Swiss Re Institute

News release

Global insurance markets set to rebound with China leading recovery, says Swiss Re Institute

- **Global insurance premiums expected to grow by 3.4% in real terms in 2021, after contracting an estimated 1.4% in 2020**
- **China will lead recovery with premiums up by an estimated 10% in non-life next year, and by 8.5% in life**
- **Insurance recovery supported by heightened risk awareness driving demand and continued strong rate hardening**
- **Amid uncertainty of how the COVID-19 crisis will evolve, and the risk of trade war and a credit crisis, public policy should focus on sustainable infrastructure development and inclusive growth**

Zurich, 11 November 2020 – World gross domestic product (GDP) is expected to contract by 4.1% this year in what is so far the deepest recession of our lifetimes. The latest *sigma* study, "Rebuilding better: global economic and insurance market outlook 2021/22", predicts that recovery will be slow and uneven in 2021. Global GDP is forecast to grow by 4.7% in 2021 in real terms, below the market expectation of 5.2% growth. In this context, the *sigma* study finds that, amid the economic shock inflicted by COVID-19, global insurance markets have been less severely impacted than expected in the Swiss Re Institute June 2020 forecast. Total premium volumes in 2020 are estimated to decline by 1.4% in real terms, less than the earlier anticipated 2.8% drop. Premium growth is forecast to recover swiftly to 3.4% and 3.3% in 2021 and 2022 respectively, supported by continued rate hardening.

Looking at countries' economic resilience levels, the pandemic will impact each economy depending on its capacity to absorb shocks and its government policy. Preliminary data suggest fiscal responses will be the key differentiator. Among the large advanced economies, the UK, Japan and the US are expected to see their fiscal buffers depleted most.

Income inequalities will further widen as many lower paid jobs were cut in the downturn and labour markets will be more severely impacted than official data indicate. For example, the official euro-area unemployment rate has remained surprisingly steady at around 7.9%. The shadow unemployment rate, however, which takes into consideration inactive and furloughed workers as well as the officially unemployed, has reached almost 25% in Europe's four largest economies: Germany, UK, France and Italy.

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"For sustainable economic recovery, we need a policy reset. Public policy should focus on areas such as infrastructure, technology and climate. Building new sustainable infrastructure will have a significant impact on GDP growth," said Jerome Jean Haegeli, Swiss Re Group Chief Economist.

"In addition to smarter spending, policymakers should make more use of public-private partnerships and establish the operational and regulatory frameworks to enable greater participation of private-sector finance, including insurers' assets, in the real economy," Haegeli said.

The insurance industry can contribute to more inclusive growth by broadening its digital reach as more people go online for their daily needs. Data analytics will help insurers understand customer needs and enable them to provide more tailored and affordable offerings, such as pay-as-you-go covers. With access to financial compensation according to need, households and businesses can better withstand loss events, which increases resilience by enhancing the underlying capacity of an economy to absorb shocks.

In the face of adversity, insurance markets hold up well

Insurance demand in the advanced markets fared better than expected over the first half of 2020. Hence, having initially anticipated stagnation in its June forecast, Swiss Re Institute now estimates that global non-life premiums will grow by 1.1% this year and recover to an average annual 3.6% growth in 2021 and 2022. Volumes are expected to already be back above pre-pandemic levels by the end of next year. Advanced market non-life premiums are forecast to grow by close to 3% in both 2021 and 2022, led by advanced Asia and the US, where a hard market in commercial insurance will boost premiums. China will remain the fastest growing market with premiums up an estimated 10% annually over the next two years, largely thanks to a strong health business. The other emerging markets will see aggregate premium growth of nearly 4% annually.

The life market has been harder hit in this year's economic downturn, with global premiums forecast to contract by 4.5% in the environment of rising joblessness and less purchasing power. This is also a lesser fall than the 6% decline forecast in June thanks to a stronger-than-expected market growth in the US. The low interest rate environment has weighed on the sector as it has made savings-type products less attractive. Nevertheless, in life too, Swiss Re Institute predicts a swift return to 3% trend growth in 2021 on the back of economic recovery. The rebound will be led by the emerging markets, primarily emerging Asia, with premiums forecast to increase by 6.9% in 2021 (and by 8.5% in China). Increased risk awareness post COVID-19 will be a main driver of sector recovery. A Swiss Re survey conducted after the virus outbreak indicates the increased intention of consumers to buy mortality and health insurance.[1] Another driver will be fast adoption of digital insurance.

Table 1: Total insurance (non-life, life) premium growth forecasts, in real terms

	2020		2021		2022	
World	–1.4%	▲	3.4%	=	3.3%	▲
Advanced markets	–2.0%	▲	2.5%	=	2.3%	▲
North America	0.3%	▲	2.0%	=	2.4%	▲
EMEA	–5.7%	▲	3.5%	=	2.3%	▲
Asia-Pacific	–2.3%	▲	2.7%	▲	2.2%	=
Emerging markets	1.4%	=	7.0%	=	7.1%	=
Excl China	–3.0%	=	4.0%	▲	4.3%	=
China	5.1%	▲	9.1%	▼	9.0%	=

Icons show direction of revision to forecasts since June
Source: Swiss Re Institute

Rate hardening to continue

Pricing in non-life insurance strengthened again this year, supporting the market's overall resilience in terms of growth and profitability.

"Market conditions from both the demand and supply sides point to continued pricing strength," said Andreas Berger, Chief Executive Officer of Swiss Re Corporate Solutions. "The low interest rate environment and the ongoing social inflation in the US will be key drivers of market hardening."

The upswing has broadened across commercial lines of business and in almost all regions. Casualty business, which had remained soft until 2018, also started to improve this year, notably in the US and Europe. Rate hardening will likely continue through 2021.

Note to editors

The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, working to make the world more resilient. It anticipates and manages risk – from natural catastrophes to climate change, from ageing populations to cybercrime. The aim of the Swiss Re Group is to enable society to thrive and progress, creating new opportunities and solutions for its clients. Headquartered in Zurich, Switzerland, where it was founded in 1863, the Swiss Re Group operates through a network of around 80 offices globally. It is organised into three Business Units, each with a distinct strategy and set of objectives contributing to the Group's overall mission.

How to order this *sigma* study:

The English version of the *sigma* 7/2020, "Rebuilding better: global economic and insurance market outlook 2021/22", is available in electronic format. You can download it here:
https://www.swissre.com/institute/research/sigma-research/sigma-2020-07

[1] *Swiss Re COVID-19 Consumer Survey: Financial anxiety, demand for insurance products accelerates across APAC*, Swiss Re, 28 April 2020