



Munich Re Economic Research
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Insurance Market Outlook

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.

Economic outlook: growth steady in industrialised countries, weakness in some emerging countries

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: moderate growth in the industrialised countries; gloomier prospects for many emerging countries in 2016 due to weak economies, slow recovery expected in 2017

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: industrialised countries still labouring under low interest rates, solid growth in emerging countries despite economic weakness

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

Long-term outlook: global premium growth until 2025 slightly above economic growth

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.

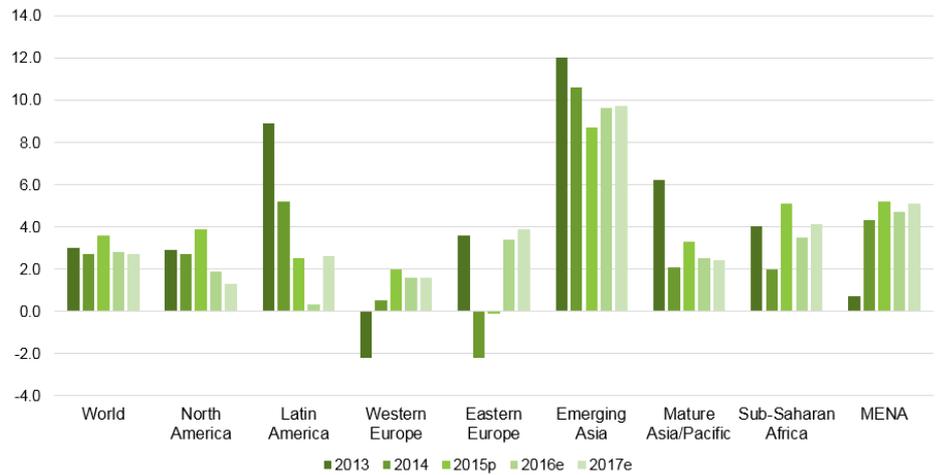
Developments in interest rates will continue to be a key factor for life insurance business in industrialised countries. If interest rates rise over the longer term, higher sales of life insurance products could counter the demographic challenges. In the emerging countries, we expect growth in life insurance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

3 Appendix: Graphs and figures

3.1 Property-casualty insurance

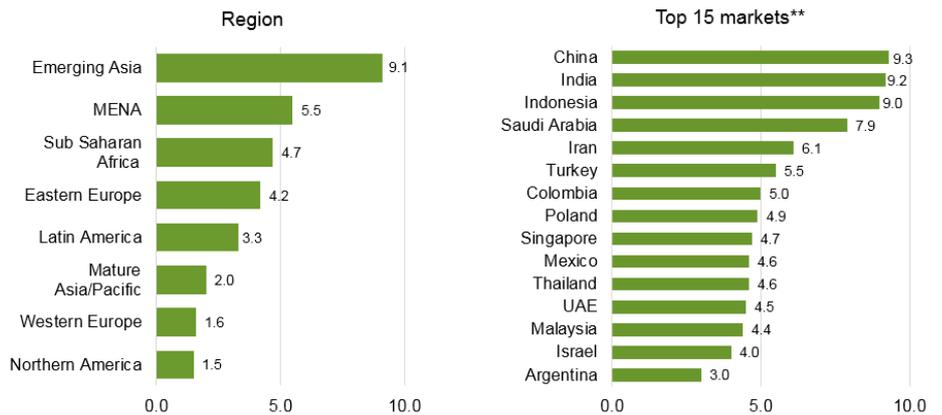
Real growth in P&C primary insurance premiums by region (%)

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



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

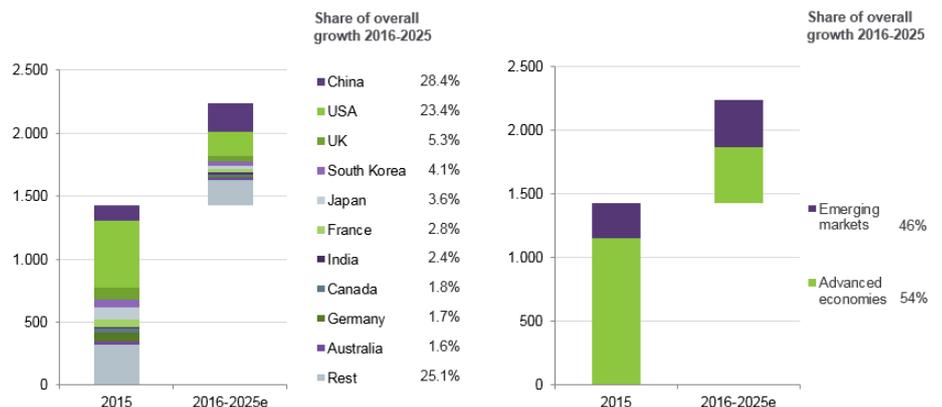
Highest expected growth rates in Asian emerging countries, in both medium and long term



* CAGR = Compound Annual Growth Rate
** Top 15 of the 40 largest markets by P&C premium volume

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

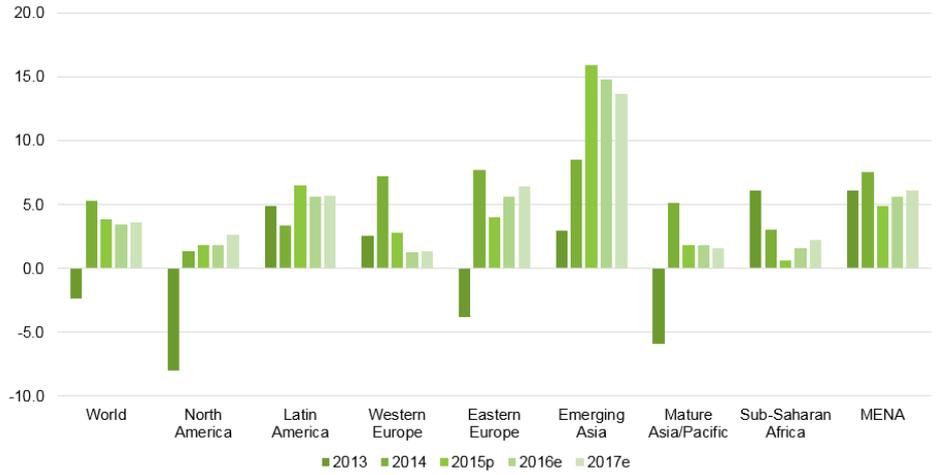
China to account for largest share of global property-casualty premium growth up to 2025



3.2 Life insurance

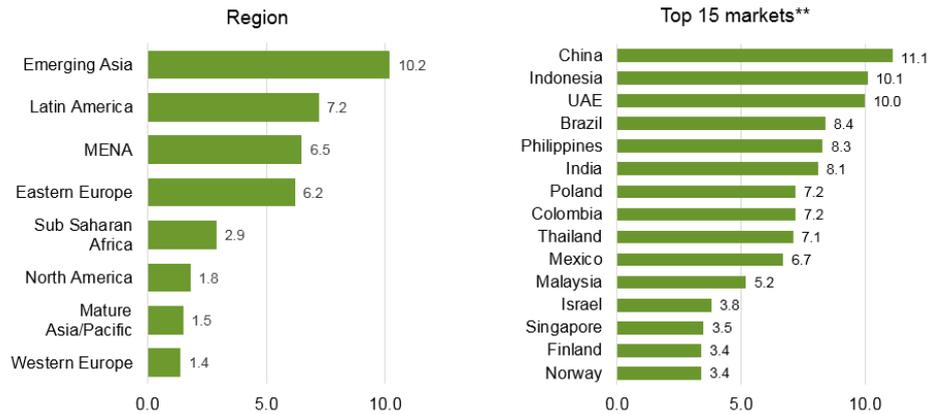
Low interest rates dampening premium growth in industrialised countries, emerging countries still with a lot of ground to make up

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



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

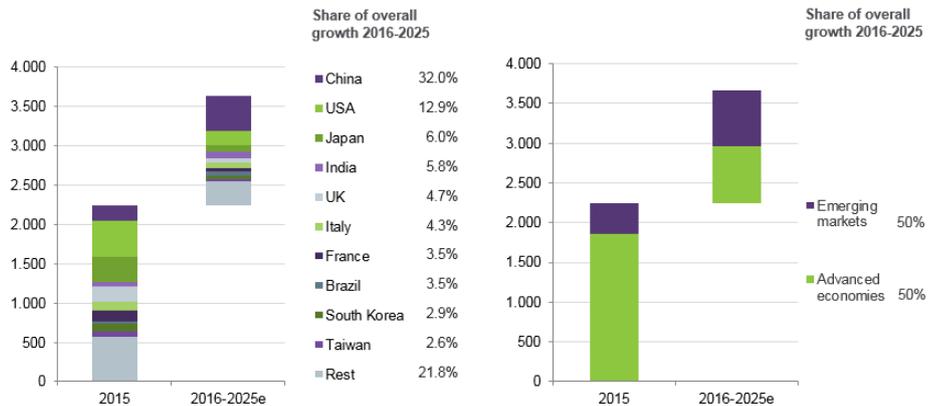
In addition to Asian emerging countries, long-term growth in life insurance particularly strong in Latin American markets despite economic crises in Brazil and Venezuela



* CAGR = Compound Annual Growth Rate
** Top 15 of the 40 largest markets by Life premium volume

Premium growth in life primary insurance up to 2015 (€bn)

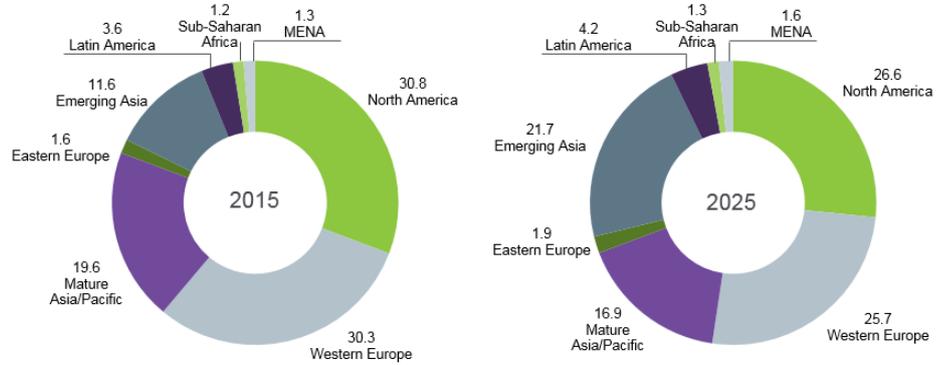
Emerging countries and industrialised countries neck and neck in share of overall growth in life insurance premiums up to 2025



3.3 Insurance overall

Regional distribution of overall primary insurance premiums in 2015 and 2025 (%)

In 2025, over a quarter of global primary insurance premiums are likely to be generated in the emerging countries, mainly in Asia



Global ranking of primary insurance markets by premium volume (€bn)

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

2005			2015			2025e		
1	USA	846	1	USA	1,152	1	USA	1,579
2	Japan	323	2	Japan	413	2	China	1,090
3	UK	285	3	China	348	3	Japan	526
4	France	179	4	UK	299	4	UK	411
5	Germany	158	5	France	208	5	France	284
6	Italy	110	6	Germany	194	6	Germany	224
7	South Korea	68	7	South Korea	151	7	Italy	217
8	Canada	63	8	Italy	147	8	South Korea	215
9	Spain	49	9	Canada	102	9	Brazil	173
10	China	48	10	Taiwan	85	10	India	149
11	Netherlands	48	11	Australia	79	11	Canada	128
12	Australia	41	12	Netherlands	75	12	Taiwan	120
13	Taiwan	39	13	India	67	13	Australia	112
14	Belgium	34	14	Brazil	59	14	Netherlands	98
15	Switzerland	34	15	Spain	57	15	Spain	81

* Historical data influenced by exchange-rate effects