

# **Insurance Worldwide (2007)**

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**Worldwide the insurance sector experienced an overall increase in technical profitability.**

According to a study on the global insurance sector published by Swiss Re, both premium production and technical profitability increased in the twelve months to end-2006 with total premium production in all non-life branches amounting to USD 1,514 billion worldwide.

A breakdown of worldwide premium production by country the same year shows the USA ranking first, followed by Japan and the UK in second and third place respectively. Turkey ranked 35th just after Malaysia and Thailand.

*Total worldwide losses in 2007 amounted to USD 61 billion, of which USD 22 billion were covered by insurance.*

*In a report "Middle East Insurance Market Opportunities" published by Dublin-based Research & Markets, Turkey was identified as the country generating the highest premium production. Our country also ranked second among the fastest-growing markets in the region.*

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1 / 1

An overview of 2007 from the standpoint of major losses experienced in the insurance sector shows that the losses remained below the long-term trend worldwide last year. According to statistics published by Sigma, human error caused losses in 2007 amounted to about USD 2 billion. The most significant events causing losses in 2007 were the Kyrill windstorm in January, heavy rainfall that caused two floods in the UK and one each in the USA and Australia, and an urban forest fire in the United States. The catastrophe causing the greatest loss of human life was Cyclone Sidr in Bangladesh. Although reports vary significantly, more than 4,000 people either died or went missing on account of that storm.

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covered by insurance. Cyclones, severe cold, windstorms, and maritime accidents caused significant losses while also costing some 20,000 people their lives.

Developments in the UK, the Middle East, and Pakistan indicate that terrorism-related losses are on the rise. In the United States, the federal government is expected to have recourse to legislative measures that will make the stopgap role that it plays under the Terrorism Risk Insurance Act (TRIA) a more permanent one.

## **The Solvency II Directive and developments in Europe**

Following up the declaration of 2005 as "Solvency Year", the "Solvency II Project" launched in 2006 became one of the issues

to which the greatest attention was given in the European insurance sector, with insurer solvency (capital adequacy) assuming a place of the highest priority in the work plan of the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS).

After intensive work and debate, a draft Solvency II Directive published by the European Commission on 10 July 2007 met with widespread approval among European insurers and especially among members of Comité Européen des Assurances, the European Insurance and Reinsurance Federation (CEA).

Designed to protect the rights of policyholders while also increasing competition in the EU insurance market, it is expected that when the Solvency II Directive goes into force it will have the effect of strengthening the auditing process in the insurance sector while also reforming the insurance market's capital adequacy system. CEA's goal is to cooperate with all concerned parties throughout the process so as to ensure that the Solvency II Directive lays the groundwork for proper risk management and provides an economic risk-based framework that incorporates both transparency and more effective control.

French insurers created a new industry organization to represent them last year. The new body, called Association Française de l'Assurance-French Insurance Association (AFA), is an amalgamation of the French Federation of Insurance Companies (FFSA) and GEMA (Groupement des Entreprises Mutuelles de l'Assurance / Association of French Mutuals).

The European Commission spelled out its vision concerning EU policies in the future for mortgages, investments, and financial products offered to individual consumers.

Noting that neither consumers nor industrialists in Europe were taking full advantage of the benefits offered by the single market, the European Commission published its "Green Paper on Retail Financial Services in the Single Market" in which it set forth its views and objectives related to problems on this issue and also specified the areas to which priority was to be given.

### **Company mergers & acquisitions continue**

Insurance company mergers and acquisitions continued without letup in 2007. In Holland, Eureko and Agis joined forces to create that country's biggest health insurance firm.

Munich Re announced that it had entered into an agreement to acquire the specialist US primary insurer Midland. Under this agreement, Munich Re was to acquire 100% of the shares in Midland through its subsidiary Munich-American Holding Corporation.

### **Bancassurance gains added moment around the world**

In 2007 the magazine Middle East Insurance Review held its first "Middle East Conference on Bancassurance", which was attended by 130 delegates from 20 countries. Among the opinions expressed at the conference was the expectation that life insurance policy sales through banks would reach USD 100 million in value by 2010. It was also stated that among the countries of the Middle East, Lebanon and Egypt had the

greatest advantage in insurance policy sales due to their lower distribution costs.

Aviva, the global insurance and investment group, entered into an exclusive 15-year partnership agreement with Poland's Bank Zachodni WBK ("BZ WBK"). Under this agreement, Aviva will be selling its insurance products through BZ WBK's branch network. The agreement also calls for the two firms to set up a joint venture in which each controls a 50% stake worth half of the new company's GBP 13.2 billion in capital. Aviva also signed what it called "a long-term bancassurance agreement" with the Spanish savings bank Caja de Ahorros de Murcia (Cajamurcia). According to the Aviva announcement, Cajamurcia will provide Aviva with exclusive access to its network of 413 branches.

#### **China on the threshold of strong growth in insurance**

Turning to the Far East, China has been the scene of rapid growth in recent years while foreign direct investment inflows into the country have gained increasingly more momentum. Analysts say that, in light of these developments, there will be a surge in Chinese demand for insurance products and services in 2007 and the years that follow and that this demand will attract still more foreign investors into the country.

The total assets of the insurance sector in China are put at CNY 2 trillion. Premium production reportedly increased 180% year on in 2006. The globalization of an insurance market in a national economy with the dimensions such as those of China is likely to have a significant impact on the world's insurance sector.

Figures published by the Insurance Regulatory and Development Authority (IRDA), a national agency of the government of India, indicated that the four public-sector insurers active in the country's non-life (general) branches had suffered a 9% loss in aggregate market share in the first three quarters of fiscal year 2006-2007. According to IRDA, this was 6% more than the market share loss experienced in the entire 2005- 2006 fiscal year. Furthermore while the same four insurers controlled a 74% market share in 2004, by December of 2005, that had contracted to the 65% level.

#### **Turkey: The country with the greatest premium production in the Middle East**

Although accident and property insurance continues to dominate the elementary insurance markets of developing countries, it is believed that the demand for liability insurance in those countries will rise in response to increasing globalization, regional economic alliances, and foreign direct investment.

In a report "Opportunities in Middle East Insurance Market" published by Dublin-based Research & Markets, Turkey was identified as the country generating the highest premium production. Our country also ranked second among the fastest-growing markets in the region.

The European insurance sector's expectations for 2008 are generally positive. This is an important contributor to the high expectations that are held of the national insurance sector in Turkey as well.

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