McKinsey & Company

Insurance Practice

Global Insurance Pools statistics and trends: An overview of life, P&C, and health insurance

Our latest analysis of McKinsey's Global Insurance Pools database offers a detailed look at the insurance industry by region and line of business.

April 2021

Global Insurance Pools statistics and trends: An overview of life, P&C, and health insurance

Our latest analysis of McKinsey's Global Insurance Pools database offers a detailed look at the insurance industry by region and line of business.

by Stephan Binder, Philipp Klais, and Jörg Mußhoff

Foreword

We are pleased to present *Global Insurance Pools statistics and trends: An overview of life, P&C, and health insurance*, the ninth edition of McKinsey's in-depth analysis of the global insurance industry based on our proprietary Global Insurance Pools (GIP) database. We hope this report will interest people who make decisions about allocating resources globally and people looking to deepen their understanding of the drivers of insurance growth and profitability in all regions.

In the chapters that follow, we illustrate the statistics and trends of the global insurance industry, with chapters dedicated to life insurance and nonlife (health and P&C) insurance, as well as insurance distribution. The global insurance industry still offers tremendous opportunities for players that are quick to understand the growth pockets and react accordingly. We also dive into the regional distribution trends in life and P&C insurance, the evolution of direct distribution in Europe, player-level performance in direct motor, the growth in aggregator revenues, the consumer journey in North America, and the evolution of the broker channel. Please note that the reports, for the most part, consider 2019 the most consistently reported recent year due to reporting delays in some geographies and to ensure consistency.

We hope you find this report useful and thought provoking. Please contact us if you would like to discuss any of the topics it raises.

Stephan Binder
Senior partner, Zurich

Philipp Klais
Associate partner, Munich

Jörg Mußhoff
Senior partner, Berlin

The authors wish to thank the Global Insurance Pools team as well as Simon Behm, Pierre-Ignace Bernard, Sylvain Johansson, Simon Kaesler, Diego Mattone, Brad Mendelson, and Shannon Varney for their contributions to this report.

Contents

Executive summary

The ninth edition of McKinsey's Global Insurance Pools database offers a detailed look at the insurance industry by region and line of business.

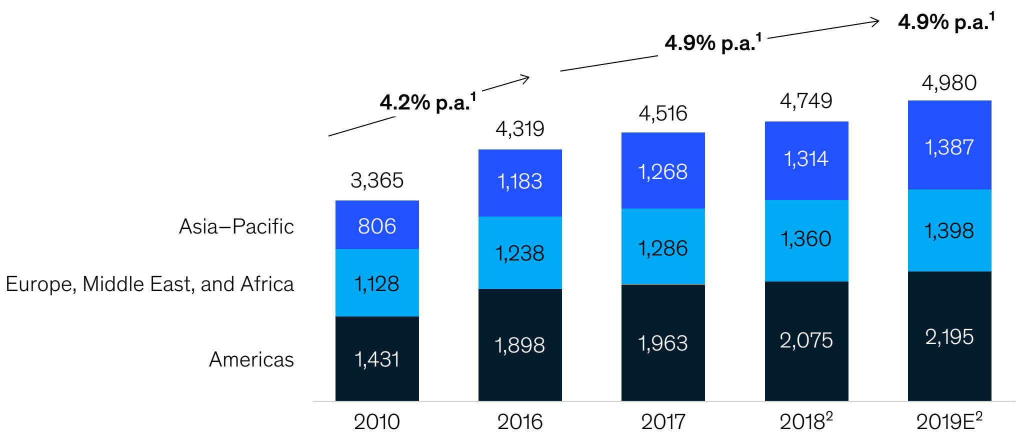
Overall, the global insurance industry witnessed moderate growth of 4.9 percent in 2019 over 2018, a slightly higher level than its CAGR from 2010 to 2018 of 4.4 percent, and total premiums reached €5 trillion (Exhibit 1). At the regional level, the Americas had the highest premium growth rate of 6 percent from 2018 to 2019, followed by Asia–Pacific (APAC) with nearly 6 percent as well. Europe, the Middle East, and Africa (EMEA) recorded 3 percent growth.

North America and developing APAC contributed 42 and 27 percent, respectively, of the growth in total insurance premiums from 2010 to 2019 (Exhibit 2).

Exhibit 1

The global insurance industry, driven by life and P&C, witnessed moderate growth in 2019.

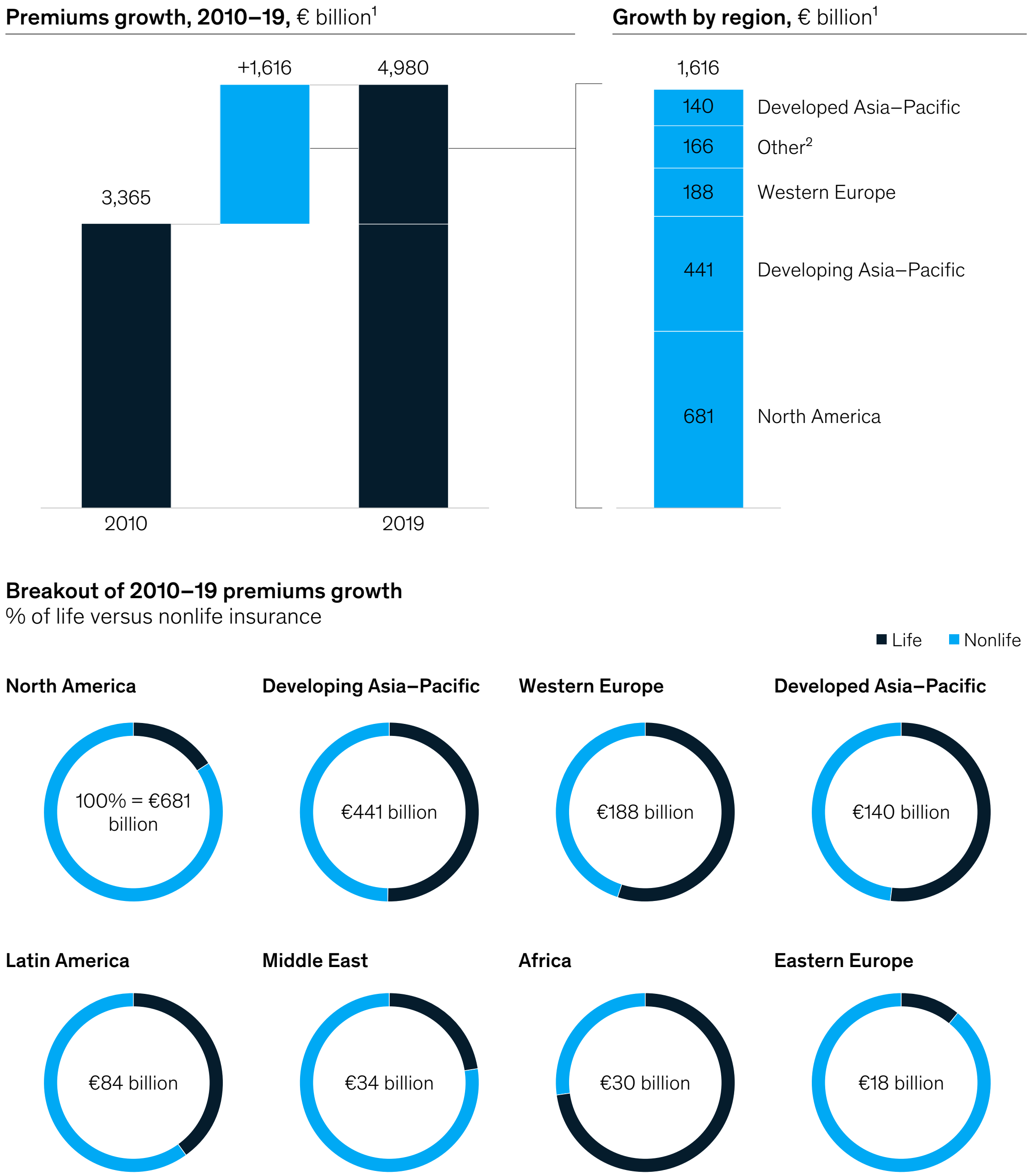
Total insurance premiums, € billion



Note: Figures may not sum, because of rounding.
[1]Per annum.
[2]2018 average fixed exchange rate used; 2019 figures estimated based on full-year/H1/Q3 reporting.
Source: McKinsey Global Insurance Pools

Exhibit 2

North America and developing Asia–Pacific contributed about 70 percent of the total premium growth from 2010 to 2019.



Note: Figures may not sum, because of rounding.
[1] 2018 average fixed exchange rate used.
[2]Other = Latin America, 84 billion; Middle East, 34 billion; Africa, 30 billion; and Eastern Europe, 18 billion.
Source: McKinsey Global Insurance Pools

Emerging markets such as Latin America, Eastern Europe, and the Middle East recorded high profitability and premium growth from 2016 to 2019 (Exhibit 3). Meanwhile, North America was the worst-performing region by profitability, as its insurance industry struggled with severe losses due to natural catastrophes in 2017.

Growth by coverage type

At the business-segment level, preliminary reports revealed some important trends (Exhibit 4).

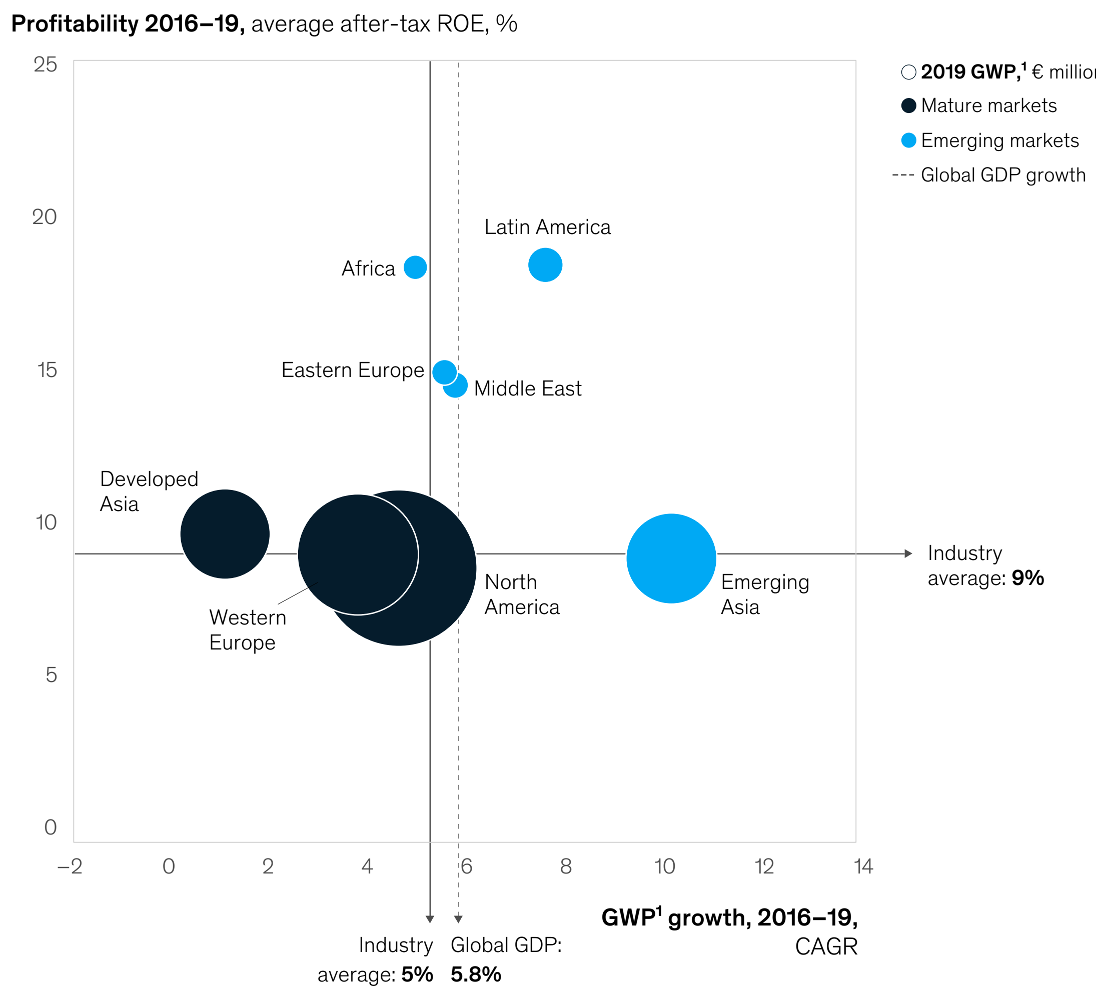
Life insurance

Life insurance accounted for 45 percent of global premiums in 2019, with 4.4 percent growth from 2018 to 2019—consistent with growth in recent years. However, the regions leading that growth have shifted in recent years. Developing economies in APAC saw the fastest premium growth in the world, at 10 percent in 2019. These countries had recorded 19 percent growth in 2017 but fell stagnant in 2018 largely due to trends in China, including a regulatory push toward core protection products, a slowdown in the expansion of the tied-agent

Exhibit 3

Developing Asia–Pacific and Latin America saw the largest GDP growth.

Profitability and expected growth distribution by region

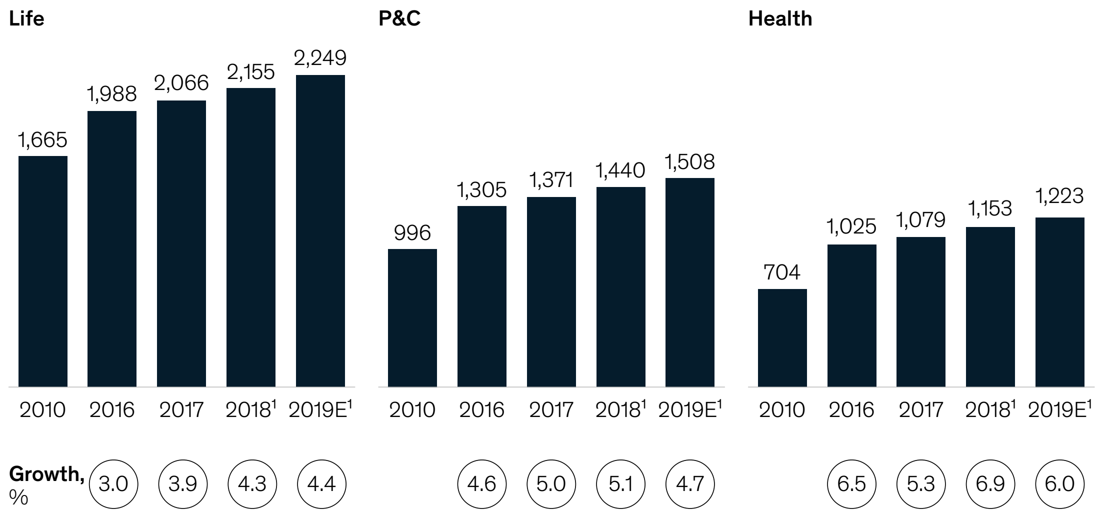


[1]Gross written premiums. 2018 average fixed exchange rate used, nominal figures used.
Source: McKinsey Global Insurance Pools

Exhibit 4

The global insurance industry, driven by life and P&C, witnessed moderate growth in 2019.

Total insurance premiums by segment, € billion



[1]2018 average fixed exchange rate used; 2019 figures estimated based on full-year/H1/Q3 reporting.
Source: McKinsey Global Insurance Pools

distribution channel, and a relatively challenging year for the economy overall.

A look at the global life product mix reveals that annuity products, which have consistently accounted for around 30 percent of life insurance products, continue to capture the plurality of the product mix, and premiums grew by 2.7 percent in 2019 compared with 2018. Notably, the growth in Latin America for annuity products is offsetting the trajectory in regions such as developed Asia and North America, which have stagnated or declined in recent years. Annuities are followed by group products, then endowment and unit-linked products, with term life rounding out the final 9 percent of the product mix. All product lines saw gains from 2018 to 2019.

Overall, life insurance profitability in most regions declined in recent years, driven by slight declines in many major markets. In the United Kingdom, for instance, insurers have recently been favoring products that are less capital intensive—but that are also less profitable. Profitability also took a hit due to increases in claims, particularly driven by pension claims.

Property-and-casualty insurance

Property-and-casualty (P&C) insurance grew by 4.7 percent from 2018 to 2019 while increasing its market share to 31 percent of global premiums. The mature markets—North America, Western Europe, and developed APAC—contributed 61 percent to the absolute growth in P&C premiums in this time frame. The emerging markets of Latin America, developing APAC, and Africa registered the fastest growth rates of 13 percent, 9 percent, and 8 percent, respectively.

The largest contributor to the absolute growth in P&C premiums from 2018 to 2019 was the United States (38 percent), primarily driven by growth in motor insurance premiums. China contributed 20 percent of the absolute growth.

Accounting for 45 percent of global P&C premiums in 2019, motor insurance continued to drive the overall growth in the P&C industry. However, growth in this product line slowed down from the

6 percent CAGR registered from 2013 to 2018 to 4 percent from 2018 to 2019. Meanwhile, every other P&C product line saw higher growth in 2018–19 compared with 2013–18.

Global underwriting profitability reached 99 percent in 2017—a year that saw claims payouts reach a historic high due to the occurrences of natural catastrophes around the world, particularly in the United States. The net combined ratio improved slightly to 96 percent in 2018 and 97 percent in 2019.

Health insurance
Health insurance continued to be the fastest-growing segment: it achieved 6.9 and 6.0 percent growth in 2018 and 2019, respectively, and made up about 25.0 percent of global insurance premiums in 2019. Top-performing regions by way of contribution to the €69 billion absolute growth in total health premiums in 2019 were North America, at 63 percent, and developing APAC, at 22 percent. North America is the largest private health market by premium volume and has been consistently driving the global growth of health premiums, with growth of 5 percent in 2019. The developed markets in Western Europe and developed APAC grew at 4 percent in 2019.

The global health insurance market's average combined ratio remained steady at around 98 percent from 2015 to 2019. Net claims ratios in most Western European nations, including France, Germany, Italy, Spain, and the United Kingdom, remained stable in the range of 70 to 85 percent from 2015 to 2019. The net claims ratio for the United States was also stable at 86 percent in that period. Overall, the expense ratio for most countries has remained stable over the past few years. The United States and Western European nations recorded some of the lowest net expense ratios from 2015 to 2019—notably 13 percent in the United States.

Changes in distribution

While insurance distribution trends differ by region and by product, the industry has traditionally been dominated by an in-person sales force of agents and brokers. However, the direct sales channel has seen strong growth in recent years—and in some geographies, direct players are outperforming the market. Insurtechs are also increasingly prevalent, particularly in marketing and distribution.

In life insurance, global distribution from 2013 to 2018 (the latest year for which data are available) was led by agents and banks, with bancassurance and brokers maintaining somewhat smaller but still significant shares. While the split remained generally stable, agents and branches saw a slight increase in percentage of premiums, at the expense of the other major channels. The penetration of direct channels—which, in addition to telephone and internet sales, include premiums generated at insurance company head offices (but not through brokers or agents)—remained limited at 6 to 7 percent of insurance premiums.

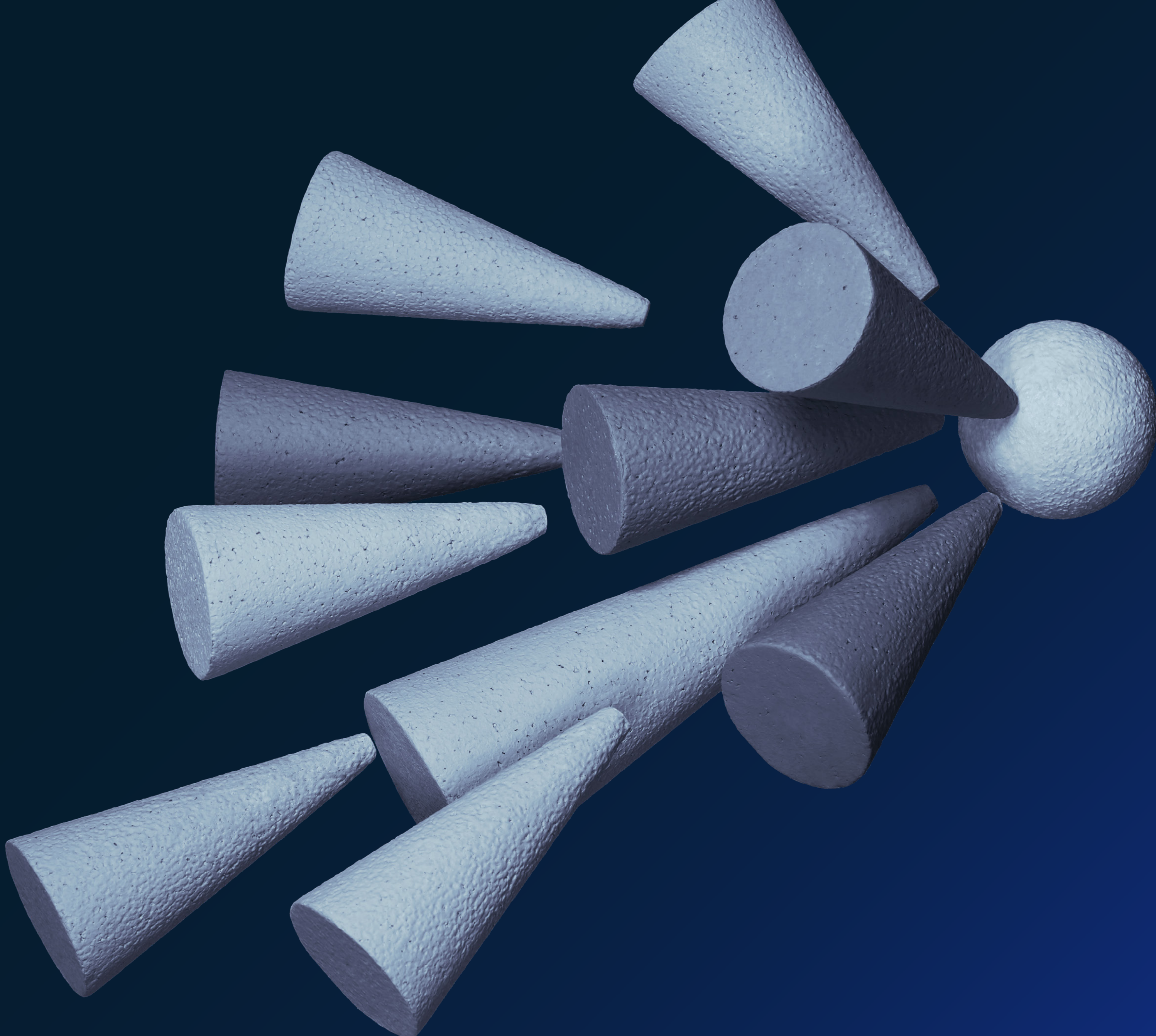
In P&C, the direct channel saw slightly more penetration at 10 to 11 percent during the same period. However, brokers continued to dominate global P&C distribution—and their share grew in that period, at the expense of agents and branches. Bancassurance played a minor role with just 2 percent of P&C insurance distribution over that period.

The impact of COVID-19 is expected to be most severe on life insurance compared with other lines of businesses. The industry is expected to recover back to 2019 levels by 2022 or 2023. Primary reasons for this more sluggish recovery compared with other lines of business include the industry's savings-oriented product mix, varying impact on personal versus commercial, and lockdown-induced underwriting and distribution challenges.

The pandemic is expected to have a near-term negative impact on P&C premiums in both mature and emerging markets, particularly in 2020 and 2021. In commercial lines, this premium decline will likely be offset to an extent by market hardening and an associated rise in premium rates. In personal lines, the economic hardship faced by consumers due to rising unemployment and decreasing disposable income would translate to a slight shift toward purely mandatory insurance products or a reduced coverage in existing policies. The biggest impact on premiums is expected to be in motor insurance, with lockdowns and containment measures severely restricting mobility and causing a drop in new car sales and fleet sizes. Travel and trade restrictions have also affected products such as marine, aviation, and transport (MAT), travel insurance, and other specialty lines.

Meanwhile, demand for private health insurance is likely to see an uptick from 2020 onward, particularly in geographies where the product is not compulsory, such as India. This demand would still be partially tempered by uncertainty around employment and constrained personal finances.

Finally, the COVID-19 crisis is expected to impact distribution in both the short and long term. In the short term, the impact of lockdowns will differ among distribution channels. While physical distribution—for example, agents and brokers—is severely affected, digital distribution is significantly less affected. In the longer term, the industry is expected to embrace the digital mode of distribution, and this pandemic may also sensitize the customers toward direct or online channels and increase their share of the overall distribution space.



2020 Global Insurance Pools statistics and trends: Life insurance

The latest market research on the life insurance sector offers new data on performance by region and product line.

Our latest analysis of McKinsey's Global Insurance Pools database offers detailed statistics and trends on the insurance industry. Overall, the global industry grew by 5.0 percent in 2019 over 2018, a slightly higher level than its CAGR from 2010 to 2018 of 4.4 percent, and total premiums reached €5 trillion.

This report, one in a three-part series, provides analyses and insights on life insurance, with an in-depth look by region and product line. Overall, life insurance accounted for 45 percent of global premiums in 2019, with 4 percent growth from 2018 to 2019, consistent with previous recent years.

Growth by region

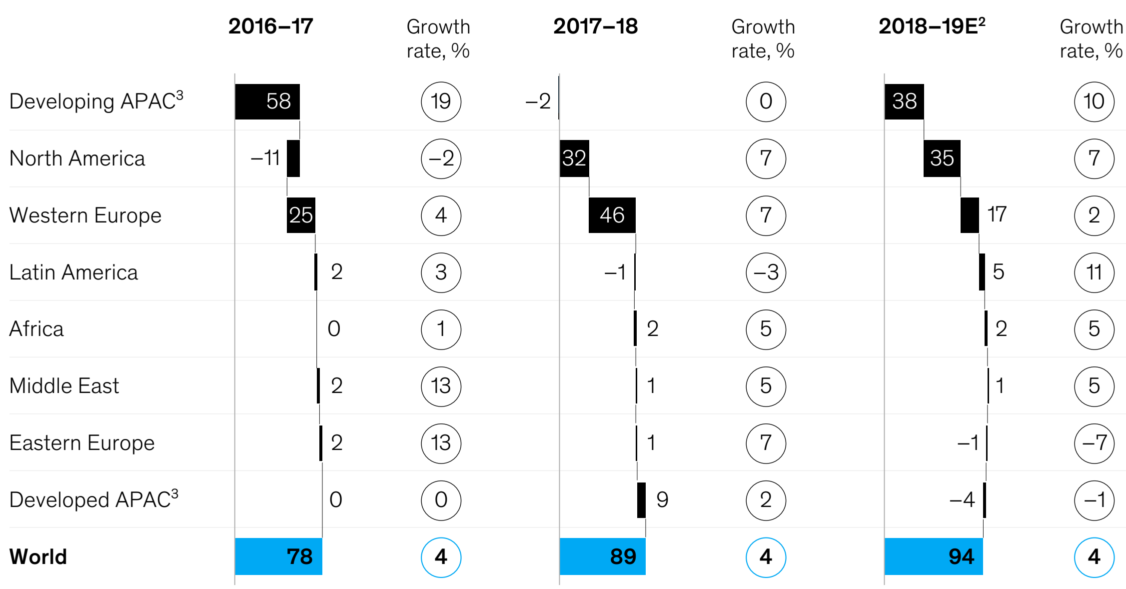
Global life insurance gross premiums increased at a stable 4 percent in 2019, keeping in line with the trend in 2017 and 2018. However, the regions leading that growth have shifted in recent years (Exhibit 1).

Developing economies in APAC saw the fastest premium growth in the world, at 10 percent in 2019. These countries had recorded 19 percent growth in 2017 but fell stagnant in 2018 largely due to trends in China, including a regulatory push toward core protection products, a slowdown in the expansion of

Exhibit 1

After stagnant growth, led by China, developing Asia–Pacific countries grew by 10 percent in 2019.

Life GDDWP[1] absolute growth, € billion



Note: 2018 fixed exchange rate used throughout the years.
[1]Gross direct domestic written premiums.
[2]2019 figures estimated based on full year/H1/Q3 reporting.
[3]Asia–Pacific.

the tied-agent distribution channel, and a relatively challenging year for the economy overall.

After a decline in 2017, North America rebounded with consistent, robust premium growth of 7 percent in both 2018 and 2019. In fact, the United States had the largest absolute growth in gross premiums of all countries in 2019 and the second largest in 2018 (after the United Kingdom). In 2018, US growth was fueled by an increase in premiums of variable annuities, from $181 billion in 2017 to $208 billion in 2018. These 2018 gains were largely caused by stabilization after the initial disruption due to the overturned US Department of Labor fiduciary rule[1] and the impact of large 2017 reinsurance transactions impacting 2018. In 2019, US growth was driven by increasing demand for individual life insurance products, especially single premium products, partly due to increasing whole life dividends. Certain life insurance products, such as universal life, also saw strong sales in 2019 as their popularity rose thanks to flexibility in premiums and tax advantages.

In 2018, premium growth in three of the largest markets in Western Europe—the United Kingdom, France, and Italy—contributed to region-wide growth of 7 percent, up from 4 percent in 2017. In United Kingdom, this spike was largely attributable to a new automatic enrollment scheme for workplace pensions, which led to a dramatic increase in new business renewals. Due to the increase of the minimum contribution required in 2018, single premiums declined in 2019, causing the new business premiums to fall by half.

Latin America saw gross premium growth of around 11 percent in 2019, a significant gain from its approximate 3 percent decrease in 2018. This positive trajectory can be attributed to the reversal of trends in Mexico, where gross direct domestic written premiums for life insurance products increased by approximately 10 percent in 2019 despite the cancellation of the federal workers' group policy.

Though the life insurance markets in Africa and the Middle East are still relatively nascent, they benefited from stable gains in recent years. In South Africa, Africa's largest market, the life insurance industry saw growth of around 8 percent in 2018, followed by 4 percent growth in 2019. The growth has been relatively consistent (barring 2017) since new regulations were implemented in 2015 to increase savings rates, making these products more attractive. The growth in Morocco, the continent's second-largest market, is naturally in line with the GDP growth.

Developed APAC, which has seen modest growth in the past few years, saw a slight decline of –1 percent growth in 2019. This was fueled by declining growth rates in major markets such as South Korea and Australia in recent years (–6 percent and –9 percent, respectively, in 2019). These declines can be attributed to challenging

[1] The Department of Labor ruling raised investment-advice standards in retirement accounts such as 401(k)s and individual retirement accounts (IRAs). Low crediting rates decreased sales of deferred annuities and immediate annuities.

Certain life insurance products, such as universal life, saw strong sales in 2019 as their popularity rose thanks to flexibility in premiums and tax advantages.

regulatory environments and changes in customers' perception of the value brought by life insurance. For South Korea, one of the largest markets globally and in developed Asia, the main reason for the decline is the unwillingness of insurers to sell savings products due to the IFRS17 regulation, which was to be adopted by 2021 (now postponed to 2023). Readiness for the regulatory change requires additional capital injection for savings products. The volatile stock market situation has also led to a decrease in unit-linked products.

The biggest change in 2019 was the –7 percent premium growth in Eastern Europe, reversing the region's recent trend of growth. The decline was led by Russia, where premiums dropped by around 10 percent in 2019 due to the introduction of new regulatory standards in the sale of life insurance policies, mainly unit-linked ones, along with a slowdown of the retail lending market.

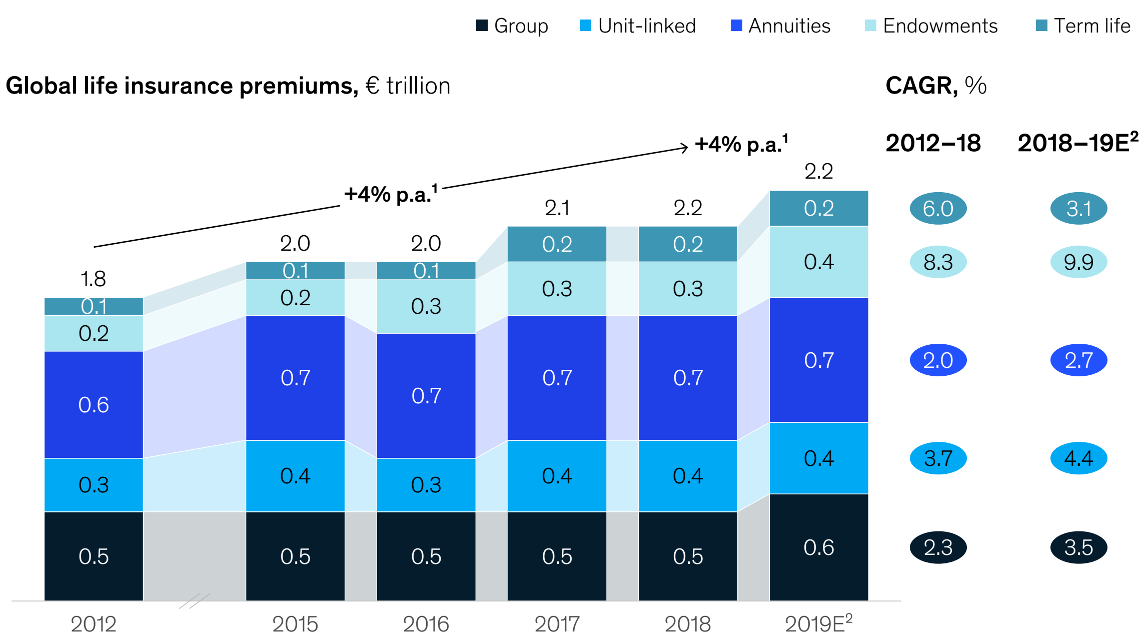
Overall, emerging regions have established a track record for growth (Exhibit 2). In developing APAC, China and India lead the way, while Latin America's prospects continue to be shaped by Brazil in absolute premium volume. Products with historically low growth rates, such as individual endowments in developed Asia and group life in Eastern Europe, remain on the same trajectory.

Growth by product line

A look at the global product mix reveals that annuity products, which have consistently accounted for around 30 percent of life insurance products, continue to capture the plurality of the product mix, and premiums grew by 2.7 percent in 2019 compared with 2018 (Exhibit 3). Notably, the growth in Latin America for annuity products is offsetting the trajectory in regions such as developed Asia and North America, which have stagnated or declined in recent years. Annuities are followed by group

Exhibit 2

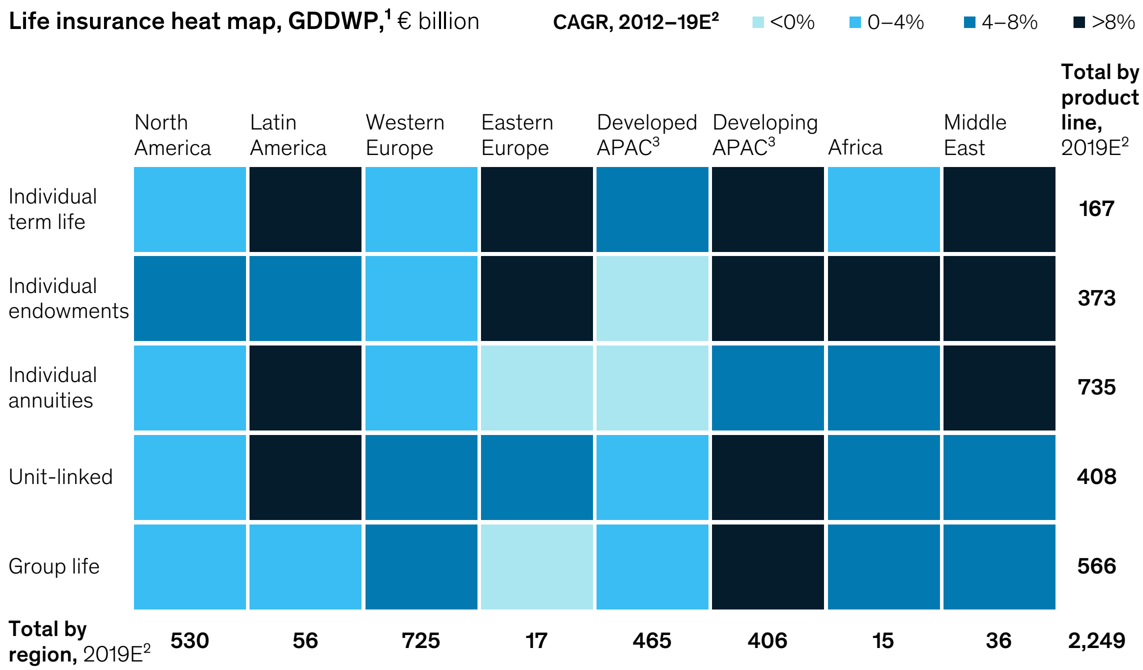
Annuities dominated the life product mix, while endowments had the most growth in recent years.



Note: 2018 fixed exchange rate used throughout the years. Figures may not sum, because of rounding.
[1]Per annum.
[2]2019 figures estimated based on full year/H1/Q3 reporting.

Exhibit 3

Individual term life and endowments saw the strongest growth between 2012 and 2019.



Note: 2018 fixed exchange rate used throughout the years.
[1]Gross direct domestic written premiums.
[2]2019 figures estimated based on full year/H1/Q3 reporting.
[3]Asia–Pacific.

products, then endowment and unit-linked products, with term life rounding out the final 9 percent of the product mix. All product lines saw gains from 2018 to 2019.

The fastest-growing products are endowment products, which increased by almost 10 percent year-over-year from 2018 to 2019. Endowment and annuity products—both of which are considered savings products—have the largest share of premiums in several geographies, including developing Asia, developed Asia, and North America. In most geographies, we expect the premium share of these products to remain stable in the next one to two years. However, in developing Asia, particularly Thailand, we expect negative premium growth for these products due to increasing popularity of unit-linked products and a reversion of premiums for more traditional products. Many insurers are also discontinuing endowment products, which often promise guarantees that are higher than the market rate of return.

In Western Europe, though endowment and annuity products command the largest share of life insurance products, group life products in 2018 and 2019 saw the highest growth rates for the region. This was mainly due to the growth of pension annuities in United Kingdom[2] and the rise of group unit-linked products in Italy.

[2] For more on Western Europe's nonpublic retirement market, see Piero Gancia, Georg Henig, Jonathan Klein, and Alessandro Valduga, "How financial institutions can help fill European retirement needs," July 29, 2020, McKinsey.com.

In 2017, growth in unit-linked products was spurred by Western Europe when the implementation of Solvency II led insurers to shift focus to products that are less capital intensive. In 2018 and 2019, however, North America led unit-linked growth thanks to the steep increase in premiums for variable annuity products.

Profitability of life insurance

Overall, profitability (as measured by ROE) in most regions declined in recent years, driven by slight declines in many major markets. In the United Kingdom, for instance, insurers have recently been favoring products that are less capital intensive—but that are also less profitable. Profitability also took a hit due to increases in claims, particularly driven by pension claims.

In the United States, the largest market by measure of premiums in 2019, profitability decreased slightly as insurer margins were squeezed by low investment returns and poor performance of legacy products.[3] Similarly, recent declines in Italy can be attributed to a low interest rate environment: insurers are forced to invest in government bonds with low interest rates, leading to a dramatic drop in returns.

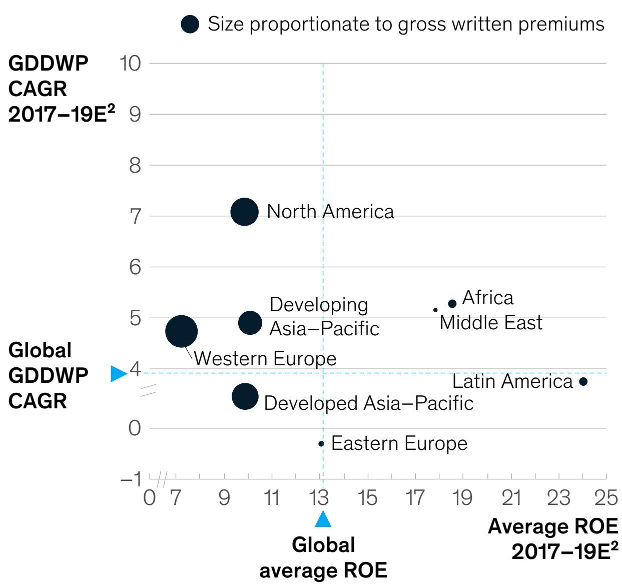
In recent years, Latin America has had the highest ROE among all regions—approximately 24 percent in 2018 and 2019 (Exhibit 4). During this time, Argentina and Brazil led the region with ROEs of 35 and 33 percent, respectively. Latin America's leadership in ROE can be attributed to two trends: first, the relative popularity of bancassurance, which commands lower commissions than brokers and thus increases profit margins;[4] and second, a low

[3] For more on how insurers can get more value out of their legacy business, see Ramnath Balasubramanian, Alexander D'Amico, Aditi Jain, Nick Milinkovich, and Karthi Purushothaman, "Maximizing the value of in-force insurance amid enduring low returns," April 20, 2020, McKinsey.com.
[4] For more on the future of bancassurance, see João Bueno, Bruno Dinis, Bernhard Kotanko, Dario Maggiora, and Rui Neves, "Bancassurance: It's time to go digital," March 15, 2020, McKinsey.com.

Exhibit 4

Profitability in Latin America was higher than the global average.

Life insurance market attractiveness, GDDWP[1] CAGR vs ROE



	GDDWP CAGR 2017–19E,[2] %	ROE absolute growth 2017–19E,[2] %
North America	7	–2
Latin America	4	0
Western Europe	5	–2
Eastern Europe	0	–2
Developed Asia–Pacific	1	–3
Developing Asia–Pacific	5	0
Africa	5	–2
Middle East	5	–4

Note: 2018 fixed exchange rate used throughout the years.
[1]Gross direct domestic written premiums.
[2]2019 figures estimated based on full year/H1/Q3 reporting.

loss ratio that means products such as term life are more likely to be profitable than in other regions.

Among developed markets, developed Asia and North America have high profitability at around 10 percent, despite the declines in profitability in the United States.

The impact of COVID-19 is expected to be most severe on life insurance compared with other lines of businesses. The industry is expected to recover back to 2019 levels by 2022 or 2023. Primary reasons for this more sluggish recovery compared with other lines of business include the following:

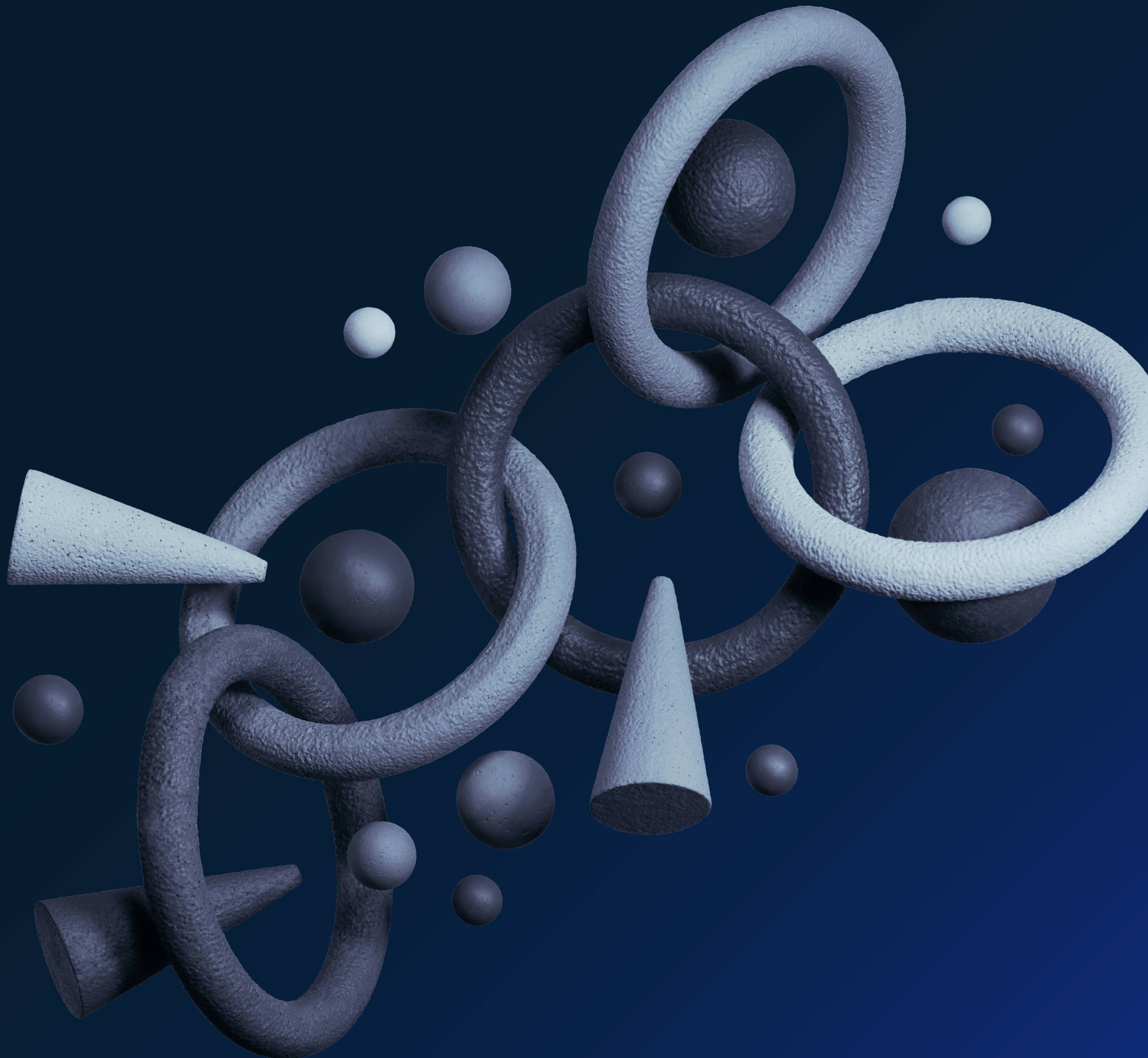
Savings-oriented product mix. The life insurance industry is dominated by savings and investment products; almost 80 percent of endowment and unit-linked products are individual life insurance products. These types of products are more adversely affected by low interest rates, poor returns from capital markets, distribution challenges, and lower personal disposable income than typical nonlife insurance products.

Varying impact on personal versus commercial. In life insurance, group life products constitute approximately 35 percent of total premiums and are expected to be heavily affected by the higher unemployment rates due to the COVID-19 outbreak. Lower personal disposable income and declining capital market returns also challenge the premium growth of individual unit-linked products.

Lockdown-induced underwriting and distribution challenges. Across geographies, life insurance products, especially savings and investments, are more reliant on in-person underwriting and agent distribution than nonlife products. Despite companies' strides to expand digital underwriting[5] and distribution,[6] ongoing lockdowns and physical distancing requirements will continue to challenge life insurance premium growth, particularly for products such as term insurance, which often require an in-person medical exam.

---

[5] For more on the state of digital underwriting, see Ramnath Balasubramanian, Ari Chester, and Nick Milinkovich, "Rewriting the rules: Digital and AI-powered underwriting in life insurance," July 31, 2020, McKinsey.com.
[6] For more on the evolution of insurance distribution in the wake of COVID-19, see Simon Kaesler, Matt Leo, Shannon Varney, and Kaitlyn Young, "How insurance can prepare for the next distribution model," June 12, 2020, McKinsey.com.



2020 Global Insurance Pools statistics and trends: Nonlife insurance

The latest market research on the nonlife insurance sector offers new data on performance by region and product line in both P&C and health insurance.

Our latest analysis of McKinsey's Global Insurance Pools database offers detailed statistics and trends on the insurance industry. Overall, the global industry grew by 5.0 percent in 2019 over 2018, a slightly higher level than its CAGR from 2010 to 2018 of 4.4 percent, and total premiums reached €5 trillion.

This report, one in a three-part series, provides analyses and insights on nonlife insurance, with an in-depth look by region and product line. Overall, property-and-casualty (P&C) insurance grew by 5 percent from 2018 to 2019 while increasing its market share to 31 percent of global premiums. Health insurance continued to be the fastest-growing segment: it achieved 6.9 percent and 6.0 percent growth in 2018 and 2019, respectively, and made up about 25.0 percent of global insurance premiums in 2019.

The P&C insurance landscape

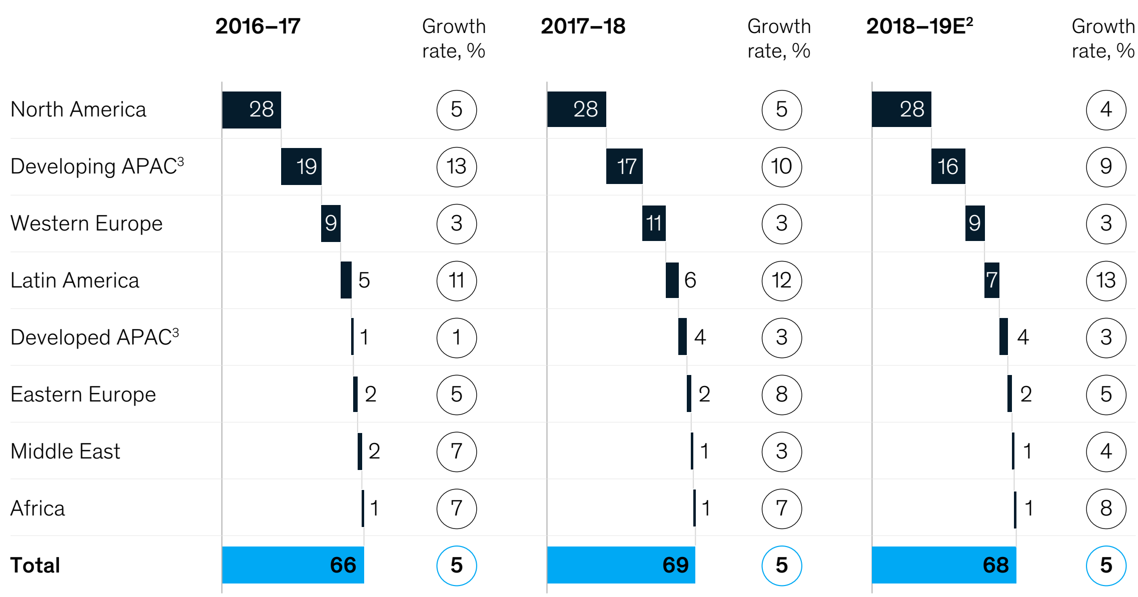
The global P&C insurance industry continued to post strong growth of 5 percent in 2019, matching growth in 2017 and 2018. The mature markets—North America, Western Europe, and developed Asia–Pacific (APAC)—contributed 61 percent to the absolute growth in P&C premiums in this time frame. The emerging markets of Latin America, developing APAC, and Africa registered the fastest growth rates of 13 percent, 9 percent, and 8 percent, respectively (Exhibit 1).

The largest contributor to the absolute growth in P&C premiums from 2018 to 2019 was the United States (38 percent), primarily driven by growth in motor insurance premiums. China contributed 20 percent of the absolute growth. In China, certain government policies have led to an uptick in liability,

Exhibit 1

North America and developing Asia–Pacific countries led in premium growth.

P&C GDDWP[1] absolute growth, € billion



Note: 2018 average fixed exchange rate used throughout the years. Figures may not sum, because of rounding.
[1]Gross direct domestic written premiums.
[2]2019 figures estimated based on full-year/H1/Q3 reporting.
[3]Asia–Pacific.

agriculture, credit, and guarantee products. Similarly, the government in India has been pushing to increase coverage in crop insurance products. This, along with rising premium rates, new vehicle sales, and penetration in motor insurance, has contributed to the year-on-year increase of 10 percent in P&C insurance in India in 2019.

Growth by product line

Accounting for 45 percent of global P&C premiums in 2019, motor insurance continued to drive the overall growth in the P&C industry. However, growth in this product line slowed down from the 6 percent CAGR registered from 2013 to 2018 to 4 percent from 2018 to 2019 (Exhibit 2). Meanwhile, every other P&C product line saw higher growth in 2018–19 compared with 2013–18.

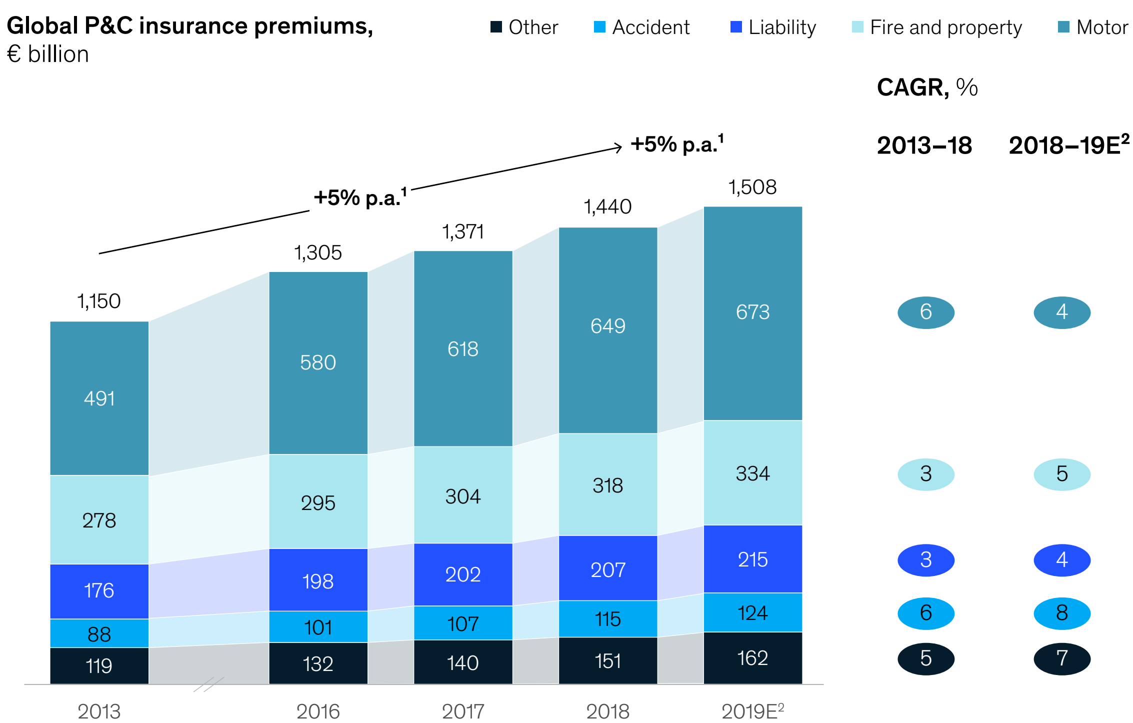
The decline in motor insurance was felt in the United States, which accounted for approximately 39 percent of global motor insurance in 2019. US motor insurance premiums grew by 4 percent in 2019—slower than the 7 percent growth in 2018, which was largely attributed to motor-premium rate increases to combat low profitability. Other top markets for motor insurance also saw modest growth in 2019: Germany (4 percent), China (3 percent), and Japan (1 percent).

Growth by region

Looking at the full spread of P&C products by region, premiums in Western Europe saw a moderate CAGR of 1–3 percent from 2014 to 2019, while the developed markets in APAC witnessed similar CAGR of 2–4 percent for most products. Meanwhile,

Exhibit 2

Motor insurance was the leader in P&C growth through 2018, but growth slowed from 2018 to 2019.



Note: 2018 average fixed exchange rate used throughout the years. Figures may not sum, because of rounding.
1Per annum.
22019 figures estimated based on full-year/H1/Q3 reporting.

developing APAC and Latin America continued to experience high growth of 6–22 percent, depending on the product line, as the industry in these regions expanded rapidly to match the unmet consumer demand (Exhibit 3).

Profitability of P&C insurance

Global underwriting profitability measured as net combined ratio reached 99 percent in 2017—a year that saw claims payouts reach a historic high due to the occurrences of natural catastrophes around the world, particularly in the United States. The net combined ratio improved slightly to 96 percent in 2018 and 97 percent in 2019 (Exhibit 4).

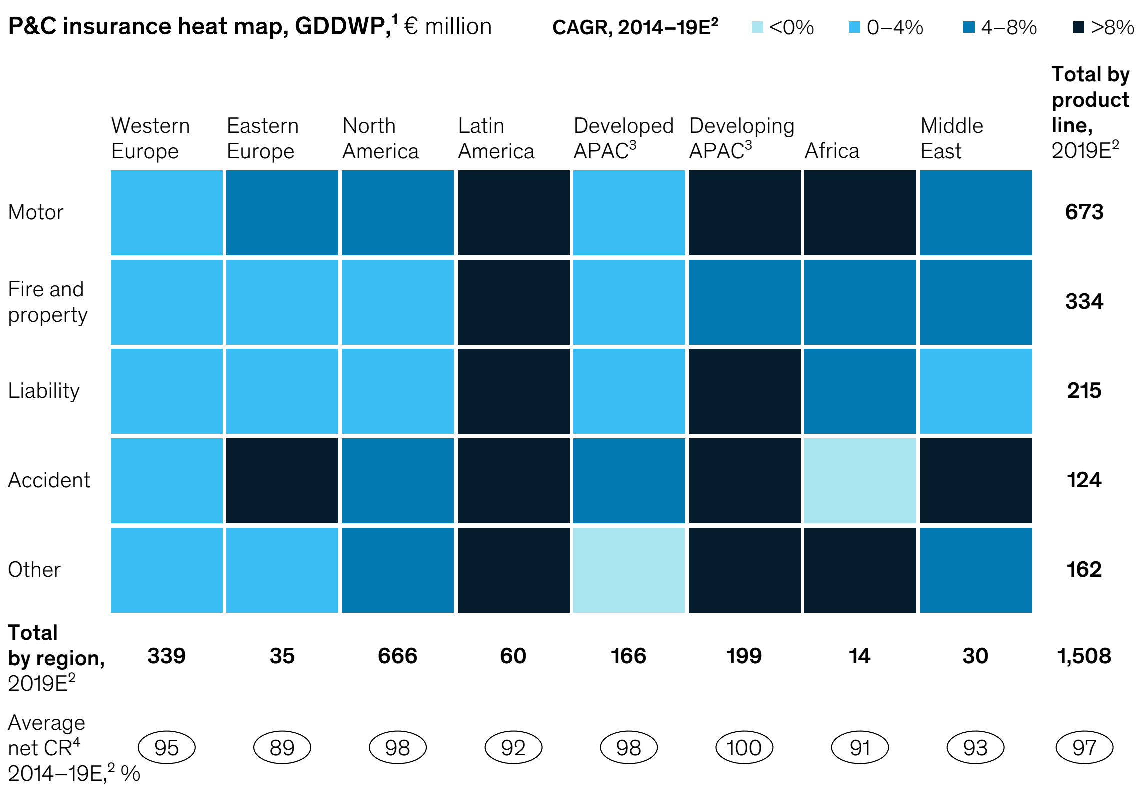
At a regional level, the net combined ratio in developed APAC was 97 percent in 2019—an improvement of 3 percentage points from 2018, during which time claims from damages caused by typhoons in Japan raised the net combined ratio to 100 percent.

Developing APAC continued to witness a net combined ratio slightly higher than 100 percent. Pricing and risk-transfer capabilities of P&C insurers in China are still at an early stage and have strained underwriting profitability. In India, a combined ratio of 102 percent in 2019 was caused by several elements, including higher claims incurred, low tech enablement, and poor operating efficiency.

In Western Europe, underwriting profitability remained stable at 95 percent. Among the top five countries in this region by premium volume, the net

Exhibit 3

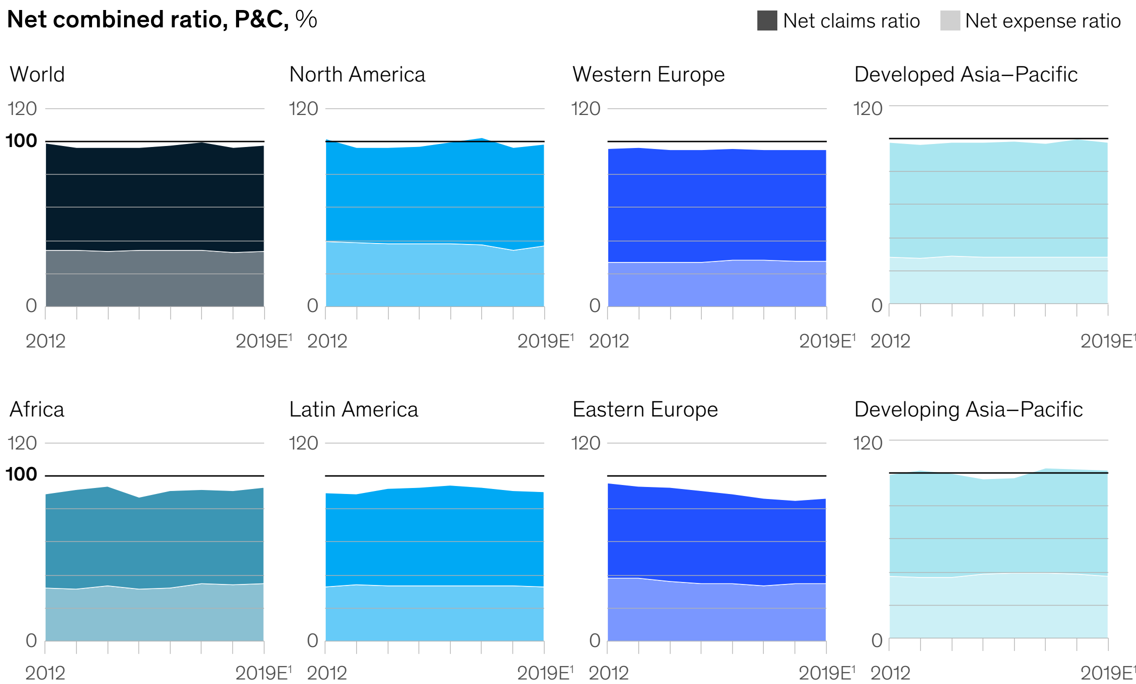
Emerging markets drove growth in volumes across all P&C products from 2014 to 2019.



Note: 2018 average fixed exchange rate used throughout the years.
[1]Gross direct domestic written premiums.
[2]2019 figures estimated based on full-year/H1/Q3 reporting.
[3]Asia–Pacific.
[4]Combined ratio.

Exhibit 4

Global net combined ratio sat at around 97 percent from 2012 to 2019, driven by North America and Asia–Pacific.



[1]2019 figures estimated based on full-year/H1/Q3 reporting.

combined ratio ranged from 100 percent in France to around 90–91 percent in Italy and Spain.

Expense ratios were stable at approximately 34 percent globally from 2014 to 2019, with variances across regions owing to differences in factors such as digital adoption rates and consumer product preferences that determine commissions.

Trends in P&C commercial lines

Global commercial premiums were around €655 billion in 2019, which made up 43 percent of total P&C premiums.

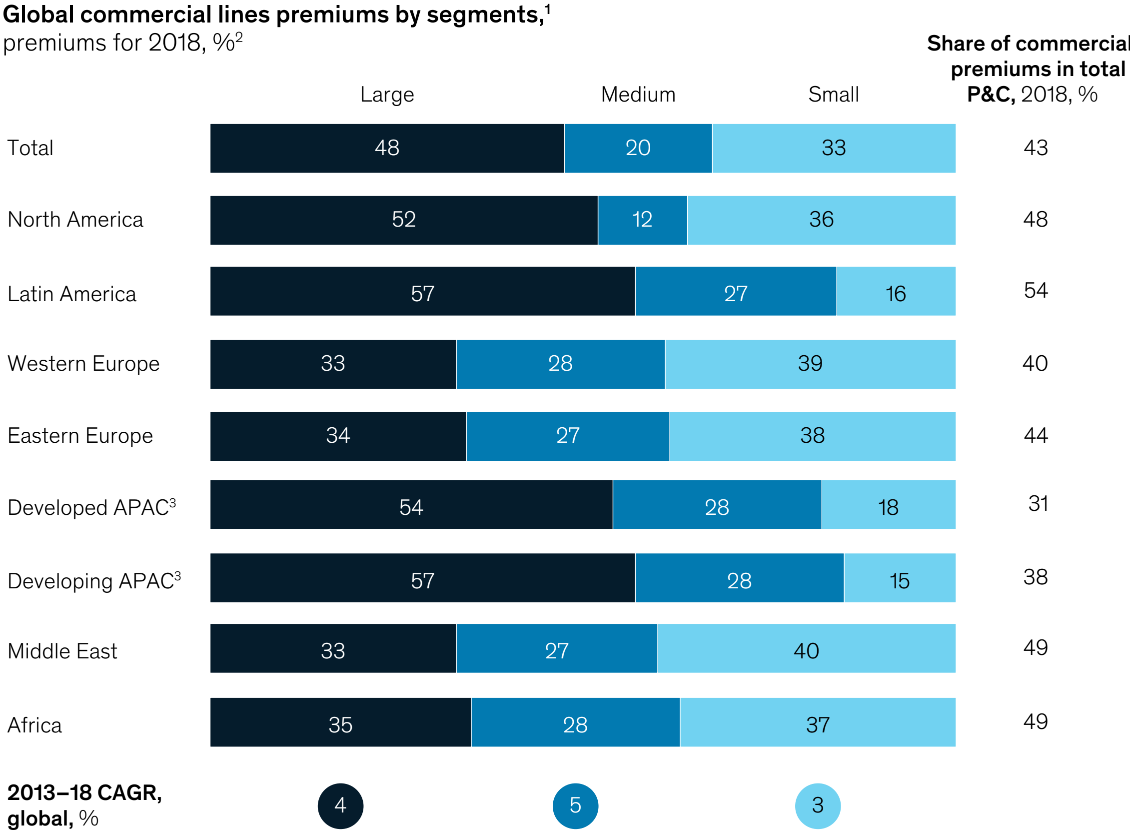
In 2018, the latest year for which data are available, commercial lines' share of P&C premiums increased in most regions over 2017 because of rising prices in all major commercial lines products. Among all the regions, Latin America had the highest share of commercial premiums at 54 percent in 2018, while developed APAC had the lowest share at 31 percent.

Globally, small, medium, and large business segments had a share of 33 percent, 20 percent, and 48 percent, respectively, in 2018 (Exhibit 5). The medium segment grew the fastest, at a CAGR of 5 percent from 2013 to 2018. Among regions, the large corporate segment had a share greater than 50 percent in the Americas, and both developing and developed APAC; this share is around 33–35 percent in Europe, the Middle East, and Africa.

Exhibit 5

The large corp. segment accounts for about 48 percent of the total commercial insurance, while mid corp. grew the fastest from 2013 to 2018.

Global commercial lines premiums by segments,[1]
premiums for 2018, %[2]



[1]Segmentation turnover: small, $0–25 million; mid corp., $25–500 million; large corp., $500+ million.
[2]Figures may not sum to 100%, because of rounding.
[3]Asia–Pacific.

The health insurance landscape

In 2019, the global private health insurance market witnessed year-on-year growth of 6 percent. Top-performing regions by way of contribution to the €69 billion absolute growth in total health premiums in 2019 were North America, at 63 percent, and developing APAC, at 22 percent (Exhibit 6).

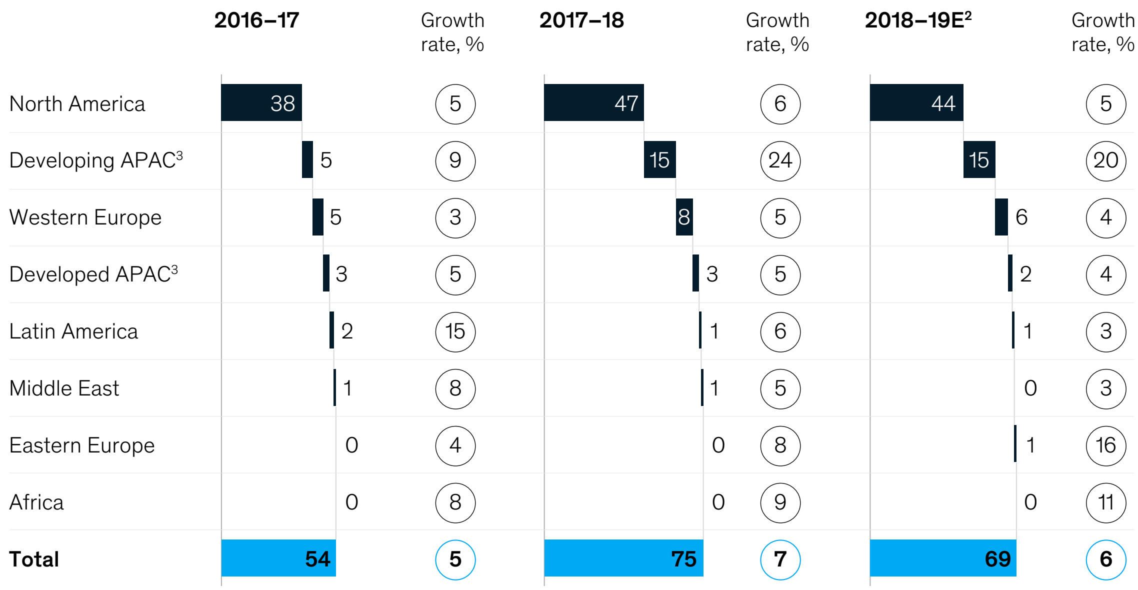
North America is the largest private health market by premium volume and has been consistently driving the global growth of health premiums, with growth of 5 percent in 2019. The developed markets in Western Europe and developed APAC grew at 4 percent in 2019.

Meanwhile, developing APAC witnessed growth of 20 percent in 2019, which was strong but lower than the 24 percent CAGR in 2018. Within this region, China recorded a CAGR of 17 percent from 2016 to 2019 as a result of two initiatives:

Exhibit 6

Developing Asia–Pacific countries recorded the higest growth rate, while North America continued to lead in growth.

Private health GDDWP[1] absolute growth, € billion



Note: 2018 average fixed exchange rate used throughout the years.
[1]Gross direct domestic written premiums.
[2]2019 figures estimated based on full-year/H1/Q3 reporting.
[3]Asia–Pacific.

1. In 2016, China's government released the "Healthy China 2030" blueprint to push the development of health insurance products.

2. ZhongAn launched China's first "million yuan health insurance" product, which offers millions of yuan in coverage for premiums costing in the hundreds. The product proved popular—and other players were quick to follow.

The private health market in Eastern Europe grew at a CAGR of 9 percent from 2016 to 2019, led by Hungary and Romania at 32 percent and 34 percent CAGR, respectively. In Hungary, growth can be partially attributed to plans to develop private cooperation with the country's public health system. Private health insurance in Romania grew rapidly following the installation of the country's new fiscal code in 2016; the code increased the deductibility ceiling for calculating taxable income, which was specifically intended to boost the development of the health insurance market. Additionally, Romania's growing labor market, which has encouraged employers to offer richer employee-benefits packages, including health insurance, also supported the health insurance market growth.

Africa recorded high growth as well, largely attributed to Egypt's health insurance premiums growing at a CAGR of 40 percent from 2016 to 2019. Egypt introduced a national health insurance plan offering universal coverage, promising widespread change to the nation's administration of care, with large investments from the World Bank.[1]

[1] "Egypt: World Bank Provides US $400 million in Support of Universal Health Insurance System," The World Bank, June 16, 2020, worldbank.org; "What's next as Egypt rolls out universal health insurance," Oxford Business Group, 2020, oxfordbusinessgroup.com.

Trends in health commercial lines

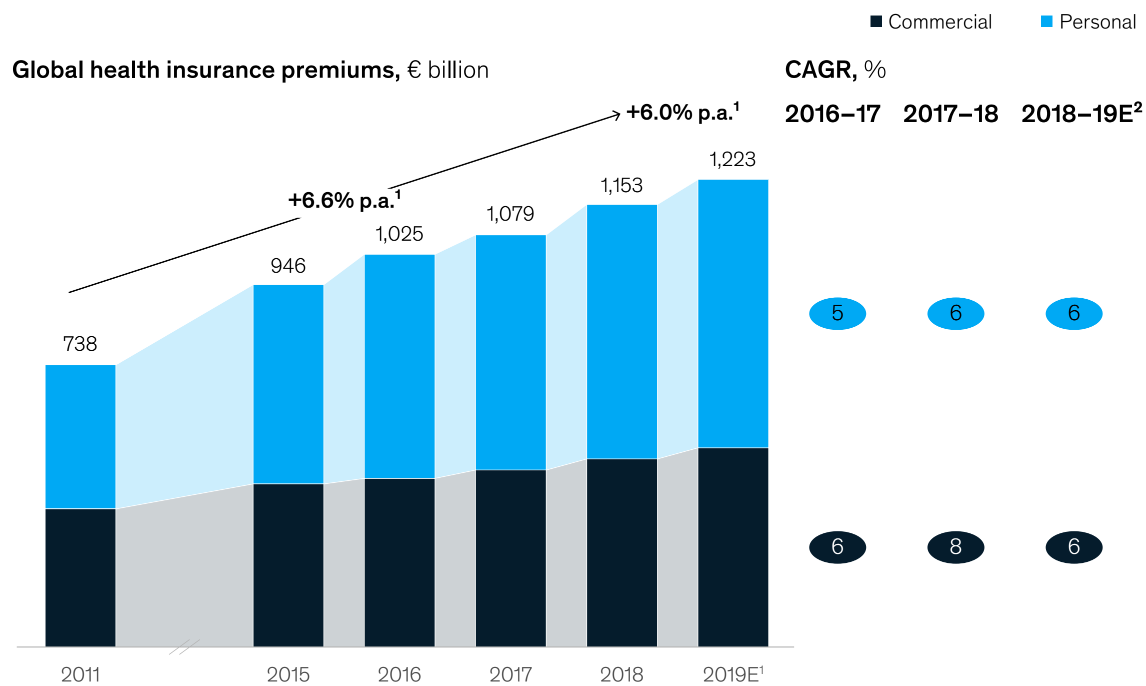
The commercial health segment remained stable overall in 2019 across regions, matching personal health insurance growth of 6 percent in 2019 (Exhibit 7). However, commercial lines' share of health insurance premiums has gradually declined in recent years. In the United States, which accounts for 70 percent of global health insurance premiums, the share of commercial premiums dropped from 49 percent in 2014 to 46 percent in 2019.

One reason for this shift was the US Affordable Care Act: when it went into full effect in 2010, individual enrollment in health insurance increased rapidly, boosting personal premiums. Premiums via administrative services-only arrangements, in which employers hire outside vendors to offer health plans to employees, also witnessed increasing premiums but at a steady CAGR of 4 percent from 2014 to 2019.

Meanwhile, China—which had a share of 7 percent of global health insurance premiums in 2019 and is one of the fastest growing health insurance markets (CAGR of 33 percent from 2014 to 2019)—saw the commercial share drop from 27 percent in 2014 to 18 percent in 2019. This shift was a result of the strong push from health insurance players and the government to increase private health insurance penetration.

Exhibit 7

Both personal and commercial lines continued to experience strong growth, while the share of commercial health gradually declined.



[1]Per annum.
[2]2019 figures estimated based on full-year/H1/Q3 reporting.

Profitability of health insurance

The global health insurance market's average combined ratio remained steady at around 98 percent from 2015 to 2019 (Exhibit 8)

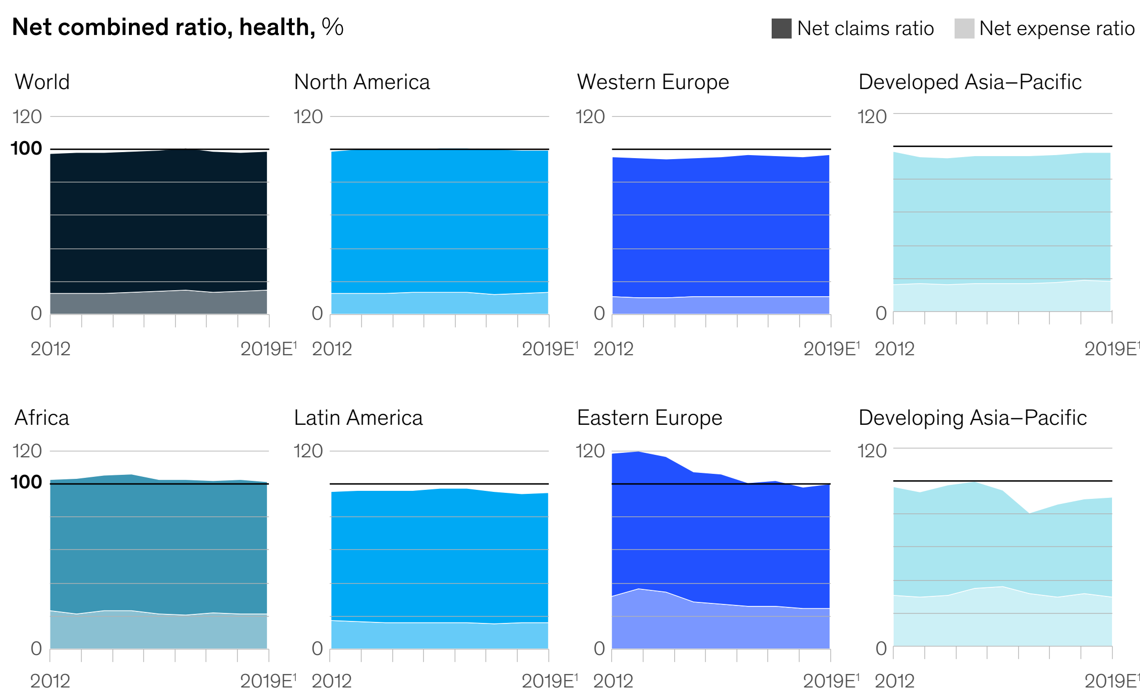
Net claims ratios in most Western European nations, including France, Germany, Italy, Spain, and the United Kingdom, remained stable in the range of 70 to 85 percent from 2015 to 2019. The net claims ratio for the United States was also stable at 86 percent in that period. However, net claims ratios declined in some developing nations such as India, which saw a decrease from 102 percent in 2015 to 93 percent in 2019. Net premiums earned in India grew faster than claims during that period.

Overall, the expense ratio for most countries has remained stable over the past few years. The United States and Western European nations recorded some of the lowest net expense ratios from 2015 to 2019—notably 13 percent in the United States.

The global coronavirus pandemic is expected to have a near-term negative impact on P&C premiums in both mature and emerging markets, particularly in 2020 and 2021. In commercial lines, this premium decline will likely be offset to an extent by market hardening and an associated rise in premium rates. In personal lines, the economic hardship faced by consumers due to rising unemployment and decreasing disposable income would translate to a slight shift toward purely mandatory insurance products or a reduced coverage in existing policies. The biggest impact on premiums is expected to be in motor insurance, with lockdowns and containment measures severely restricting mobility and causing

Exhibit 8

Health insurance profitability remained stable for all regions from 2012 to 2019.



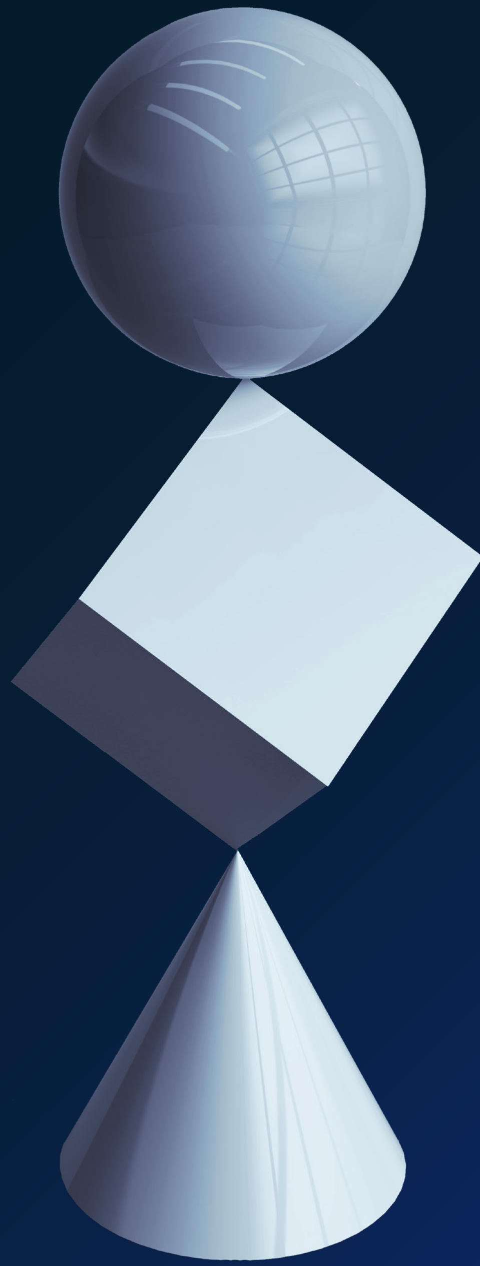
[1] 2019 figures estimated based on full-year/H1/Q3 reporting.

Nonlife insurance is likely to be less affected by the COVID-19 pandemic than life insurance.

a drop in new car sales and fleet sizes. Travel and trade restrictions have also affected products such as marine, aviation, and transport (MAT), travel insurance, and other specialty lines.

Meanwhile, demand for private health insurance is likely to see an uptick from 2020 onward, particularly in geographies where the product is not compulsory, such as India. This demand would still be partially tempered by uncertainty around employment and constrained personal finances.

However, nonlife insurance is likely to be less affected by the COVID-19 pandemic than life insurance, which is more affected by low interest rates (as this weakens the attractiveness of savings products) and also relies heavily on in-person underwriting and distribution.



2020 Global Insurance Pools statistics and trends: Distribution

The latest market research on insurance distribution offers new data on performance by region and product line.

Our latest analysis of McKinsey's Global Insurance Pools database offers detailed statistics and trends on the insurance industry. Overall, the global industry grew by 5.0 percent in 2019 over 2018, a slightly higher level than its CAGR from 2010 to 2018 of 4.4 percent, and total premiums reached €5 trillion.

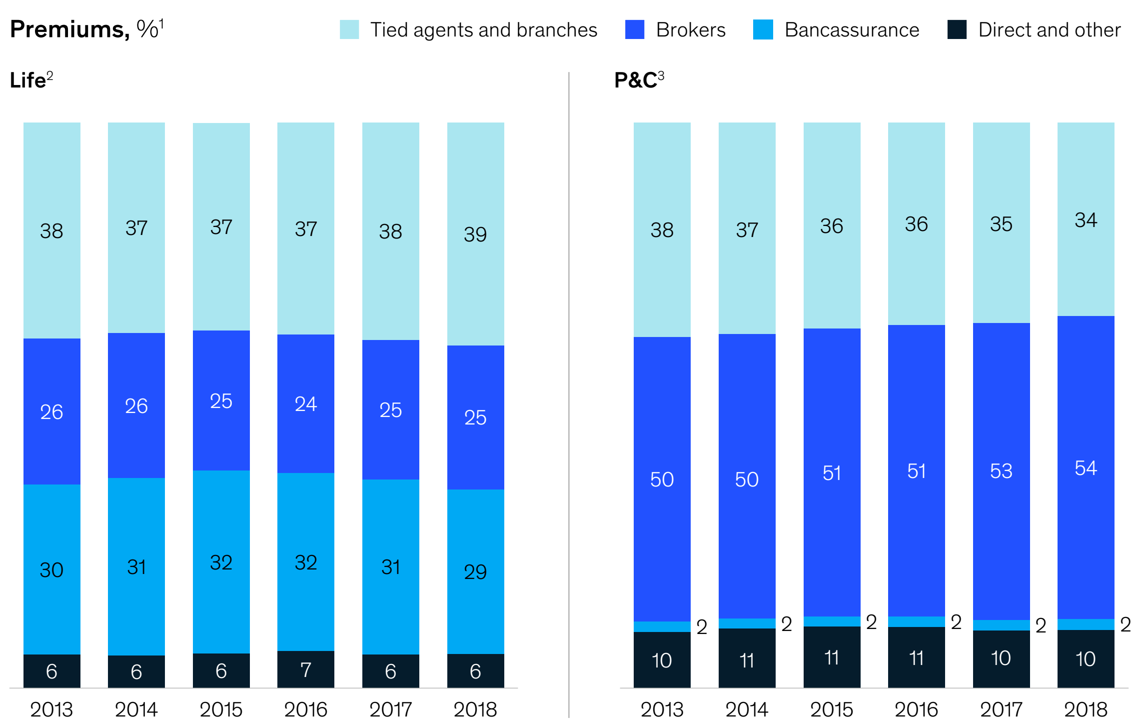
This report, one in a three-part series, provides analyses and insights on insurance distribution. In this report, we examine the share and trends of different distribution channels in the total in-force gross direct domestic written premiums (GDDWP). Due to the lag in reporting calendars, we are considering 2018 as the most recent year. While insurance distribution trends differ by region and by product, the industry has traditionally been dominated by an in-person sales force of agents and brokers. However, the direct sales channel has seen strong growth in recent years—and in some geographies, direct players are outperforming the market. Specifically, in P&C insurance, most Western geographies saw growth in direct channel share. The trend, though, is slightly different in APAC due to regulatory changes in China that limit direct sales. Insurtechs are also increasingly prevalent, particularly in marketing and distribution.

Overall distribution in life and P&C

In life insurance, global distribution from 2013 to 2018 (the latest year for which data are available) was led by agents and banks, with bancassurance and brokers maintaining somewhat smaller but still significant shares (Exhibit 1). While the split remained generally stable, agents and branches saw a slight increase in percentage of premiums, at the expense of the other major channels. The penetration of direct channels—which, in addition to telephone and internet sales, include premiums generated at insurance company head offices (but not through brokers or agents)—remained limited at 6 to 7 percent of insurance premiums.

Exhibit 1

Agents and banks led global life insurance distribution from 2013 to 2018, while brokers dominated P&C as the share of agents declined.



[1]Figures may not sum to 100%, because of rounding.
[2]For Germany, annual premium equivalent (instead of gross direct domestic written premiums) distribution mix considered.
[3]For Chile, China, Hungary, Poland, and South Korea, nonlife (instead of P&C) distribution mix considered.

In P&C, the direct channel saw slightly more penetration at 10 to 11 percent during the same period. However, brokers continued to dominate global P&C distribution—and their share grew in that period, at the expense of agents and branches. Bancassurance played a minor role with just 2 percent of P&C insurance distribution over that period.

Life insurance distribution trends by geography

The distribution landscape varied across regions from 2013 to 2018, reflecting local market dynamics and insurers' efforts to tailor products and sales-force approach with local consumer preferences. In life insurance, insurers leaned heavily on brokers and independent financial advisors (IFAs) in the Americas, while EMEA was more bancassurance-oriented (Exhibit 2). In APAC, the traditional tied agency channel remained dominant, reflecting the importance consumers in the region place on personalized advice.

Consider the following life insurance distribution trends in large geographies with significant changes:

In the US life insurance sector, the direct channel gained share from 2013 to 2018. Direct distribution increased in all segments as more US insurers embraced digital channels. Digital is also more penetrated in life-protection products than savings or investments due to product complexities; so with a decrease in individual annuities comes a decrease in broker/agent share, as brokers strengthened their market position and negotiation power.

The share of the broker channel in Mexico increased from 16 percent in 2013 to 21 percent in 2018. This was mainly due to the entrance of several strong brokers into the market for both group- and individual-life products.

In Italy, life insurance distribution continued to be dominated by banks. Insurance products in Italy continued to offer attractive returns at low risk, and sustained growth of bancassurance premiums in Italy helped buoy life insurance growth in the country overall.

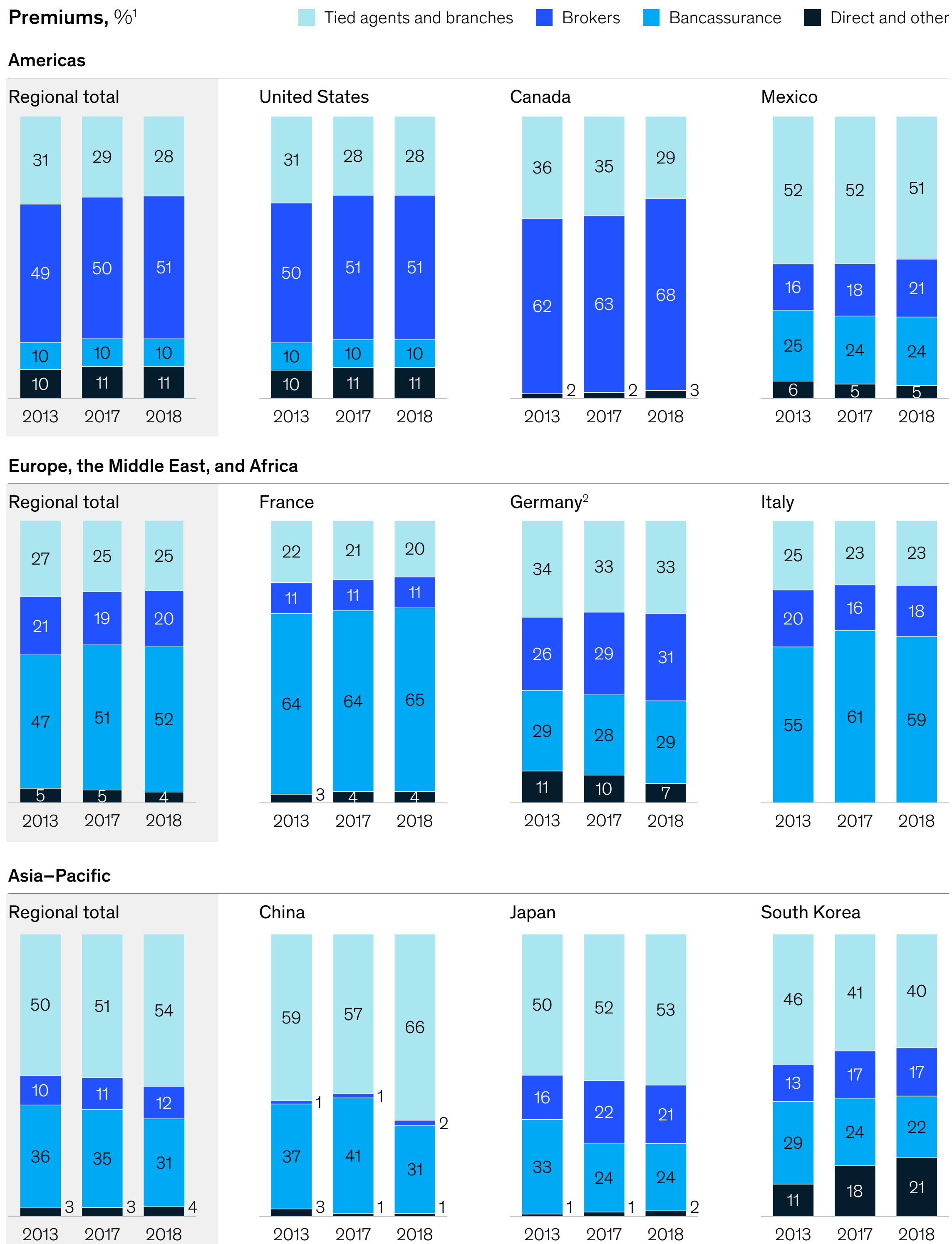
In Germany's life insurance market, growth in the broker channel was driven by growth in unit-linked products. Brokers were also able to expand their market share in other segments such as occupational disability insurance and company pension schemes.

In South Korea, the share of tied agents and bancassurance declined from 2013 to 2018. Some of this decline was the result of cost-optimization efforts that reduced head count of tied agents. The life insurance industry also lost some tied agents to the general agency channel and IFAs, which offered an attractive income compared with that available to tied agents for several reasons: savings-product sales and associated commissions declined due to the implementation of IFRS 17; whole life insurance sales were also stagnant as the market was quite saturated; and customers were avoiding expensive products due to the ongoing sluggish economic situation. Other tied agents moved to P&C insurers, which were looking for trained health insurance salespeople. At the same time, the direct channel saw a significant increase in share due to changing customer preferences.

Japan's bancassurance channel saw a significant decline in share from 2013 to 2018. This was majorly driven by the market decline in 2013, which was caused by a lowering of the guarantee rate for lump-sum whole life insurance—the main product for bancassurance. The Bank of Japan introduced a negative interest policy in 2016, which caused a further decline in interest rates for Japanese government bonds, and long-term savings products were not very attractive from the viewpoint of asset and liability management. Due to the low interest rate environment in Japan, life players have been shifting toward foreign-currency-denominated savings products, which enjoy the relatively higher interest rate of the United States and Australia. However, Japanese regulators have recently strengthened supervision of life players to protect individual customers and introduced fiduciary duty principles that require banks to disclose sales commissions of bancassurance. All these factors combined to reduce bancassurance's share of premiums from 2013 to 2018.

Exhibit 2

Life insurance distribution channel preference varied by geography.



[1]Figures may not sum to 100%, because of rounding.
[2]For Germany, annual premium equivalent (instead of gross direct domestic written premiums) distribution mix considered.

P&C insurance distribution trends by geography

P&C insurance saw a similarly wide variation in distribution share depending on region—though they differed from those of life insurance in some cases (Exhibit 3). While the Americas again demonstrated a strong preference for brokers and IFAs, EMEA premium distribution was dominated by the agency channel; bancassurance, which led EMEA life insurance distribution, captured a much smaller share of P&C. In APAC, brokers led distribution, particularly in Japan.

Consider the following P&C insurance distribution trends in large geographies with significant changes:

From 2013 to 2018, the Americas saw a consistent decline in the share of premiums sold through agents, while brokers gained share. Agents once served as the front line in risk selection and pricing, as well as the face of an insurance brand, while advances in predictive models and the increasing availability of alternative channels are making this role a bit obsolete. Meanwhile, many major acquisitions among large brokerages caused an increase in share.

In Italy, the agency network continued to dominate P&C insurance distribution—however, its share declined from 2013 to 2018. This decline was the result of a negative CAGR (–1.1 percent) over that time period despite an upturn of +1.0 percent in 2018. The lost market share was claimed by the direct channel and bancassurance, both of which saw an increase in premium sales and share from 2013 to 2018. The growth in direct channels reversed a trend of decline in previous years, as internet and telephone sales resumed growth. The marketing of P&C policies through bank and post office branches also appeared to increase more sharply than the overall market.

China P&C distribution saw a major decline in the share of remote channels from 2013 to 2018, driven by a regulation change that placed more limitations on marketing and pricing of motor insurance policies. In addition, the country began rolling out motor insurance pricing reform in mid-2015, and that effort is still ongoing. The series of reforms have evened the playing field between online and offline channels, especially in terms of pricing, as the price advantage of direct channels gradually decreased from its peak in 2015.

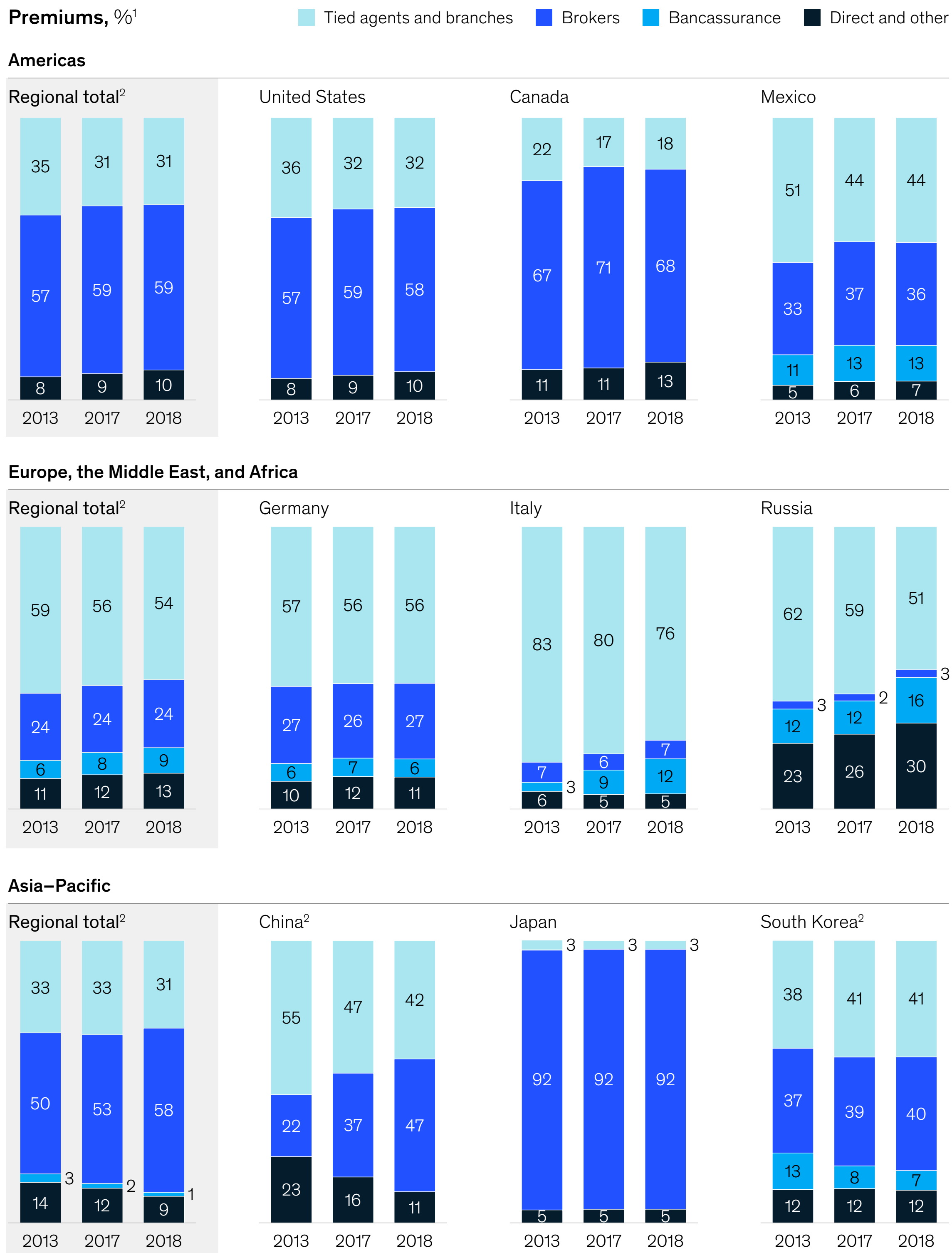
Deep dive: Trends in the direct channel for European motor products

Customers' preference for convenience and competitive pricing fed the strong growth of the direct channel for motor policies in most geographies, including Europe. However, while

Preference for convenience and competitive pricing fed the strong growth of the direct channel for motor policies in most geographies.

Exhibit 3

P&C insurance distribution channel preference differed from that of life insurance.



[1]Figures may not sum to 100%, because of rounding.
[2]For Chile, China, Hungary, Poland, and South Korea, nonlife (instead of P&C) distribution mix considered.

Eastern Europe continued to see strong growth from 2015 to 2018, driven by Russia, Western Europe saw a phase of stagnation (Exhibit 4).

In Russia, the strong growth of direct motor was driven by regulatory changes requiring motor third-party liability (MTPL) insurance, known as OSAGO. Starting January 2017, all insurers selling MTPL insurance must provide the option to purchase an MTPL contract online (so-called eOSAGO).

Despite a slowdown in overall direct insurance growth in Western Europe, some clear leaders emerge in a few countries. In motor insurance, most German and British direct players have outperformed their markets. An analysis of data available on significant direct Western European players demonstrates a correlation between GWP growth and profitability outperformance (Exhibit 5).

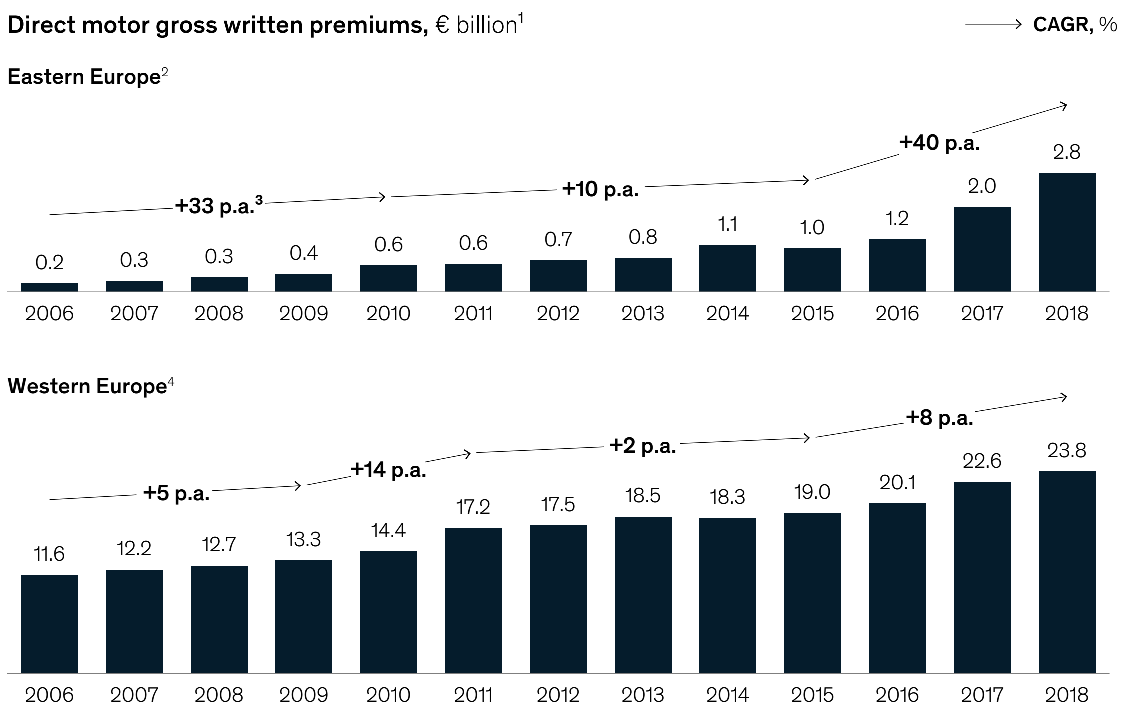
The rise of aggregators

Recent trends suggest an impending slowdown in growth of the direct channel. Some Western European geographies are already starting to show this slowing growth rate, and some Spanish and Italian players show no real positive profitability impact of operating in the direct distribution space—suggesting that traditional players may not have enough incentive to build direct distribution channels.

Indeed, considering the initial investment and setup costs in the direct channel, with limited success stories from purely direct players, we can foresee a rise of aggregators, or price comparison

Exhibit 4

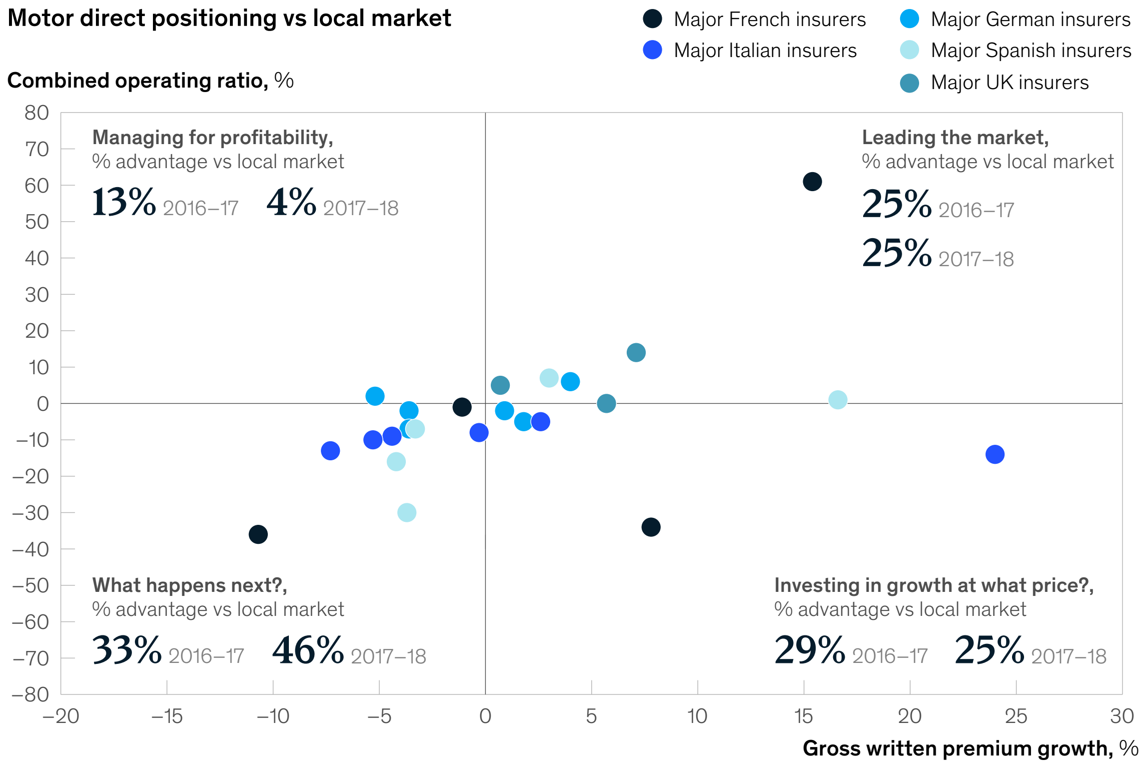
Direct motor insurance distribution saw strong growth from 2015 to 2018.



[1]Last year's exchange rate (2017) applied to full time series.
[2]Eastern Europe includes Croatia, Czech Republic, Hungary, Poland, Russia, Slovakia, and Slovenia. In Eastern Europe data reported from 2004 in Czech Republic; 2008 in Russia; 2012 in Slovenia; 2015 in Croatia; and 2016 in Slovakia.
[3]Per annum.
[4]Western Europe includes Belgium, France, Germany, Italy, Netherlands, Portugal, Spain, and United Kingdom.
Source: National statistics

Exhibit 5

There was a high correlation between growth and profitability outperformance of Western European direct motor players from 2016 to 2018.



Note: 2016–17 vs 2017–18 comparison based on same sample of players for both periods.

websites. From 2007 to 2018, for example, motor aggregator GWP grew at a CAGR of 16 percent, outpacing total direct motor growth of 6 percent (Exhibit 6). Working with such aggregators can be a preferable option to insurers that are wary of investing in the purely direct space. This may help to generate volumes, but aggregators usually have high negotiation power and hence can challenge profitability. As such, it is important to tailor product offerings and efforts.

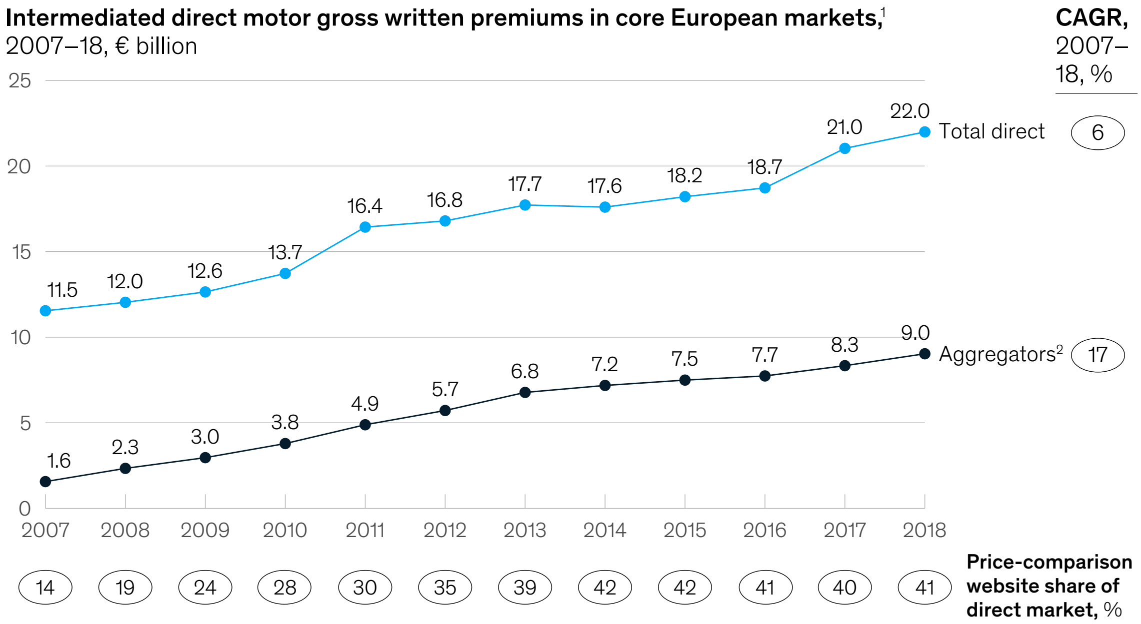
The importance of multichannel

The trends in both life and P&C insurance point toward strong growth in direct channels overall, even though the industry is currently dominated by agents and brokers. The future may see a shift toward a multichannel approach in which, for example, an online page directs a customer to an agent if the product is too complicated to be sold online.

This *handshake approach* is already becoming reality in many geographies and product segments, as demonstrated by motor insurance in North America (Exhibit 7). The consumer journey for motor insurance in North America reveals that almost half of consumers begin information gathering through the direct channel. However, at each step of the journey they may toggle between direct, broker,

Exhibit 6

Aggregator growth far outpaced total direct-channel growth in European motor insurance from 2007 to 2018.



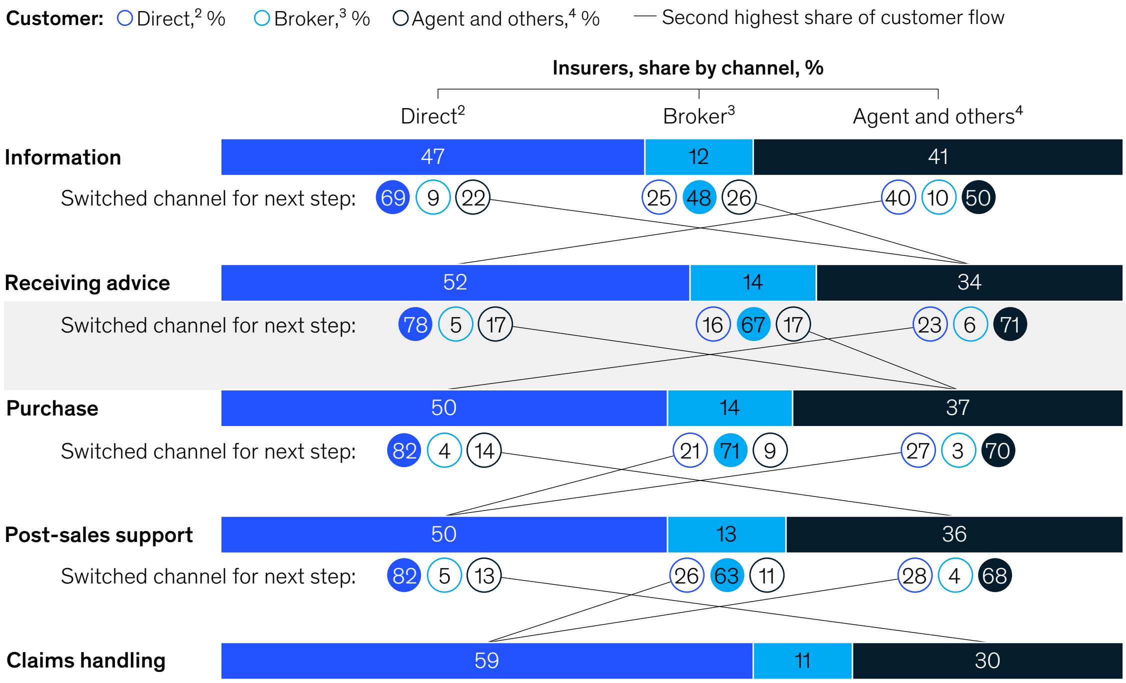
[1]France, Germany, Italy, Netherlands, Spain, United Kingdom.
[2]Business volume originated in aggregators, even if not effectively closed online.

Working with aggregators can be a preferable option to insurers that are wary of investing in the purely direct space.

Exhibit 7

The customer journey in North American motor insurance demonstrates the value of a multichannel 'handshake' approach.

Customer flow across multichannel motor insurance journey, North America, 2018, %[1]



[1]Figures may not sum to 100%, because of rounding.
[2]Includes insurer website, price-comparison website, tied agent or broker website, bank website, social media and blogs, call centers, email, and video conferencing.
[3]Includes person offering insurance products from different insurance companies.
[4]Includes tied agent, insurance branch, bank branch, car dealer or affinity channels, advertising, word of mouth, and others.

and agent or other channels. At the critical juncture between receiving advice and purchase, the direct channel loses a significant chunk of customers to the agency channel. This indicates a need for a touchpoint and possibly a required explanation of products and coverages, as well as an opportunity for the penetration of AI-driven algorithms and virtual consultation.

As the digital/direct distribution space has gotten more popular, we have also observed increased funding of insurtechs.

The effect of insurtechs on distribution

Insurtechs have become increasingly prevalent in recent years. Today, they can be found covering almost every aspect of the insurance value chain, though their highest penetration to date has been in marketing and distribution (Exhibit 8).

Insurtech funding has also grown significantly in recent years, peaking in 2019 with $7.4 billion in deals (Exhibit 9). Around two-thirds of insurtechs focused on personal lines in 2017, though the number that operate in commercial lines has increased.

Exhibit 8

Insurtechs cover the entire insurance value chain across industries, with the strongest presence in marketing and distribution.

Insurtech landscape, number of innovations

% of database total[1]: <5% | 5–10% | >10%

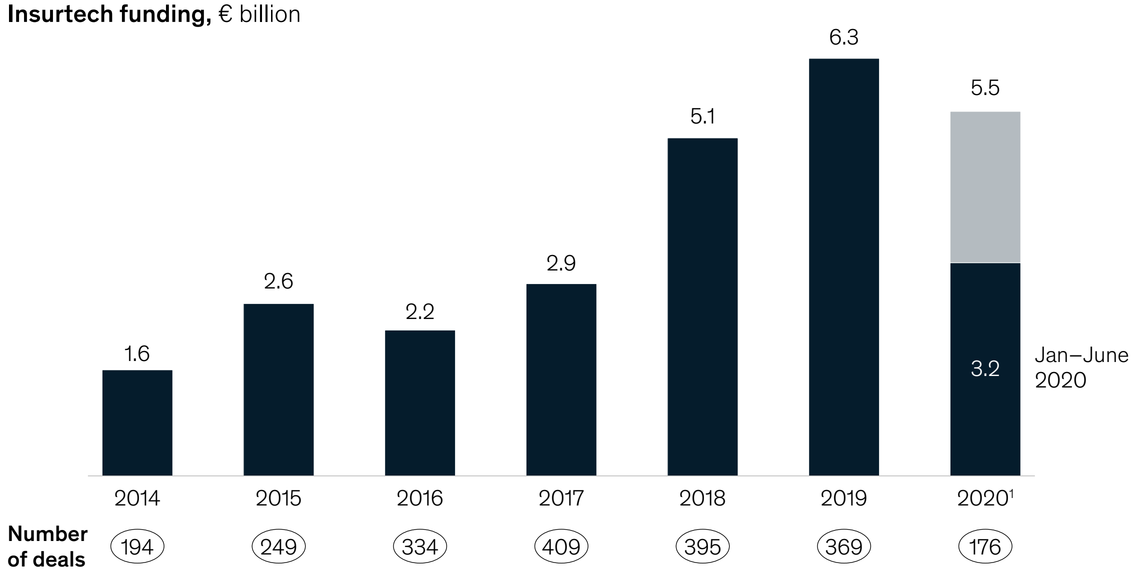
Products	Product development	Marketing and distribution	Pricing	Policy management	Claims
P&C, motor	4	12	4	2	4
P&C, other[2]	5	15	4	3	5
Health	4	11	3	3	4
Life	2	9	2	2	1

Note: Figures may not sum to 100%, because of rounding.
[1]Approximately 1,750 commercially most well-known cases registered in the Global Insurance Pools database (excluding wealth management–related innovations).
[2]Including accident, fire and property, liability, and other P&C insurance.

Exhibit 9

Insurtech funding has grown rapidly in recent years.

Insurtech funding, € billion



[1]2020 data are based on data as of July 2020; the rest of the year is projected estimation.
Source: Dealroom

While the distribution landscape depends on factors such as product mix, customer segments, regulations, and so forth, the COVID-19 pandemic has also impacted it in various ways. Indeed, the COVID-19 crisis is expected to impact distribution in both the short and long term. In the short term, the impact of lockdowns will differ among distribution channels. While physical distribution—for example, agents and brokers—is severely affected, digital distribution is significantly less affected. As the distribution mix varies among lines of business, so does the expected impact:

a. *Life insurance* products (especially savings and investments) are more reliant on physical distribution and, hence, more severely impacted.

b. *P&C insurance* has a higher share of digital or online sales compared to life, and is expected to see less severe impact.

In the longer term, the industry is expected to embrace the digital mode of distribution, and this pandemic may also sensitize the customers toward direct or online channels and increase their share of the overall distribution space.[1]

[1] For more on the evolution of insurance distribution in the wake of COVID-19, see Simon Kaesler, Matt Leo, Shannon Varney, and Kaitlyn Young, "How insurance can prepare for the next distribution model," June 12, 2020, McKinsey.com.

An overview of McKinsey's Global Insurance Pools

McKinsey's Global Insurance Pools (GIP) consist of seven proprietary databases: Markets Database, Local Insurers Database, Global Insurers Database, Commercial Lines Pools, Multi-Access Database, Direct Distribution Database, and Local Definitions Database. The data and insights have been provided by local researchers and regional and functional experts.

Markets Database contains more than 150,000 data points covering the 66 largest insurance countries worldwide and 99 percent of global insurance premiums. It includes financial indicators for every market from 2000 onward (including forecasts until 2030).

Local Insurers Database includes key financial indicators for the 15 largest domestic insurers in 16 individual insurance markets, as well as premium data for the ten largest insurers in more than 60 countries.

Global Insurers Database provides financial statement information for more than 100 major global insurers, including splits for life insurance and nonlife insurance.

Commercial Lines Pools provide commercial-lines insurance premiums, segmented by industries, customer segments, and commercial lines of business with the benchmarks for small versus mid versus large commercial by geography for 66 of the largest insurance countries.

Multi-Access Database allows tracking of customers' multichannel journey via analyses of clients' channel preferences and usage for 19 countries (from across regions including Africa, the Americas, Asia–Pacific, Europe, and the Middle East) and across three insurance products (motor, home, and life insurance).

Direct Distribution Database provides key P&L items for the direct channel in 12 countries, including information for major direct players from 2000 onward.

Local Definitions Database provides key P&L items with granular product splits, as reported locally for ten countries across regions (the Americas, Asia–Pacific, and Europe) from 2000 onward.

How GIP can help support clients

McKinsey's Global Insurance Pools can help insurers along several dimensions. GIP's Granularity of Growth analysis can identify a company's specific drivers of growth; the tool can also gauge the company's growth and profitability against market performance and competitors and identify the impact of different macroeconomic scenarios on growth and future market shares. McKinsey offers a subscription for unlimited access to all data.

Appendix

McKinsey's GIP initiative uses a bottom-up approach to size insurance markets. The level of detail in our GIP database varies from market to market. For less advanced markets, the data might include gross written premiums, technical reserves, and profits. For more advanced markets, GIP includes complete sets of financial indicators for each product line, including the mix of distribution channels.

GIP distinguishes five product groups in life, based on European terminology: term life, endowments, annuities, unit-linked, and group life (see below for detailed descriptions).

P&C consists of five product groups: motor, fire and property, liability, accident, and other (such as travel).

Health is considered a separate line and consists of all health premiums underwritten by pure health insurers and life or P&C insurers (based on data extracted either from the life data or P&C records, depending on the regulatory treatment).

The geographic mix used at the regional level is as follows:

— North America includes Canada and the United States.

— Latin America includes Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Trinidad and Tobago and excludes Venezuela as data are skewed because of hyperinflation.

— Western Europe includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Lichtenstein, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

— Eastern Europe includes Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, and Ukraine.

— Developing APAC includes China, India, Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

— Developed APAC includes Australia, Hong Kong, Japan, New Zealand, Singapore, South Korea, and Taiwan.

— The Middle East includes Bahrain, Iran, Israel, Jordan, Saudi Arabia, Turkey, and the United Arab Emirates.

— Africa includes Egypt, Kenya, Morocco, Nigeria, South Africa, and Tunisia.

The 2018 average fixed exchange rate was used throughout the years.

The distribution mix is available for the largest 35 countries. Channel categories consist of tied agents, brokers or independent financial advisers, bancassurance, branches, direct, and others (such as retailers and car dealers). These channels are defined later in this section.

The GIP model was built by collecting and analyzing public data (such as national insurance regulators' data or industry association publications) country by country and drawing on the insights of our global network of local experts. We mapped the local product types and distribution channels to the standard of globally accepted definitions.

Definitions of distribution channels

Tied agents work exclusively for one or a few companies or for the partners cooperating with a company. *Self-employed tied agents* are remunerated on a commission-only basis. *Salaried-employed tied agents* are remunerated with commissions alongside their salary.

Insurance distribution through *branches* implies that the sales representatives are part of the insurer's staff; in other words, they receive a salary, not commissions.

Brokers are independent insurance distributors who are not salaried or tied to any company. They represent a client (not a company) and distribute products from a panel of companies.

Bancassurance involves distribution through bank branches.

Direct channels refer to insurance distribution through remote channels such as telephone, internet, or mail.

Other channels include channels not included in any of the above categories, such as retailers, car dealers, worksite marketing, and affinities.

Definitions of life products

Term life refers to all types of protection products with purely biometric risk coverage.

Endowments include all individual life-savings products (both single and regular premium) that provide a guaranteed credited-rate component and a lump-sum payout.

Annuities are individual life-savings products (both single and regular premium) that provide a guaranteed credited-rate component and a payout in the form of an annuity (in other words, a regular monthly payment stream for either a fixed duration or life).

Unit-linked products are individual life-savings products (both single and regular premium) for which the policyholder bears the investment risk and that provide a lump-sum payout.

Group life comprises group protection, group unit-linked products, and group annuities; the largest segment is corporate pensions.

Contact

For more information on this topic, please contact:

Stephan Binder
Senior partner, Zurich
Stephan_Binder@McKinsey.com

Philipp Klais
Associate partner, Munich
Philipp_Klais@McKinsey.com

Jörg Mußhoff
Senior partner, Berlin
Joerg_Musshoff@McKinsey.com

For more on nonlife insurance, please contact:

Kia Javanmardian
Senior partner, Chicago
Kia_Javanmardian@McKinsey.com

Sylvain Johansson
Senior partner, Geneva
Sylvain_Johansson@McKinsey.com

Brad Mendelson
Senior partner, Hong Kong
Brad_Mendelson@McKinsey.com

For more on life insurance, please contact:

Pierre-Ignace Bernard
Senior partner, Paris
Pierre-Ignace_Bernard@McKinsey.com

Kweilin Ellingrud
Senior partner, Minneapolis
Kweilin_Ellingrud@McKinsey.com

Bernhard Kotanko
Senior partner, Hong Kong
Bernhard_Kotanko@McKinsey.com

For more on distribution, please contact:

Simon Kaesler
Partner, Frankfurt
Simon_Kaesler@McKinsey.com

Sumit Popli
Partner, Jakarta
Sumit_Popli@McKinsey.com

Shannon Varney
Partner, Boston
Shannon_Varney@McKinsey.com

Global Insurance Pools team:

Nataliya Fedorenko
Specialist, Paris

Shitij Gupta
Expert, Gurgaon

Varun John Jacob
Senior Analyst, Gurgaon

Rahul Mondal
Analyst, Gurgaon

Diksha Sahni
Junior analyst, Gurgaon

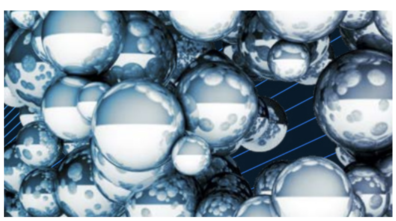
Tanya Sogani
Senior analyst, Gurgaon

The team can be reached at the central email address:

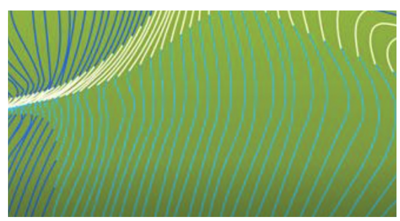
Global_Insurance_Pools@McKinsey.com

Further insights

McKinsey's Insurance Practice publishes on issues of interest to industry executives. Previous editions of the Global Insurance Pools report include:



2019 global insurance trends and forecasts



Global insurance insights: An overview of recent trends in life, P&C, and health

McKinsey.com