

Press release

Life insurance set to boom as interest rates surge, says Swiss Re Institute

- **Higher interest rates will significantly boost profitability in the life insurance industry, Swiss Re Institute forecasts.**
- **An additional USD 1.5 trillion of global life savings premiums will be generated over the next decade – more than double the amount of the previous decade.**
- **Advanced markets will generate 61% of the additional savings premiums in the next decade, with 39% from emerging markets.**

Zurich, 27 May 2024 – Higher interest rates around the world are transforming the outlook for life insurance growth and profitability. Savings products are attractive to consumers after a decade of weak demand and low returns. Swiss Re Institute expects a new high for US fixed annuity sales this year after record sales in both 2022 and 2023.

Jérôme Jean Haegeli, Swiss Re's Group Chief Economist, says: "Higher interest rates are a game changer, providing life insurance and pension products a tailwind to much better tackle the retirement savings challenges of ageing demographics. Savings products are attractive again as a direct consequence of normalising interest rates. Higher investment yields also benefit long-duration protection products."

In its new sigma study, "Life insurance in the higher interest rate era: asset-savvy is the new asset-light", Swiss Re Institute forecasts an additional USD 1.5 trillion in global insurance savings premiums over the next decade, as consumers are moving to buy life-savings products that secure higher retirement incomes. As a result, total global premiums are forecast to grow to USD 4 trillion by 2034. In contrast, global life insurance premiums grew by only USD 300 billion in the entire low interest rate decade of 2010 to 2019.

Paul Murray, Swiss Re's CEO Life & Health Reinsurance, says: "Higher interest rates give consumers more attractive options to secure their retirement income and we are seeing very positive market growth for life insurance to meet this need. Higher interest rates also allow insurers to meet their cost of capital. Reinsurers can furthermore support life insurers

Media Relations

Zurich
Telephone +41 43285 7171

New York
Telephone +1 914 828 6511

Singapore
Telephone +65 6232 3302

Investor Relations

Telephone +41 43 285 4444

Swiss Re Ltd
Mythenquai 50/60
CH-8022 Zurich
Telephone +41 43 285 2121

www.swissre.com
 @SwissRe

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by freeing up capital, boosting underwriting capacity and focusing on product innovation for capital-light growth."

Significantly higher government bond yields are also now improving life insurers' investment returns and margins for fixed annuities. Between 2022 and 2027, Swiss Re Institute forecasts the operating result for insurers in the largest eight life markets worldwide, which include the US, UK, Germany and Japan, to rise by more than 60% as investment income rises by 40%. The growth in life insurance products is an important mechanism to close the retirement savings gap, which Swiss Re Institute estimated at USD 106 trillion in 2022 for six advanced economies plus China and India.

Advanced markets to lead growth

Swiss Re Institute estimates that advanced markets will generate about 61%, or USD 900 billion, of additional premiums in absolute terms in the next decade, and emerging markets an additional 39% or USD 578 billion.

China alone will generate around 17% of the overall global additional premiums, adding USD 256 billion between 2025 and 2034.

The life insurance landscape is changing

Swiss Re Institute's report also outlines the structure of the life insurance industry. It analyses how listed (stock) insurers, mutual insurers and private equity-owned business have reacted to a decade of low interest rates, for example by exiting core lines of business or shifting towards capital-light, fee-based strategies. The report examines how new market entrants from private equity absorbed the divested traditional assets through reinsurance transactions. Insurers and asset managers turned to alternative and illiquid investments to earn additional yield.

Today, insurers are expanding their asset management capabilities to grow their savings business, and private equity investors bring extensive asset management capabilities. Swiss Re Institute anticipates competition on asset management in life insurance, with, for example, large insurers acquiring private credit capabilities, and asset managers potentially acquiring insurance companies. Consumers should benefit from this environment through more attractive returns.

The report also explores the effects of rising yields on associated risks for life insurance, such as the threat of surging lapse rates. Swiss Re Institute analysis into lapse risk concludes that the peak is likely to have passed. Rising rates have also increased credit risk, particularly in areas such as commercial real estate, but the exposures of life insurers are viewed as manageable, on average.

How to access this study

Swiss Re Institute's publication "Life insurance in the higher interest rate era: asset-savvy is the new asset-light" is available [here](#).

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