COVID-19 influences some of the developments in the insurance sector in 2020

- Insurance companies experienced a slowdown in gross premiums written in 2020, especially in the life sector
- Claims payments increased in the life sector but declined in the non-life sector
- The assets of insurers remained mainly invested in bonds
- Insurers achieved positive investment gains in the main despite COVID-19

Insurance companies experienced a slowdown in gross premiums written in 2020, especially in the life sector

As preliminary data become available for 2020 around the globe and against the backdrop of the COVID-19 pandemic, insurance companies seem to have experienced a slowdown in gross premiums written, especially in the life sector. Gross premiums written increased in both life and non-life sectors in only 15 out of 53 reporting jurisdictions (Figure 1), fewer than in 2019 (Insurance Markets in Figures 2020). In contrast, premiums declined in both life and non-life sectors in 10 jurisdictions, in the life insurance sector in 19 other jurisdictions only and in the non-life sector in 9 other jurisdictions only. On average, non-life insurance premiums grew by 1.2% in 2020 while life insurance premiums declined by 2.2%.

**Insurance Markets in Figures** provides a short preview of the latest trends in the insurance sector in a selection of 55 OECD and non-OECD jurisdictions. This fifth issue shows indicators based on preliminary data and early estimates for 2020. An Excel file of the underlying data is available at [http://www.oecd.org/finance/insurance/globalinsurance markettrends.htm](http://www.oecd.org/finance/insurance/globalinsurance markettrends.htm). 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 that provided data and comments.

A more developed analysis based on the final data collected for 2020 will be published in the 2021 edition of Global Insurance Market Trends (forthcoming).

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COVID-19 has led to a fall in demand for some life insurance products in some jurisdictions. Following the sudden and sharp fall in stock prices in Q1 2020 and volatility in financial markets, some unit-linked products may have appeared riskier and less attractive to the risk-averse. Belgium, for example, recorded a lower amount of premiums for life insurance contracts with non-guaranteed returns in 2020 compared to 2019. COVID-19 has also had an impact on labour markets, as governments shut down parts of the economy to contain the spread of the virus. Job losses may have made it more complicated for some to purchase life insurance policies or pay premiums. Peru, for example, recorded a drop in premiums for individual life insurance policies.

Against the backdrop of COVID-19, interest rates fell further, limiting the guarantees that life insurers can offer in their guaranteed life insurance contracts. This is one of the reasons for the decline in non-unit linked insurance products in Portugal, as lower guaranteed returns reduce the attractiveness of these guaranteed products.

Additionally, lockdown measures may have impeded the traditional distribution process of insurance policies such as in-person meetings. In Luxembourg, for example, life gross premiums declined by 25.8%.

Yet, premiums still increased in some lines of life business in some countries despite COVID-19, although the underlying factors for this growth vary across countries. In Latvia, the 1.1% increase in life premiums was due to annuity premiums (offsetting the decline in premiums for life insurance savings products) as recent legislative changes allowed the transfer of accrued pensions in the second pension pillar to insurance companies. In Uruguay, the 2.3% premium growth was partly the result of the mandatory annuitisation of pension savings as the pension system matures and the number of retirees purchasing annuities increases. In Russia, endowment life insurance drove the increase in the life segment (0.2% overall).

Trends in the non-life sector also varied widely across lines of business and jurisdictions. Motor vehicle insurance premiums reportedly declined in a number of jurisdictions (such as Colombia, Honduras, Lithuania,
Peru, Poland, the United Kingdom), due to travel restrictions and in some cases a reduction in car sales. There was also a decline for travel insurance premiums such as in Malaysia. In contrast, some other lines of business experienced a premium growth in some countries. Examples include health insurance in Portugal, fire insurance in Australia, El Salvador and Portugal, and commercial lines in the United Kingdom for instance.

**Some of the trends, either life or non-life, reflect transfers of activities between companies.** In Australia, the 25% decline in life premiums partly came from the transfer of a substantial amount of investment-linked business from a life insurance company to other managed investment schemes. In Estonia, where the largest decline in non-life premiums occurred (-13.5%), an Estonian non-life company merged in mid-2020 with a Lithuanian company that had a branch in Estonia. In Switzerland, a major participant in occupational pensions stopped its operation in full coverage insurance business in this sector, transferring a part of its business to other insurance companies while the remaining part was transferred to partially (i.e. no coverage of the asset risks by the insurers) and fully autonomous solutions (outside the insurance sector), which explains the country’s 17.0% decline in life premiums in 2020.

**Claims payments increased in the life sector but declined in the non-life sector**

**Trends in claims payments differed between the life and non-life sectors overall in 2020.** Claims payments increased by 7.3% in the life sector on average across the 53 reporting jurisdictions. In contrast, they declined by 4.8% in the non-life insurance sector (on average, excluding Honduras that is an outlier with a 200%+ increase). Wide disparities exist across reporting jurisdictions (Figure 2). Claims payments increased in 12 jurisdictions in both life and non-life sectors, in 20 jurisdictions in the life sector only, and in 5 jurisdictions in the non-life sector only. Claims payments declined in both life and non-life sector in the 16 remaining reporting jurisdictions.

![Figure 2. Annual real growth rates (%) of direct gross claims paid by domestic insurance companies by sector, 2020 (preliminary)](image-url)

**Notes:** See the end of this factsheet for more methodological notes. 
Source: OECD Global Insurance Statistics.
Some jurisdictions (such as Guatemala, Honduras, Nicaragua and Peru) attributed the increase in claims payments in the life sector to COVID-19. For instance, Peru reported a deterioration of the loss ratio of short-term life insurance (e.g. credit life and short-term burial) because of deaths caused by COVID-19.

Other factors affected the trends in claims payments in the life sector. The relatively high increase in claims paid in the life sector in Portugal (27.8%) and Russia (46.1%) was partly due to contracts maturing in 2020. In contrast, claims payments declined in the Czech Republic as the number of surrenders (i.e. premature terminations of insurance contracts) dropped. In Switzerland, gross claims paid largely increased in 2019 due to a one-off payment coming from contract terminations by a major market participant. Claims payments therefore returned to lower levels in 2020, leading to a 45.7% decline for the industry overall in the life sector.

COVID-19 has also affected the trends in claims payments in some non-life lines of business in 2020. Examples include an increase in claims payments for travel and event cancellation (e.g. in the United Kingdom) and business interruptions (e.g. in Australia). However, non-physical damage business interruption losses were often not explicitly covered in property damage and business interruption insurance policies (OECD, 2021). In some other lines of business, such as motor vehicle insurance, claims paid declined in many jurisdictions (e.g. Australia, Belgium, Estonia, Honduras, Nicaragua, Peru and Portugal) as a result of decreased vehicle usage related to social restrictions in response to COVID-19. According to the Colombian insurance supervisor, lockdown measures may have led to a delay in claim reporting by those affected, and may have also contributed to the country’s 10.6% reduction in claims payments in 2020.

Other events also affected claims payments in 2020, such as the natural disasters that hit some countries (e.g. Australia, Guatemala). The 20% increase in non-life claims payments in Australia was partly due to bush fires and storms. Honduras was hit by tropical storms (Eta and Iota) which led to a surge in claims payments (over 200%).

The assets of insurers remained mainly invested in bonds

The asset allocation of insurers remained the same on average at end-2020 compared to end-2019 despite the impact of COVID-19 on financial markets. Bonds accounted for 64.6% of their investments at end-2020 on average over 55 reporting jurisdictions (compared to 64.3% at end-2019), while equities and cash represented 9.7% and 8.8% of their investments respectively (compared to 9.9% and 8.8% at end-2019).

Although the asset mix of insurers varied across jurisdictions, bonds accounted for more than half of the investment portfolios of insurers in 46 out of 55 reporting jurisdictions, with the highest proportions recorded in Montenegro (88.7%), Uruguay (88%) and Hungary (85.8%) (Figure 3).

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Some jurisdictions (such as Sweden) highlighted that the fall in interest rates in 2020 represented a challenge for some insurers, especially life insurers that promised a guaranteed return. This fall in interest rates increases the reinvestment risk and could lead some insurers to search for higher yield through instruments other than bonds to meet commitments. In Sweden, the share of assets invested by insurers in bonds declined by 1.4 percentage points (pp) while the share in equities increased by 2.4 pp. Slovenia also noted a decrease in the share of investments of insurers in government bonds and an increase in corporate bonds and UCITS on average. Peru reported that insurers increased their participation in funds and other collective investment schemes to increase diversification and achieve better-risk adjusted returns.

The proportion of assets that insurers invested in equities remained small compared to bonds in 2020, despite some exceptions. For example, insurers in Sweden and Denmark invested more in equities (40.9% and 37.2% respectively) than in bonds (34.5% in both countries).

Investments in instruments other than bonds, equities, cash and deposits were significant in some countries (e.g. Chile, Luxembourg, the Netherlands and Switzerland) where they accounted for more than 30% of investments of insurers. Insurers in the United Kingdom and the United States also invested quite significantly
Insurers achieved positive investment gains in the main despite COVID-19

Insurers exhibited positive investment returns in most jurisdictions in 2020 despite the global fall in stock markets in Q1 2020 (Figure 4). The highest real investment returns were achieved by composite insurers in Latvia (9.8%) and life insurers in Malaysia (9.8%) among the 24 reporting jurisdictions. Insurers most likely benefitted from the recovery of financial markets after Q1 2020. Some insurers recorded investment losses in only 5 out of the 24 reporting jurisdictions in 2020: life insurers in Australia (-3.5%), life insurers (-4.1%) and composite insurers (-3.2%) in Brazil, composite insurers in the Czech Republic (-0.3%), life insurers (-0.2%) and non-life insurers (-1.8%) in Turkey, and non-life insurers in Uruguay (-1.5%).

Some jurisdictions noted that investment returns, although positive, were lower than in 2019. This reduction was attributed to adverse movements in financial markets and weaker equity investment performance overall (e.g. in Australia), or lower interest rates (e.g. Colombia, Peru).

Insurers are likely to continue earning positive investment income in early 2021 given positive developments in stock markets in Q1 2021. Box 1 gives a preliminary outlook for insurance companies in 2021, touching upon their financial performance, as well as their underwriting performance.
Box 1. Preliminary outlook for 2021

Some private sector companies have already released analyses and forecasts for the insurance sector in 2021, offering a glimpse of what may be coming for the industry before official statistics become available to corroborate or correct these predictions. Official statistics from national authorities are still scarce for 2021 at the time of the drafting of this note, and may include Q1 2021 data at most. Analyses and forecasts from the private sector either come from data on a sample of insurance companies or selected markets (available before official aggregates) and expert views. These forecasts sometimes go beyond 2021, such as those of Euler Hermes predicting the evolution of premiums over the next 10 years in its Global Insurance Report 2021.

According to Euler Hermes, the insurance sector is expected to experience premium growth, recovering from the drop in premiums in 2020 in the life sector. This recovery in the life sector would be the result of more favourable conditions than in 2020 as households may have additional savings.

The foreseen premium growth could also relate to the expected global economic development. The economic recovery, coupled with a potential heightened risk awareness, could spur the demand for insurance products, although the recovery may be uneven across jurisdictions depending on the vaccine rollout, the potential impact of new variants and business closures and reopenings.

Some experts anticipate higher underwriting profits for some lines of business, such as commercial lines in the United States. According to an article from Fitch Ratings on its website, an increase in premium rates and tighter policy terms in commercial lines would lead to an improvement in the outlook for US P&C insurers. In contrast, some lines of business, such as motor vehicle insurance, that experienced larger underwriting profits in 2020 may see this trend reverse in 2021 as a result of competitive pricing forces and a return to pre-pandemic claims frequency patterns. The actual underwriting performance of insurance companies will eventually influence their overall profitability.

The profitability of insurance companies will also depend on their financial investment performance, which is linked to developments in financial markets and inflation expectations. Euler Hermes forecasts a (single-digit) growth rate in equity markets in 2021. Data for early 2021 support this prediction of an upward trend as major stock markets fared well in Q1 2021. The US NAIC snapshot for Q1 2021 confirms that US insurers recorded positive investment income in Q1 2021. However, uncertainties remain going forward.
METHODOLOGICAL NOTES TO BE TAKEN INTO CONSIDERATION WHEN INTERPRETING THE DATA

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 2021 edition of the report Global Insurance Market Trends (forthcoming). This note 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 among:

- 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, Turkey, United Kingdom, United States;
- ASSAL (non-OECD) Members: Argentina, Bolivia, Brazil, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru, Uruguay;
- Other jurisdictions: Bulgaria, Egypt, India, Malaysia, Montenegro, Russia, Singapore, Chinese Taipei, Tunisia.

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

Data for Estonia and Lithuania include business abroad. Data for Mexico cover insurance and surety institutions. Data for the Netherlands include basic health insurance. Data for New Zealand cover 27 insurance companies with gross annual premiums over NZD 50 million or total assets over NZD 500 million at financial year-end.

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 countries, 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.

Countries 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 2019 – Dec 2020 except for Argentina and Egypt (June 2019 – June 2020), and India (March 2019 – March 2020). Gross premiums increased by 47.4% in the life segment and 57.7% in the non-life segment in nominal terms between June 2019 and June 2020 in Argentina (information not available in real terms). Gross premiums decreased by 8.7% in the life segment but increased by 6.2% in the non-life segment in nominal terms in Chinese Taipei in 2020 compared to 2019 (information not available in real terms).

Figure 2: Growth rates are calculated over the period Dec 2019 – Dec 2020 except for Argentina and Egypt (June 2019 – June 2020), and India (March 2019 – March 2020). Gross claims paid increased by 38% in the life segment and 42.8% in the non-life segment in nominal terms between June 2019 and June 2020 in Argentina (information not available in real terms). Gross claims paid decreased by 4.4% in the life segment but increased by 2.1% in the non-life segment in nominal terms in Chinese Taipei in 2020 compared to 2019 (information not available in real terms). Gross claims paid increased by 125.2% in the life segment and by 20.2% in the non-life segment in Australia in 2020 compared to 2019 in real terms (results not shown for readability purposes). Gross claims paid increased by 28.8% in the life segment and by 213% in the non-life segment in Honduras in 2020 compared to 2019 in real terms (results not shown for readability purposes). Data for Greece refer to growth rates of claims incurred.

Figure 3: Data refer to end-2020 for all jurisdictions, except Argentina and Egypt (end June 2020), and India (end-March 2020). The GIS database gathers information on 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 this country in the figure 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 both investments in equities and CIS for Lithuania, and investments in CIS in Malaysia.

Figure 4: Average rates of return are calculated over the period Dec 2019 – Dec 2020 for all jurisdictions, except Argentina (June 2019 – June 2020). 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 47.2%, 45.2% and 43.6% nominal investment rate of return respectively (real returns not available). In Chinese Taipei, life and non-life insurers both achieved a 3.5% nominal investment rate of return (real returns not available).