



Munich Re Economic Research
May 2015

Insurance Market Outlook

Economic activity supports global premium growth

The Insurance Market Outlook offers a brief overview of our expectations on the way that insurance markets will develop over the next ten years

Outlook for 2015/2016

The global insurance industry will grow by an average of just under 4% (in real terms, i.e. adjusted for inflation: 3%) over the next two years. We continue to see significant catch-up potential in the emerging economies. In the industrialised countries, the outlook in life insurance is marred by the continuing low interest rate environment, whereas property-casualty insurance could benefit from more dynamic economic activity.

Economic outlook: continued slight improvement in the advanced economies and high but declining momentum in the emerging countries

The global economic environment should continue to improve slightly in 2015 and 2016, with the USA in particular providing major impetus for the global economy. In Europe too, economic activity is slowly picking up speed. In many emerging economies, on the other hand, growth expectations are turning out to be lower than in previous years. Overall, the global outlook continues to be exposed to considerable risks, such as geopolitical risks or the continuing uncertainties about the future of the eurozone.

Property-casualty: economy and market cycle as drivers in industrialised economies, growth in the emerging markets considerably above GDP

In the advanced economies, the positive effect of the improved economic outlook on premium growth in property-casualty insurance is likely to be curbed by the significantly keener competitive situation – not least because of the very solid capital resources of many insurers. This development is being seen amongst others in the USA, the world's largest property-casualty insurance market. In the emerging economies, we expect the demand for insurance to continue to be high overall, even though total premium growth of about 7.5% (in real terms 6.5%) on average in 2015/16 is expected to be slightly lower than that in previous years.

Life: interest rate environment continues to adversely affect the outlook in many advanced economies, but momentum in the emerging markets remains high

In many industrialised countries, the framework conditions for life insurance continue to be adversely affected by historically extremely low interest rates. Although one-off effects like single-premium business produced high premium growth in individual markets in 2014, for 2015/16 we are expecting premium growth to be weaker overall at around 3% (slightly above 2% in real terms). In the emerging economies, continued levels of high premium growth are likely, but here we are seeing the first signs of a slow end to the period of double-digit growth rates as well.

Long-term outlook

Long-term outlook: global premium increases roughly at same level as economic growth

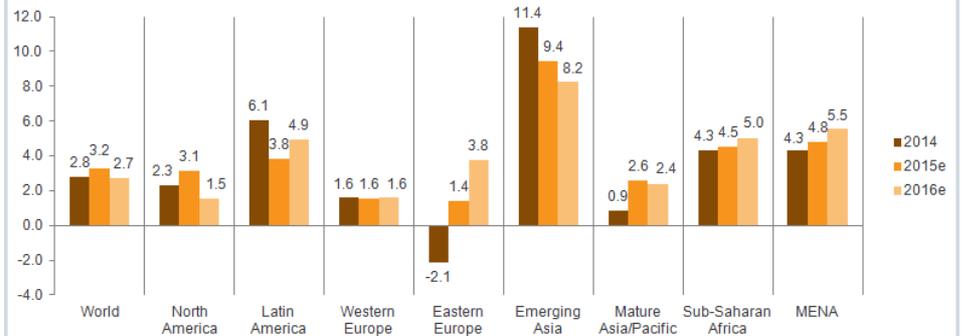
In the advanced economies, saturation effects in property-casualty insurance and the impact of low interest rates in life insurance contribute to premium growth slightly below expected economic growth over the next ten years. Should the framework conditions for life insurance products improve again, the continuing high demand for old-age provision in ageing societies is likely to result in stronger than expected premium growth. In the emerging economies, additional demand for protection as prosperity continues to grow should remain the main driver for insurance markets in the next ten years. Thus far insufficiently insured natural hazards and sustained high demand for pension products, amongst other things, play a central part here. Premium growth should therefore continue to clearly exceed economic growth. The number one growth region will continue to be the emerging markets of Asia.

Appendix: Graphics and figures

(1) Property-casualty primary insurance

Global property-casualty primary insurance premium growth at 3.2% in real terms this year, and hence a little higher than in 2014

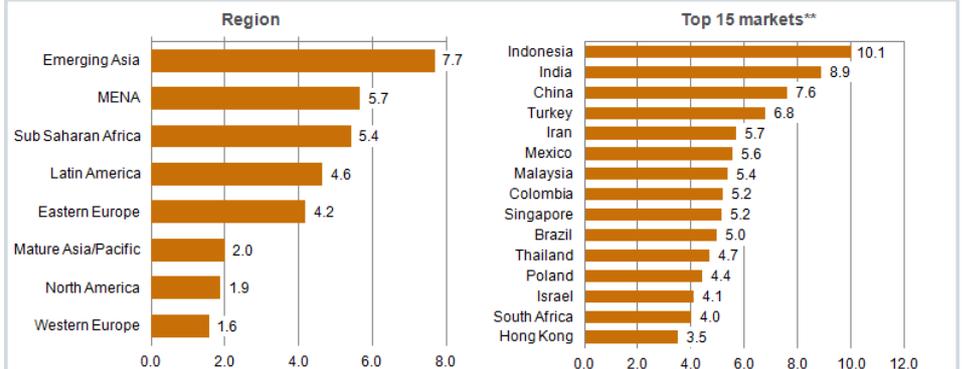
Real growth in P&C primary insurance premiums by region, in %



Source: Munich Re Economic Research

Highest premium growth expected for emerging economies in Asia – both in the mid and long terms

Growth in P&C premium: real CAGR* 2015-2025, in %

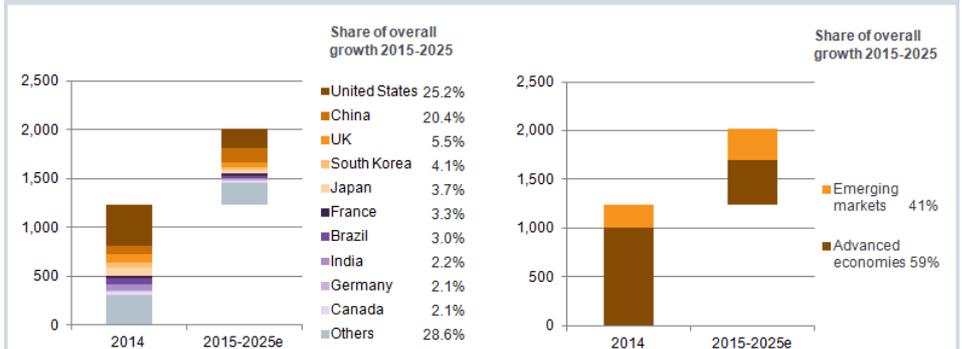


Source: Munich Re Economic Research

* CAGR = compound annual growth rate
** Top 15 of the 50 largest markets by P&C premium volume

US, followed by China, expected to have the highest overall P&C premium increases until 2025

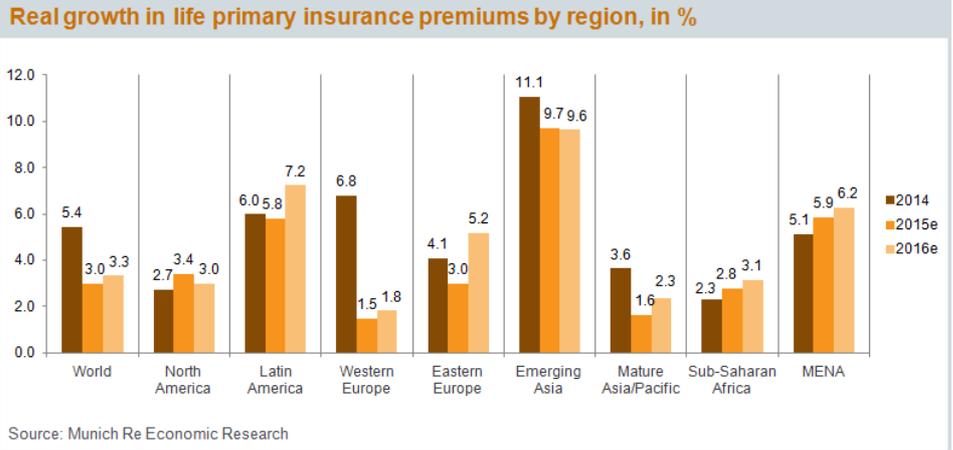
Premium growth in P&C primary insurance up to 2025, in €bn



Source: Munich Re Economic Research

(2) Life primary insurance

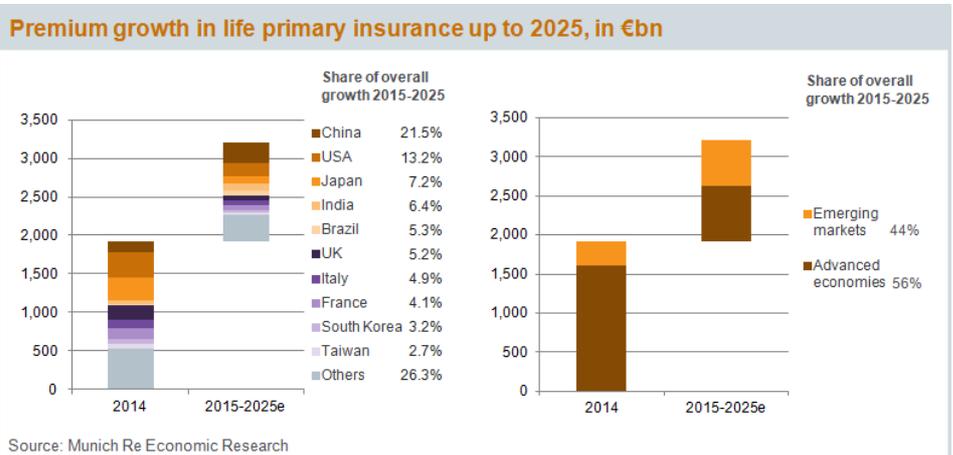
Global premium growth in life insurance likely to be lower in 2015 than last year, which was influenced by one-off effects in key Western European markets, among other things



Alongside the emerging markets in Asia, Latin America also exhibits particularly strong growth in life insurance

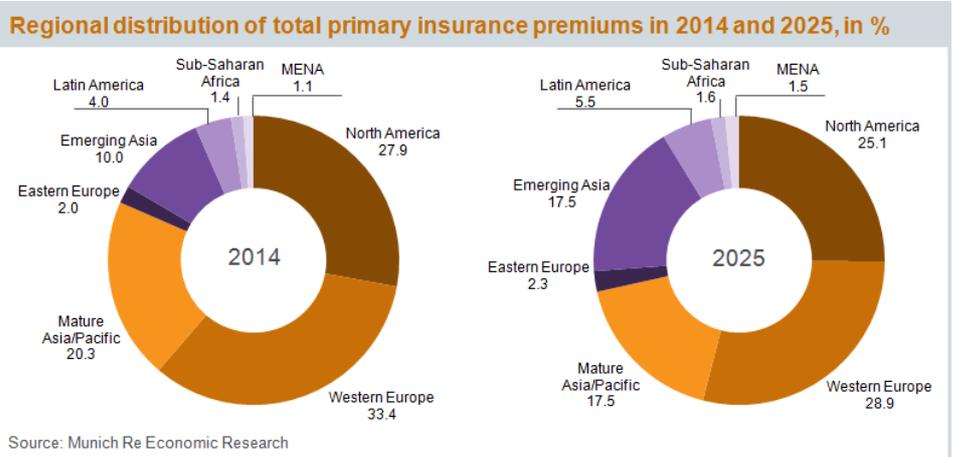


Emerging markets will contribute almost the same share of life insurance premium growth as industrialised countries until 2025



(3) Total primary insurance

In 2025, more than one quarter of global primary insurance premiums will come from emerging economies



China expected to surpass Japan during the next ten years in terms of primary insurance premium volume, and be second to the USA by 2025

