

Asian insurance market: Growth pause in 2018, but Thailand shows solid growth, with premiums increasing over 5%



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- Global insurance premiums increased 3.3% to 3,655 billion euros in 2018
- Growth in Asia disappointed, held down by shrinking life markets in China and Korea
- Thailand shows solid growth, with premiums increasing by 5.2% in 2018
- Over the next decade, Asia will return to high growth and contribute 60% to global premium growth

According to projections by Allianz Research, the global insurance premium volume last year rose to 3,655 billion euros (excluding health insurance). Compared to 2017, the nominal increase adjusted for exchange rate effects is 3.3%.

It was the third year in a row (or the 12th out of the last 15 years) that global premium growth lagged behind the expansion of economic activity (+ 5.7% nominal growth in 2018). Insurance penetration (premiums as a percentage of GDP) has thus fallen to 5.4% - the lowest value in the last 30 years.

“It is actually a paradoxical situation,” commented Michael Heise, Chief Economist of Allianz SE. “On the one hand, the risks in the world are constantly increasing - just think of climate change, demography, cyber or politics - but on the other hand, people worldwide are spending an ever

smaller proportion of their income on insurance. A great joint effort by politics and industry is needed to close this 'protection gap'."

It was also an unusual year for Asia: Premiums rose by a meagre 2.3% in Asia (ex Japan), only the second time since the turn of the millennium that it trailed behind global growth. Moreover, with an increase of 4.0%, even Japan grew faster. In 2018, the region accounted for only 16% of global growth (after a whopping 81% in 2017). The global growth engines for 2018 were two old acquaintances: the US (42%) and Japan (11%).

The culprits for this dismal performance are easy to pinpoint: Life markets both in China and Korea – which account together for 40% of the total regional premium pool (ex Japan) – shrank in 2018. In China, this was mainly due to a regulatory crackdown on insurance intermediaries selling wealth management products.

"2018 does not mark the end of the Asian growth story," commented Michaela Grimm, economist at Allianz Research. "On the contrary. The stricter oversight in China is more than welcome, signaling the next phase of a more balanced and sustainable development. Coupled with the breathtaking technological progress in the market – it is the clear frontrunner in the application of AI or innovative payment solutions – China is the market to watch. It's the best place to learn about the future of our industry. 'Sold in China' is the new gold standard in insurance."

Accordingly, Allianz Research expects this year a rebound in Asia (ex Japan), propelling premium growth to almost 11%.

Premiums in Thailand grew by 5.2% in 2018, more or less in line with last years' development. The composition of growth, however, has slightly changed: In 2018, property-casualty premiums clocked growth of 5.8%, after two years of stagnation. On the other hand, growth in life premiums slowed to 5.0%, the lowest increase in more than a decade. Nonetheless, the life market remains – as in most other Asian countries – the dominant segment: It accounts for 70% of the premium pool (without health).

For this year, Allianz Research expect an acceleration to around 7% premium growth, with p&c and life segments growing in sync. Thailand's insurance market is one of the most developed in the region: Premiums per capita stood at EUR 292 in 2018 (on par with China), penetration at 4.7%, the highest ratio for emerging markets in the region, well ahead of China's 3.7%.

Allianz Research expects insurance markets to continue to recover, with global premium growth forecast to reach around 5% in the next decade. Growth expectations for Asia (ex Japan) are notably higher – the region should achieve growth of 9.4% p.a. over the next decade; in Thailand, market growth of 7.5% is foreseen (7.7% in life and 7.1% in p&c). All in all, around 60% of additional premiums will be generated in Asia (ex Japan).

The interactive "Allianz Global Insurance Map" can be found on our homepage:

https://www.allianz.com/en/economic_research/research_data/global-insurance-map/