



# International Association for the Study of Insurance Economics

"The Geneva Association"

53, Route de Malagnou  
CH-1208 Geneva  
<http://www.genevaassociation.org>

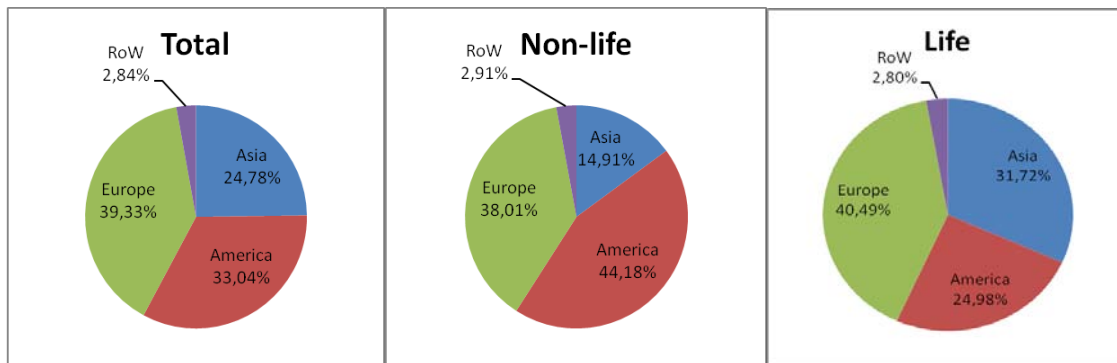
Tel. +41-22-707 66 00  
Fax +41-22-736 75 36  
E-mail: [secretariat@genevaassociation.org](mailto:secretariat@genevaassociation.org)

## Global insurance industry fact-sheet

### 1. The size and importance of the industry (2009)

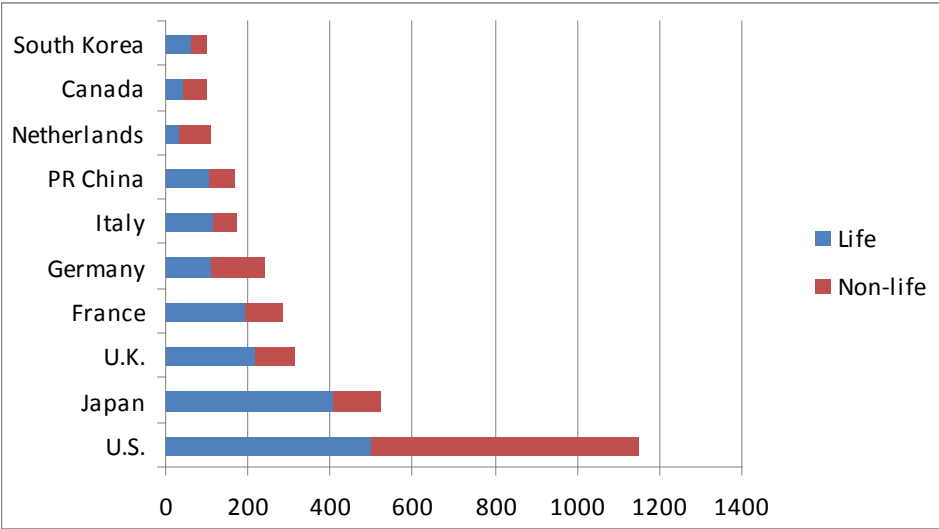
- Worldwide insurance premium volume: US\$4.06 trillion, equivalent to 7% of global GDP.
- Life insurance business accounts for 58.2% of total premium income in terms of total premium return.
- Europe is the world's largest insurance market.
- North America is the world's largest non-life insurance market.
- The relative dominance of life insurance is particularly pronounced in Asia.
- Insurers have US\$22.6 trillion of assets under management which equals 12% of global financial assets.

*Premium volume by class and geography (in US\$ billion and %, 2009)*



Source: Swiss Re, *sigma* 2/2010.

Top Ten countries by non-life and life insurance premium volume (in US\$ billion, 2009)

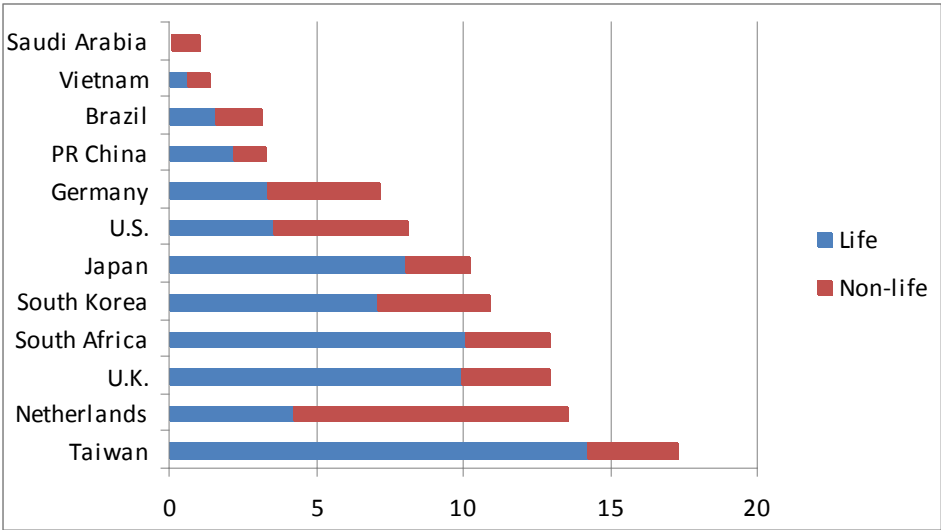


Source: Swiss Re, *sigma* 2/2010.

**2. Insurance penetration and density**

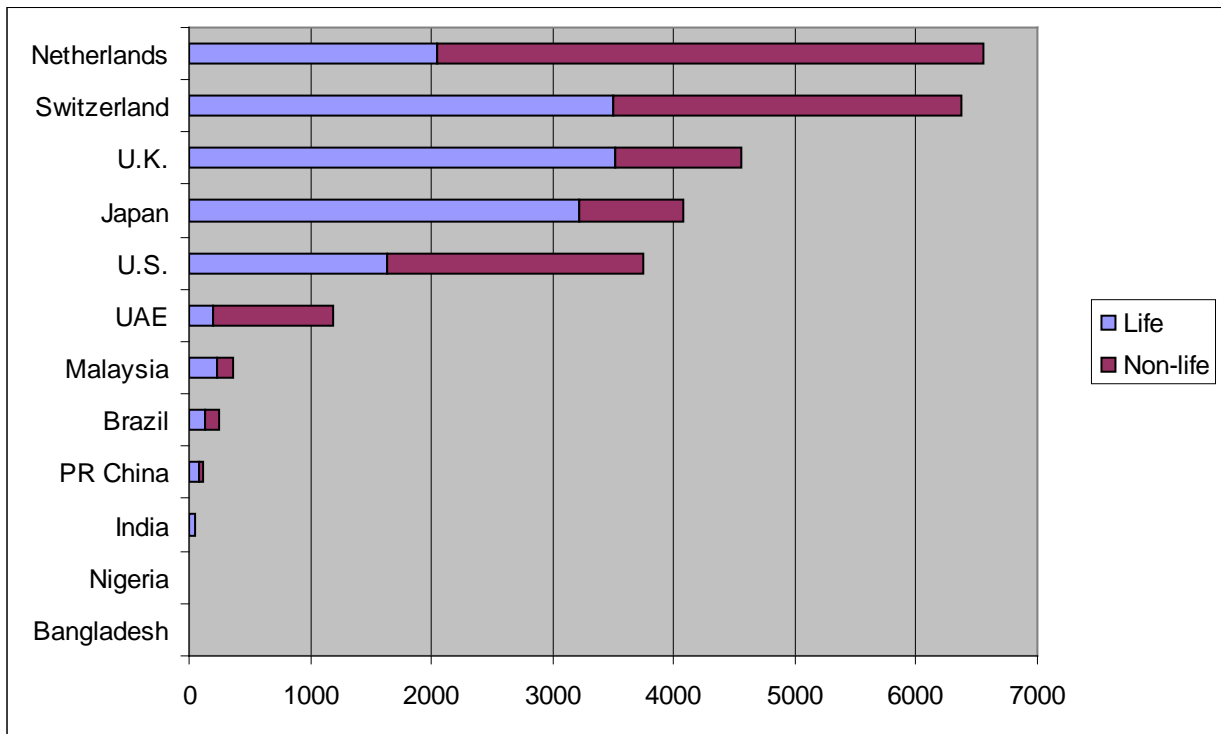
- Insurance penetration (premiums as a share of GDP) varies greatly, reflecting different stages of economic development and institutional factors (e.g. the absence of government-sponsored retirement schemes).
- Insurance density (per capita spending on insurance) ranges from US\$5 (Bangladesh) to over US\$6,000 (Netherlands).
- These measures help gauge the growth and development potential of insurance markets.

Insurance penetration (premiums in % of GDP, 2009)



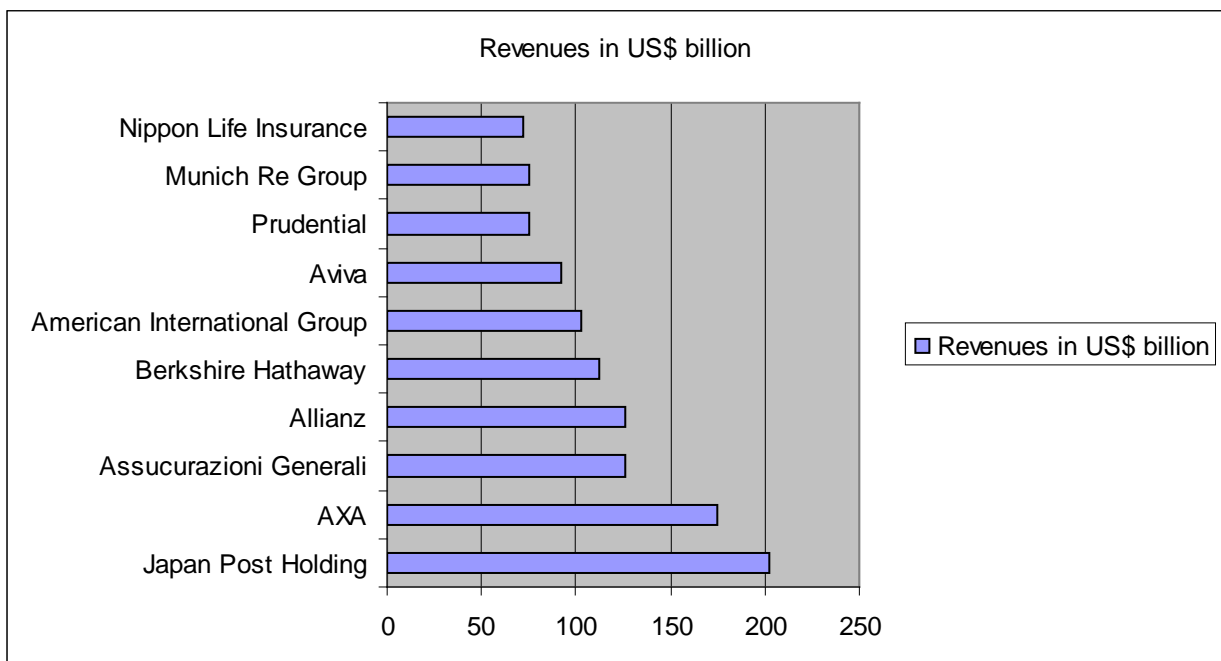
Source: Swiss Re, *sigma* 2/2010.

Insurance density (premiums per capita in US\$, 2009)



Source: Swiss Re, *sigma* 2/2010.

The world's Top Ten insurance companies by revenues (in US\$ billion, 2009)<sup>1,2</sup>



Source: *Fortune* ; Insurance Information Institute, *III Online Insurance Fact Book 2010*.

<sup>1</sup> Based on an analysis of companies in the Global Fortune 500. Includes stock and mutual companies.

<sup>2</sup> Revenues include premium and annuity income, investment income and capital gains or losses, but excludes deposits : includes consolidated subsidiaries, excludes excise taxes.

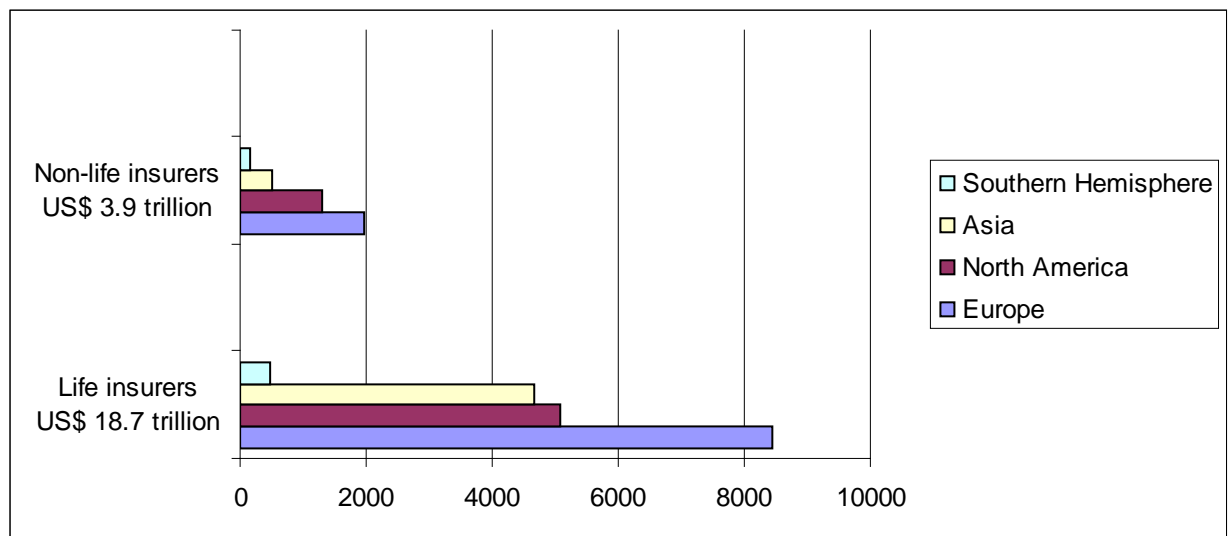
### 3. The economic and social role of insurance

Insurance plays a key role in a modern economy and contributes to its growth and development through various channels:

- Promoting financial stability and security at both the national and personal levels;
- Encouraging productive investments and innovation through the mitigation of the consequences of financial misfortune;
- Mobilizing savings;
- Contributing to an efficient use of capital based on insurers' role as significant institutional investors;
- Facilitating firms' access to capital (as institutional investors);
- Reducing the capital firms need to operate;
- Promoting sensible risk management through the price mechanism; and,
- Fostering stable consumption throughout the customer's life.

Source: The Geneva Association, CEA.

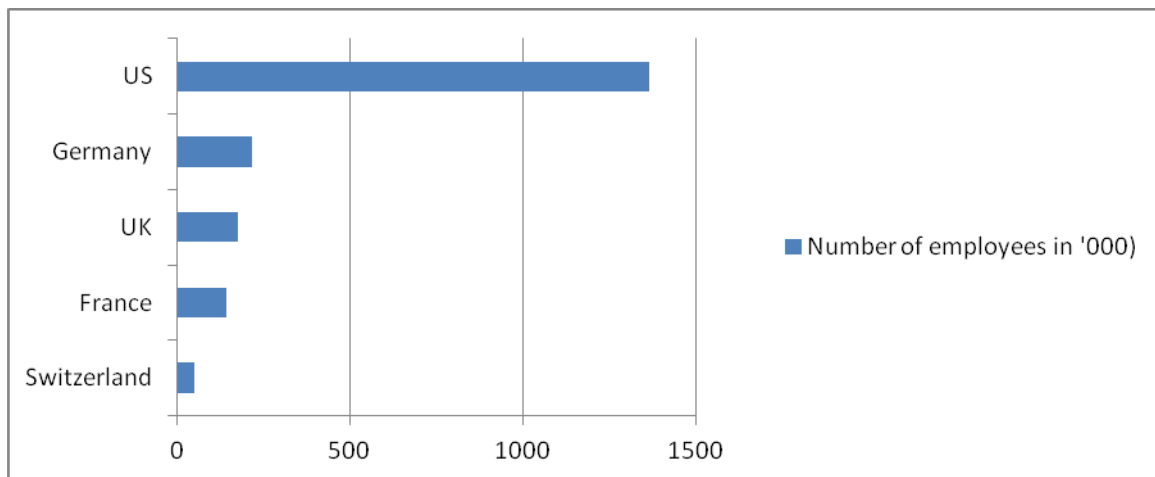
*Insurance investments, by region, year-end 2009, US\$ billion*



Due to a combination of the growth of European insurers' investment portfolios and the economic recession in 2009, the ratio of the investment portfolio to GDP grew from 47.8% in 2008 to 53.2% in 2009. Nevertheless, it is still below the record levels seen in 2005, 2006 and 2007, when the ratio was 54-55%.<sup>3</sup>

<sup>3</sup> CEA Statistics, *European Insurance in Figures No 42*, p.27.

### *Insurers as employers (number of employees, 2008)*



Source: CEA, Insurance Information Institute.

- Insurers are important employers.
- A major determinant of the number of employees is changes to the market structure, e.g. through consolidation or the establishment of new players.
- The trend for 2009 points towards a slight decline in European countries. However, the number of employees has increased considerably in the U.S., up to 2,447 million employees.

#### **4. Fundamental principles of insurance regulation**

- Key regulatory objectives
  - Protection of policy-holders, especially households and individuals; and,
  - Safeguarding overall financial stability.
- Insurers are not susceptible to a “liquidity panic” as they are funded by upfront premiums.  
➔ Regulators focus on solvency rather than liquidity.
- In most countries, insurers dealing with retail customers are subject to specific regulations such as capital requirements, policy provisions and premium rates.
- The current trend is toward capital requirements which are closely aligned with an insurer’s specific risk profile (encompassing insurance, market, credit and operational risks).
- In the European Union, this approach is known as “Solvency II”. It is based on economic principles (i.e. assets and liabilities are valued market-consistently) and an all-risk approach. This regime is expected to point the way forward for solvency regulations across the world.
- On a global basis, there is a trend towards liberalizing market access, e.g. through abolishing equity participation caps and bans on establishing branches.

## 5. Major trends shaping the global insurable risk landscape

### Climate change and an increasing frequency and severity of natural catastrophes

Description:

- Scientific evidence points to climate change happening.
- Climate change could lead to an increased frequency and severity of weather-related natural catastrophes, rising sea levels in the wake of melting ice caps, severe regional water shortages or flooding and adverse consequences for human health, flora and fauna.

Industry responses:

- Conduct and share risk research.
- Develop and launch innovative products which help policy-holders adapt to climate change and incentivize them to offset or reduce carbon emissions through risk-based pricing signals and differentiated premium pricing.
- Promote loss awareness and prevention.
- Adjust investment policies (e.g. towards climate-friendly technologies).
- To highlight to governments in the developing and developed world the potential benefits of using insurance risk management expertise to adapt to climate change.

### Shifting demographics

Description:

- Increased life expectancy and ageing populations pose enormous challenges to society.
- For the world as a whole, life expectancy at birth has risen by almost 20 years to 66 years since the 1950s. For the advanced economies, current life expectancy at birth is around 80 years.
- This development primarily reflects major medical advances, increased levels of wealth and improved nutrition.
- There are fewer wage and salary earners to finance a growing number of retirees. Current pay-as-you-go pension schemes will become increasingly unsustainable, presenting individuals with massive longevity risk.
- In light of the demographic trends, coupled with an increasing public health consciousness, the funding of health care systems will develop into a major challenge.

Industry responses:

- Promote solutions such as annuities and long-term care.
- Tackle capacity issues, e.g. match the long duration (30 years and more) liabilities of longevity solutions and address increasing regulatory capital requirements for financial guarantees embedded in life insurance products.
- Complement traditional insurance solutions by innovative ways of hedging or redistributing longevity risk, e.g. through longevity swaps or longevity bonds.

## Continued technological revolution: nanotechnology as an example

### Description:

- The pace of technological progress keeps accelerating.
- New technologies become major engines of growth and usually span many disciplines and industries.
- Nanotechnology is an example: key drivers for investment are a growing demand for energy, clean water, healthcare, healthy food, as well as better, cheaper and more durable consumer goods.
- A major challenge associated with nanotechnology is to master an increasing variety of nano-enabled products, and to identify potentially harmful properties that are currently neither well-analysed or understood, nor regulated.

### Industry responses:

- Insurance and reinsurance companies have a long tradition of enabling new technologies.
- The industry, however, also needs to alert society to the risks and limitations associated with new technologies.
- Example nanotechnology: the leading reinsurers have dedicated resources to assess the potential risks and manage possible exposures to nanotechnology. They also actively support regulatory efforts and ensure a balanced public dialogue on possible risks. As nano-based products are increasingly used in both industrial intermediates and consumer products a wide spectrum of insurance policies and lines of business is potentially affected.

## Globalisation 2.0

### Description:

- The global economic balance of power shifts towards Asia.
- Emerging markets no longer content themselves with being the workshops for the rich and industrialised countries. They increasingly enter the services sector and develop into respected sources of business innovation. In addition, their industrial champions start acquiring competitors based in Europe and the U.S.
- The affluence of these countries' middle classes is growing rapidly and their consumption behaviour will matter to the balance of the world economy.
- Companies based in Europe, the U.S. and Japan move even bigger parts of their corporate value chains to the emerging markets.

### Industry responses:

- Global insurers bolster their presence in the emerging world, both to capture the local potential and to follow their domestic corporate clients.
- Insurers from emerging markets will strengthen their presence in the industrialised countries in order to tap into local expertise and to serve their domestic customers abroad.
- The new quality of globalisation will provide insurers with additional opportunities to reap economies of scale and scope.

## Compensation culture

### Description:

- Especially in the U.S., the conditions in the claims environment have changed dramatically (e.g. through sky-rocketing jury awards and punitive damages). The total cost of the U.S. tort system has risen to an annual amount of over US\$250 billion, according to U.S. government estimates.
- These liability dynamics increasingly affect Europe and other regions.

### Industry responses:

- In light of the dynamic development of liability regimes around the globe, the insurance industry needs to closely monitor legislative developments in order to assess their impact on the industry.
- Product offerings and premium calculation need to reflect the increasing litigiousness of many societies.