *OECD Global Insurance Statistics.*

Table 1. **Insurers' portfolio allocation in bonds and shares by type of insurer, 2010-11**

As a percentage of total investments

		Life		Non-life		Composite	
		2010	2011	2010	2011	2010	2011
				OECD			
Australia	*Bonds*	53.6	64.8	59.4	62.1	x	x
	Shares	21.6	17.4	c	c	x	x
	Others	24.8	17.7	c	c	x	x
Austria	*Bonds*	69.7	78.0	33.2	32.6	69.7	69.8
	Shares	12.5	8.6	42.4	40.4	9.1	8.2
	Others	17.7	13.4	24.5	27.0	21.2	22.0
Belgium	*Bonds*	65.3	67.8	71.2	71.2	79.8	80.7
	Shares	14.4	12.2	11.2	8.8	5.1	4.0
	Others	20.3	20.1	17.6	20.0	15.1	15.3
Canada[1]	*Bonds*	67.9	60.1	80.4	81.0	66.4	68.1
	Shares	14.3	18.2	16.5	16.0	6.7	6.3
	Others	17.8	21.7	3.1	3.1	26.9	25.6
Chile	*Bonds*	61.5	55.1	50.6	53.5	x	x
	Shares	3.7	2.8	1.5	1.0	x	x
	Others	34.8	42.2	47.9	45.5	x	x
Czech Republic	*Bonds*	68.7	63.0	66.0	54.7	..	70.7
	Shares	2.7	1.2	1.3	3.4	..	6.6
	Others	28.5	35.7	32.7	41.9	..	22.7
Denmark	*Bonds*	44.2	42.7	74.4	75.9	x	x
	Shares	50.0	45.7	20.1	18.8	x	x
	Others	5.8	11.7	5.5	5.3	x	x
Estonia	*Bonds*	57.9	53.9	48.1	62.1	x	x
	Shares	13.1	1.2	5.1	3.5	x	x
	Others	29.0	44.9	46.8	34.5	x	x

Table 1. **Insurers' portfolio allocation in bonds and shares by type of insurer, 2010-11** *(cont.)*

As a percentage of total investments

		Life		Non-life		Composite	
		2010	2011	2010	2011	2010	2011
Finland	*Bonds*	34.1	31.9	57.0	46.8	..	..
	Shares	25.4	26.1	31.7	43.9	..	..
	Others	40.6	42.0	11.3	9.3	..	..
France	*Bonds*	76.5	72.8	61.1	60.3	70.8	..
	Shares	20.4	21.7	27.4	27.3	24.5	..
	Others	3.1	5.5	11.6	12.5	4.7	..
Germany[2]	*Bonds*	35.5	36.7	35.2	37.0	x	x
	Shares	3.5	3.3	7.1	6.9	x	x
	Others	61.0	59.9	57.7	56.2	x	x
Greece	*Bonds*	79.6	81.3	44.7	48.6	67.0	68.9
	Shares	2.8	2.2	2.8	2.0	2.2	1.2
	Others	17.6	16.5	52.4	49.5	30.9	29.9
Hungary	*Bonds*	93.9	94.6	87.5	89.6	87.6	89.0
	Shares	0.7	0.3	0.5	0.6	5.3	4.7
	Others	5.4	5.1	11.9	9.9	7.2	6.3
Iceland	*Bonds*	86.1	86.6	71.8	76.7	x	x
	Shares	13.3	12.9	20.6	17.3	x	x
	Others	0.5	0.5	7.6	6.0	x	x
Ireland	*Bonds*	70.8	69.3	69.8	63.9	x	x
	Shares	5.9	3.8	3.8	3.1	x	x
	Others	23.3	26.9	26.4	33.0	x	x
Israel	*Bonds*	..	..	66.5	66.6	68.6	67.8
	Shares	..	..	1.1	0.6	4.0	2.4
	Others	..	..	32.4	32.8	27.4	29.8
Italy	*Bonds*	92.1	89.9	79.6	78.6	69.1	72.8
	Shares	3.3	4.2	10.4	6.8	18.5	16.0
	Others	4.5	5.9	10.0	14.6	12.4	11.2
Japan	*Bonds*	55.4	..	33.7	..	x	x
	Shares	5.4	..	24.2	..	x	x
	Others	39.2	..	42.1	..	x	x
Korea	*Bonds*	48.2	..	38.1	..	x	x
	Shares	6.3	..	6.6	..	x	x
	Other	45.5	..	55.3	..	x	x
Luxembourg	*Bonds*	70.5	62.3	47.4	49.9	x	x
	Shares	1.9	1.1	4.2	3.6	x	x
	Other	27.6	36.7	48.4	46.5	x	x
Mexico[3]	*Bonds*	84.2	85.8	83.6	81.7	68.7	70.3
	Shares	0.6	0.0	3.0	4.9	15.2	14.3
	Other	15.2	14.2	13.4	13.4	16.1	15.5
Netherlands	*Bonds*	42.5	40.1	58.4	43.5	x	x
	Shares	9.5	9.4	6.5	5.3	x	x
	Others	48.0	50.5	35.1	51.2	x	x
New Zealand	*Bonds*	..	..	..	..	..	..
	Shares	..	..	..	..	..	..
	Other	..	..	..	..	..	..
Norway	*Bonds*	56.7	64.5	59.1	47.3	x	x
	Shares	19.2	12.0	38.7	30.5	x	x
	Others	24.2	23.5	2.2	22.1	x	x
Poland	*Bonds*	63.9	63.2	62.0	62.3	x	x
	Shares	6.0	5.9	23.4	20.0	x	x
	Other	30.1	30.9	14.6	17.6	x	x
Portugal	*Bonds*	81.4	80.7	60.2	59.6	83.5	81.7
	Shares	2.0	1.5	2.9	1.6	2.2	1.9
	Others	16.6	17.7	36.9	38.8	14.3	16.4
Slovak Republic	*Bonds*	79.7	81.2	75.0	90.1	84.9	85.3
	Shares	9.2	9.4	0.0	0.0	2.1	1.9
	Other	11.1	9.4	25.0	9.9	12.9	12.7

Table 1. **Insurers' portfolio allocation in bonds and shares by type of insurer, 2010-11** *(cont.)*

As a percentage of total investments

		Life		Non-life		Composite	
		2010	2011	2010	2011	2010	2011
Slovenia	*Bonds*	68.5	52.8	57.7	57.5	69.3	65.1
	Shares	8.5	25.7	7.5	6.5	7.6	7.3
	Others	22.9	21.6	34.7	36.0	23.1	27.5
Spain	*Bonds*	..	74.0	..	50.8	60.0	63.1
	Shares	..	4.9	..	12.7	7.5	5.8
	Other	..	21.1	..	36.5	32.6	31.0
Sweden	*Bonds*	53.1	59.1	60.4	62.1	x	x
	Shares	37.5	32.2	30.8	27.1	x	x
	Others	9.4	8.7	8.8	10.7	x	x
Switzerland	*Bonds*	59.1	60.9	38.6	39.0	x	x
	Shares	1.5	0.8	3.0	3.4	x	x
	Other	39.4	38.2	58.3	57.5	x	x
Turkey	*Bonds*	93.6	92.9	76.5	79.5	75.6	x
	Shares	2.4	2.0	4.2	3.1	10.5	x
	Others	4.0	5.1	19.2	17.4	14.0	x
United Kingdom	*Bonds*	..	67.4	..	48.1	..	47.8
	Shares	..	14.8	..	14.7	..	28.2
	Other	..	17.8	..	37.3	..	24.0
United States	*Bonds*	75.2	74.7	66.9	66.4	x	x
	Shares	4.0	3.8	20.7	21.1	x	x
	Others	20.9	21.5	12.4	12.5	x	x
				Non-OECD			
Hong Kong (China)	*Bonds*	..	..	..	..	..	..
	Shares	..	..	..	..	..	..
	Other	..	..	..	..	..	..
India[4]	*Bonds*	..	80.7	..	78.8	x	x
	Shares	..	10.6	..	19.4	x	x
	Others	..	8.7	..	1.8	x	x
Malaysia	*Bonds*	54.4	55.1	60.0	60.5	66.7	70.9
	Shares	18.4	18.3	8.6	6.7	11.2	9.3
	Other	27.2	26.6	31.4	32.8	22.1	19.7
Russian Federation	*Bonds*	..	40.9	..	11.4	..	46.7
	Shares	..	7.2	..	13.7	..	8.1
	Others	..	52.0	..	74.9	..	45.2
Singapore	*Bonds*	44.0	57.8	36.8	36.8	53.4	64.6
	Shares	37.1	22.8	11.3	9.7	35.6	19.6
	Other	18.9	19.4	51.9	53.6	11.1	15.9
South Africa	*Bonds*	27.8	24.5	10.5	13.8	29.4	71.1
	Shares	45.5	46.2	22.2	27.6	4.6	15.2
	Others	26.8	29.3	67.2	58.6	66.0	13.7
Thailand	*Bonds*	59.6	70.6	32.7	31.2	x	x
	Shares	4.4	3.9	24.9	25.1	x	x
	Other	36.0	25.5	42.4	43.7	x	x

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

1. Data for life insurers include assets in segregated funds. Data for life Insurers include data for both "life" and "accident andsickness" branches of their operations – no breakdowns are available.
2. Figures, accounting for the "Other investments", consist of the "loans" category and of mutual fund investments for which no look-through was available.
3. The level of composite insurer investments in equity does not represent a direct exposure to the equity market since such investments include investment in the shares of mutual funds, which in the case of these insurers mainly invest in bonds.
4. Data refer to the end of March 2011.

Source: OECD Global Insurance Statistics.

Norway, there has been a shift in life insurance industry bond investments, with an increased allocation to bonds issued by mortgage companies (mainly covered bonds), partly at the expense of bank bonds.

Investment results

Based on available data, the insurance industry experienced declining real net investment returns in 2011 relative to 2010. Low interest rates and poor equity returns were the driving forces behind this poorer performance. The deterioration in bond asset quality as a result of the euro zone crisis, affecting government bonds, was another contributing factor in some countries, leading for instance to impairments on bond investments. In some cases, real investment returns turned negative.

National life insurance industries suffered declining or negative real returns in 2011 with the exception of Hungary and Switzerland where investment returns improved (Table 2). Non-life insurers also had deteriorated investment returns in general in 2011

Table 2. **Average real net investment return by type of insurer, 2010-11**

In per cent

	Life		Non-life		Composite	
	2010	2011	2010	2011	2010	2011
			OECD			
Australia	3.1	-2.9	4.8	4.4	x	x
Austria	-0.1	..	1.2	1.2	..	0.2
Belgium	-5.1	-6.5	-2.3	-2.9	0.7	-1.2
Canada	-2.3	1.4	2.3	2.2	6.2	8.9
Chile	3.6	-1.1	0.1	-2.0	x	x
Czech Republic	4.8	0.2	0.7	0.5	..	-0.1
Estonia	-1.6	-2.6	-3.0	-1.5	x	x
France	1.5	..	0.1	0.9	..	..
Germany	3.4	1.4	2.6	1.8	x	x
Hungary	3.9	5.9	-1.7	0.7	2.0	1.7
Iceland	6.9	3.5	-2.0	1.9	x	x
Ireland	-0.2	..	1.4	..	x	x
Israel	..	..	3.5	-0.1	4.3	2.1
Italy	0.9	-2.1	0.2	-2.6	0.8	-1.5
Japan	2.0	..	2.3	..	x	x
Korea	1.7	..	1.2	..	x	x
Luxembourg	1.6	0.0	-0.4	-1.6	x	x
Norway	3.9	..	..	..	x	x
Poland	4.6	0.5	8.1	3.4	x	x
Portugal	0.3	-1.6	-0.2	-1.3	1.9	0.4
Spain	..	1.3	..	1.2	..	0.9
Switzerland	2.5	4.1	4.9	4.9	x	x
Turkey	-2.0	-4.5	-3.5	-6.9	2.3	x
			Non-OECD			
India	..	4.8	..	4.7	x	x
Malaysia	6.6	4.5	2.3	0.8	4.1	4.4
Singapore	0.0	-3.6	-1.9	-3.8	0.6	-4.6
South Africa	..	-3.1	..	-3.0	..	-2.2
Thailand	1.1	0.5	-0.4	-0.7	x	x

Source: OECD Global Insurance Statistics.

with the exception of France, Hungary and Iceland, which had improved investment returns. Investment returns also deteriorated in real terms within the composite segment, with the exception of Canada and Malaysia where increased returns were registered.

Profitability

Return on equity

In general, insurance industry return on equity (ROE)[4] in reporting countries declined in 2011 (Table 3). The deterioration was fairly consistent, with most countries experiencing

Table 3. **ROE by type of insurer, 2009-11**

In per cent

	Life			Non-life			Composite		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
OECD									
Australia	13.4	18.8	15.4	13.0	15.3	9.6	x	x	x
Austria	..	..	..	..	..	..	..	..	..
Belgium	10.9	6.0	3.4	5.4	7.6	5.7	6.3	12.0	2.5
Canada	8.8	12.1	3.4	10.6	5.7	9.8	..	..	7.1
Chile	..	20.5	5.3	..	3.3	12.2	x	x	x
Czech Republic	..	..	14.0	..	..	-8.4	..	..	16.6
Denmark	..	..	3.0	..	..	6.7	x	x	x
Estonia	..	28.7	9.8	..	14.6	13.8	x	x	x
Finland	..	21.2	-2.7	..	17.6	10.2	..	..	..
France	8.0	6.4	2.5	10.5	7.0	7.1	16.7	8.0	5.5
Germany	..	9.8	9.7	..	3.8	3.8	x	x	x
Greece	..	7.0	-6.0	..	12.5	10.1	..	-16.2	-36.5
Hungary	..	-13.6	-0.8	..	-5.7	-32.9	..	5.4	11.3
Iceland	..	25.3	21.4	..	9.7	12.3	x	x	x
Ireland	-7.3	-6.1	-8.2	18.5	8.7	10.0	x	x	x
Israel	..	..	..	..	37.0	3.9	..	19.4	-0.6
Italy	6.4	-2.6	-16.5	-2.0	-8.3	-0.6	..	-0.6	-6.5
Japan	..	..	..	..	..	..	x	x	x
Korea	..	10.4	..	..	13.0	..	x	x	x
Luxembourg	6.6	7.5	3.7	11.1	14.5	22.7	x	x	x
Mexico	22.8	17.7	12.7	9.8	3.7	11.8	19.8	16.7	16.3
Netherlands	..	..	..	..	..	..	x	x	x
New Zealand	..	..	..	..	..	..	..	..	..
Norway	..	..	..	..	..	..	x	x	x
Poland	31.8	27.2	22.5	9.3	18.8	18.0	x	x	x
Portugal	13.2	16.2	-7.8	3.9	2.0	3.0	3.7	10.3	4.5
Slovak Republic	0.1	7.7	6.1	-0.5	-31.5	-43.5	0.9	10.8	15.6
Slovenia	..	..	..	..	..	..	..	..	..
Spain	..	..	..	..	..	..	15.5	15.9	11.7
Sweden	..	..	..	..	..	..	x	x	x
Switzerland	14.6	13.1	20.7	16.4	20.2	16.2	x	x	x
Turkey	17.9	15.7	13.2	3.9	-4.1	0.3	4.1	2.8	x
United Kingdom	..	..	..	..	..	..	..	..	..
United States	7.7	8.8	5.3	6.2	7.1	5.0	x	x	x
Non-OECD									
Hong Kong (China)	..	..	..	..	..	..	..	..	..
India	..	..	..	..	..	..	x	x	x
Malaysia	..	53.7	23.4	..	10.8	13.4	..	23.9	28.4
Russian Federation	..	..	..	..	..	..	..	..	..
Singapore	..	16.6	20.6	..	8.0	-62.8	..	22.8	15.5
South Africa	..	..	..	..	43.4	35.0	..	13.2	31.7
Thailand	..	..	14.7	..	..	-123.4	x	x	x

Note: ROE was calculated by dividing segment net income for 2011 by average segment equity over 2010 and 2011.
Source: OECD Global Insurance Statistics.

a decline in life industry ROE levels relative to 2010. Yet, life industry ROE in Australia, the Czech Republic, Iceland, Mexico, Poland, Switzerland, and Turkey remained high. By contrast, in some countries, the life insurance industry's ROE deteriorated dramatically. In Finland, Greece, and Portugal, the life industry ROE not only declined significantly but also turned negative; in Finland, weak investment performance was the key driver. Similarly, ROE in the life industry in Italy and Ireland was negative and worsened.

In the non-life sector, the outlook was mixed. Many countries achieved ROE improvements; in countries where ROE declined, the change was less pronounced. ROE was negative but improved in the non-life sector in Italy. The Hungarian and Israeli non-life insurance industries witnessed significant deterioration in their ROE.

In the composite sectors where exist, ROE deteriorated significantly with the exception of Hungary and Slovak Republic, Malaysia, and South Africa where ROE improved.

Change in equity position

The change in equity position permits an understanding of the evolution of shareholder capital. 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.

Table 4 shows that shareholder equity diminished in twelve of the reporting countries' life insurance industry, eight in the non-life segment and ten in the composite segment. The sharpest declines were observed in Singapore in the composite and non-life segments, respectively. In Spain, the equity position in the composite segment also dropped significantly. By contrast, shareholder equity in the life industry in Slovenia grew dramatically thanks to a start-up life company. The life insurance industry in Malaysia, Singapore, and Switzerland and both life and non-life insurance industries in Norway, Thailand, and Turkey exhibited a significant increase on their industries' shareholder equity.

Table 4. **Change in equity position by type of insurer, 2010-11**

In per cent

	Life		Non-life		Composite	
	2010	2011	2010	2011	2010	2011
			OECD			
Australia	5.5	6.0	1.6	-1.6	x	x
Austria	..	..	..	..	..	..
Belgium	-54.2	-6.0	-4.2	9.2	3.1	-8.8
Canada	-13.1	-0.1	5.5	7.6	-1.0	-1.1
Chile	14.2	-2.4	15.0	16.0	x	x
Czech Republic	4.1	-3.6	11.1	2.2	12.5	-13.5
Denmark	92.1	0.9	..	2.0	x	x
Estonia	103.4	7.1	25.1	13.3	x	x
Finland	14.4	-8.4	-3.4	3.6	..	..
France	0.2	7.8	4.0	4.9	2.3	1.5
Germany	0.4	-3.4	5.3	-1.2	x	x
Greece	-25.4	7.6	11.1	9.4	-47.0	-16.3
Hungary	14.4	-9.0	5.1	5.3	0.5	0.6
Iceland	12.8	5.2	56.3	12.8	x	x

Table 4. **Change in equity position by type of insurer, 2010-11** *(cont.)*

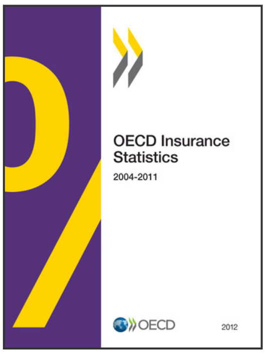
In per cent

	Life		Non-life		Composite	
	2010	2011	2010	2011	2010	2011
Ireland	22.3	-4.2	3.2	10.8	x	x
Israel	..	..	48.4	-0.4	14.1	-2.8
Italy	-1.6	-13.8	-16.5	-10.1	-1.9	-1.8
Japan	..	..	..	..	x	x
Korea	37.6	..	21.5	..	x	x
Luxembourg	18.8	-13.5	2.8	14.7	x	x
Mexico	12.6	6.7	14.3	11.0	15.4	17.4
Netherlands	..	..	..	..	x	x
New Zealand	-5.3	..	13.7	..	..	..
Norway	-40.5	14.7	..	37.3	x	x
Poland	-2.1	-3.4	12.7	4.1	x	x
Portugal	-11.4	-27.8	-8.7	0.2	-8.0	-11.5
Slovak Republic	2.4	0.7	-3.9	-12.0	1.4	-2.1
Slovenia	47.4	382.0	11.8	-0.1	3.8	36.4
Spain	..	..	..	..	19.6	-42.7
Sweden	..	..	..	..	x	x
Switzerland	5.4	30.4	-7.2	-1.3	x	x
Turkey	30.6	41.7	3.3	11.8	..	x
United Kingdom	..	..	..	..	..	..
United States	5.4	0.5	4.9	3.4	x	x
Non-OECD						
Hong Kong (China)	..	..	..	..	..	..
India	..	..	..	..	x	x
Malaysia	11.2	18.9	24.0	8.4	25.5	26.3
Russian Federation	..	..	..	..	..	..
Singapore	-4.2	55.0	94.6	-58.8	73.6	-85.6
South Africa	5.0	11.1	61.9	4.4	48.3	113.7
Thailand	..	58.0	..	45.4	x	x

Note: ROE was calculated by dividing segment net income for 2011 by average segment equity over 2010 and 2011.
Source: OECD Global Insurance Statistics.

Notes

1. Growth rates of gross claims payments include reported changes in outstanding claims provisions to reflect better the magnitude of the obligations that the industry had in 2011 as a result of insured events that occurred.
2. The combined ratio in this chapter is defined as sum of gross claims paid, outstanding claims, gross operating expenses and gross commissions divided by gross written premiums (for direct business only).
3. The expense ratio is defined in this chapter as the sum of gross operating expenses and gross commissions divided by gross written premiums (for direct business only).
4. The return on equity (ROE) is calculated, in this chapter, 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.



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