

Munich, 20 April 2017

Press release

Global insurance industry set to grow more strongly by 2018

Contact
Media Relations Munich,
David Flötner
Tel.: +49 (89) 3891-2965
Fax: +49 (89) 3891-72965
dfloetner@munichre.com

Münchener Rückversicherungs-
Gesellschaft
Aktiengesellschaft in München
Media Relations
Königinstraße 107
80802 München
Germany
Letters: 80791 München

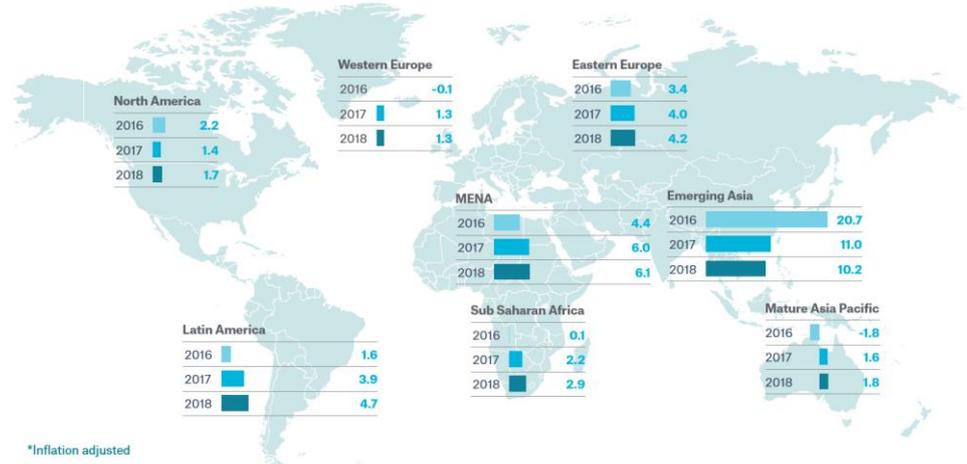
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The global insurance industry is likely to see slightly increased growth by 2018. Better economic prospects in the USA and in many emerging markets will offset negative factors such as declining growth in the Chinese market. In the longer term, the emerging markets of Asia will have the greatest growth potential, and their share of primary insurance premium is expected to be on a par with that of Western Europe in the next few years.

Overall, the international primary insurance sector will grow by 4.5% p.a. on average (3.0% in real terms, i.e. adjusted for inflation) in 2017 and 2018. Whilst premium income is likely to grow only nominally this year, slightly higher real growth of 3.0% is expected for 2018. Premiums in the insurance sector are therefore likely to evolve in line with the global economy, which should show real growth of 2.9% in 2017 and 3.1% in 2018. Projected premium growth will thus be slightly higher than that of 2016, and significantly exceed the average growth rate of almost 2% for the past ten years.

Michael Menhart, Chief Economist at Munich Re: “The economies of many emerging markets, such as Brazil, but even Russia, are experiencing a significant recovery. This is leading to increased growth in property-casualty insurance. In most of the industrialised world – in the eurozone, the USA, and Japan – demand has been bolstered by a solid economic environment. We project that life insurance there will see only marginal growth owing to the low-interest-rate environment. By contrast, demand in the emerging markets will continue to rise appreciably. Growth prospects for insurers are therefore looking a little brighter worldwide.”

Global primary insurance premium growth (%)*



Somewhat weaker expansion in property-casualty insurance

In property-casualty business, premium volume will grow by an average of 4.0% (almost 2.5% in real terms) this year and next. Projected inflation-adjusted growth will thus be roughly half a percentage point below global economic growth. The emerging markets of Asia, and increasingly also the MENA (Middle East and North Africa) region, are likely to exhibit the strongest growth rates. The established markets of Europe and North Africa will naturally see a much lower rate of expansion.

There are many different reasons for the weaker pace of growth in property-casualty insurance. The insurance industry is now beginning to respond to mounting pressure in a number of industrialised countries. Companies have been consistently developing their business models; new products, sales channels, and coverage concepts have been cultivated for new risks such as cyber attacks; and IT systems have been modernised. As a result, new business opportunities are gradually opening up in these markets.

Stronger growth in life insurance

In life insurance, premium growth, which is driven by growth markets in Asia and Latin America, is expected to increase by over 4.5% on average (a good 3.0% in real terms) – somewhat more than economic growth. In the Asian emerging markets, growth will weaken following last year's extraordinary surge in premium volume in China, but it will still be significantly above 10% in real terms. In Latin America, premiums in life insurance are likely to grow by almost 8.5% (over 6.5% in real terms) this year and next.

Prospects in the industrialised countries continue to be clouded by persistently low interest rates. Premium growth here is likely to fall short of economic growth. However, strong premium expansion in the emerging markets will almost fully compensate for the moderate development in the industrialised countries.

Long-term outlook: Increasing market share of the emerging markets

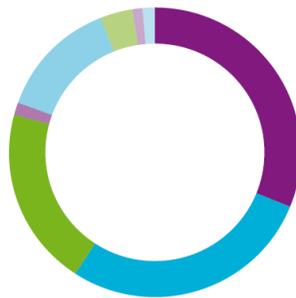
Given their strong growth rates, the emerging markets are gaining more and more weight in the international insurance industry: the emerging markets' share of the anticipated additional premium volume is expected to rise from 20% in 2016 to 47% by 2025.

Rising standards of living and increasing insurance coverage needs are two major contributory factors. Interest rate increases and demographic trends could revitalise the life insurance segment in the industrialised countries as well.

It is expected overall that, by 2025, the market share of emerging markets in Asia will – at 21.4% – draw close to that of Western Europe (24.5%). North America will remain clearly in the lead at 27.8%

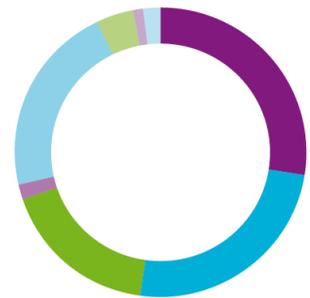
Regional distribution of total primary insurance premiums in 2016 and 2025, in %

2016



North America	31.1
Western Europe	28.2
Mature Asia/Pacific	19.8
Eastern Europe	1.6
Emerging Asia	13.3
Latin America	3.5
Sub-Saharan Africa	1.1
MENA	1.3

2025e



North America	27.8
Western Europe	24.5
Mature Asia/Pacific	17.5
Eastern Europe	1.8
Emerging Asia	21.4
Latin America	4.2
Sub-Saharan Africa	1.1
MENA	1.8

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Note for the editorial staff:
For further questions please contact

Media Relations Munich
David Flötner
Tel.: +49 (89) 3891-2965

Media Relations Asia Pacific
Nikola Kemper
Tel.: +852 2536-6936
Mary Kavanagh
Tel.: +852 2536-6939

Media Relations North America
Beate Monastiridis-Dörr
Tel.: +1 (609) 235-8699
Sharon Cooper
Tel.: +1 (609) 243-8821

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