Emerging countries in Asia still linchpin of global premium growth

The Insurance Market Outlook offers a brief overview of how we expect the insurance markets to develop over the next ten years.

1 Outlook for 2016/2017

The outlook for the global insurance industry has improved slightly over the last year despite some economic gloom. We expect global insurance premiums to grow by around 4% on average in the next two years (3% in real terms, i.e. adjusted for inflation). The reason for this is that life insurance in many emerging countries has a lot of ground to make up, while in the industrialised countries life insurance will probably continue to suffer from low interest rates. Premiums in property-casualty insurance are likely to benefit from stabilising economic conditions in the industrialised countries, but we see the weakness of some important emerging economies having a negative impact there.

With continuing low growth in investment and sluggish world trade, the global economy is likely to show only moderate growth in 2016 and 2017, with the divergences persisting between the steady growth in many industrialised countries and the continuing weakness of many emerging economies. We expect robust economic growth in the USA and continuing recovery in Europe, but a further slowing of growth in China. The economic risks remain generally high.

Property-casualty insurance

Premium growth in property-casualty insurance should average close to 4% (Close to 3% in real terms) in the next two years, roughly in line with global economic growth. Due to the high degree of saturation and fiercer competition, we expect premiums in North America and Western Europe to grow moderately by just under 3% in the next two years (a little under 2% in real terms). Higher growth of between 3% and 4% could result in the developed markets in the Asia-Pacific region (2% to 3% in real terms).

The picture is mixed for the emerging countries. In Asia, the continuing high demand for insurance is likely to lead to growth rates of over 10% in 2016 and 2017 (9.5% in real terms). In the other regions, the difficult economic situation in some countries is likely to adversely affect premiums in 2016, but we anticipate slow recovery from 2017. In Latin America for example, premiums will probably only grow by close to 1% in 2016 (0.5% in real terms) because of the recessions in Brazil and Venezuela, with a recovery to around 4% (slightly above 2.5% in real terms) in the following year. Eastern Europe is affected by the recession in Russia, which is continuing in 2016, and we expect growth rates there of just under 4% in 2016 (about 3.5% in real terms) and almost 5.5% in 2017 (real: ~4%).

Unlike in Russia and Venezuela, the fall in commodity prices has so far hardly affected premiums in the oil-exporting countries of the Middle East. We expect growth to be somewhat above 5% in 2016 (~4.5% in real terms) and to exceed 6.5% in 2017 (real: 5.5%) in the MENA region.
Life insurance

Low interest rates continue to pose a major challenge for life insurers in many industrialised countries and are also holding back premium growth – notwithstanding the first increase in key interest rates by the US Fed. Consequently, despite the high levels of growth seen in some Western European countries such as France, Italy and Spain in 2015 due to special effects, we still expect generally moderate premium growth of only around 3% (2% in real terms) in 2016 and 2017.

As the economic weaknesses have so far had little effect on life insurance in the emerging countries, we expect growth to remain relatively stable in 2016 and 2017 at 7% on average (6% in real terms) in the emerging regions outside Asia. The Asian emerging countries are an exception – we anticipate growth rates in double figures to continue in many countries. We expect growth in investment-based products to remain strong, especially in China.

2 Long-term outlook

Overall, global premium growth in the next ten years will be slightly above economic growth. Whilst, at 2.9% in real terms on average, growth in property-casualty premiums will be about the same as that in global GDP, we expect premiums in life insurance to grow by more than 3% p.a. – essentially driven by the emerging countries in Asia.

The long-term prospects for property-casualty insurance in the emerging countries up to 2025 are closely linked to the future development of those countries' economies. Since we expect the situation to stabilise in the medium term, demand for insurance products in countries currently experiencing low growth such as Brazil, Russia and South Africa should also recover, driven by rising prosperity and the need for insurance for infrastructure projects and natural hazards. In the advanced economies on the other hand, growth is expected to remain only moderate.

Developments in interest rates will continue to be a key factor for life insurance business in industrialised countries. If interest rates rise over the longer term, higher sales of life insurance products could counter the demographic challenges. In the emerging countries, we expect growth in life insurance to stay high in the long term, albeit to decrease slowly.
3 Appendix: Graphs and figures

3.1 Property-casualty insurance

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

At 2.8% in real terms on average 2016 and 2017, global growth in property-casualty insurance premiums likely to be lower than in 2015.

Highest expected growth rates in Asian emerging countries, in both medium and long term.

China to account for largest share of global property-casualty premium growth up to 2025.

Growth in property-casualty premiums: real CAGR* 2016-2025 (%)

Premium growth in P&C primary insurance up to 2025 (€bn)
3.2 Life insurance

Real growth in life primary insurance premiums by region (%)

Low interest rates dampening premium growth in industrialised countries, emerging countries still with a lot of ground to make up

Growth in life premiums: real CAGR* 2016–2025 (%)

In addition to Asian emerging countries, long-term growth in life insurance particularly strong in Latin American markets despite economic crises in Brazil and Venezuela

Emerging countries and industrialised countries neck and neck in share of overall growth in life insurance premiums up to 2025
In 2025, over a quarter of global primary insurance premiums are likely to be generated in the emerging countries, mainly in Asia.

China to show highest growth in premium volume up to 2025, probably taking it into second place behind the USA.