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Munich, 20 May 2014
Press release

Economic upswing also means stronger growth in insurance markets

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The economic recovery in many industrial nations means that global insurance markets are also seeing stronger growth. In many emerging countries, growth rates will remain very high in the medium to long term. However, decelerating dynamics in those countries will impact the high level of growth somewhat in the short term.

Munich Re's current *Insurance Market Outlook 2014* anticipates real overall growth in primary insurance premiums – adjusted for inflationary and currency effects – of 2.8% this year and 3.2% in 2015. This corresponds to nominal growth (calculated in euros) of 3.9% in 2014 and 4.6% in 2015.

“After three years of relatively low growth rates, global premium growth is slowly picking up once again,” said Michael Menhart, Chief Economist at Munich Re. “Above all, this is due to economic recovery in the industrial nations.”

However, many emerging countries are currently experiencing a cooling of their economies. Growth prospects in China are muted, Russia's economy is suffering from the Ukraine crisis, and countries like Brazil and India are also struggling with comparatively weaker economic dynamics. This also has an effect on the insurance sector.

Whilst in recent years dynamic growth in emerging countries has served as the decisive growth driver of global premium volumes, particularly in property-casualty insurance, it is the industrial countries whose contribution to growth is currently increasing. “In the long term, however, we expect that emerging countries will continue to become more important for the global insurance markets,” said Menhart.

In 2013, global insurance markets saw restrained growth of 2.1% in real terms. Whilst primary insurance premiums in property-casualty insurance rose by 2.8%, the life insurance segment grew by only 1.8%, due to a number of regulatory one-off effects and subdued growth in many industrial countries. Overall growth in primary insurance is expected to show an increase in real terms of 2.8% (nominal in euros: 3.9%) in 2014, and by 3.2% (nominal: 4.6%) in 2015. This development will be mainly influenced by stronger growth again in life insurance. The analysis by the Munich Re economic research team estimates that global

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insurance markets will grow at the same pace as the global economy in the medium term.

The Munich Re economists think that emerging countries will have a much greater weight in the insurance market by 2020. The share of the emerging Asian countries in global premium income is anticipated to increase from 9% over the past year to 14% in 2020. The Chinese market – which with premium volume of around €210bn in 2013 was already the fourth-largest primary insurance market – will more than double by 2020 and will then be the third-largest market worldwide.

The USA is still the largest insurance market and its premium volume will increase to more than €1,200bn by 2020. This will make the US market more than twice as large as the second-largest market, Japan, and more than two and a half times the size of the Chinese market. According to the analysis, by 2020 the largest absolute growth in premiums in property-casualty insurance will be in the USA, followed by China. Conversely, China will see the largest absolute growth in life insurance premiums, ahead of the USA.

The reinsurance sector will also profit from the growth in primary insurance markets. Despite the current cyclical price pressures in the property-casualty sector, which are curbing premium growth, by 2020 there should be average growth in reinsurance markets in real terms of slightly above 2% per year (nominally around 4% p.a. on a euro basis).

Chairman of the Board of Management Nikolaus von Bomhard, who is responsible for the Economic Research unit, said: "Munich Re's business strategy, with its combination of reinsurance and primary insurance under one roof, remains focused on anticipated market developments. This means that as well as operating in our high-volume core markets, we also want to continue to grow in emerging countries, where it has been proven that increased risk transfer via insurance generates substantial economic benefits."

The *Insurance Market Outlook* is published annually. This analysis is based not only on economic and market data, but also on Munich Re's own models and estimates of the growth potential of the insurance industry.

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