# Insurance markets in figures

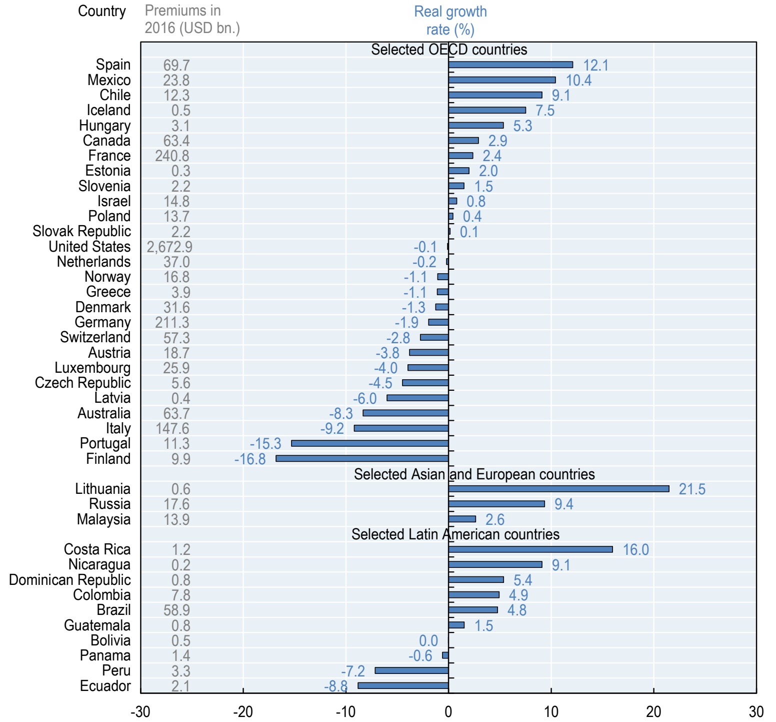
June 2017

## Insurance sector shows diverging trends in premiums worldwide

Preliminary statistics for 2016 show diverging trends in terms of premiums collected by insurance companies across countries. In just over half of the reporting countries (21 out of 40), insurance companies experienced an increase in direct gross premiums written in real terms, irrespective of whether they engage in life or non-life insurance activities (Figure 1). These 21 countries include 12 OECD and 9 non-OECD countries.

Lithuania showed the largest increase in direct gross premiums (21.5% - adjusted for price variation), followed by Costa Rica (16.0%), Spain (12.1%) and Mexico (10.4%). Six other countries, including three from Latin America, exhibited a real growth rate higher than 5% for direct premiums.

**Figure 1. Annual real growth rates of direct gross premiums of domestic insurance companies (all segments), 2016 (preliminary) (%)**




Notes: See the end of this factsheet for methodological notes.
Source: OECD Global Insurance Statistics.

These upward trends may have been driven by the expansion of unit-linked life products (e.g. Lithuania) or annuity products (e.g. Spain) in the life sector; motor third-party liability insurance (e.g. Lithuania) or property and casualty insurance (e.g. Mexico) in the non-life sector.

This first issue of **Insurance Markets in Figures** provides a short preview of trends in the insurance sector in 2016 in a selection of OECD and non-OECD countries. Indicators in this note are based on preliminary data and early estimates. A more developed analysis based on the final data collected for 2016 will be published in the 2017 edition of **Global Insurance Market Trends** (forthcoming). Download an Excel file of the underlying data www.oecd.org/daf/fin/insurance/Insurance-Markets-in-Figures-2017.xlsx.

This factsheet was made possible by close co-operation between the OECD, the Association of Latin American Insurance Supervisors (ASSAL) and the various national bodies which provided data and comments.

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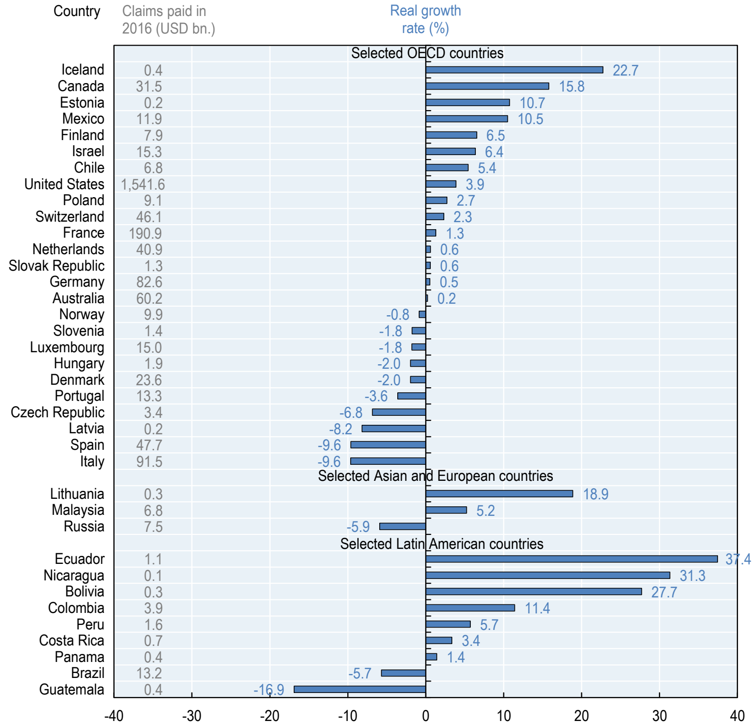
By contrast, domestic insurers collected lower amounts of premiums in 2016 than in 2015 in constant prices in 15 of 27 reporting OECD countries, and 4 of 10 reporting non-OECD Latin American countries. The largest declines occurred in Finland (-16.8%) and Portugal (-15.3%) in reporting OECD countries, and Ecuador (-8.8%) and Peru (-7.2%) in reporting non-OECD countries. In Peru, premiums for annuity products declined in 2016 following the application of a law allowing pensioners to withdraw 95.5% of their savings from private pension accounts as a lump sum upon retirement. The economic slowdown in Ecuador led to a drop in the amount of premiums. In Latvia, the decline in premiums of non-life domestic insurers was due to the transfer of existing contracts from a domestic non-life company to an insurance company from another European Union member state.

Trends in the insurance market can hide disparities by segment and insurance class. In the United States, gross premiums increased in the non-life segment by 3% in 2016, but this increase was offset by a decline of premiums in the life segment. Overall, direct gross premiums declined slightly in the United States in real terms (-0.1%) and amounted to USD 2,673 billion in 2016.

## Direct gross claims paid increased in almost two-thirds of reporting countries

As part of their direct business activities, domestic insurance companies paid a higher amount of claims in 2016 compared to 2015 in constant prices in 24 of 37 reporting countries. This included 15 OECD countries, 7 non-OECD Latin American countries, Lithuania and Malaysia. The largest increases in gross claims paid were observed in Iceland (22.7%) and Canada (15.8%) among reporting OECD countries, and Ecuador (37.4%) and Nicaragua (31.3%) among reporting non-OECD countries.

**Figure 2. Annual real growth rates of direct gross claims paid by domestic insurance companies (all segments), 2016 (preliminary) (%)**




Notes: See the end of this factsheet for methodological notes.
Source: OECD Global Insurance Statistics.

Increases in gross claims paid in 2016 were likely due to natural disasters in some countries, such as in Canada (wildfires) and Ecuador (earthquake). By contrast, the Australian Prudential Regulation Authority reported that lower gross claims paid were incurred in 2016 as a result of natural disasters.

Gross claims paid are also affected by the evolution of accident severity and frequency which, in the case of Nicaragua, contributed to an increase in gross claims paid, amounting to USD 0.1 billion overall in 2016.

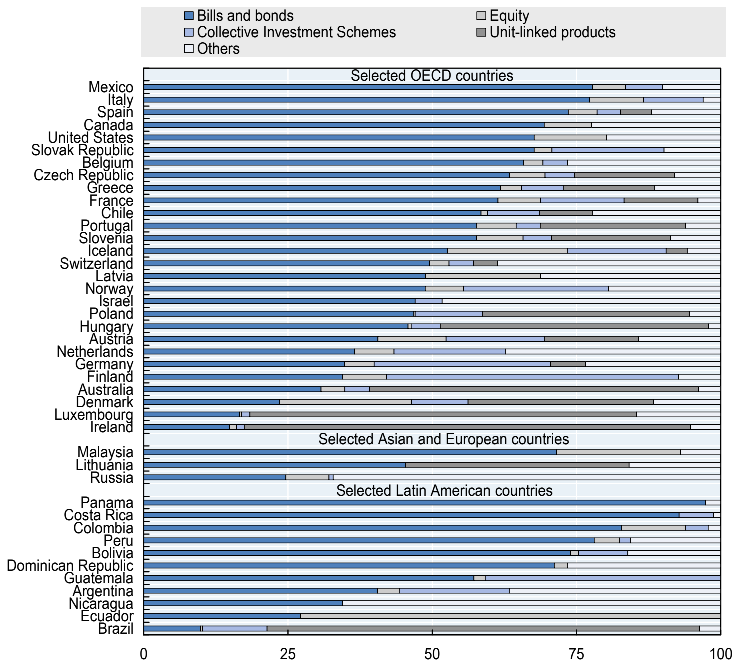
## Bills and bonds dominate insurance companies' portfolios

Bills and bonds accounted for more than half of all domestic insurers' investment portfolios in 22 countries (including 14 OECD) out of 42 reporting countries. In Costa Rica and Panama, insurers invested more than 90% of their assets in bills and bonds. In some countries, equities were a significant share of investments. For example, in 2016, equity investments accounted for more than 20% of insurers' portfolios in Denmark, Ecuador, Iceland, Latvia and Malaysia. In Finland and Guatemala, 51% and 41% of assets respectively, were invested in collective investment schemes.

Insurers also invested assets on behalf of their policyholders who bought unit-linked products. Investments from these unit-linked products represented more than half of the investment portfolios of all domestic insurers in Australia (57%), Brazil (75%), Ireland (77%) and Luxembourg (67%).

**Figure 3. Asset allocation of domestic insurance companies (all segments), 2016 (preliminary)**

As a percentage of total investments

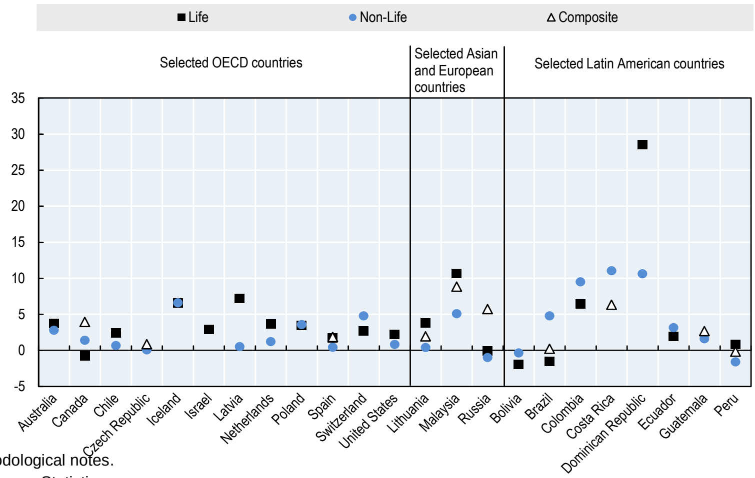



Notes: See the end of this factsheet for methodological notes.
Source: OECD Global Insurance Statistics.

## Positive average returns in 2016 in most reporting countries

In 2016, insurance companies operating life business (i.e. life insurers), non-life business (i.e. non-life insurers) or both (i.e. composite insurers) exhibited positive real net investment rates of return in all reporting countries, except Canada (-0.8% for life insurers), Russia (-0.1 for life insurers, -1.0% for non-life insurers), Bolivia (-2.0% for life insurers, -0.4% for non-life insurers), Brazil (-1.5% for life insurers) and Peru (-1.6% for non-life insurers and -0.2% for composite companies). The highest return was achieved by life insurers in the Dominican Republic (28.5%).

**Figure 4. Average annual real net investment return by type of domestic insurers in 2016 (preliminary) (%)**




Notes: See below for methodological notes.
Source: OECD Global Insurance Statistics.

## METHODOLOGICAL NOTES TO BE TAKEN INTO CONSIDERATION WHEN INTERPRETING THE DATA

***General:*** Data was collected within the framework of the OECD Global Insurance Statistics (GIS) project. The data in this note are preliminary and may be revised in the 2017 edition of the report *Global Insurance Market Trends* (forthcoming). Data focuses mainly on the direct insurance business of domestically incorporated undertakings (i.e. incorporated under national law) in reporting countries.

Following the implementation of Solvency II requirements, available information in some countries limits the analysis of trends by life and non-life segments at this stage. This note, therefore, looks at overall trends in the insurance sector.

Data for the Czech Republic excludes insurance entities that are fully owned by the state, financed by the state budget or acting as a government tool to promote exports. Data for France covers insurance companies following the Insurance Code, private complementary health insurance companies and provident funds. Data for Luxembourg excludes marine insurers but includes business from branches of Luxembourg companies abroad. Data for the United States includes reinsurance business accepted. Data for Lithuania includes business abroad. Data for Malaysia covers both traditional insurance and Takaful insurance.

***Figure 1**:* Data for Australia shows the growth rate of gross earned premiums instead of gross written premiums and covers direct business from direct insurers and reinsurers. Annual growth rates for Israel and the Dominican Republic are OECD estimates based on the amount of premiums reported for the period Jan - Sept 2016. Premium trends in Mexico are partially explained by a change in accounting practices. In 2016, direct gross premiums increased in nominal terms by 37.6% in Argentina and by 39% in the non-life segment in Cuba (data not shown).

***Figure 2**:* Data for Canada covers direct business and reinsurance. Data for Germany refers to life insurers only. The annual growth rate for Israel is an OECD estimate based on the amount of gross claims paid reported for the period Jan - Sept 2016. In 2016, direct gross claims paid increased in nominal terms by 33.2% in Argentina and 21.2% in the non-life segment in Cuba (data not shown).

***Figure 3**:* Data refers to end-2016 for all countries, except Argentina (end-June 2016), Russia and the Dominican Republic (end-September 2016). Investments from unit-linked insurance are reported either in a separate category (e.g. Australia, Luxembourg) or included, in most of the other cases, in the "others" category. For Finland and the Slovak Republic, however, investments from unit-linked insurance are combined with investments from non-unit-linked insurance in the main investment categories (e.g. bills and bonds, equity). Investments in bills and bonds and equity refer to direct investments by insurance companies and do not include indirect investments in these categories through collective investment schemes.

***Figure 4**:* Average annual real net investment returns calculations are based on nominal annual net investment returns reported by countries for the period Dec 2015-Dec 2016 (Dec 2015-Sept 2016 for Russia and the Dominican Republic) and the variation of the consumer price index over the same period. The return of non-life insurers for Latvia excludes the one-off income from the sale of a subsidiary company. Insurers exhibited the following nominal returns in Argentina: 28.3% for life, 22% for non-life and 26.9% for composite insurers over the June 2015-June 2016 period.