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Press release

Asia-Pacific will be the dominant driver of world insurance growth by 2020

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Premium income for the insurance industry in the Asia-Pacific region will double by 2020 according to a study published by Munich Re's Economic Research Department. With more than €1 trillion, nearly half of the estimated additional global primary insurance premiums will be generated in Asia-Pacific until 2020 (worldwide €2.2 trillion). The contribution from "emerging Asia" – markets such as China or India – to this figure will be nearly 70% (about €670bn).

Five of the expected global top-ten primary-insurance growth markets will be in the Asia-Pacific region, both in property/casualty (P/C) and in life. Munich Re expects China to be the country with the highest increase of primary insurance premiums worldwide until 2020 (additional €425bn), followed by the United States (additional €350bn) and Japan (additional €157bn).

Emerging Asia
In emerging Asia, P/C primary insurance premiums currently grow on average by 11% annually. This is twice as high as the second-placed region, Eastern Europe. Michael Menhart, Chief Economist at Munich Re, says: "China, India and Indonesia will be the top-three growth countries in P/C, with average growth of above 12% over the forecast period (2012-2020) in China and India, and almost 10% in Indonesia." This means Indonesia's P/C primary insurance volume will more than double in size from almost €3bn in 2012 to €7.3bn in 2020. Average growth rates of other emerging countries such as Vietnam, the Philippines, Malaysia and Thailand range between 6% and 8%. This is driven by increasing risk awareness and a growing middle class. Rising consumer savings are fuelling demand for life and health insurance, changing regulations and greater consumer protection will increase demand for motor and liability insurance, while large infrastructure investments will boost the demand for industrial insurance.

Despite these substantial premium growth expectations, emerging Asia will continue to be severely underinsured, especially against natural catastrophes.

Threat of natural disasters
The long-term statistics from Munich Re's GeoRisksResearch show how vulnerable Asia-Pacific is, especially regarding natural catastrophes: since 1980, 40% of all natural catastrophes worldwide took place in Asia-Pacific, 45% of all economic losses, but only 18% of all insured losses. By way of comparison, the share of insured losses in North America amounted to 64%. Also, over 50% of all fatalities from natural catastrophes occurred in Asia-Pacific.

Weather-related catastrophes have tripled over the past 30 years in the region, and this trend is likely to continue. With an increase in population, higher value concentration in exposed areas and climate change, affecting the weather pattern, the loss potential is increasing. As insurance density is not expected to rise at the same pace, this will leave the region with a growing uninsured disaster-loss bill.

Need for sustainable and comprehensive solutions
Ludger Arnoldussen, Munich Re Board member responsible for Asia-Pacific: "Loss mitigation measures are cost-effective instruments for protecting communities on a sustainable basis. Analysing and reducing risk – and offering adequate insurance against it – helps to considerably reduce the human and financial impact of natural disasters." He added: "Closing the existing gap of insurance coverage is a very powerful instrument in supporting long-term growth. At the same time, effective catastrophe-risk financing solutions need to be introduced by governments."

Long-term mitigation strategies include decisions on where to build, improve building codes, or extend infrastructure such as dams, but also on where to increase incentives to prevent non- or under-insurance in the private and commercial sector. The insurance industry needs to improve its risk assessment in the region, taking into account the fast development that creates new peak exposures and hot-spot locations, and can have an impact on worldwide supply chains. Munich Re developed the RiskMapper to assist its clients in tracking and analysing these exposures.

Triggered by the severe natural disasters that hit the region over the past three years, and by growing risk exposure in emerging Asia, some governments are already searching for more efficient disaster-risk management solutions. Instead of compensating disaster losses through emergency one-off disaster levies or tax financing, more forward-looking approaches that include risk reduction, prevention and insurance are possible alternatives. There is an increasing awareness that these disasters have to be addressed in a joint effort by stakeholders from the public and private sectors. Besides offering traditional reinsurance and insurance, Munich Re assists its partners in the region to develop disaster-risk insurance schemes that protect a country's development achievements and sustain its future growth.

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Munich Re stands for exceptional solution-based expertise, consistent risk management, financial stability and client proximity. This is how Munich Re creates value for clients, shareholders and staff. In the financial year 2012, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €3.2bn on premium income of around €52bn. It operates in all lines of insurance, with around 45,000 employees throughout the world. With premium income of around €28bn from reinsurance alone, it is one of the world's leading reinsurers. Especially when clients require solutions for complex risks, Munich Re is a much sought-after risk carrier. Its primary insurance operations are concentrated mainly in the ERGO Insurance Group, one of the major insurance groups in Germany and Europe. ERGO is represented in over 30 countries worldwide and offers a comprehensive range of insurances, provision products and services. In 2012, ERGO posted premium income of €19bn. In international healthcare business, Munich Re pools its insurance and reinsurance operations, as well as related services, under the Munich Health brand. Munich Re's global investments amounting to €214bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

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