

Insurance Practice

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 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 percent growth in 2018 and 2019, respectively, and made up about 25 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

Exhibit 1

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

P&C GDDWP¹ absolute growth, € billion

	2016–17	Growth rate, %	2017–18	Growth rate, %	2018–19E ²	Growth rate, %
North America	28	5	28	5	28	4
Developing APAC ³	19	13	17	10	16	9
Western Europe	9	3	11	3	9	3
Latin America	5	11	6	12	7	13
Developed APAC ³	1	1	4	3	4	3
Eastern Europe	2	5	2	8	2	5
Middle East	2	7	1	3	1	4
Africa	1	7	1	7	1	8
Total	66	5	69	5	68	5

Note: 2018 average fixed exchange rate used throughout the years. Figures may not sum, because of rounding.

¹Gross direct domestic written premiums.

²2019 figures estimated based on full-year/H1/Q3 reporting.

³Asia-Pacific.

liability, 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.

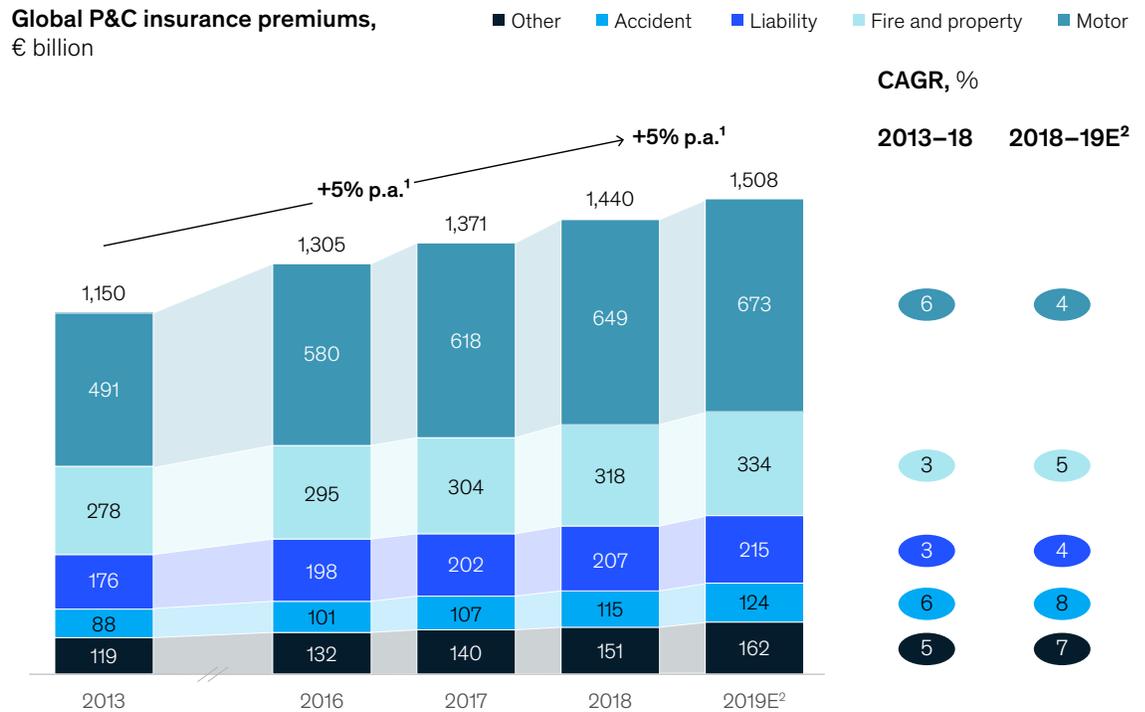
The decline in motor insurance was felt in the United States, which accounted for approximately 39 percent of global motor insurance in 2019. US motor insurance premiums grew by 4 percent in 2019—slower than the 7 percent growth in 2018, which was largely attributed to motor-premium rate increases to 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.



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

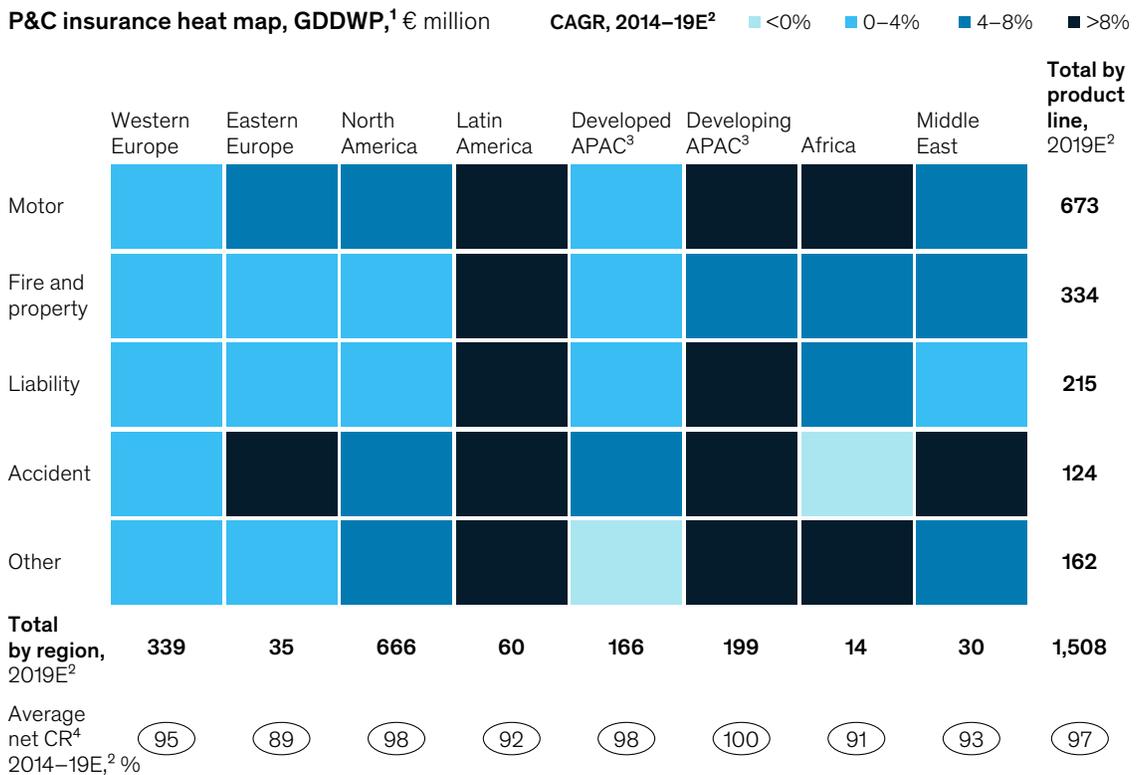
improvement of 3 percentage points from 2018, during which time claims from damages caused by typhoons in Japan raised the net combined ratio to 100 percent.

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

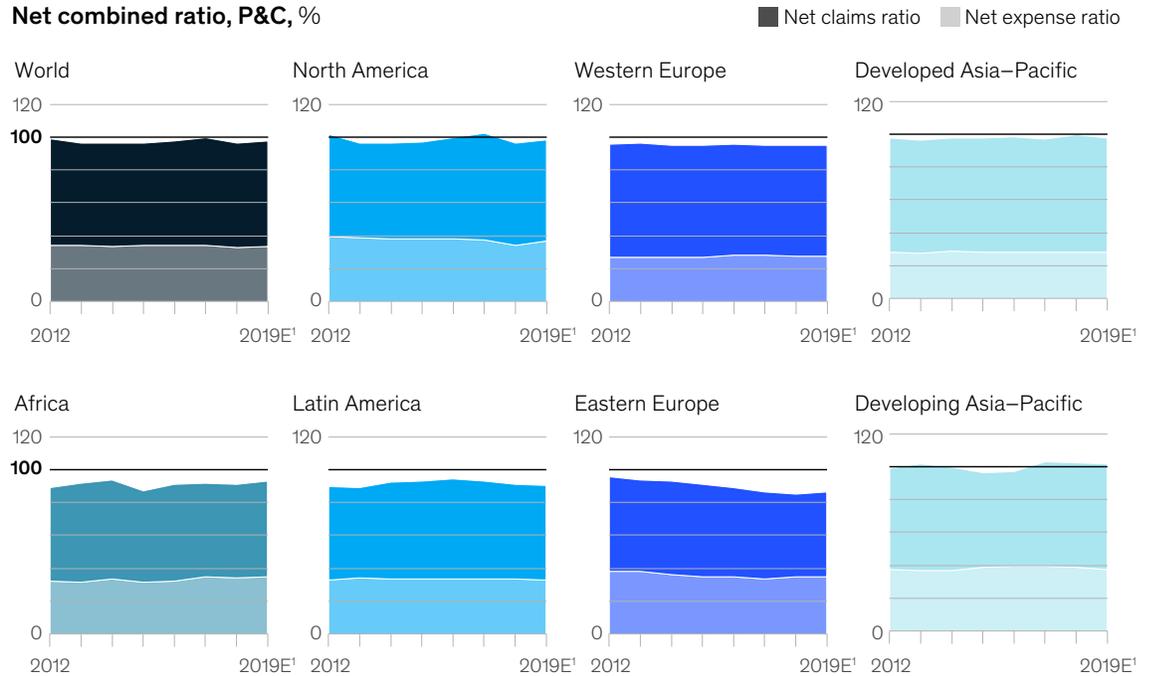
Emerging markets drove growth in volumes across all P&C products from 2014 to 2019.



Note: 2018 average fixed exchange rate used throughout the years.
¹Gross direct domestic written premiums.
²2019 figures estimated based on full-year/H1/Q3 reporting.
³Asia–Pacific.
⁴Combined ratio.

Exhibit 4

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



¹2019 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

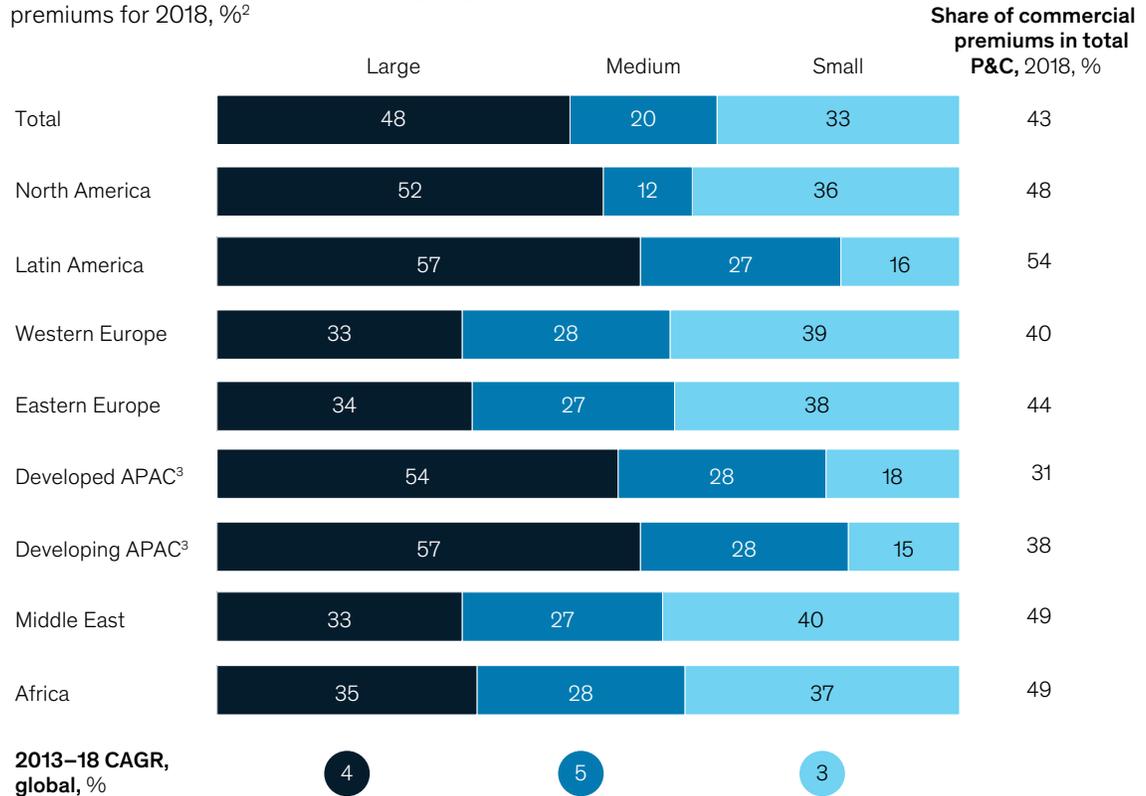
in most regions over 2017 because of rising prices in all major commercial lines products. Among all the regions, Latin America had the highest share of commercial premiums at 54 percent in 2018, while developed APAC had the lowest share at 31 percent.

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



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

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.

Exhibit 6

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

Private health GDDWP¹ absolute growth, € billion

	2016–17	Growth rate, %	2017–18	Growth rate, %	2018–19E ²	Growth rate, %
North America	38	5	47	6	44	5
Developing APAC ³	5	9	15	24	15	20
Western Europe	5	3	8	5	6	4
Developed APAC ³	3	5	3	5	2	4
Latin America	2	15	1	6	1	3
Middle East	1	8	1	5	0	3
Eastern Europe	0	4	0	8	1	16
Africa	0	8	0	9	0	11
Total	54	5	75	7	69	6

Note: 2018 average fixed exchange rate used throughout the years.

¹Gross direct domestic written premiums.

²2019 figures estimated based on full-year/H1/Q3 reporting.

³Asia–Pacific.

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

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,

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.

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.

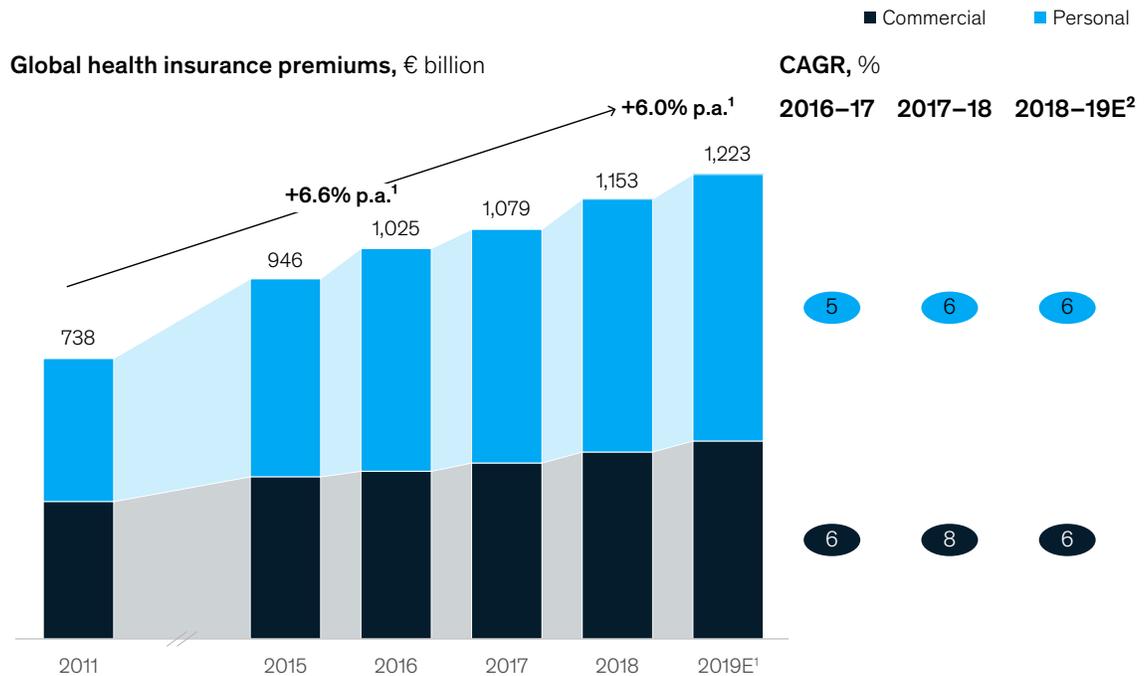
Profitability of health insurance

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

Exhibit 7

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



¹Per annum.

²2019 figures estimated based on full-year/H1/Q3 reporting.

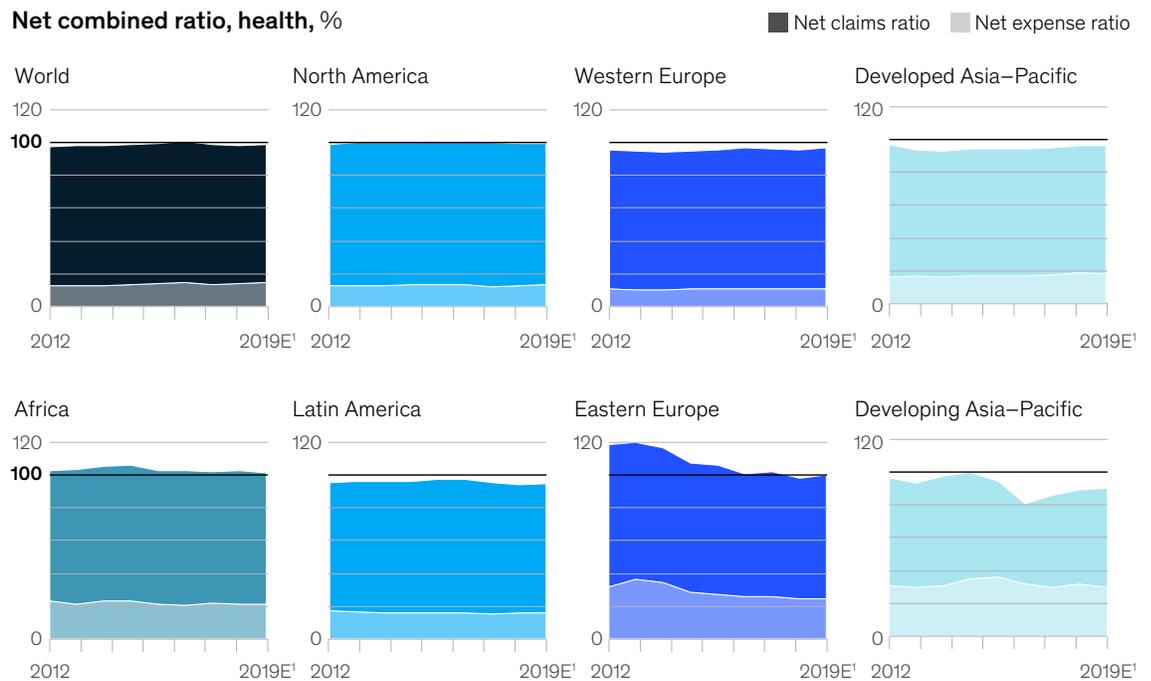
United Kingdom, remained stable in the range of 70 to 85 percent from 2015 to 2019. The net claims ratio for the United States was also stable at 86 percent in that period. However, net claims ratios declined in some developing nations such as India, which saw a decrease from 102 percent in 2015 to 93 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.

Stephan Binder is a senior partner in McKinsey's Zurich office, **Philipp Klais** is an associate partner in the Munich office, and **Jörg Mußhoff** is a senior partner in the Berlin office.

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Contact

For more information on this topic, please contact:

Stephan Binder

Senior partner, Zurich
Stephan_Binder@McKinsey.com

Kia Javanmardian

Senior partner, Chicago
Kia_Javanmardian@McKinsey.com

Sylvain Johansson

Senior partner, Geneva
Sylvain_Johansson@McKinsey.com

Philipp Klais

Associate partner, Munich
Philipp_Klais@McKinsey.com

Brad Mendelson

Senior partner, Hong Kong
Brad_Mendelson@McKinsey.com

Jörg Mußhoff

Senior partner, Berlin
Joerg_Musshoff@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