

Chapter 1: World Insurance Markets

Premiums

World Life and Nonlife Insurance in 2009

Outside the United States, the insurance industry is divided into life and nonlife or general insurance rather than life/health and property/casualty. According to the latest Swiss Re *sigma* study, world insurance premiums totaled \$4.07 trillion in 2009, down from \$4.22 trillion the previous year. Nevertheless, the study found that in most countries insurance premiums grew faster than GDP in 2009 and that the industry's profitability and capital strength improved as the credit and stock markets recovered.

In 2009 life and nonlife insurance premiums (excluding cross-border business) accounted for 16.8 percent of gross domestic product (GDP) in Taiwan, the highest share in the Swiss Re study, followed by 13.6 percent in the Netherlands and 12.9 percent in both the United Kingdom and South Africa. Premiums represented 8.0 percent of GDP in the United States. Among the 10 largest insurance markets, premiums per capita ranged from a high of \$6,555 in the Netherlands to a low of \$121 in China. In the United States premiums per capita totaled \$3,710, including \$1,603 for life insurance and \$2,107 for nonlife insurance.

TOP TEN COUNTRIES BY LIFE AND NONLIFE DIRECT PREMIUMS WRITTEN, 2009¹
(U.S. \$ millions)

Rank	Country	Life premiums	Nonlife premiums ²	Amount	Total premiums	
					Percent change from prior year	Percent of total world premiums
1	United States ³	\$492,345	\$647,401	\$1,139,746	-8.07%	28.03%
2	Japan ⁴	399,100	106,856	505,956	4.73	12.44
3	United Kingdom	217,681	91,560	309,241	-21.84	7.61
4	France	194,077	88,993	283,070	2.61	6.96
5	Germany	111,775	126,591	238,366	-1.48	5.86
6	Italy	115,290	54,070	169,360	20.38	4.17
7	China ⁵	109,175	53,872	163,047	15.79	4.01
8	Netherlands ⁶	33,758	74,385	108,144	-5.57	2.66
9	Canada ⁷	43,656	55,183	98,840	-5.29	2.43
10	South Korea ⁴	57,436	34,527	91,963	1.48	2.26

¹Before reinsurance transactions.

²Includes accident and health insurance. Does not correspond to grouping of U.S. data elsewhere in the book.

³Nonlife premiums include state funds; life premiums include an estimate of group pension business.

⁴April 1, 2009-March 31, 2010.

⁵Provisional.

⁶Estimated.

⁷Life premiums are net premiums.

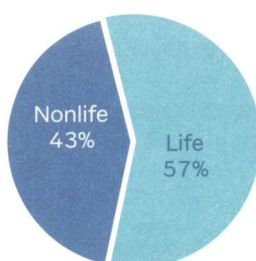
Source: Swiss Re, *sigma*, No. 2/2010.

World Insurance Markets

Premiums

Swiss Re's 2009 world insurance study is based on direct premium data from 159 countries, with detailed information on the largest 88 markets. World insurance premiums fell by 3.7 percent in 2009, reflecting a 4.4 percent drop in life premiums and a 2.6 decline in nonlife premiums. When adjusted for inflation, however, the picture is better, with world insurance premiums falling 1.07 percent, life premiums falling 2 percent and nonlife premiums dropping by less than 1 percent. The drop in world premiums largely reflects declines in the markets of industrialized countries, as contrasted with growth in emerging markets. On an inflation-adjusted basis, total premiums rose 3.5 percent in emerging markets, compared with a 1.8 percent decline in industrialized countries. In the United States, the world's largest insurance market, inflation-adjusted life premiums fell 14.6 percent and inflation-adjusted nonlife premiums fell 1.8 percent.

WORLD LIFE AND NONLIFE INSURANCE PREMIUMS, 2009



Source: Swiss Re, *sigma*, No. 2/2010.

WORLD LIFE AND NONLIFE INSURANCE PREMIUMS, 2007-2009¹

(Direct premiums written, U.S. \$ millions)

Year	Life	Nonlife ²	Total
2007	\$2,441,823	\$1,685,762	\$4,127,586
2008	2,439,294	1,780,776	4,220,070
2009	2,331,566	1,734,529	4,066,095

¹Before reinsurance transactions.

²Includes accident and health insurance.

Source: Swiss Re, *sigma* database.

Reinsurance

Each year the Reinsurance Association of America (RAA) publishes a report on the reinsurance market, which U.S. insurance companies cede, or transferred, some of their business to other insurance companies. Some of this business is ceded to offshore reinsurers in the United States, while some is ceded to foreign reinsurers.

Foreign reinsurers accounted for 57.8 percent in 2009, up from 56.8 percent in 2008. This is not part of their own company's business, but it is part of the business of foreign companies. In 2009, the foreign (or foreign) reinsurance market in 2009, up from 56.8 percent in 2008.

U.S. REINSURANCE MARKET

Rank	Country	2009 Total Reinsurance Written (U.S. \$ millions)
1	Bermuda	\$2,441,823
2	Switzerland	\$1,685,762
3	United Kingdom	\$1,685,762
4	Germany	\$1,685,762
5	Cayman Islands	\$1,685,762
6	Ireland	\$1,685,762
7	Turks and Caicos	\$1,685,762
8	France	\$1,685,762
9	Sweden	\$1,685,762
10	Barbados	\$1,685,762
11	Canada	\$1,685,762
12	Japan	\$1,685,762
Total, countries shown		\$2,441,823
Total		\$2,441,823

¹Ranked by 2009 total reinsurance written. NA=Data not available.

Source: Reinsurance Association of America.

World Insurance Markets

Reinsurance

Reinsurance

Each year the Reinsurance Association of America provides an overview of the countries from which U.S. insurance companies obtain reinsurance, i.e., the countries to which they have ceded, or transferred, some of their risk. The analysis includes premiums that a U.S. insurance company cedes to "offshore," i.e., foreign, reinsurance companies that are not part of the insurer's own corporate group ("unaffiliated offshore reinsurers" in the chart below), as well as business ceded to overseas reinsurers that are part of the insurer's corporate family ("affiliated offshore reinsurers" in the chart below).

Foreign reinsurers' share of U.S. premiums written decreased from 58.6 percent in 2008 to 57.8 percent in 2009, based on premiums that U.S. insurers ceded to foreign-based reinsurers not part of their own corporate group. However, a number of U.S. based reinsurers are owned by foreign companies. If the ultimate parents of these reinsurance companies are taken into account, foreign (or foreign-owned) reinsurance companies accounted for 84.5 percent of the market in 2009, up from 83.6 percent in 2008.

U.S. REINSURANCE PREMIUMS CEDED TO UNAFFILIATED AND AFFILIATED OFFSHORE REINSURERS BY COUNTRY, 2007-2009¹

(\$ millions)

Rank	Country	Unaffiliated offshore reinsurers			Affiliated offshore reinsurers			2009 total
		2007	2008	2009	2007	2008	2009	
1	Bermuda	\$11,102	\$11,420	\$10,013	\$19,371	\$20,813	\$22,612	\$32,625
2	Switzerland	857	955	1,129	8,942	7,578	8,361	9,490
3	United Kingdom	4,578	4,428	4,706	777	823	765	5,471
4	Germany	2,569	2,793	2,490	1,463	1,222	781	3,271
5	Cayman Islands	2,023	2,003	2,086	409	389	398	2,484
6	Ireland	419	485	489	101	155	227	716
7	Turks and Caicos	481	518	500	102	111	141	641
8	France	424	434	378	357	296	228	606
9	Sweden	NA	NA	NA	427	411	433	433
10	Barbados	495	553	413	NA	NA	NA	413
11	Canada	326	255	277	NA	NA	NA	277
12	Japan	NA	NA	NA	192	191	199	199
Total, countries shown		23,274	23,844	22,481	32,141	31,989	34,145	56,626
Total		\$24,594	\$25,031	\$23,630	\$33,786	\$33,158	\$34,464	\$58,094

¹Ranked by 2009 total reinsurance premiums.

NA=Data not available.

Source: Reinsurance Association of America.

World Insurance Markets

Leading Companies

TOP TEN GLOBAL INSURANCE COMPANIES BY REVENUES, 2009¹

(\$ millions)

Rank	Company	Revenues ²	Country	Industry
1	Japan Post Holdings	\$202,196	Japan	Life/health
2	AXA	175,257	France	Life/health
3	Assicurazioni Generali	126,013	Italy	Life/health
4	Allianz	125,999	Germany	Property/casualty
5	Berkshire Hathaway	112,493	U.S.	Property/casualty
6	American International Group	103,189	U.S.	Property/casualty
7	Aviva	92,140	U.K.	Life/health
8	Prudential	75,010	U.K.	Life/health
9	Munich Re Group	74,764	Germany	Property/casualty
10	Nippon Life Insurance	72,051	Japan	Life/health

¹Based on an analysis of companies in the Global Fortune 500. Includes stock and mutual companies.

²Revenues include premium and annuity income, investment income and capital gains or losses, but excludes deposits; includes consolidated subsidiaries, excludes excise taxes.

Source: Fortune.

TOP TEN GLOBAL PROPERTY/CASUALTY INSURANCE COMPANIES BY REVENUES, 2009¹

(\$ millions)

Rank	Company	Revenues ²	Country
1	Allianz	\$125,999	Germany
2	Berkshire Hathaway	112,493	U.S.
3	American International Group	103,189	U.S.
4	Munich Re Group	74,764	Germany
5	Zurich Financial Services	70,272	Switzerland
6	State Farm Insurance Cos.	61,480	U.S.
7	Tokio Marine Holdings	38,458	Japan
8	Allstate	32,013	U.S.
9	Liberty Mutual Insurance Group	31,094	U.S.
10	Swiss Reinsurance	30,745	Switzerland

¹Based on an analysis of companies in the Global Fortune 500. Includes stock and mutual companies.

²Revenues include premium and annuity income, investment income and capital gains or losses, but excludes deposits; includes consolidated subsidiaries, excludes excise taxes.

Source: Fortune.

Rank	Company
1	Japan Post Holdings
2	AXA
3	Assicurazioni Generali
4	Aviva
5	Prudential
6	Nippon Life Insurance
7	Legal & General
8	CNP Assurances
9	Aegon
10	China Life Insurance

¹Based on an analysis of companies in the Global Fortune 500.

²Revenues include premium and annuity income, investment income and capital gains or losses, but excludes deposits; includes consolidated subsidiaries, excludes excise taxes.

Source: Fortune.

TOP TEN GLOBAL REINSURANCE COMPANIES BY NET REVENUES, 2009¹

Rank	Company
1	Munich Re
2	Swiss Re Group
3	Hanover Re
4	Berkshire Hathaway Reinsurance Group
5	Lloyd's of London
6	SCOR
7	Transatlantic Holding
8	PartnerRe Ltd.
9	Everest Re Group Ltd.
10	Korean Re

Source: Business Insurance, September 2010.

World Insurance Markets

Leading Companies

TOP TEN GLOBAL LIFE/HEALTH INSURANCE COMPANIES BY REVENUES, 2009¹ (\$ millions)

Rank	Company	Revenues ²	Country
1	Japan Post Holdings	\$202,196	Japan
2	AXA	175,257	France
3	Assicurazioni Generali	126,013	Italy
4	Aviva	92,140	U.K.
5	Prudential	75,010	U.K.
6	Nippon Life Insurance	72,051	Japan
7	Legal & General Group	68,290	U.K.
8	CNP Assurances	66,556	France
9	Aegon	64,506	Netherlands
10	China Life Insurance	57,019	China

¹Based on an analysis of companies in the Global Fortune 500. Includes stock and mutual companies.

²Revenues include premium and annuity income, investment income and capital gains or losses, but excludes deposits; includes consolidated subsidiaries, excludes excise taxes.

Source: Fortune.

TOP TEN GLOBAL REINSURERS BY NET REINSURANCE PREMIUMS WRITTEN, 2009 (\$ millions)

Rank	Company	Net reinsurance premiums written	Country
1	Munich Re	\$32,768.2	Germany
2	Swiss Re Group	21,880.0	Switzerland
3	Hanover Re	13,260.1	Germany
4	Berkshire Hathaway Reinsurance Group	12,362.0	U.S.
5	Lloyd's of London	9,460.8	U.K.
6	SCOR	8,889.1	France
7	Transatlantic Holdings, Inc.	3,986.1	U.S.
8	PartnerRe Ltd.	3,948.7	Bermuda
9	Everest Re Group Ltd.	3,929.8	Bermuda
10	Korean Re	2,368.3	South Korea

Source: Business Insurance, September 6, 2010.

■ Net reinsurance premiums written by the top 10 global reinsurers rose from \$108.9 billion in 2008 to \$112.2 billion in 2009, according to Business Insurance.

World Insurance Markets

Leading Companies

- Commercial retail business accounted for 54.4 percent of the largest brokers' revenues. The next largest segments were employee benefits (18.6 percent) and wholesale (7.0 percent).

TOP TEN GLOBAL INSURANCE BROKERS BY REVENUES, 2009¹ (\$ millions)

Rank	Company	Brokerage revenues	Country
1	Marsh & McLennan Cos. Inc. ²	\$10,507	U.S.
2	Aon Corp.	7,410	U.S.
3	Willis Group Holdings P.L.C.	3,210	U.K.
4	Arthur J. Gallagher & Co.	1,712	U.S.
5	Wells Fargo Insurance Services Inc.	1,561	U.S.
6	BB&T Insurance Services Inc.	1,081	U.S.
7	Brown & Brown Inc.	965	U.S.
8	Jardine Lloyd Thompson Group P.L.C.	958	U.K.
9	Lockton Cos. L.L.C.	766	U.S.
10	Gras Savoye & Cie.	755	France

¹Gross revenues generated by insurance brokerage, consulting and related services.

²Revenues do not include HSBC Insurance Brokers Ltd., purchased April 2010.

Source: Business Insurance, July 19, 2010.

TOP TEN GLOBAL REINSURANCE BROKERS BY REINSURANCE GROSS REVENUES, 2009¹ (\$000)

Rank	Company	Reinsurance gross revenues	Country
1	Aon Benfield	\$1,485,000	U.S.
2	Guy Carpenter & Co. L.L.C. ²	911,000	U.S.
3	Willis Re	614,000	U.K.
4	Towers Watson & Co.	166,427	U.S.
5	Cooper Gay Swett & Crawford Ltd.	157,393	U.K.
6	Jardine Lloyd Thompson Group P.L.C.	146,587	U.K.
7	BMS Group	73,488	U.K.
8	UIB Holdings Ltd.	44,321	U.K.
9	Axiom Re Inc.	31,346	U.S.
10	Lockton Cos. International Ltd.	31,037 ³	U.K.

¹Includes all reinsurance revenue reported through holding and/or subsidiary companies.

²Includes aviation reinsurance business placed by Marsh Inc.

³Fiscal year ending April 30.

Source: Business Insurance, October 25, 2010.

The U.S. Department of insurance services: through the European market through trade (a domestic company a European firm purchases purchasing reinsurance from creates a broad measure of

Country/region

Canada

Europe

Latin America and other Western

Japan

Other

Total

¹Largely based on premiums. Includes holders). Cross-border insurance also reinsurance. ²Based on primary industry

Source: U.S. Department of Commerce

Country/region

Canada

Europe

Latin America and other Western

Japan

Other³

Total

¹Largely based on premiums. Includes holders). Cross-border insurance also reinsurance. ²Based on primary industry includes U.S. affiliates with a foreign presence

Source: U.S. Department of Commerce

World Insurance Markets

Cross-Border and International Sales

ERS BY REVENUES, 2009¹

Brokerage revenues	Country
\$10,507	U.S.
7,410	U.S.
3,210	U.K.
1,712	U.S.
1,561	U.S.
1,081	U.S.
965	U.S.
958	U.K.
766	U.S.
755	France

ing and related services.
urchased April 2010.

SS REVENUES, 2009¹

ss revenues	Country
000	U.S.
000	U.S.
000	U.K.
427	U.S.
393	U.K.
587	U.K.
488	U.K.
321	U.K.
346	U.S.
037 ³	U.K.

The U.S. Department of Commerce provides estimates on two methods of international delivery of insurance services: through sales by subsidiaries of multinational corporations (for example, sales to the European market through a European-based subsidiary of a U.S. insurer) or through cross-border trade (a domestic company or individual transacting directly with a foreign company, for example a European firm purchasing insurance from a U.S. firm through a broker, or a U.S. primary insurer purchasing reinsurance from an overseas reinsurer). The combination of these methods of delivery creates a broad measure of insurance services provided and received from abroad.

U.S. INSURANCE SALES ABROAD, 2008¹

(\$ millions)

Country/region	Sold directly	Sold through affiliates of multinational corporations ²	Total
Canada	\$2,512	\$5,908	\$8,420
Europe	4,381	18,545	22,926
Latin America and other Western Hemisphere	3,699	10,402	14,101
Japan	1,530	15,744	17,274
Other	1,416	14,683	16,099
Total	\$13,538	\$65,282	\$78,820

¹Largely based on premiums. Includes adjustments for "normal" i.e., expected losses and premium supplements (income due to policy holders). Cross-border insurance also includes auxiliary insurance. Includes all types of insurance, including property/casualty, life and reinsurance. ²Based on primary industry of the affiliate.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, International Division.

FOREIGN INSURANCE SALES IN THE U.S., 2008¹

(\$ millions)

Country/region	Purchased directly from foreign firms	Purchased through majority-owned U.S. affiliates of multinational corporations ²	Total
Canada	\$897	\$6,520	\$7,417
Europe	26,017	33,497	59,514
Latin America and other Western Hemisphere	28,546	4,646	33,192
Japan	226	774	1,000
Other ³	421	2,225	2,646
Total	\$56,107	\$47,662	\$103,769

¹Largely based on premiums. Includes adjustments for "normal" i.e., expected losses and premium supplements (income due to policy holders). Cross-border insurance also includes auxiliary insurance. Includes all types of insurance, including property/casualty, life and reinsurance. ²Based on primary industry of the ultimate beneficial owner. ³For services purchased through majority-owned U.S. affiliates, includes U.S. affiliates with a foreign parent, but whose ultimate beneficial owner is in the United States.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, International Division.

World Insurance Markets

Captives and Other Risk-Financing Options

Over the years, a number of alternatives to traditional commercial insurance have emerged to respond to fluctuations in the marketplace. Captives—a special type of insurance company set up by a parent company, trade association or group of companies to insure the risks of its owner or owners—emerged during the 1980s, when businesses had trouble obtaining some types of commercial insurance coverage. Other alternative risk transfer (ART) arrangements include self insurance, risk retention groups and risk purchasing groups. By 2006, ART accounted for 30 per cent of the commercial market, according to Conning Research.

LEADING CAPTIVE DOMICILES, 2008-2009

Rank	Domicile	Number of captives	
		2008	2009
1	Bermuda	960	885
2	Cayman Islands	777	780
3	Vermont	557	560
4	Guernsey	370	355
5	British Virgin Islands	332	285
6	Luxembourg	262	251
7	Barbados	230	225
8	Anguilla	200 ¹	209
9	Turks and Caicos Islands	182 ²	203 ²
10	Hawaii	165	162
11	South Carolina	156 ³	161
12	Utah	122	148
13	Isle of Man	156	145
14	Nevada	123	126
15	District of Columbia	90	116
16	Dublin	131	114
17	Kentucky	67	105
18	Arizona	106 ³	99
19	Singapore	63	63
20	Delaware	41	49
Total, top 20		4,446	4,838
Total, all captives		4,702	5,089

¹Business Insurance estimate.

²Excludes credit life insurers.

³Reestimated

The Securitization

Catastrophe (cat) bond emerged as an alternative for insurers typically issue cat bonds for this purpose. Cat bonds are used to cover natural disasters occur. However, how the cat bond is structured, the investor may lose all or part of the investment.

As the financial market began to improve, the market began to improve, marking a 25 per cent decline over the first half of the year. The total amount increased from \$12.0 billion in 2008 to \$15.0 billion in 2009, with a particularly strong fourth quarter of 2010, with issuance of \$1.5 billion, a transaction count (two) of 10.

Rank	Special purpose vehicle
1	Longpoint Re II Ltd.
2	Multicat Mexico 2009 Limited
3	Residential Re 2009
4	Mystic Re II
5	Lakeside Re II Ltd.
6	Eurus II Ltd.
7	Atlas V
8	Parkton Re Ltd.
9	Blue Fin Ltd. (2009 takedowns)
10	Montana Re Ltd.

¹Sponsored through Swiss Re.

Source: GC Securities and Guy

World Insurance Markets

Captives and Other Risk-Financing Options

The Securitization of Insurance Risk: Catastrophe Bonds

Catastrophe (cat) bonds are one of a number of innovative risk transfer products that have emerged as an alternative to traditional insurance and reinsurance products. Insurers and reinsurers typically issue cat bonds through a special purpose vehicle, a company set up specifically for this purpose. Cat bonds pay high interest rates and diversify an investor's portfolio because natural disasters occur randomly and are not associated with economic factors. Depending on how the cat bond is structured, if losses reach the threshold specified in the bond offering, the investor may lose all or part of the principal or interest.

As the financial markets began to stabilize in 2009, conditions in the catastrophe bond market began to improve. In 2009, \$3.4 billion of risk capital was issued through 18 transactions, marking a 25 percent increase over 2008, according to an analysis by GC Securities. After declining over the first two quarters of 2009, total catastrophe bond risk principal outstanding increased from \$12.0 billion at year-end 2008 to \$12.2 billion at year-end 2009, reflecting a particularly strong fourth quarter for issuance. Growth somewhat flattened during the first quarter of 2010, with issuance activity declining relative to the first quarter of 2009, both in terms of transaction count (two versus three) and risk capital issued (\$300 million versus \$575 million).

TOP TEN CATASTROPHE BOND TRANSACTIONS, 2009

(\$ millions)

Rank	Special purpose vehicle	Sponsor	Risk amount	Peril	Risk location
1	Longpoint Re II Ltd.	Travelers	\$500.0	Hurricane	Northeast U.S.
2	Multicat Mexico 2009 Limited	Agroasamex (FONDEN) ¹	290.0	Multiple	Mexico
3	Residential Re 2009	USAA	250.0	Multiple	U.S.
4	Mystic Re II	Liberty Mutual	225.0	Multiple	U.S.
5	Lakeside Re II Ltd.	Zurich	225.0	U.S. earthquake	CA
6	Eurus II Ltd.	Hannover	211.6	Windstorm	Europe
7	Atlas V	SCOR Global P&C SE	200.0	Multiple	U.S.
8	Parkton Re Ltd.	North Carolina Joint Underwriting Association/Insurance Underwriting Association ¹	200.0	Hurricane	NC
9	Blue Fin Ltd. (2009 takedowns)	Allianz SE	180.0	Multiple	U.S.
10	Montana Re Ltd.	Flagstone Re	175.0	Hurricane	U.S.

¹Sponsored through Swiss Re.

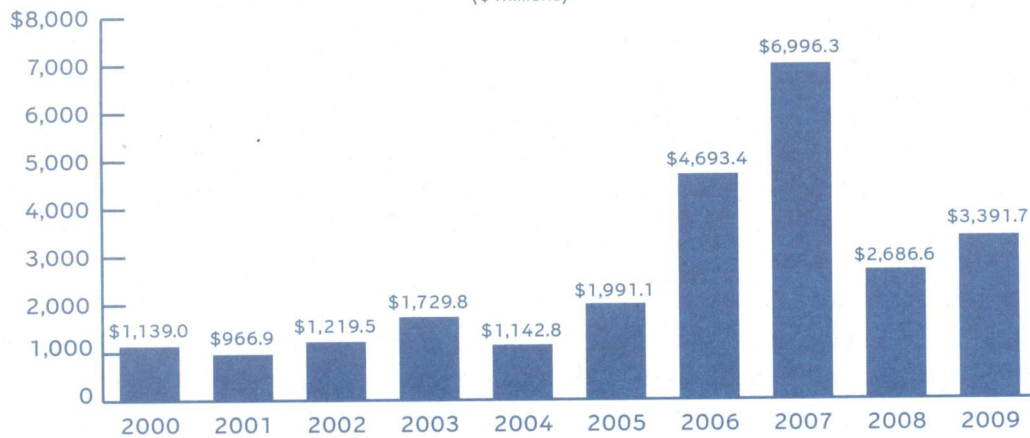
Source: GC Securities and Guy Carpenter & Company, LLC.

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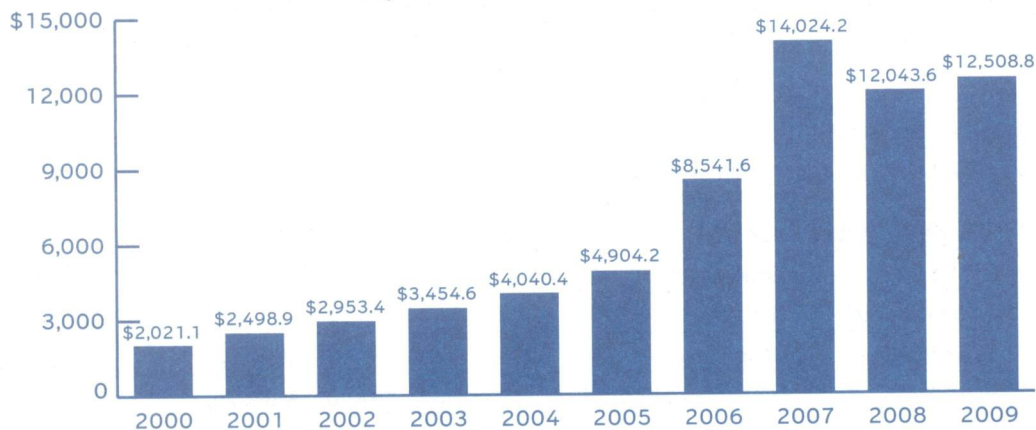
2009
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780
560
355
285
251
225
209
203 ²
162
161
148
145
126
116
114
105
99
63
49
4,838
5,089

CATASTROPHE BONDS, ANNUAL RISK CAPITAL ISSUED, 2000-2009
(\$ millions)



Source: GC Securities and Guy Carpenter & Company, LLC.

CATASTROPHE BONDS, RISK CAPITAL OUTSTANDING, 2000-2009
(\$ millions)



Source: GC Securities and Guy Carpenter & Company, LLC.

Microinsurance and

A growing number of ins microinsurance projects, by traditional insurance less costly than tradition approach is an outgrowth Prize-winning banker and individuals in Asia and A Group Inc. (AIG) was on policies in Uganda in 19 also entered the microin 2010 Haiti earthquake h insurers to develop new

With limited grow are largely saturated, ins cant potential for growth markets found that prem countries in 2009. While miums increased by 3.5 lows a 5.3 percent declin in emerging markets in 2 Asia, Latin America and Central Asia.

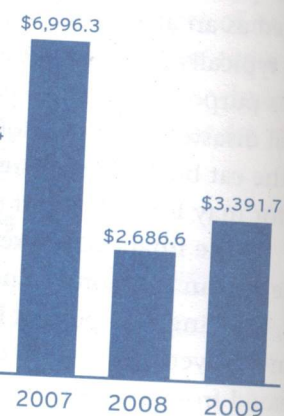
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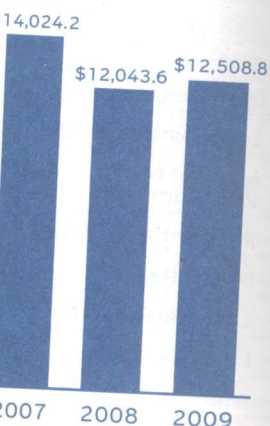
World Insurance Markets

Microinsurance and Emerging Markets

ED, 2000-2009



2000-2009



Microinsurance and Emerging Markets

A growing number of insurers are tapping into markets in developing countries through microinsurance projects, which provide low-cost insurance to individuals generally not covered by traditional insurance or government programs. Microinsurance products tend to be much less costly than traditional products and thus extend protection to a much wider market. The approach is an outgrowth of the microfinancing projects developed by Bangladeshi Nobel Prize-winning banker and economist Muhammad Yunus, which helped millions of low-income individuals in Asia and Africa to set up businesses and buy houses. American International Group Inc. (AIG) was one of the first companies to offer microinsurance and began selling policies in Uganda in 1997. Swiss Re, Munich Re, Allianz and Zurich Financial Services have also entered the microinsurance arena. Disasters such as the 2005 tsunami in Indonesia and the 2010 Haiti earthquake have demonstrated the need for insurance in many regions, prompting insurers to develop new products.

With limited growth prospects in the insurance markets of developed countries, which are largely saturated, insurers see microinsurance in emerging economies as presenting significant potential for growth and profitability. Swiss Re's 2010 *sigma* study on world insurance markets found that premium growth in emerging markets outpaced growth in industrialized countries in 2009. While premiums in industrialized countries fell by 1.8 percent that year, premiums increased by 3.5 percent in emerging markets (on an inflation-adjusted basis). This follows a 5.3 percent decline in premiums in industrialized countries and an 11.0 percent increase in emerging markets in 2008. Swiss Re identifies emerging markets countries in South and East Asia, Latin America and the Caribbean, Central and Eastern Europe, Africa, the Middle East and Central Asia.

A 2007 Lloyd's study estimated that 78 million people living in the world's poorest countries in the Americas, Africa and Asia are covered by microinsurance, with life, health and disability products accounting for more than half of the lives covered. A 2010 survey by LIMRA International sees the market greatly expanding. Key findings of the LIMRA survey include:

- The potential market for microinsurance in developing economies is between 1.5 billion and 3 billion policies.
- Microinsurance currently covers approximately 135 million people, or around 5 percent of the potential market.
- The potential market for insurance services is \$80 billion to \$90 billion per year, based on the needs of the 4 billion people around the world who live on less than \$2 per day.

Insurance in Emerging Markets

Premium growth in emerging markets far outpaces growth in industrialized countries, according to Swiss Re's 2010 and 2009 studies of international insurance markets. The potential for growth in these markets has led to a number of insurer initiatives.

- In October 2009 the International Association of Insurance Supervisors, the World Bank, the International Labor Organization and other multilateral groups launched a program called the "Access to Insurance Initiative" to improve access to insurance in emerging and underserved markets. In September 2010 the Asian Development Bank provided a two-year \$750,000 grant to the program to encourage growth in the Asian microinsurance sector.
- LeapFrog Investments, the world's first microinsurance investment fund, was founded in 2007, with support from a wide range of backers including JP Morgan, TIAA-CREF, ACE Group, the Soros Economic Development Fund and Scor Insurance. As of May 2010 it had raised \$137 million from a range of public and private investors to fund microinsurance projects serving low-income people in Africa and Asia.
- In November 2009 representatives from over 60 countries attended the Fifth International Microinsurance Conference, which was organized by the reinsurer Munich Re and the Microinsurance Network, a joint effort of aid organizations, multilateral agencies, insurers, policymakers and academics.

INSURANCE IN EMERGING MARKETS, 2009
(\$ millions)

	Direct premiums written, 2009	Percent change from 2008 ¹	Share of world market	Premiums as percent of GDP	Premiums per capita
Total industry					
Industrialized countries	\$3,532,716	-1.8%	86.9%	8.6%	\$3,404.9
Emerging markets	533,379	3.5	13.1	2.9	91.5
World	4,066,095	-1.1	100.0	7.0	595.1
Life					
Industrialized countries	2,046,957	-2.8	87.8	5.0	1,979.9
Emerging markets	284,609	4.2	12.2	1.5	48.8
World	2,331,566	-2.0	100.0	4.0	341.1
Nonlife					
Industrialized countries	1,485,759	-0.6	85.7	3.6	1,424.9
Emerging markets	248,770	2.9	14.2	1.4	42.7
World	1,734,529	-0.1	100.0	3.0	253.9

¹Inflation-adjusted.

Source: Swiss Re, *sigma*, No. 2/2010.

Net Premiums Written

There are three main insurance sectors: commercial insurance, Life insurance, and third sector, health insurance. Private health insurance is property/casualty (P/C) insurance. The data included in the table below are for 2000 and 19 percent, respectively.

P/C AND L/H INSURANCE

Year	Property/casualty
2000	\$296,754
2001	320,754
2002	367,544
2003	404,213
2004	425,059
2005	426,794
2006	448,930
2007	446,938
2008	440,231
2009	422,785

Percent change 2000-2009

¹Net premiums written, excluding state-owned insurance companies. Includes deposits.

¹Based on a survey of insurance departments.

²Blue Cross/Blue Shield, HMOs and hospitals.

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