



Global Insurance Market Trends

PRELIMINARY 2022 DATA – JULY 2023

Rising inflation and interest rates negatively impacted insurers' underwriting and investment performance in 2022

- While life insurance business premiums declined, certain non-life policies saw increases, reflecting inflation trends
- However, the impact of inflation reduced the value of pay-outs in the life sector but significantly increased claims in the non-life sector in many countries
- Rising inflation and interest rates also led to losses on insurers' fixed income holdings, their largest asset class
- Most insurers incurred substantial real investment losses in 2022

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- ❖ Growth rates of premiums
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- ❖ Asset allocation
- ❖ Investment performance

GEOGRAPHICAL COVERAGE

35 OECD countries
20 other jurisdictions in Africa, Asia, Europe and Latin America

-4.5%

Real growth rate of gross premiums written in the life insurance sector in 2022

5.8%

Increase in real gross claims paid by the non-life insurance sector in 2022

This factsheet provides a short snapshot of trends in the insurance sector in 55 OECD and non-OECD jurisdictions based on preliminary data and early estimates for 2022. An Excel file of the underlying data is available at <http://www.oecd.org/finance/insurance/globalinsurancemarkettrends.htm>. This factsheet was made possible by close co-operation between the OECD, the Association of Latin American Insurance Supervisors (ASSAL) and the various supervisors or other bodies that provided data and comments.

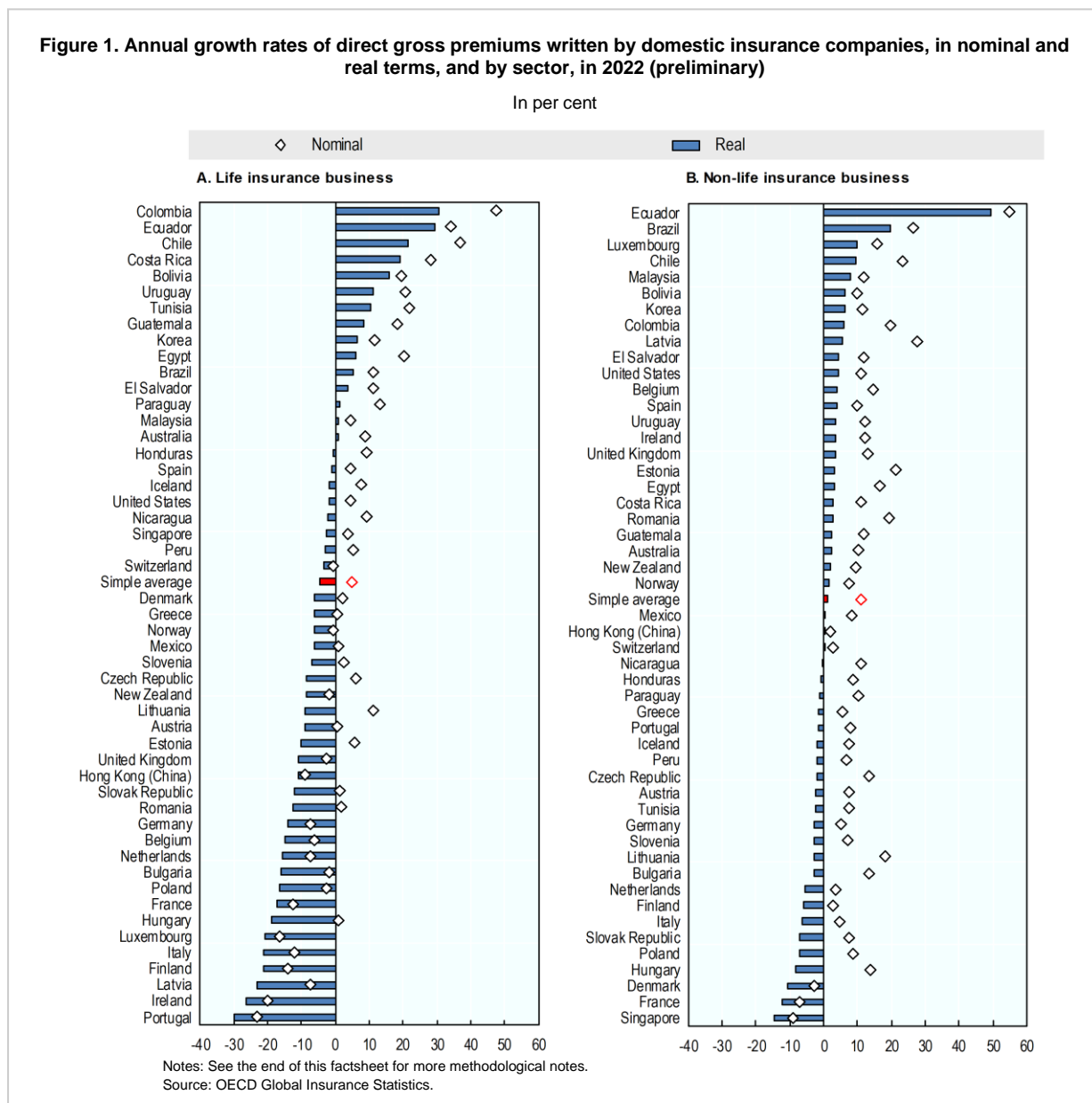
More developed analysis based on the final data collected for 2022 will be published in the forthcoming 2023 edition of the full Global Insurance Market Trends report.

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Life insurance business suffered from the changing macro-economic environment while the premiums of some non-life policies increased to reflect inflation trends

After a rebound in 2021, gross premiums written continue to grow in nominal terms in 2022 on average, but only at a rate outpacing inflation in the non-life sector. Preliminary data for 2022 show that gross premiums written grew in nominal terms by 4.8% in the life sector and 11.1% in the non-life sector on average among reporting jurisdictions (Figure 1). However as a result of surging inflation in most countries in 2022, gross premiums written contracted by 4.5% in the life sector in real terms but still grew by 1.2% in the non-life sector.

Figure 1. Annual growth rates of direct gross premiums written by domestic insurance companies, in nominal and real terms, and by sector, in 2022 (preliminary)



Life insurance business suffered from volatile financial markets and competition from other financial products in a context of rising interest rates. Many stock markets around the world experienced a fall in 2022, which made unit-linked products less attractive to individuals as they bear the investment risks with these products. A number of countries reportedly observed a decline in premiums written for unit-linked business, such as Bulgaria, Ireland, Poland (where this trend was already going on for some years). At the same time, interest rates

were rising in 2022 and life insurance products faced competition from other savings products offering guarantees linked to interest rates, such as in France. The contraction of life insurance business was especially visible in European countries, recording some of the largest declines in nominal terms (e.g. -23.1% in Portugal, -20.1% in Ireland), compounded by inflation that reduces the value of the cash flows.

Trends in the life insurance sector were different across regions, as many Latin American countries managed to record premium growth both in nominal and real terms in 2022. Colombia recorded the strongest growth rate in real terms (30.5%), due to the uptake of life insurance contracts from a newly created life insurance company. Other Latin American countries also noticed a double-digit rise in gross premiums written in the life sector in real terms, such as Ecuador (29.4%), Chile (21.3%), Costa Rica (18.9%), Bolivia (15.9%) and Uruguay (11.2%). The growth in Chile, for example, was driven by the sales of life annuity policies.

The non-life sector fared better than the life sector in 2022 in terms of underwriting activities, still partly benefitting from the effects of the post-COVID recovery. Only 3 among all reporting jurisdictions reported a decline in gross premiums written in nominal terms in 2022 in the non-life sector, compared to 17 in the life insurance sector. Non-life insurance business covers many different lines of business, but motor vehicle insurance, health, and property and casualty insurance tend to account for the largest underwriting activities of insurers. The lingering effects of COVID-19 and lockdown measures wore off in 2022, spurring demand for insurance policies. Premiums for motor vehicle insurance increased in some countries such as Mexico and Honduras, although the Mexican authorities found that premiums were not back to their pre-pandemic levels yet for this line of business. COVID-19 has also been fuelling demand for additional health insurance coverage such as in the United States (according to Allianz Research).¹

The rise in inflation also appears to be a factor in accounting for the upward price movement of some non-life insurance policies. Inflation has been on the rise since 2021, and some national authorities already noted a rise in premium rates in 2022, such as in Estonia, Latvia and Luxembourg. This rise in rates aims at covering increasing claim costs that could result from inflation in the non-life sector specifically. However, this rise in rates may be lower than the increase in claim costs, as insurers may be struggling to pass on corresponding rises to customers in jurisdictions such as in the United Kingdom and the United States.

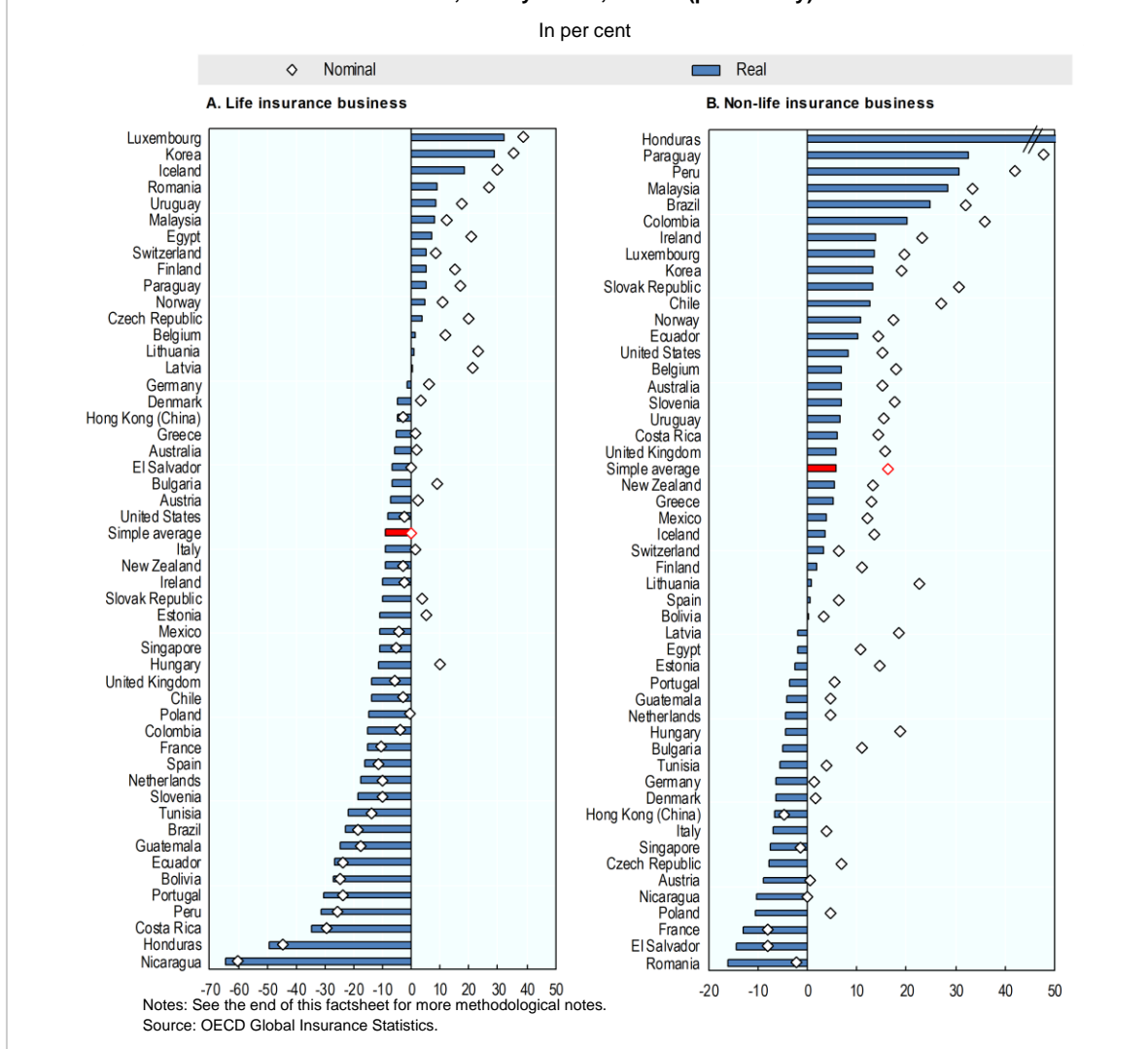
Inflation reduced the value of pay-outs in life sector but fuelled increases in pay-outs in the non-life sector

The dynamics in terms of payments in 2022 were different between the life and non-life sectors. Pay-outs were nearly the same in nominal terms as in 2021 in the life sector while they soared by 16% in the non-life sector on average among reporting jurisdictions (Figure 2). Pay-outs rose in nominal terms in just above half of the reporting jurisdictions in the life sector, but in over 90% of the reporting jurisdictions in the non-life sector.

While, on average, pay-outs were the same as last year in the life sector, trends vary across regions and countries. Latin American countries recorded a surge in life insurance pay-outs in 2021 because of COVID-19 and higher death tolls in 2021 than in 2020. These countries experienced a return to lower levels in 2022, with a 60.4% decline in nominal terms in Nicaragua, a 44.4% decline in Honduras and a 29.6% decline in Costa Rica for instance. Pay-outs also increased in some other countries, but due to different factors. For example, in Finland, the 14.9% nominal increase in pay-outs was due a rise in the surrenders of life insurance policies. In the Czech Republic, the 19.8% nominal increase was due to insurance contracts with profit participation reaching maturity.

¹ Source: Allianz Global Insurance Report 2023 available at [2023_05_17_Insurance-Report_AZ.pdf \(allianz.com\)](https://www.allianz.com/~/media/Allianz-Global-Insurance-Report-2023/AZ.pdf)

Figure 2. Annual growth rates of direct gross claims paid by domestic insurance companies, in nominal and real terms, and by sector, in 2022 (preliminary)



In the life sector, when the obligations of insurers to their policyholders are contractually set in nominal terms, inflation actually lowers the value of pay-outs in real terms. For example, rising prices lower the purchasing value of pensions that are not indexed to inflation. The growth rate of pay-outs for life insurance was just below 0% on average in 2022 among reporting jurisdictions in nominal terms, but equal to -9.1% when considering inflation. Some life insurance products can offer some protection against inflation to their policyholders, such as inflation-protected annuities, and would generate higher payments as inflation increases.

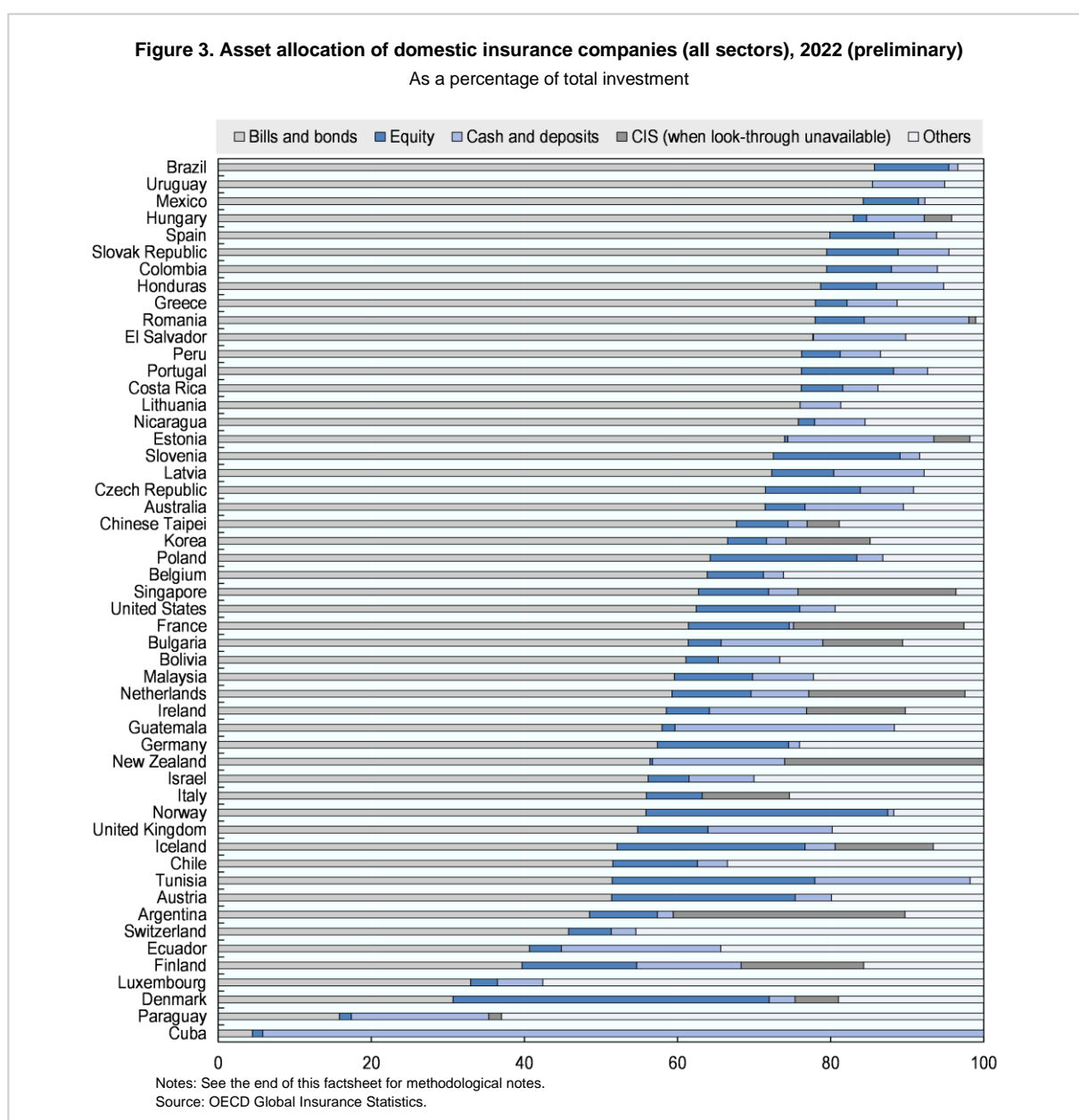
In the non-life sector, inflation can spur higher claim costs, as the price of the materials to repair insured goods and the salary of staff involved in the repairs increase. Several countries reported higher claims payments, at least in part due to claims inflation, such as Bulgaria (for motor vehicle insurance), France, the United Kingdom, and the United States.

It is worth noting that the rise in non-life claims payments even outpaced inflation on average in 2022. In real terms, non-life claims payments increased by 5.8% among reporting jurisdictions. Several factors could be behind this rise in claim payments in real terms. Claim experiences were still returning to pre-pandemic ones in 2022 following the lifting of travel restrictions and the economic recovery post-COVID, such as in several Latin American countries (Colombia, Costa Rica, Honduras) and Northern European countries (Finland, Norway). Natural disasters also led to surges in claim payments in some countries, such as flooding events in Australia and drought in Paraguay.

Rising inflation and interest rates led to losses on the bond holdings of insurers

The rise in inflation and higher interest rates affected the value of assets in the portfolios of insurers. The price and value of previously issued bonds decline as interest rates increase and investors turn to newly issued and higher-yielding bonds. However, the impact of higher interest rates is less pronounced for bonds with shorter duration and there is no negative impact for bonds with floating interest rates.

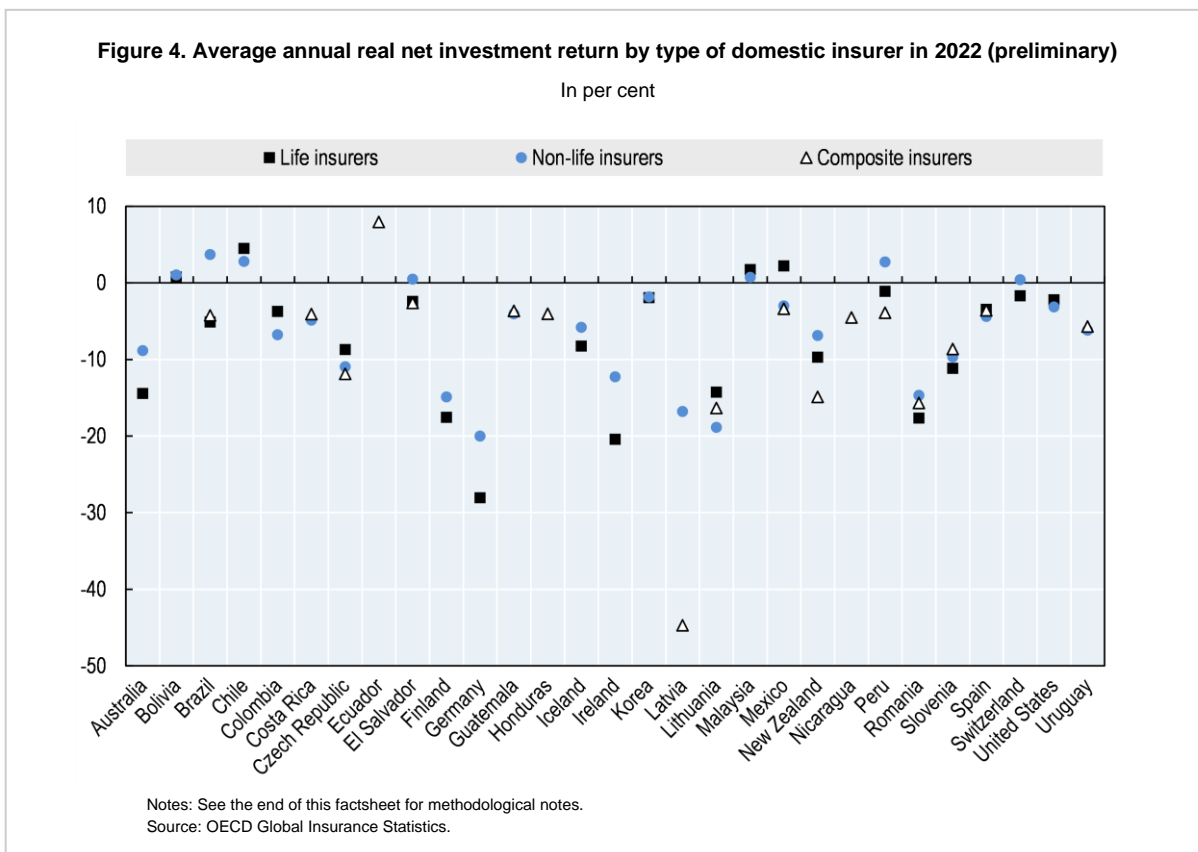
Bonds tend to be the main holdings of insurers, accounting for more than half of their investment portfolios in most reporting jurisdictions (Figure 3). Insurers held the largest proportion of their assets in bonds in Brazil (85.7%), Uruguay (85.5%), Mexico (84.3%) and Hungary (83%).



Equity market downturns may have also negatively affected the investment performance of insurers in 2022. Some insurers held a significant proportion of assets in equities, especially in Denmark (41.3%), Norway (31.6%) and Tunisia (26.5%). Insurers in these countries are therefore also sensitive to developments in equity markets.

Most insurers experienced investment losses in 2022 overall

Insurers experienced negative real investment returns in 2022 in most countries, whether they were engaged in life or non-life insurance activities, or both. Real investment rates of return were negative in 18 out of 22 reporting jurisdictions for life insurers, 19 out of 26 reporting jurisdictions for non-life insurers, and in 16 out of 17 reporting jurisdictions for composite insurers that have life and non-life insurance business.



The negative investment performance is expected to weigh on insurers' profitability. The full edition of the Global Insurance Market Trends 2023 will examine the profitability of insurers in 2022 in more detail.

METHODOLOGICAL NOTES

General: Data are collected within the framework of the OECD Global Insurance Statistics (GIS) project. Data in this note are preliminary and may be revised in the forthcoming 2023 edition of the full *Global Insurance Market Trends* report. This factsheet focuses mainly on the direct insurance business of domestically incorporated undertakings (i.e. incorporated under national law), and includes data for the following participating jurisdictions:

- OECD Members: Australia, Austria, Belgium, Chile, Colombia, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom and United States;
- ASSAL (non-OECD) Members: Argentina, Bolivia, Brazil, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Peru and Uruguay;
- Other jurisdictions: Bulgaria, Egypt, Hong Kong (China), Malaysia, Romania, Singapore, Chinese Taipei and Tunisia.

Data may cover insurance companies subject to Solvency II quarterly reporting requirements only and exclude the smallest insurance companies for some jurisdictions.

Data for Greece cover reinsurance business accepted. Data for Honduras, Hong Kong (China), Korea and Chinese Taipei include branches and agencies of foreign undertakings. Data are missing for one insurance company in Italy in 2022. Data for Lithuania include business abroad.

Insurance companies may carry out life insurance activities only (i.e. life insurers), non-life insurance activities (i.e. non-life insurers) or both (i.e. composite insurers). In some jurisdictions, some insurance companies that are considered as life insurers (respectively non-life insurers) can carry out some specific non-life (respectively life) activities on an ancillary basis.

Jurisdictions in some charts are labelled with their ISO code. ISO codes are available on the United Nation Statistics Division internet page at the following address: <http://unstats.un.org/unsd/methods/m49/m49alpha.htm>.

Figure 1: Growth rates are calculated over the period Dec 2021 – Dec 2022 except for Egypt and Paraguay (June 2021 – June 2022). Results are not shown for Argentina, Cuba and Chinese Taipei where only the nominal growth rates are available. Gross premiums written increased in nominal terms by 65.6% in the life segment and 65.7% in the non-life segment in Argentina (between June 2021 and June 2022), and by 32.2% in the non-life sector in Cuba. Gross premiums written declined by 21.7% in the life sector and increased by 6.6% in the non-life sector in nominal terms in Chinese Taipei.

Figure 2: Growth rates are calculated over the period Dec 2021 – Dec 2022 except for Egypt and Paraguay (June 2021 – June 2022). Gross claims paid in the non-life segment increased by 165.7% in nominal terms in Honduras in 2022, 142% in real terms (not shown for readability purposes). Results are not shown for Argentina, Cuba and Chinese Taipei where only the nominal growth rates are available. Gross claims paid increased in nominal terms by 66% in the life segment and 100.8% in the non-life segment in Argentina (between June 2021 and June 2022), 205.1% in the non-life sector in Cuba, 20% in the life sector and 198.5% in the non-life sector in Chinese Taipei. Data for Greece refer to growth rates of claims incurred.

Figure 3: Data refer to end-2022 for all jurisdictions, except Argentina and Paraguay (end-June 2022). The GIS database gathers information on the investments of insurance companies in collective investment schemes (CIS) and the look-through of these investments in equities, bills and bonds, cash and deposits and other instruments or vehicles. Data on asset allocation in this figure show both direct investments of insurance companies in equities, bills and bonds and cash and deposits, and their indirect investments in these categories through CIS when the look-through of CIS investments is available. When the look-through is not available, investments in CIS are shown in a separate category and data in the figure for jurisdictions in this case only show direct investments of insurance companies in equities, bills and bonds and cash and deposits. Negative values in some categories are excluded from the calculations of the asset allocation. Investments of insurance companies related to unit-linked products are excluded from the calculations of the asset allocation. The “Others” category includes participations (i.e. holdings in related undertakings) for Greece, both investments in equities and CIS for Lithuania, and certificates of deposits for Paraguay.

Figure 4: Average rates of return are calculated over the period Dec 2021 – Dec 2022 for all jurisdictions, except Argentina (June 2021 – June 2022). These rates include realised and unrealised (but recognised) gains and losses plus income, after subtracting any investment management costs. Average real net investment rates of return are calculated based on the nominal net investment rates of return reported by jurisdictions and the variation of the consumer price index over the same period. In Argentina, life, non-life and composite insurers achieved a 45.3%, 49.9% and 42.1% nominal investment rate of return respectively (real returns not available). In Cuba, non-life insurers achieved a 0.8% nominal investment rate of return (real return not available). In Chinese Taipei, life and non-life insurers both achieved a 3.2% and 2.6% nominal investment rate of return respectively (real returns not available).