GLOBAL INSURANCE MARKET TRENDS
Preliminary 2023 data - July 2024

Insurers achieved investment gains in 2023 in a context of slowing inflation and expectations of interest rate cuts

- Premiums written continued to grow faster in the non-life insurance sector than in the life insurance sector in 2023, partly due to higher policy rates as insurers sought to compensate for inflation and higher costs of claims
- At the same time, average non-life claims payments rose faster than premiums, due to a larger number of disasters in 2023, negatively affecting underwriting performance
- Following unrealised investment losses in 2022, insurers saw unrealised gains on their bond holdings in 2023

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GEOGRAPHICAL COVERAGE

- 32 OECD countries
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6.2%

Real growth rate of gross premiums written in the non-life insurance sector in 2023

6.3%

Real growth rate of gross claims paid in the non-life insurance sector in 2023

This factsheet provides a short preview of trends in the insurance sector in 49 OECD and non-OECD jurisdictions based on preliminary data and early estimates for 2023. An Excel file of the underlying data is available at www.oecd.org/en/topics/pensions-and-insurance.html
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.

A more developed analysis based on the final data collected for 2023 will be published in the forthcoming 2024 edition of the Global Insurance Market Trends report.

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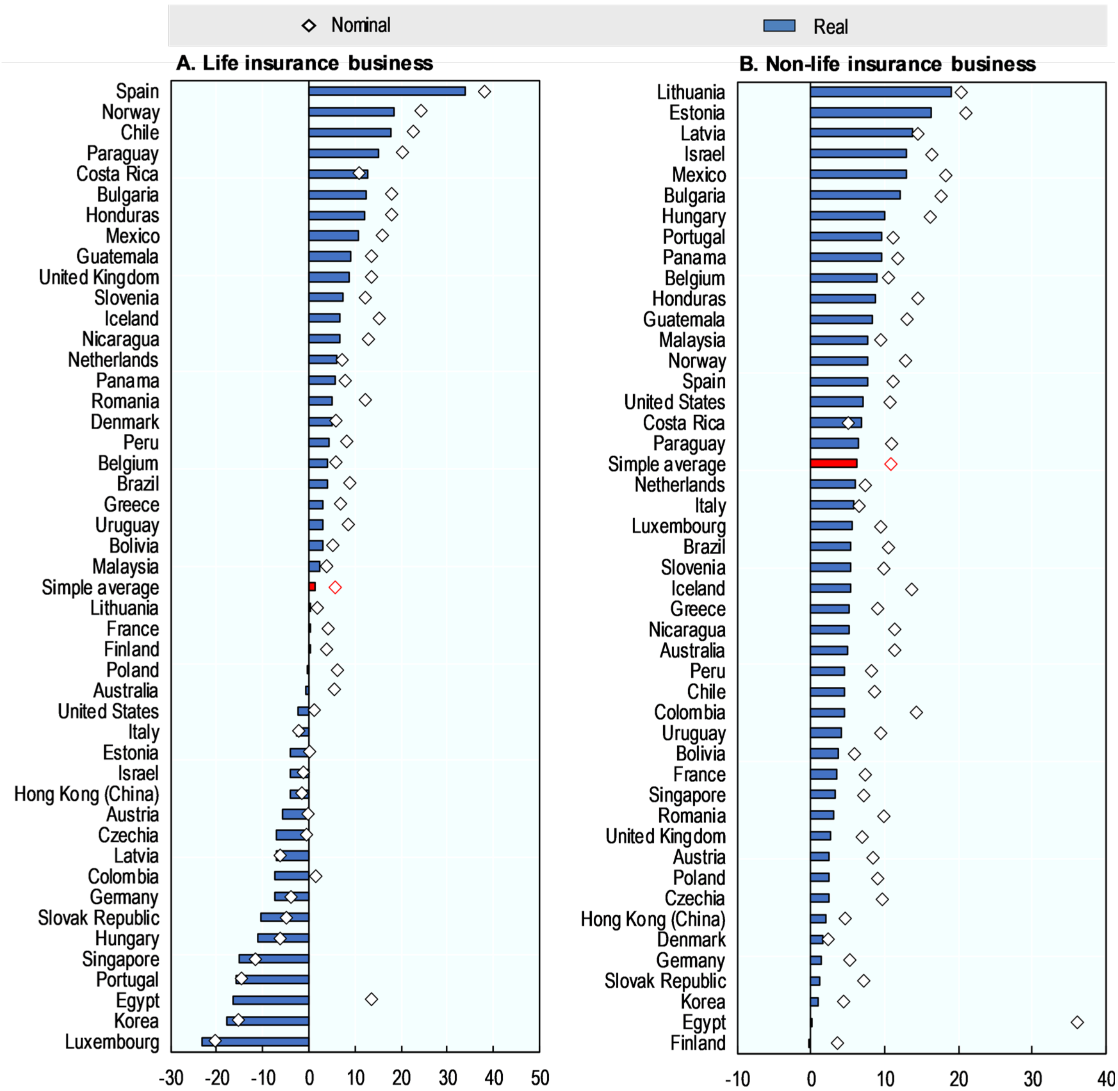
Premiums grew in the non-life insurance sector in all jurisdictions, unlike in the life sector

Like in 2022, non-life insurance business grew faster than life insurance in 2023. Preliminary data for 2023 shows that the growth in gross premiums written was higher in the non-life insurance sector (10.9% in nominal terms) than in the life insurance sector (5.6%) on average among reporting jurisdictions (Figure 1). Real growth rates of premiums remained positive both in the life and non-life insurance sectors (at 1.2% and 6.2% respectively). Gross premiums written increased in all reporting jurisdictions in nominal terms in the non-life insurance sector and in nearly all in real terms. By contrast, in the life sector, gross premiums written increased in 70% of the reporting jurisdictions in nominal terms, and just below 60% in real terms.

Figure 1. Annual growth rates of direct gross premiums written by domestic insurance companies by sector, 2023 (preliminary)

In per cent



Notes: See the end of this factsheet for methodological notes.
Source: OECD Global Insurance Statistics.

Trends in the life insurance sector varied across jurisdictions and types of policies. Recent increases in interest rates have made annuity products and other guaranteed life investment products more attractive, as customers can expect higher income from these products. For example, the sales of annuity products soared in the United

Kingdom and the United States in 2023.[1] Belgium, Poland and Portugal also recorded an increase in premiums written for life insurance contracts offering a guaranteed rate.[2] By contrast, interest for unit-linked products - where policy holders bear investment risks - differed across jurisdictions, with some recording an increase in premiums (e.g. Bulgaria, Estonia, Greece, Lithuania, Romania) and others a decline (e.g. Poland, Portugal, Slovak Republic). Premiums for individual life insurance declined in the United States.[3]

Inflation and the rise in the cost of claims drove up the price of non-life insurance policies in 2023. The increase in inflation in 2021-2022 led to higher claim costs due to higher costs of materials for repairs (e.g. car) and costs of repair services (reflecting higher staff costs).[4] Insurers started to pass these higher costs on to customers in 2022, and continued in 2023 (e.g. Australia, Belgium, Bulgaria, Estonia, Netherlands). The effects may be gradual as price adjustments are made at the anniversary of the policy. Insurers in Malaysia are spreading rate increases over time - with smaller but more frequent rises - to maintain policy affordability.

There was also an increase in demand for non-life insurance policies in 2023. In Chinese Taipei, for instance, this increase was the result of the economic recovery following the pandemic, with an increase in demand for travel insurance, travel agents' insurance and vehicle insurance. In Asia, Hong Kong (China) also recorded a higher demand for travel insurance in 2023. Economic growth generally supports the growth of the insurance sector as it spurs demand for insurance coverage. For example, the demand for motor vehicle insurance rose in countries where the sales of cars increased, such as in Malaysia (following promotional campaigns and the launch of new electric vehicles) and Nicaragua (after social events in 2018 - during which banks suspended vehicle financing - and the pandemic). As in the life insurance sector, trends vary across lines of business in the non-life insurance sector. For example, Mexico recorded an increase in demand for motor vehicle insurance due to a rise in car sales, but a decrease in demand for health preventive services.

Natural disasters drove larger increases in payments in the non-life insurance sector than in the life insurance sector in 2023

As with premiums, payments rose faster in the non-life insurance sector than in the life insurance sector in 2023. Insurers paid 10.8% more in 2023 than in 2022 on average among reporting jurisdictions for non-life insurance policies, compared to 5.4% for life insurance policies (Figure 2). Non-life claims payments were higher in nominal terms in 2023 than in 2022 in over 75% of the reporting jurisdictions compared to 62% for life payouts. After adjusting for inflation in 2023, payments were still higher in 2023 than in 2022 in nearly 70% of reporting jurisdictions for non-life insurance policies, but in less than half of the reporting jurisdictions for life insurance policies.

The reasons behind the rise in payouts from life insurance policies varied across jurisdictions. For example, this rise was partly due to an increase in the surrenders of policies in France, Italy, Portugal, and Chinese Taipei. In France, the rise in surrenders was caused by the rise in interest rates and cost of financing mortgages, which resulted in households prioritising their current consumption and property purchase.[5] In Chinese Taipei, the rise in interest rates also accounted for the increase in surrenders as customers sought to invest in alternative, higher yielding financial products. In Estonia, the large rise in payouts came from people terminating their unit-linked insurance contracts as a 12-year tax exemption period ended. Mortality rates can also account for developments

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[1] See ABI (United Kingdom) and sigma 2/2024: Life insurance in the higher interest rate era | Swiss Re (United States)

[2] The increase in Portugal was for non-unit linked products that only guarantee the capital.

[3] 2023 US life statutory results Individual annuity growth hits 21-year high | S&P Global Market Intelligence (spglobal.com)

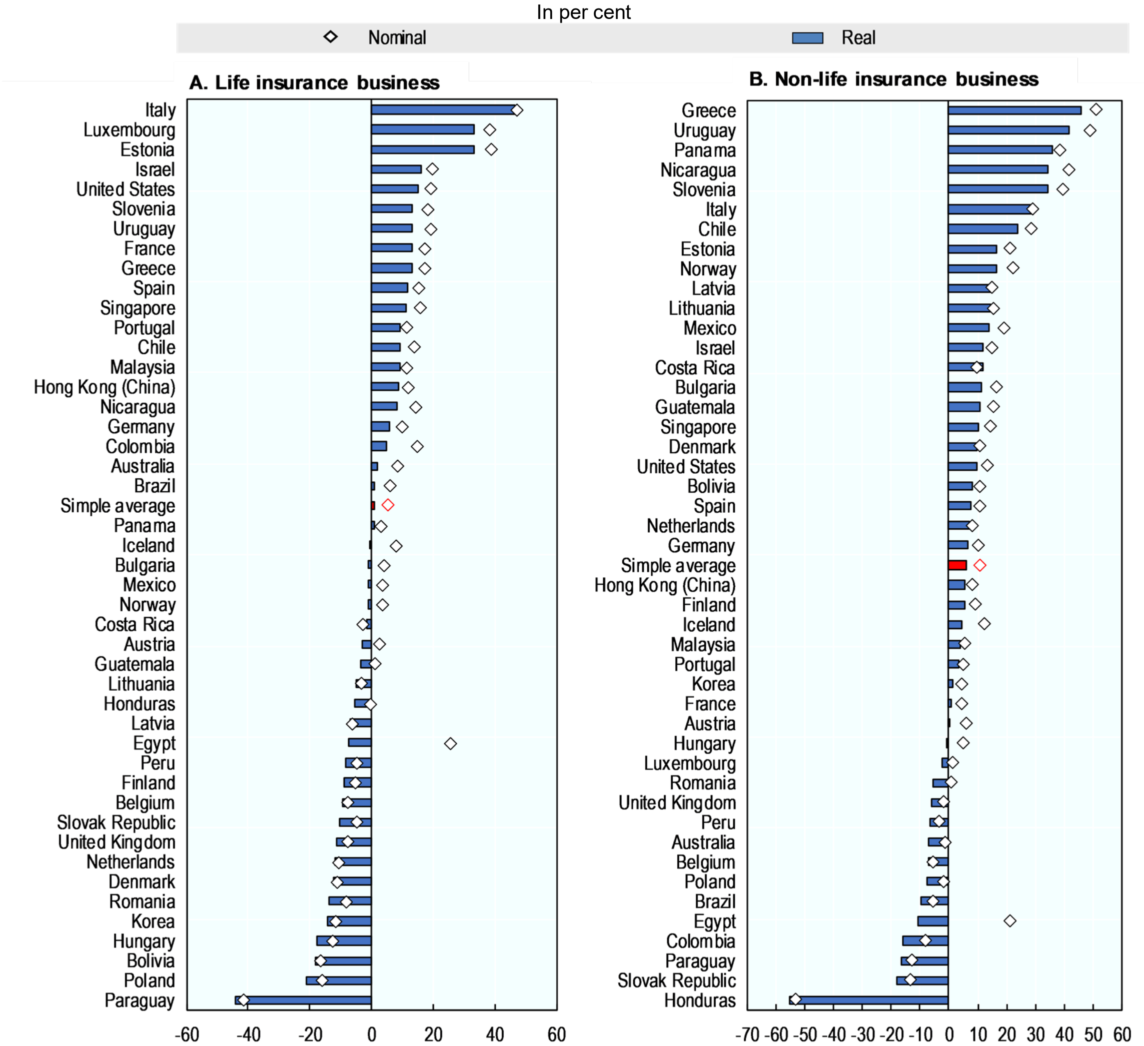
[4] See Global Insurance Market Trends 2023

[5] The life insurance market in 2023 | ACPR (banque-france.fr)

in payouts in the life insurance sector. In Israel, the attacks on 7 October resulted in an increase in life insurance claim payments.

Figure 2. Annual growth rates of direct gross claims paid by domestic insurance companies by sector, 2023 (preliminary)

In per cent



Notes: See the end of this factsheet for methodological notes.
Source: OECD Global Insurance Statistics.

In the non-life sector, natural disasters contributed to the rise in claims payments in several countries. For example, non-life claims payments soared in Greece (51% in nominal terms), Italy (29.3%) and Slovenia (39.8%) due to floods, and in Uruguay (48.8%) due to a drought. Swiss Re estimates that the number of insured natural catastrophes reached a new record in 2023, although these catastrophes generated lower economic losses overall in 2023 than in 2022.[6] Insurers in some jurisdictions experienced a return to lower claim payments after finalising payments for past events, such as in Honduras (-52.9%) following the last payments in 2022 for a major claim occurring in November 2020 (due to storm Eta and Iota).

Inflation also continued to play a role in the rise in non-life claims payments. For example, the higher cost of material and staff costs led to higher claims payments in motor vehicle insurance. Claims costs for health insurance also rose in some jurisdictions due to higher costs for medical services (e.g. Slovenia).

[6] New record of 142 natural catastrophes accumulates to USD 108 billion insured losses in 2023, finds Swiss Re Institute | Swiss Re

In the non-life sector, the rise in the number of policies automatically led to a rise in payments. This was the case for instance in motor vehicle insurance in some jurisdictions where the increase in cars and policies for motor vehicle insurance meant that there was a higher number of accident-related claims (e.g. Nicaragua). Hong Kong (China) also noted an increase in the claim ratio (claims over premiums) following the full resumption of economic activities after COVID-19.

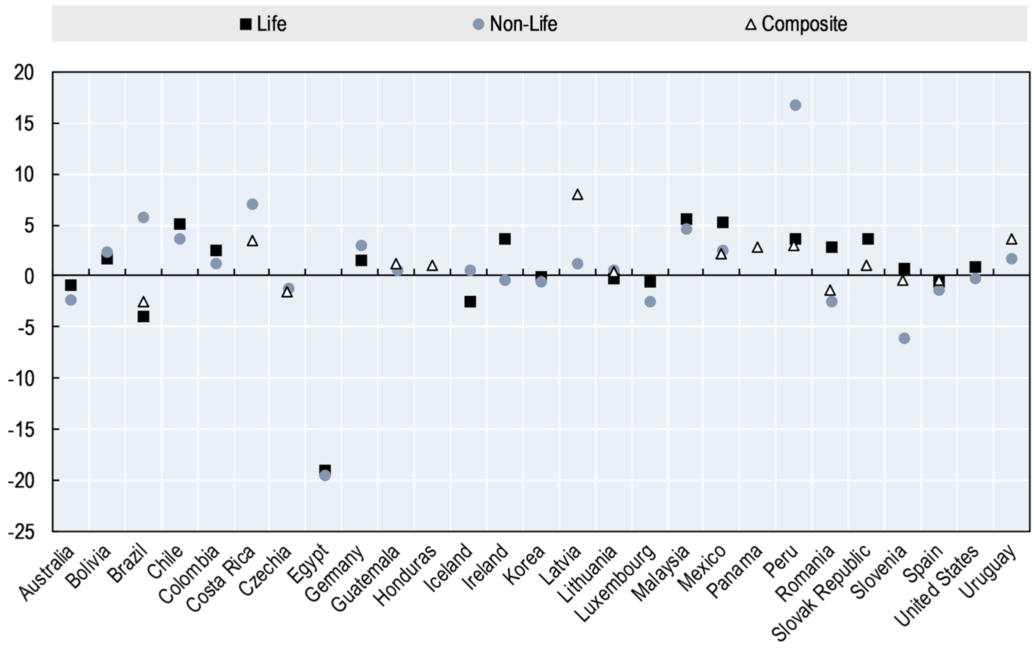
The claim ratio in the non-life sector deteriorated in around half of the reporting jurisdictions. Claims payments grew faster than premiums in the non-life insurance sector in these jurisdictions, negatively affecting the underwriting performance of insurers.

Positive investment performance for insurers in 2023

Unlike in 2022, insurers achieved a positive investment performance, affecting their profitability positively in 2023. Insurers achieved positive investment rates of return in nominal terms in nearly all reporting jurisdictions. These investment rates of return even exceeded inflation in 12 out of 20 reporting jurisdictions for life insurers, 14 out of 24 jurisdictions for non-life insurers, and 10 out of 15 jurisdictions for composite insurers (Figure 3).

Figure 3. Average annual real net investment return by type of domestic insurer in 2023 (preliminary)

In per cent



Notes: See the end of this factsheet for methodological notes.
Source: OECD Global Insurance Statistics.

This improved investment performance in 2023 came mainly from positive developments in bonds and equities markets. Bond yields declined as inflation pressures were easing and investors were expecting interest rate cuts.[7] Equity valuations improved (+20% for the MSCI all-country world stock index) despite a short banking crisis in the United States and Switzerland in early 2023.[8]

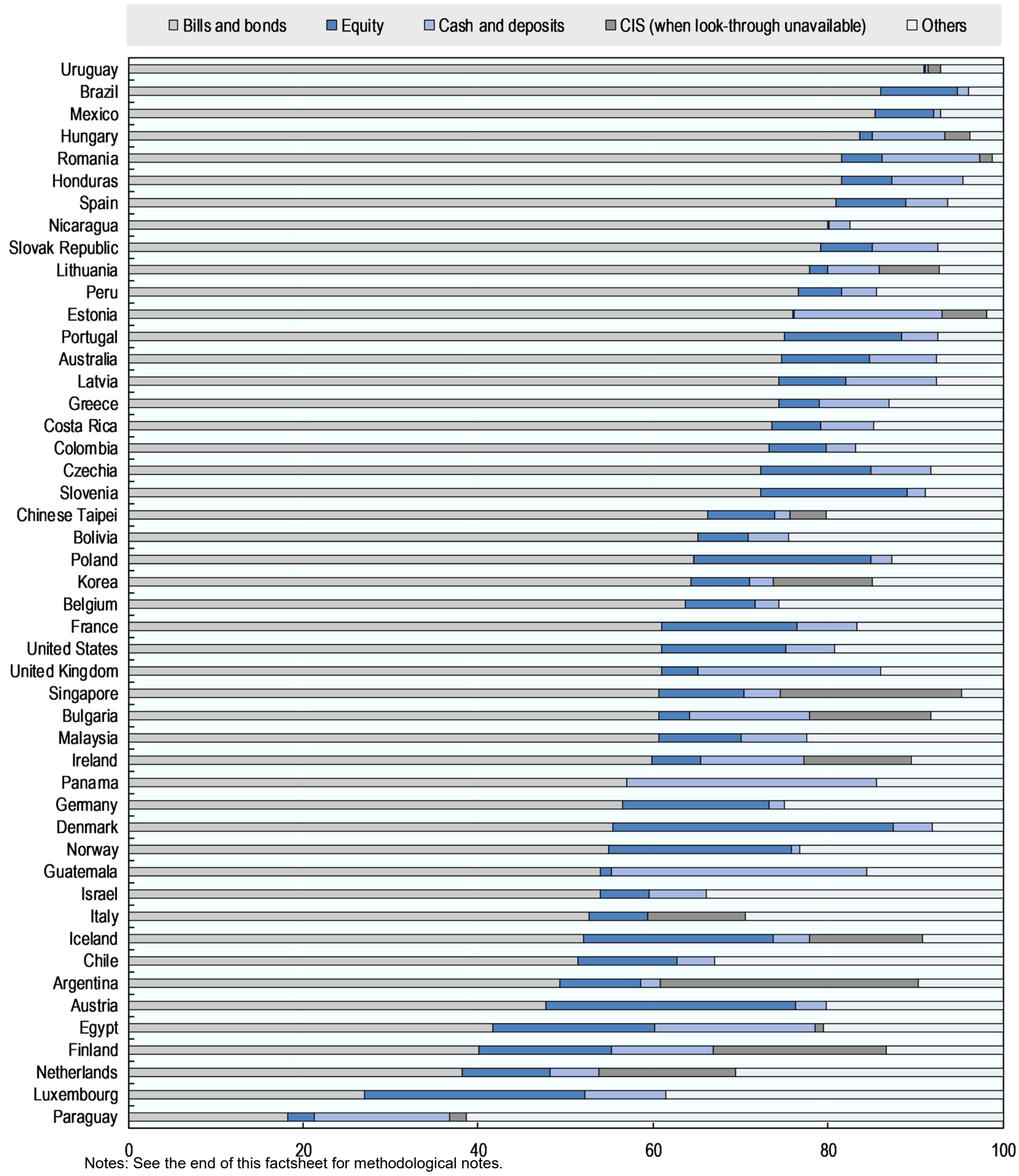
[7] OECD Economic Outlook 2024 (Issue 1)
[8] Markets in 2023: Soaring stocks and roaring bonds defy the doubters | Reuters

Valuation increases of bond holdings were the main driver of insurers' investment gains

Insurers benefitted mostly from gains on bonds which are the main asset class in their investment portfolio. Bonds accounted for nearly two thirds of investments of insurers on average among reporting jurisdictions, although the asset mix varies across jurisdictions (Figure 4), type of business (life or non-life) and horizon of the liabilities. In some jurisdictions, insurers invest a very high proportion of assets in bonds, such as in some Latin American countries (91% in Uruguay, 86% in Brazil, 85% in Mexico).

Figure 4. Asset allocation of domestic insurance companies (all sectors), 2023 (preliminary)

As a percentage of total investment



Notes: See the end of this factsheet for methodological notes.
Source: OECD Global Insurance Statistics.

Equity holdings accounted for a much smaller proportion of insurer investments than bonds (10% on average among reporting jurisdictions). Yet, insurers in some jurisdictions had significant equity holdings, in particular in Denmark (32%), Austria (29%) and Luxembourg (25%).

The full version of the 2024 edition of Global Insurance Market Trends will examine the asset allocation of insurers in 2023 in more detail.

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 forthcoming 2024 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, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, the United Kingdom and the United States;
- ASSAL (non-OECD) Members: Argentina, Bolivia, Brazil, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay;
- Other jurisdictions: Bulgaria, Egypt, Hong Kong (China), Malaysia, Romania, Singapore, Chinese Taipei.

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

Data for Hong Kong (China) include branches and agencies of foreign undertakings. Data for Korea include reinsurers. Data for Lithuania include business abroad. Data on the asset allocation and investment performance of insurers in Romania do not cover one large non-life insurer that had its operating license withdrawn in Q1 2023.

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.

The implementation of IFRS 17 affected some of the trends in 2023 (e.g. Bulgaria, Portugal), which the forthcoming 2024 edition of the full *Global Insurance Market Trends* report will explore in more detail.

Figure 1*:* Growth rates are calculated over the period Dec 2022 – Dec 2023 except for Australia, Egypt and Paraguay (June 2022 – June 2023). Results are not shown for Argentina and Chinese Taipei where only the nominal growth rates are available. Gross premiums written increased in nominal terms by 99.8% in the life segment and 114% in the non-life segment in Argentina (between June 2022 and June 2023). Gross premiums written declined by 6% in the life sector and increased by 10.6% in the non-life sector in nominal terms in Chinese Taipei.

Figure 2*:* Growth rates are calculated over the period Dec 2022 – Dec 2023 except for Australia, Egypt and Paraguay (June 2022 – June 2023). Results are not shown for Argentina and Chinese Taipei where only the nominal growth rates are available. Gross claims paid increased in nominal terms by 60% in the life segment and 118.5% in the non-life segment in Argentina (between June 2022 and June 2023). Gross claims paid increased by 10.6% in the life sector but declined by 36.4% in the non-life sector in Chinese Taipei. Data for Greece refer to growth rates of claims incurred.

Figure 3*:* The average investment rates of return are calculated over the period Dec 2022 – Dec 2023 for all jurisdictions, except Australia, Argentina and Egypt (June 2022 – June 2023). These rates include realised and unrealised (but recognised) gains and losses plus income, after subtracting any investment management costs. The 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 95.4%, 88.1% and 86% nominal investment rate of return respectively (real returns not available). In Chinese Taipei, life and non-life insurers both achieved a 3% and 2.9% nominal investment rate of return respectively (real returns not available).

Figure 4*:* Data refer to end-2023 for all jurisdictions, except Argentina and Paraguay (end-June 2023). 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.