Pivoting to Thrive, Insurance Trends 2020

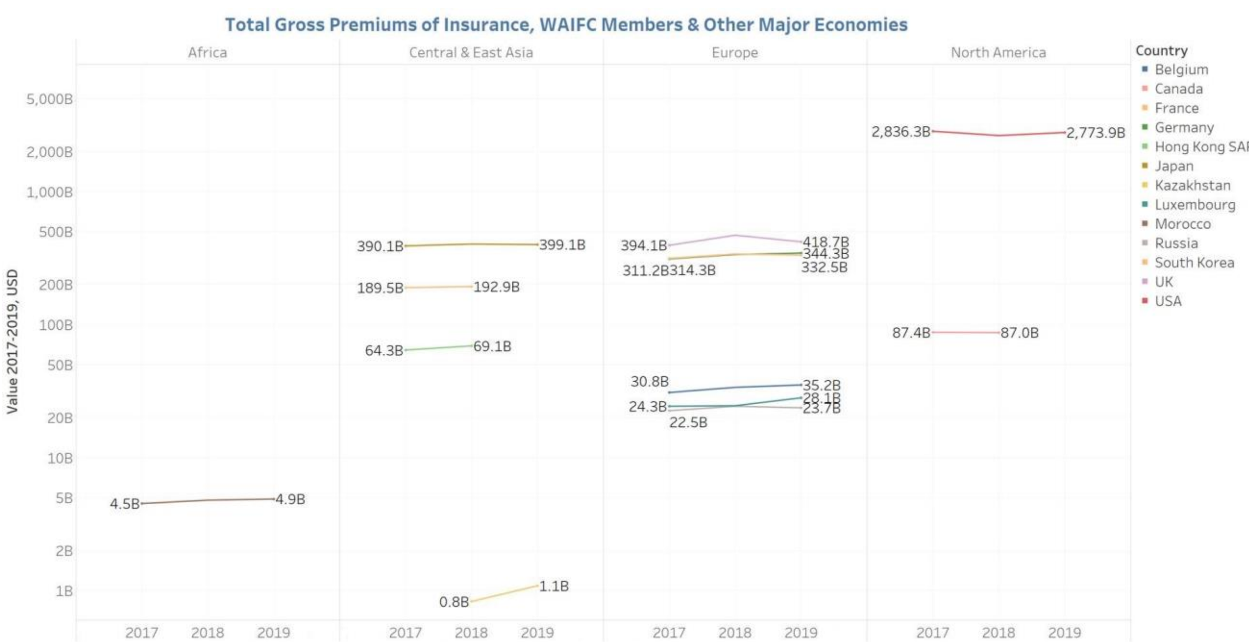
Brief Outlook on Global Financial Center Development in 2021

Key Messages

- Premiums were still on the rise, especially in the non-life insurance sector in 2019. However, it is expected to shrink 3.8 percent globally as economic activity slows in the aftermath of the pandemic.
- Multiple experts pointed out the key for the insurance sector moving from resilient recovery to reinvention in 2021 is to accelerate digitalization and integrate ESG strategies.

When the clock struck midnight on the last day of 2019, there were usual celebrations that accompany the arrival of a new year. Despite having started 2020 on a solid footing – 2019 premiums growth was the strongest in the last four years – it now looks to a somber year ahead. The Covid-19 pandemic's implications for global insurance markets have largely been felt through asset risks, volatility in capital markets, and weaker premium growth prospects.

According to data from OECD Insurance Indicators, total gross premiums written rose in 2019 for most countries, especially in the non-life sector, continuing the global growth observed in recent years.



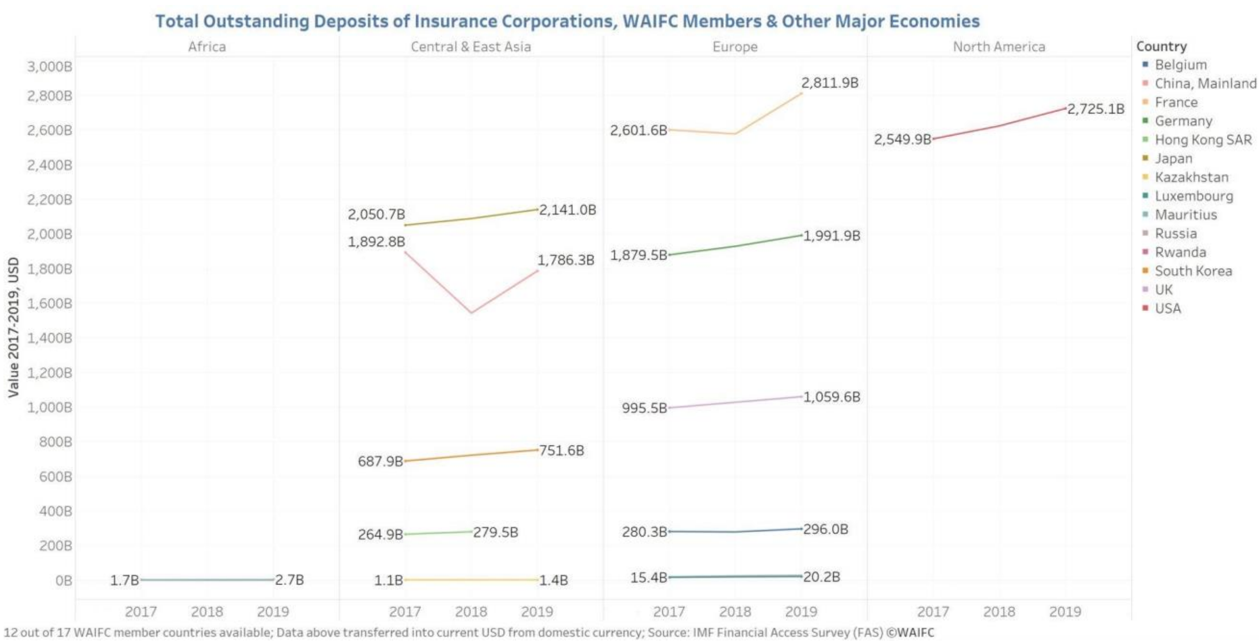
12 out of 17 WAIFC member countries available; Source: OECD Insurance Indicators, ACAPS, National Bank of Kazakhstan ©WAIFC

Our database team performed research on the newest available data for our members beyond the OECD database. According to the Insurance Bureau of Canada, private Canadian insurers wrote $65.3 billion in direct written premiums ($55.8 billion in net written premiums) for insurance on consumer's homes, cars, and businesses in 2019.

According to the Central Bank of U.A.E, premiums realized by the 30 listed insurers went from $6.45 billion in 2019 to $6.60 billion as of 31 December 2020. According to ACAPS, the Moroccan insurance industry has kept thriving last years. The premiums recorded in 2019 are $4.87 billion and $5.07 billion in 2020.

The insurance sector in Rwanda is still small but fast-growing relative to the overall financial sector in the country and the insurance sector in other East African countries (EACs). The market size, in terms of gross written premiums, in 2017 stood at $143 million.

The growth of demand for insurance products, the evolution of the price of insurance policies, and the reorganization of the insurance industry were the three possible reasons for premium growth up to 2019, according to Insurance Market Report 2020 by OECD. However, the newest predicted data by Allianz Global Insurance Report is concerning. Premiums income is expected to shrink 3.8 percent globally as economic activity slows in the aftermath of the coronavirus pandemic.



Another important data category selected by WAIFC experts from different members is Outstanding Deposit of Insurance Corporations (Outstanding Technical Reserves). According to the IMF Financial Access Survey, data from 12 out of 17 WAIFC member countries were presented in the graph above. The value continues rising between 2017 to 2019 in most countries.

Multiple experts pointed out that for the insurance industry to survive, its future must be digital and sustainable. According to the World Bank Report, premiums generated by digital insurances are expected to exceed $556 billion by 2025, compared to $250 billion in 2020.

The use of new technologies strengthens the relationship with customers and improves revenues in the sector. There is much potential still to be tapped in developing countries. Hit by and recovered first from Covid-19, Asia may be expected to lead the growth in the coming years with higher risk awareness and pent-up demand for social protection. Fast development and a growing middle class, coupled with relatively low insurance density, make them lucrative markets. Adding to their attractiveness is the fact that those markets are also frontrunners in the application of Artificial Intelligence (AI) and data analytics.

While players in emerging markets specialize in digitalization, peers from Europe are ahead with ESG. According to the economists, ESG affects not just the asset side of an insurer's balance sheet but increasingly also the liability side. Incorporated in risk evaluation, it is becoming a decider for customers, suppliers, employees, regulators, and other stakeholders.

Looking ahead to 2021, moving from resilience to reinvention will help the industry succeed in uncertain times. How insurers respond not just to the pandemic's impact but to longer-term shifts in technology, the economy, and consumer preferences will be critical. Indeed, generating continuous innovation in insurance policies, sales strategies, operations, and customer experience could turn out to be the biggest differentiator in 2021 and beyond.

*About **WAIFC Financial Center Database**: The database project consolidates a broad set of indicators covering all aspects of international financial center development, such as the financial sector, business environment and reputation, city infrastructure, human capital, and quality of life. It enables WAIFC and its members to follow the most important developments in the financial industry at a global level. It also serves as a data source for WAIFC publications and social media. Our **WAIFC Financial Center Database Expert Group**, consisting of representatives of our members, steers the further development of the database and decides every quarter on the inclusion of new indicators.*

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