Swiss Re
Institute

News release

Strong growth forecast for global insurance markets as demand for risk protection increases, says Swiss Re Institute

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- **Global insurance premiums expected to grow by 3.4% in real terms in 2021, 3.3% in 2022 and 3.1% in 2023**
- **World insurance market set to exceed USD 7 trillion in premiums for the first time by mid-2022, earlier than expected**
- **Insurance profitability supported by heightened risk awareness in both the life and non-life segments in wake of COVID-19 pandemic, and continued strong rate hardening**

Zurich, 17 November 2021 – Swiss Re Institute's latest *sigma* study forecasts the global insurance industry to reach a new record in global premiums by mid-2022, exceeding USD 7 trillion. This comes earlier than Swiss Re estimated in July and reflects rising risk awareness, increasing demand for protection and rate hardening in non-life insurance commercial lines. The insurance industry outlook is also supported by a strong cyclical recovery from the COVID-19 shock, but economic growth is expected to slow in the next two years due to an unfolding energy price crisis, prolonged supply-side issues, and inflation risks. Long-term structural support for growth is needed, as Swiss Re Institute's resilience analysis in this *sigma* report shows.

Climate change and digitalisation are significant trends shaping the world economy and insurance markets. Rapid decarbonisation is becoming imperative and societies' approach to transitioning to a green economy will determine the economic outlook. The insurance industry can support the transition to a low-carbon economy, not only by absorbing disaster losses but also by promoting sustainable infrastructure investments that help mitigate the impact of volatile extreme weather. Adopting digital technologies is not only playing a role in increasing global productivity growth, but Swiss Re research also found that the pandemic has transformed consumers' receptiveness to interacting with insurance digitally, pointing to growth potential.[1] A third significant trend is the growing divergence of countries' growth and socio-economic indicators such as inequality – a potential downside risk.

"The economic recovery we are experiencing is cyclical and not structural, with macroeconomic resilience weaker today than before the COVID-19 crisis. As such, we should be anything but complacent. Given its capacity and

[1] Source: Digital adoption in personal P&C insurance in south and southeast Asia | Swiss Re

expertise to absorb risks, the insurance industry is crucial in making societies and economies more resilient. Yet for inclusive and sustainable growth, everyone must be on board. Green growth is sustainable only if it is also inclusive. We have a unique opportunity to build a better market system. For this, all stakeholders will need to accept and internalise the costs of climate change, and policymakers to take into account the distributional effects of their economic policies across their populations. This will help to create the transition we need for a sustainable path to a net-zero economy by 2050," said Jerome Haegeli, Swiss Re Group Chief Economist.

Swiss Re Institute's *sigma* study forecasts that global GDP growth will be strong in 2021, at 5.6%, slowing to 4.1% in 2022 and 3.0% in 2023. Inflation is the prevailing near-term macro risk, fuelled by the energy crisis and prolonged supply-side issues. The price pressure is expected to be most acute among emerging markets and in the UK and US.

Market rebound reflects resilience of insurance industry

Swiss Re Institute estimates that global non-life premiums will grow by 3.3% in 2021, 3.7% in 2022 and 3.3% in 2023. Property-catastrophe rates are forecast to improve in 2022 after a year of above-average losses. Casualty rates should also be stronger next year due to ongoing social inflation while personal lines are expected to benefit from early signs of improving motor pricing in the US and Europe. Global health and medical insurance premium is expected to rise, driven by growth in the US economy and stable advanced market demand. Expansion in emerging markets is expected to be strong, with China projected to grow by 10% in each of the next two years, largely driven by strong demand for medical insurance, including critical illness covers.

Global life premiums are expected to increase by 3.5% in 2021, 2.9% in 2022 and 2.7% in 2023. Protection-type products should see strong demand, supported by higher risk awareness, a recovery in group business and increased digital interaction. Savings business is expected to grow moderately in the next two years, reflecting a slight improvement in government bond yields and a recovery in employment and household incomes. As the pandemic continues to affect the life insurance industry, excess mortality shows a mixed trend. Unlike many European countries, the US has experienced continuous excess mortality since the start of the pandemic and death benefits paid increased in the first half of this year. Life insurers in Latin America have faced unprecedented pandemic claims as the region has been hit particularly hard by COVID-19. In Brazil, the life insurance benefit ratio more than doubled in April 2021, while the pandemic is the costliest event ever recorded for the local insurance industry in Mexico, totalling USD 2.5 billion in insured losses over 18 months as of September 2021. This surpasses the USD 2.4 billion loss from hurricane Wilma in 2005.

Rising risk awareness is generating demand for more insurance protection. The pandemic shock has highlighted the important role the insurance industry plays as a risk absorber in times of crisis by providing financial relief to households, businesses and governments. At the same time, supply chain disruptions show that better protection is required to improve societal resilience and record-breaking weather extremes this year add urgency to the global race to net zero. Consumers also welcome digital and online insurance, and it is expected to grow rapidly. However, increasing inequality could exacerbate social inflation, which is defined as the increase in insurance claims driven by large litigation costs.

"Market conditions suggest that positive pricing momentum will continue across all lines and regions. Inflation-driven higher claims development in all lines of business, continued social inflation in the US and persistently low interest rates will be the main factors for market hardening," said Jerome Haegeli.

Table 1: Real GDP growth, inflation and interest rates in select regions, 2020 to 2023

		2020	2021		2022		2023	
		Actual	**SRI**	**Consensus**	**SRI**	**Consensus**	**SRI**	**Consensus**
Real GDP growth, annual avg., %	US	-3.5	5.5	5.6	3.7	4.0	1.5	2.4
	Euro area	-6.6	5.0	5.1	4.1	4.3	2.0	2.1
	China	2.3	8.0	8.0	5.1	5.4	5.7	5.4
Inflation, all-items CPI, annual avg., %	US	1.2	4.7	4.4	5.0	3.3	2.2	2.3
	Euro area	0.3	2.5	2.4	2.6	2.0	1.5	1.5
	China	2.5	1.3	1.0	2.3	2.2	2.5	2.2
Yield, 10-year govt bond, year-end, %	US	1.0	1.4	1.7	1.6	2.0	1.9	2.4
	Euro area	-0.6	-0.2	-0.2	0.0	0.0	0.2	0.4

Note: Euro area policy rate refers to the interest rate on the main refinancing operations; data as of 11 November 2021. Source: Bloomberg, Swiss Re Institute.

Table 2: Total insurance premium growth forecasts, in real terms

	2021		2022		2023	
World	3.4%	↑	3.3%	↑	3.1%	↑
Advanced markets	3.3%	↑	2.5%	↑	2.2%	↑
North America	2.3%	↑	2.5%	↑	2.2%	↑
EMEA	4.9%	↑	2.0%	↑	2.0%	↑
Asia-Pacific	3.9%	↑	3.6%	↑	2.8%	↑
Emerging markets	3.4%	↓	6.5%	↓	6.2%	↓
Excl China	5.7%	↑	5.3%	↑	4.9%	–
China	1.5%	↓	7.1%	↓	6.9%	↓
Latin America and the Caribbean	7.5%	↑	4.4%	↓	3.5%	↓
Emerging Europe & Central Asia	3.6%	↑	3.5%	↑	2.9%	↑
Emerging Middle East	2.5%	↓	4.7%	↓	4.5%	↓
Africa	1.9%	↓	2.0%	↓	2.6%	–

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

How to order this *sigma* study:
The English version of the sigma 5/2021, 'Turbulence after lift-off: global economic and insurance outlook 2022/23', is available in electronic format. You can download it here.

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- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism or acts of war;
- mortality, morbidity and longevity experience;
- the cyclicality of the reinsurance sector;
- central bank intervention in the financial markets, trade wars or other protectionist measures relating to international trade arrangements, adverse geopolitical events, domestic political upheavals or other developments that adversely impact global economic conditions;
- increased volatility of, and/or disruption in, global capital and credit markets;
- the Group's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group's financial strength or otherwise;
- the Group's inability to realize amounts on sales of securities on the Group's balance sheet equivalent to their values recorded for accounting purposes;
- the Group's inability to generate sufficient investment income from its investment portfolio, including as a result of fluctuations in the equity and fixed income markets, the composition of the investment portfolio or otherwise;
- changes in legislation and regulation, or the interpretations thereof by regulators and courts, affecting the Group or its ceding companies, including as a result of comprehensive reform or shifts away from multilateral approaches to regulation of global operations;
- the lowering or loss of one of the financial strength or other ratings of one or more companies in the Group, and developments adversely affecting its ability to achieve improved ratings;
- uncertainties in estimating reserves, including differences between actual claims experience and underwriting and reserving assumptions;
- policy renewal and lapse rates;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes and certain large man-made losses, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
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- reforms of, or other potential changes to, benchmark reference rates;
- failure of the Group's hedging arrangements to be effective;
- significant investments, acquisitions or dispositions, and any delays, unforeseen liabilities or other costs, lower-than-expected benefits, impairments, ratings action or other issues experienced in connection with any such transactions;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- changing levels of competition;
- the effects of business disruption due to terrorist attacks, cyberattacks, natural catastrophes, public health emergencies, hostilities or other events;
- limitations on the ability of the Group's subsidiaries to pay dividends or make other distributions; and
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