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Study of Insurance Economics

# Études et Dossiers

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# Insurance – A Growth Industry

John R. Coomber

Swiss Re




## Raising the Benchmark of Success

- Delivering excellence to customers
- Attracting tomorrow's talent
- Improving investor returns
  - Growth
  - RoE
  - Volatility
  - Sustainability

John R. Coomber, CEO Swiss Re  
Geneva Association  
10 November 2005


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## Insurance is a Growth Industry

- Insurance is 8% of world GDP
- Historic growth is approximately GDP +1% p.a.
- Future growth areas include:
  - Asia and emerging markets (economic development)
  - Longevity risks (demographic change)
  - Severe weather events (global warming)
- Insurance will grow to 9% of world GDP over the next 10 years

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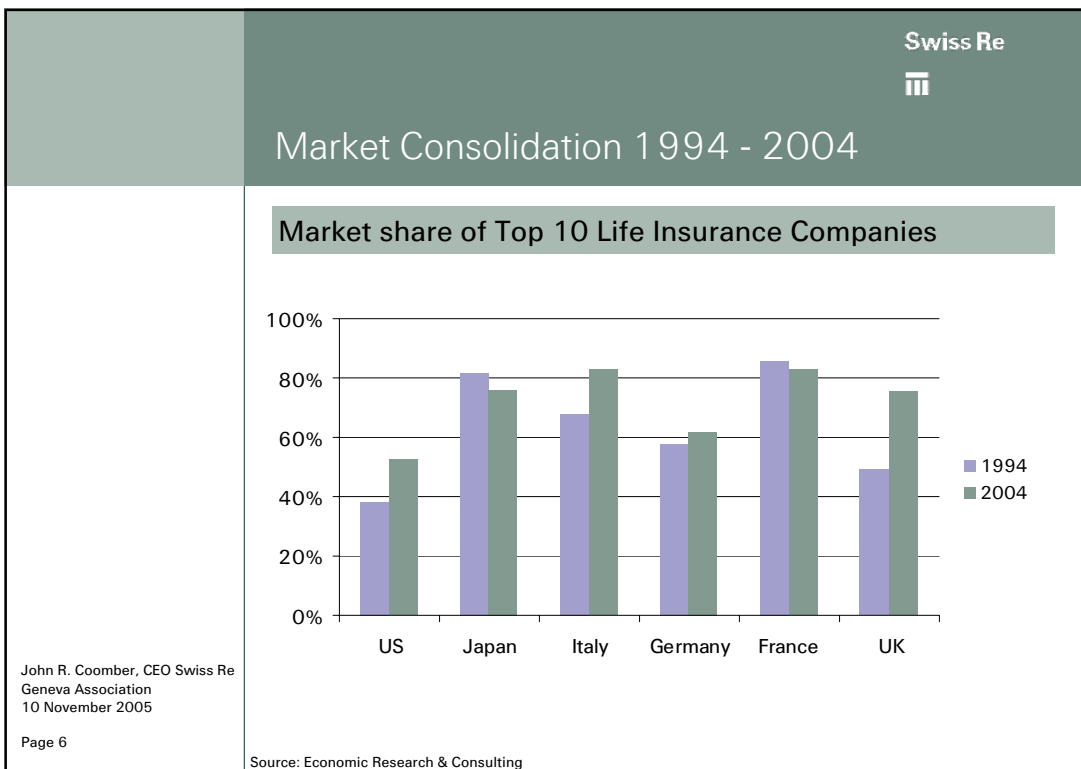
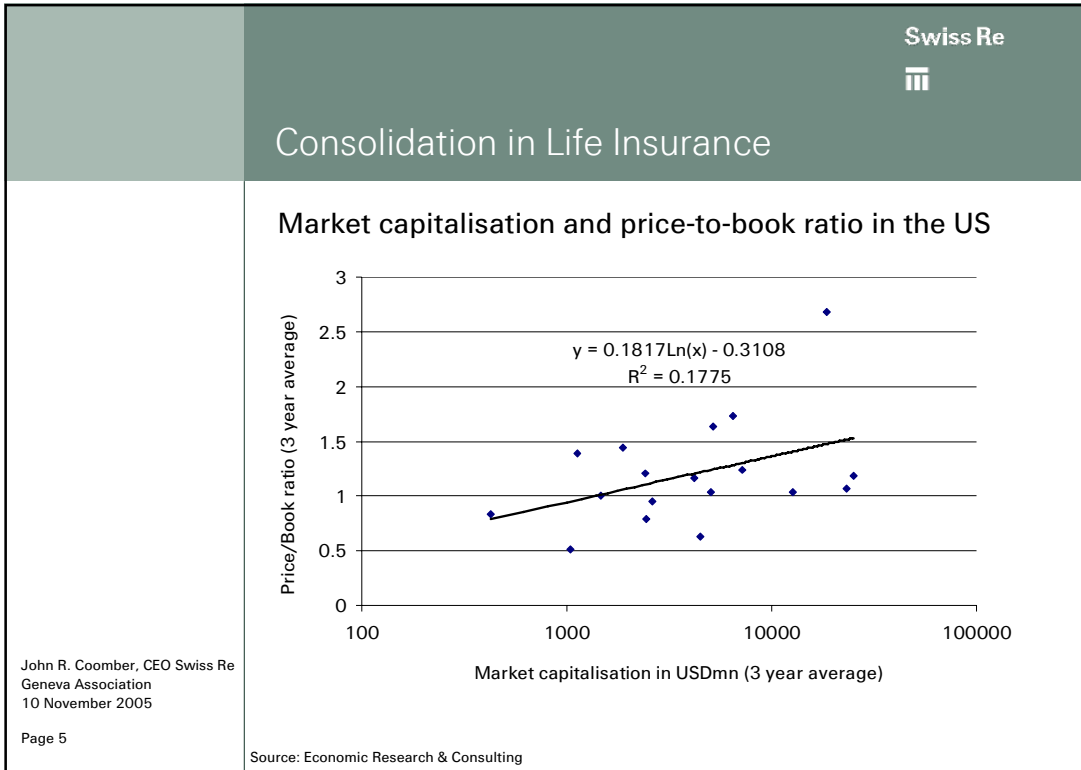
## Economies of Scale in Life Insurance

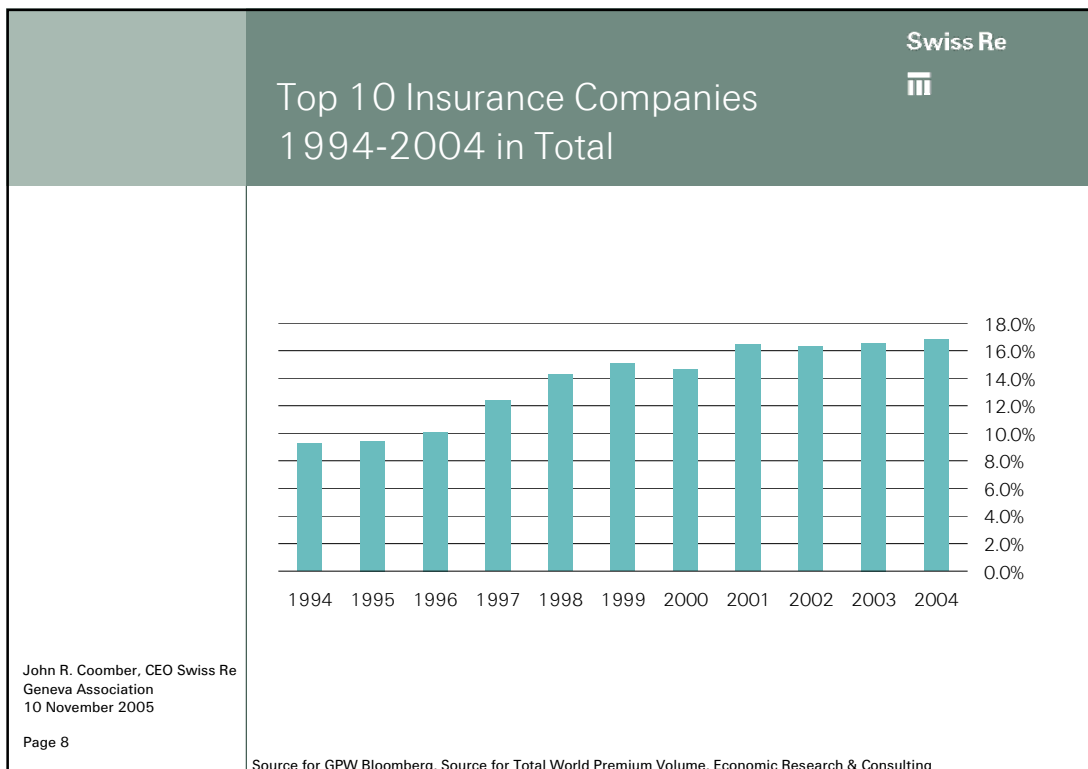
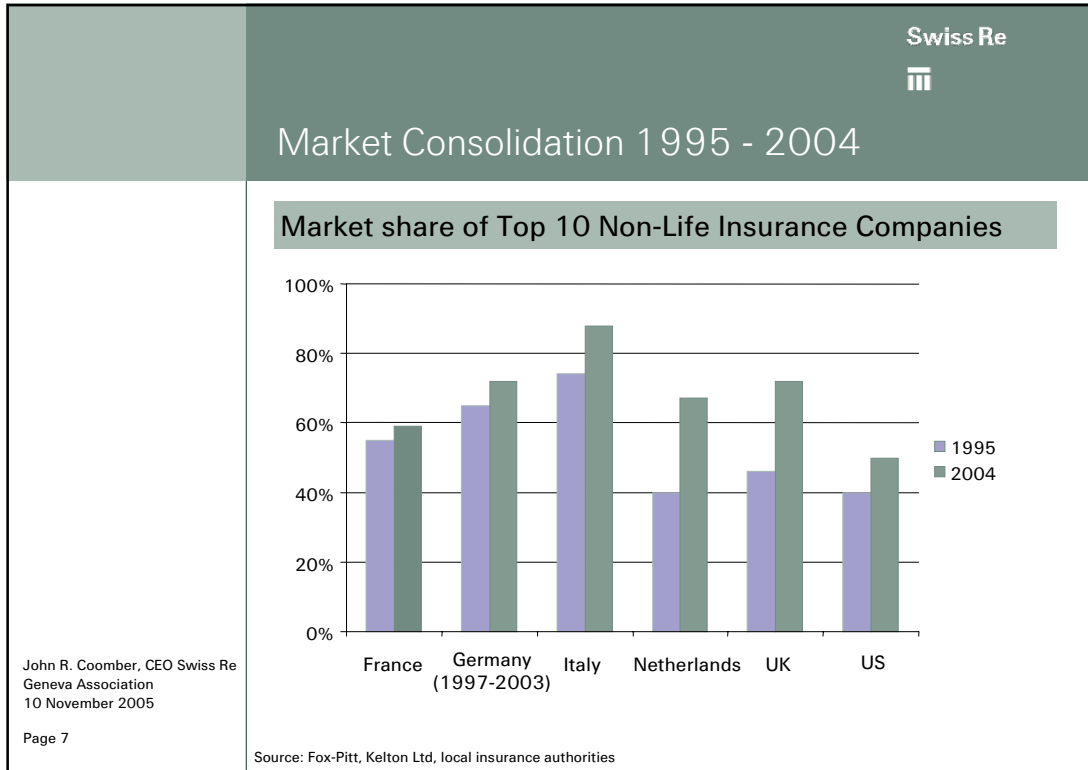
### Size and performance of insurance companies

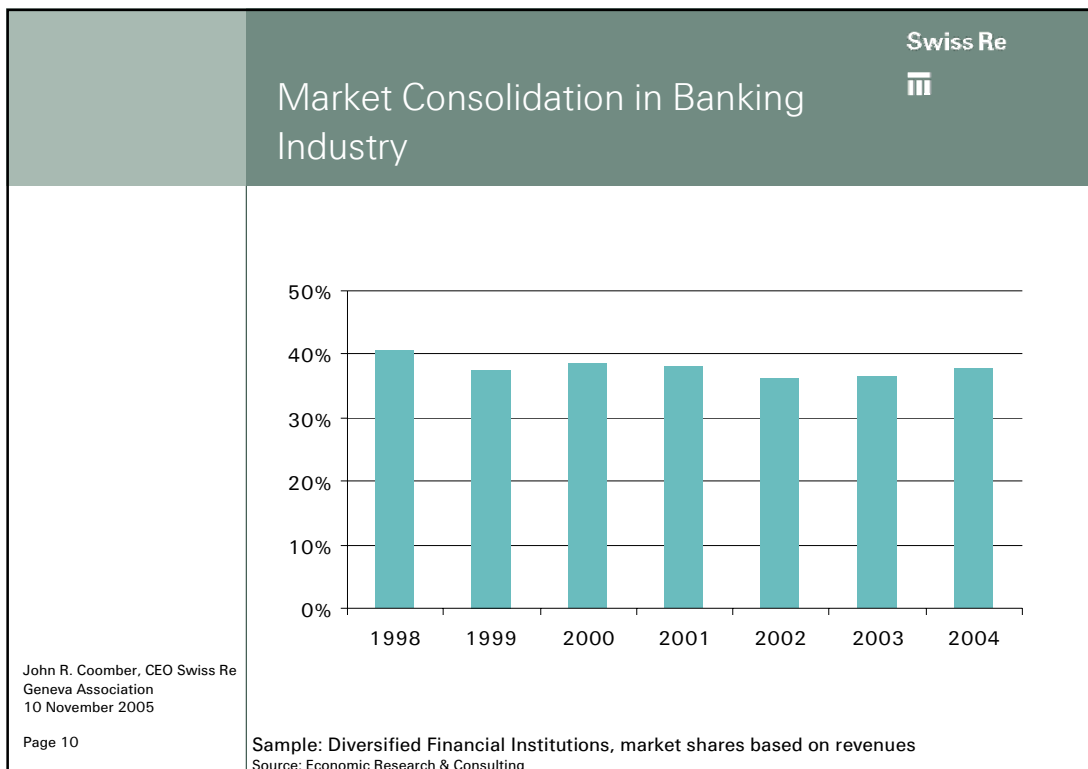
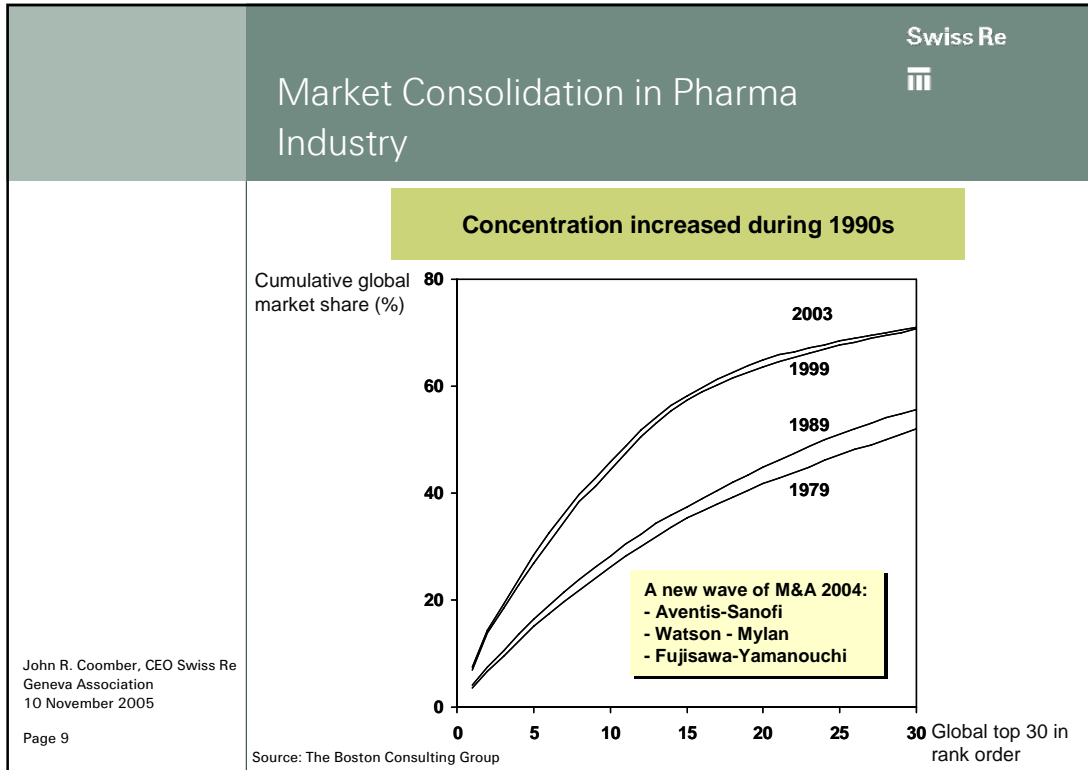
Area	Variables	Life insurance companies by asset size					
		< USD 500m		USD 500-2000m		>USD 2000m	
		No	Average	No	Average	No	Average
Europe	Management expenses (% of net premiums written)	76	8.6	86	5.0	142	4.4
	Return on equity	99	1.3	76	10.6	134	11.8
North America	Management expenses (% of net premiums written)	72	16.2	102	14.0	134	10.9
	Return on equity	71	3.4	104	10.6	135	13.0

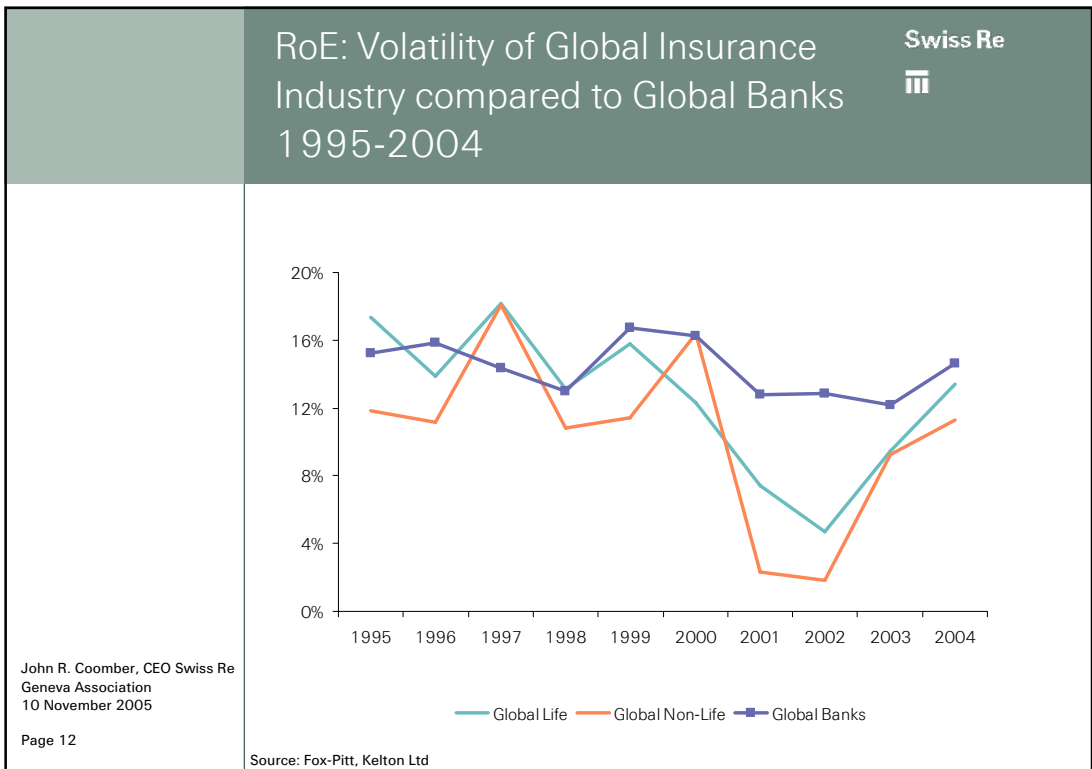
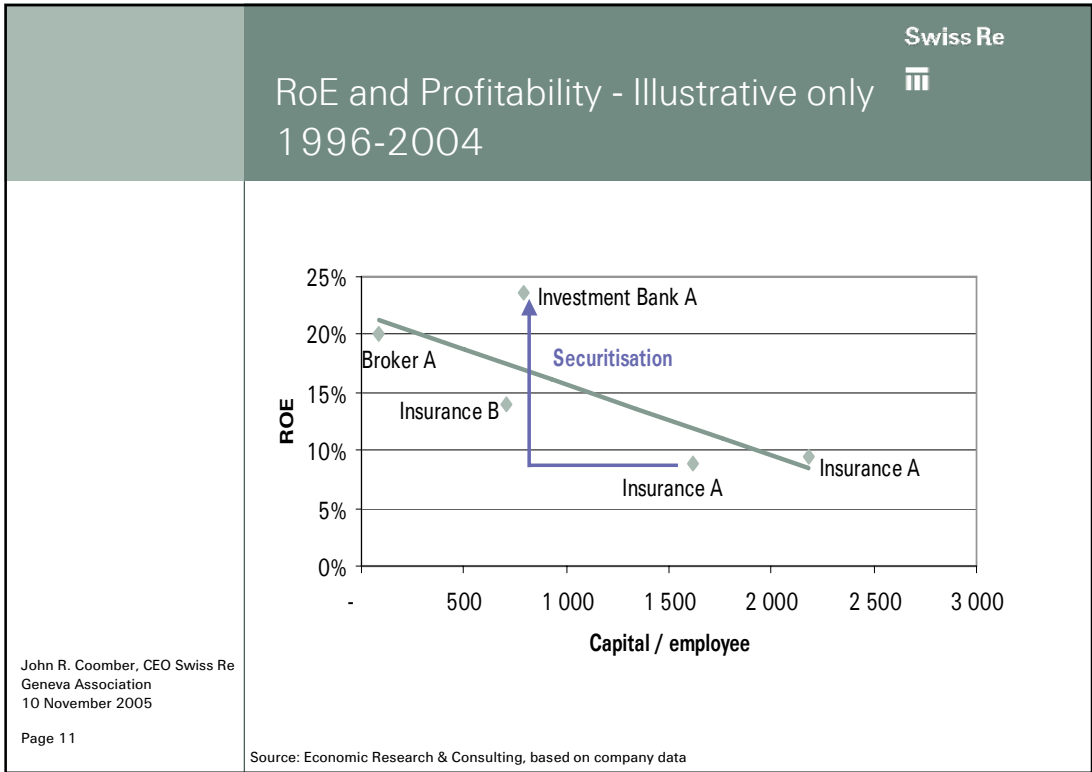
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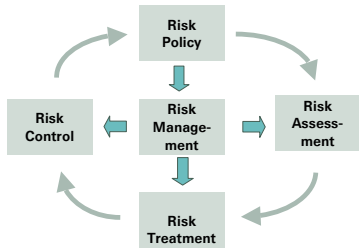
Source: Group of Ten, report on consolidation in the financial sector, January 2001










	<p style="text-align: right;">Swiss Re  </p> <h2 style="text-align: center;">Thoughts on Volatility and Sustainability</h2>
<p>John R. Coomber, CEO Swiss Re                  Geneva Association                  10 November 2005                  Page 13</p>	<ul style="list-style-type: none"> <li>■ 100 year events occur too frequently these days</li> <li>■ Integrating better risk management processes into our business                         <ul style="list-style-type: none"> <li>- Risk mapping</li> <li>- Risk assessment</li> <li>- Risk mitigation</li> <li>- Risk transfer</li> </ul> </li> </ul> <div style="text-align: center;">  </div>

	<p style="text-align: right;">Swiss Re  </p> <h2 style="text-align: center;">Conclusions</h2>
<p>John R. Coomber, CEO Swiss Re                  Geneva Association                  10 November 2005                  Page 14</p>	<ul style="list-style-type: none"> <li>■ Insurance industry is a growing industry, still fragmented compared to other industries</li> <li>■ The advantages of scale will prevail both through                         <ul style="list-style-type: none"> <li>- local markets</li> <li>- increasing globalisation</li> </ul> </li> <li>■ Securitisation will increasingly improve the economics of the insurers by mitigating volatility and improving RoE</li> </ul>