

# THE ANALYSIS OF GROSS WRITTEN PREMIUMS IN THE MAJOR REGIONS OF THE WORLD, BEFORE, DURING AND AFTER FINANCIAL CRISIS

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**ABSTRACT:** Gross written premiums volume is one of the most important quantitative indicators which enabling assessment of the size of the insurance market. In the present paper we analyzed the evolution of world insurance market by gross written premiums from insurance activity taking into consideration not only the gross written premiums from total business insurance, but also on the main insurance types: life and non-life insurance.

**KEY WORDS:** gross written premium, life insurance, non-life insurance, evolution, financial crisis.

## 1. INTRODUCTION.

People have always tried to protect themselves against unwanted events, but no matter what they did, such phenomena could not be avoided. The only form of protection is insurance [7].

Insurance market is the place where the demand and supply of insurance meet. The demand for insurance comes from persons willing to buy a type of insurance, and the supply is represented by specialized organizations that are authorized to conduct the insurance/reinsurance activity.

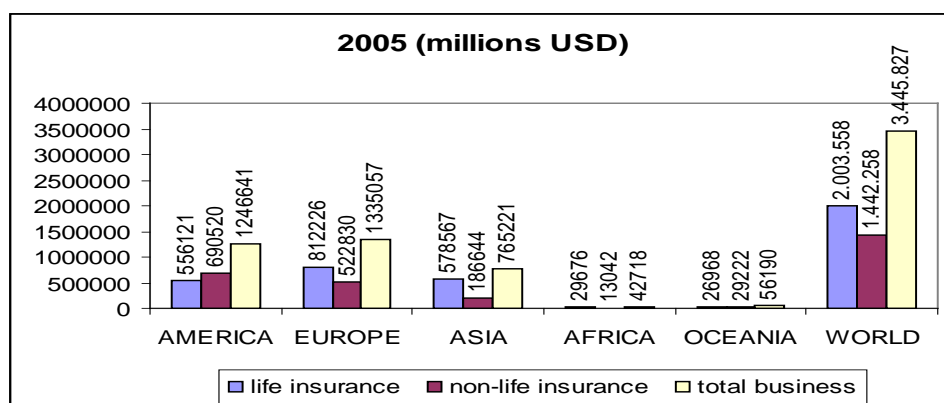
Related to insurance market, main element to assess the dimension of this market refers to demand for insurance, and gross premiums are influenced by insurance demand [2].

Insurance market is characterized by dynamism, is moved by diversity of the insurance types, and the interaction between demand and supply of insurance refers to insurance contracts. For each insurance contract the person that request offers to buy a contract has to pay a premium.

We analyzed the evolution of world insurance market by gross written premiums from insurance activity taking into consideration not only the gross written premiums from total business insurance, but also on the main insurance types: life and non-life insurance. The period of time we take care is between 2005 and 2013, and we divided that period of time in 3 segments: before the financial crisis trigger (2005-2007), during the crisis (2008-2010) and after (2011-2013).

## 2. THE EVOLUTION OF GROSS WRITTEN PREMIUMS BEFORE FINANCIAL CRISIS (2005-2007)

The world insurance market in the last three decades, in terms of gross written premiums, grew rapidly, in the period 1985-1996 increased more than three times, and have doubled between 1996-2008. The biggest changes have occurred in Europe, the volume of gross written premiums increased more than 4 times. The world insurance market size, in the main areas of the world, according GWP, in 2005, is shown in fig. 1.

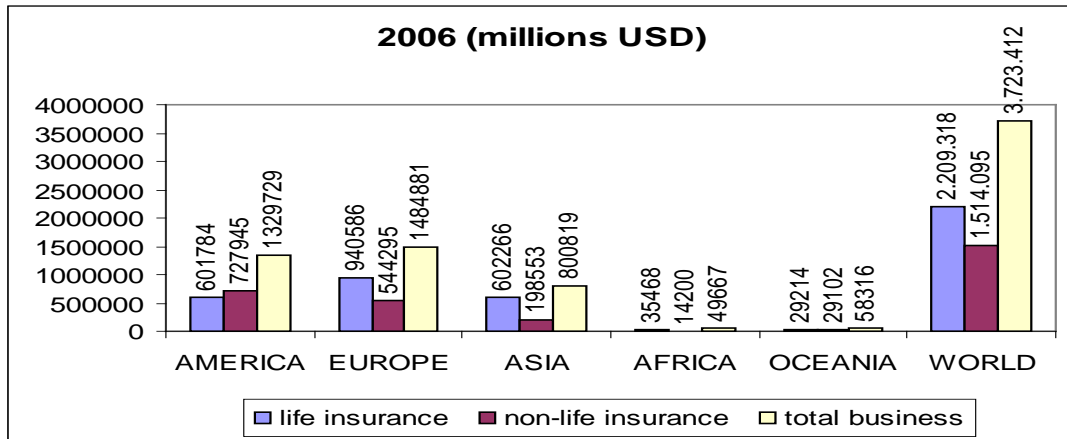


Source: based on data from Swiss re, Sigma, Annual Report

Figure 1. The evolution of gross written premiums on the international insurance market in 2005

In 2005, total world premiums grew by 2,5% in real terms, down from 2,7% in 2004, world life insurance premiums increased by 3,9% in real terms, after having grown by 2,9% in 2004. It is observed the authority of Europe, it is the largest market in the world in terms of volume premiums (total business), second market is America, followed by Asia, Oceania and Africa. In 2005, global premium income totaled USD 3.445 billion, of which life insurance contributed

58,14%, and non-life 41,86%. The markets of Europe America and Asia represents 97,13% of total market and Oceania and Africa represents just 2,87%, the biggest market, European market, share is 38,74% in the year under review, and this situation is maintained in the same order, speaking about life insurance. The world insurance market size, in the main areas of the world, according GWP, in 2006, is shown in figure 2.



Source: based on data from Swiss re, Sigma, Annual Report

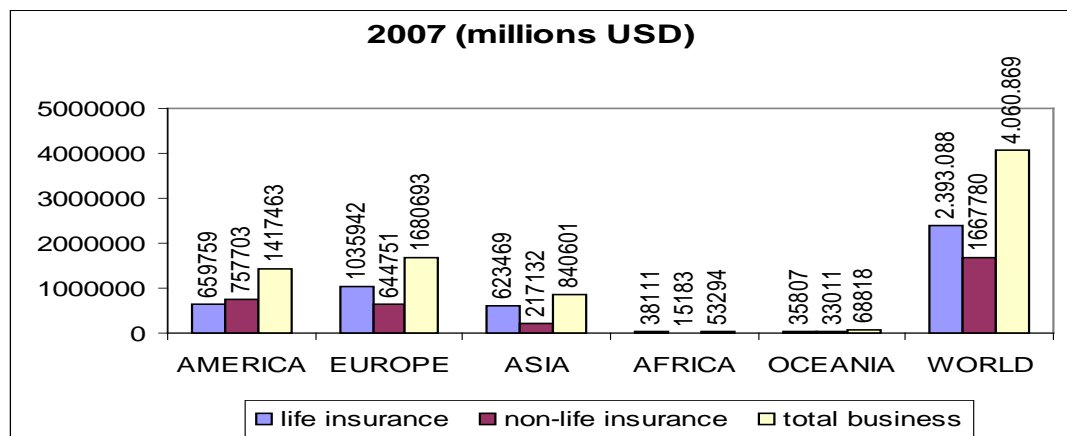
Figure 2. The evolution of gross written premiums on the international insurance market in 2006

In 2006, global premium income amounted to USD 3.723 billion and life business contributed 59,34% (or USD 2.209 billion), world life insurance premiums increased by 10,27%, to USD 2.209 billion, having seen growth of 5,2% in 2005. Western Europe accounted for most of the growth supported by strong developments in the largest regional markets, the United Kingdom, France and Germany. The factors that influenced the development of the life market are: „the stock market boom, which boosted unit-linked products, the strong capital position of life insurers in major markets has bolstered the industry’s competitiveness, booming housing markets and the

increasing popularity of bancassurance are adding further impetus in both industrialized and emerging markets, improved labour conditions and rising incomes are also playing a role, particularly in emerging markets” [12].

Europe, it is still the largest market in the world in terms of volume premiums, followed by America, Asia, Oceania and Africa. European market, share is 39,88%, speaking about life insurance European market, share is 42,57%.

The world insurance market size, in the main areas of the world, according GWP, in 2007, is shown in figure 3.



Source: based on data from Swiss re, Sigma, Annual Report

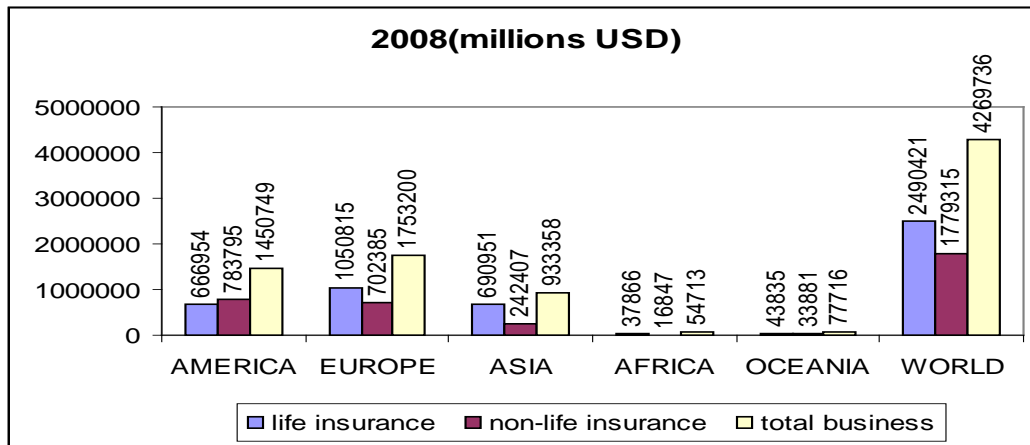
Figure 3. The evolution of gross written premiums on the international insurance market in 2007

In 2007, premium growth was strong in the global insurance industry. Worldwide insurance premium income increased to USD 4.060 billion in 2007. The life business accounted for USD 2.393 billion of this total; non-life insurance registered a small increase, USD 1.667 billion. Life insurance continued to expand in 2007, more in the industrialised economies. European market share touch 41,39%, and life insurance for the same market share is 43,29%, followed by America with 34,91% market share (total

business) and 27,57 % speaking about life insurance. In conclusion, the global insurance market has been growing in the period before financial crisis.

### 3. THE EVOLUTION OF GROSS WRITTEN PREMIUMS DURING THE FINANCIAL CRISIS

The world insurance market size, in the main areas of the world, according GWP, at the beginning of financial crisis, is shown in figure 4.

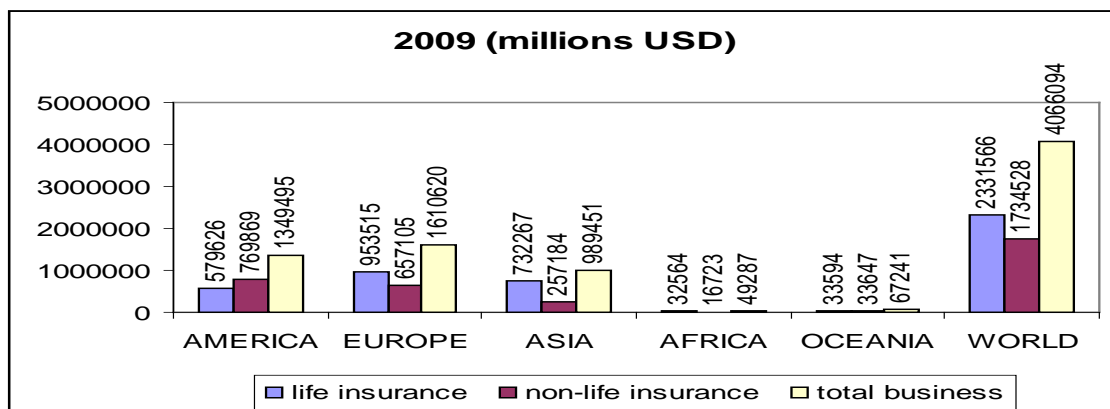


Source: based on data from Swiss re, Sigma, Annual Report

**Figure 4.**The evolution of gross written premiums on the international insurance market in 2008

For the first time since 1980, life insurance premiums declined in real terms, worldwide insurance premiums rose to USD 4.260 billion. The life insurance registered for USD 2.490 billion; non-life

insurance accounted for the remaining USD 1.779 billion. European market share is 41,96%, and life insurance share is 42,19%, followed by America with 33,98% and 27,57 % speaking about life insurance.

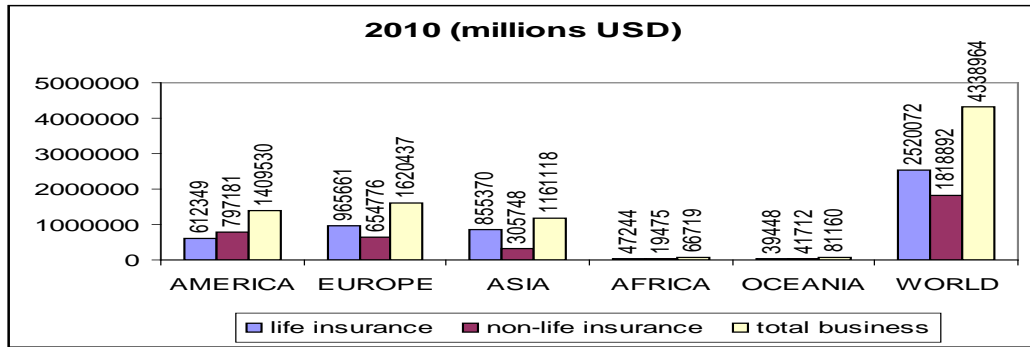


Source: based on data from Swiss re, Sigma, Annual Report

**Figure 5.**The evolution of gross written premiums on the international insurance market in 2009

From the figure 5 and figure 6 is observed a decrease in the share of the European market in total life insurance market at the end of 2010, representing 38,32% of the total world market (4% less than in 2008), but remains the biggest one, followed by the Asian market, which is continuously increasing from 27,74% in 2008 to 33,94% in 2010. American life

insurance market was most affected by the financial crisis, whether in terms of volume of total insurance premiums, life and non-life, it is the 2nd, the life insurance market is overtaken by Asia market. Africa and Oceania represent a very small part of the total world market (between 1-2%).



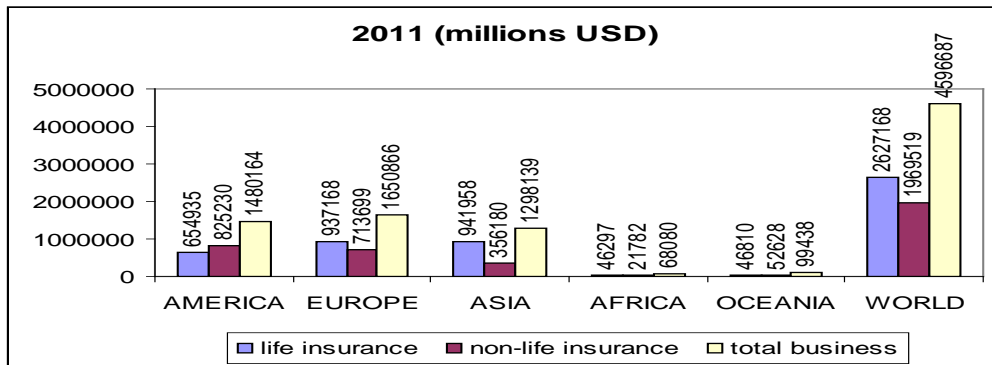
Source: based on data from Swiss re, Sigma, Annual Report

Figure 6. The evolution of gross written premiums on the international insurance market in 2010

Global insurance premiums increased by 6 % in 2010. Asian emerging markets and a number of large continental European markets contributed the most to growth. In the US and the UK, premiums continued to decline, although at a slower pace compared to 2009. Overall, the insurance industry has recovered the crisis in 2010. Demand for insurance in the emerging markets increased and the recovery of the world economy that began in mid-2009 continued in 2010, supporting the growth of insurance premiums.

#### 4. THE EVOLUTION OF GROSS WRITTEN PREMIUMS AFTER THE FINANCIAL CRISIS

Real growth in the world economy slowed to 3% in 2011 „after getting off to a strong start, the economy gradually weakened in the second half of the year, undermining demand for insurance cover and leading to a continuation in accommodative monetary policies that kept interest rates low”[17]. The world insurance market size, in the main areas of the world, according GWP, in 2011, is shown in figure 7.

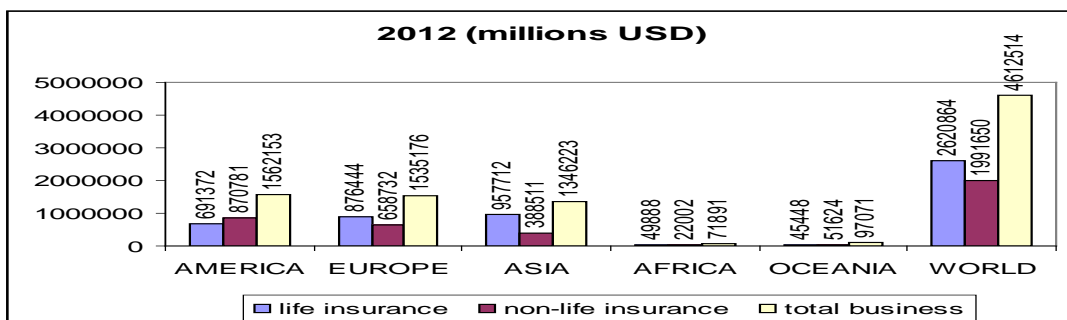


Source: based on data from Swiss re, Sigma, Annual Report

Figure 7. The evolution of gross written premiums on the international insurance market in 2011

Worldwide insurance premium income increased to USD 4.596 billion in 2011. The life business accounted for USD 2.627 billion of this total; non-life insurance registered a small increase, USD

billion. Global life insurance premiums decreased in 2012 to USD 2.620 billion

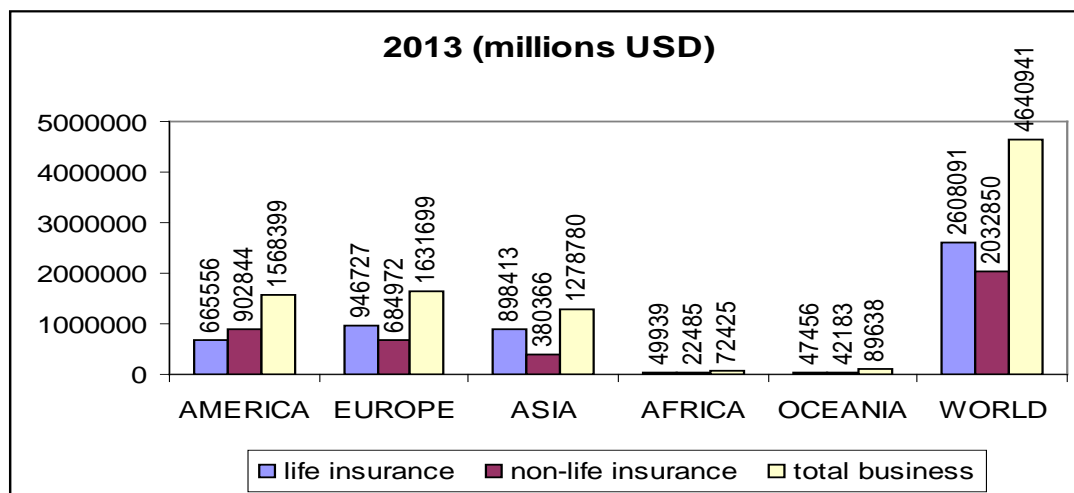


Source: based on data from Swiss re, Sigma, Annual Report

Figure 8. The evolution of gross written premiums on the international insurance market in 2012

World market is on road to recovery after the financial crisis, it is noted significant growth market in Asia, being the biggest life market in 2011 and 2012 and 2013 returns Europe on the first place.

American market starts to recover, after the crisis and that of Europe market is in a continuous decrease in both crisis and post-crisis period, only in the last year of analysis increases slightly.



Source: based on data from Swiss re, Sigma, Annual Report

Figure 9. The evolution of gross written premiums on the international insurance market in 2013

Global economic growth was about the same in 2013 as in 2012, and still below long-term trends. In 2013, global life insurance premiums written were USD 2.608 billion, declined with 0.99% compared to 2012. Global non-life premium growth slowed to 2.06% in 2013, with total premiums of USD 2.032 billion.

## 5. CONCLUSIONS:

Global crisis has left its mark on the international insurance differently from one region to another, from one country to another.

Currently there are large differences in insurance coverage, varying by country, hundreds of thousands of under-insured individuals needing financial protection provided by these products.

Life insurance segment recorded strong growth in emerging markets in Asia in the USA and the UK life insurance business decreased, but at a rate not very alert.

The most affected insurance market was American market since the crisis began there, followed by the European market, Asia is located to a significant bullish trend in terms of life insurance, until 2013 outpacing the European market which held the 1st World.

Looking back at 2010, most insurance companies have returned to the level before the crisis, and in 2012 recorded a slight decrease again referring to European companies. Life premium growth is expected to resume in the advanced economies and improve in the emerging markets in 2014.

In Asia and Oceania premiums will maintain their steady growth path. In emerging markets, the recovery in China and India will help to increase the gross

written premiums. In China is expected to increase the demand for life insurance while in India, improving consumer sentiment and financial market conditions will boost demand for unit-linked and pension products.

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