Global Insurance Markets: Inflation Bites

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S&P Global Ratings

This report does not constitute a rating action

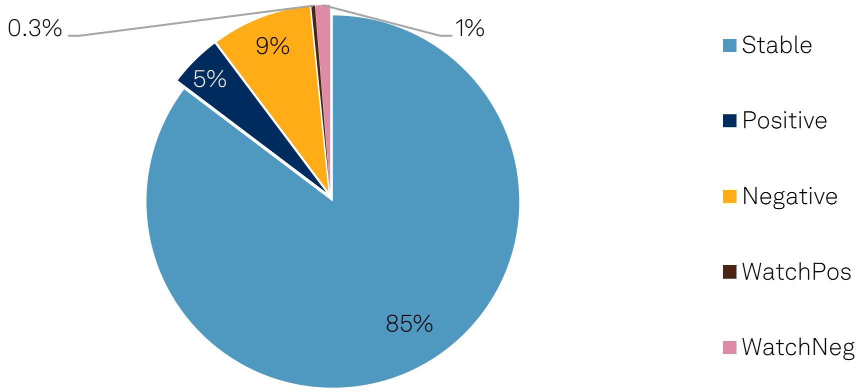
Contents

Key Takeaways

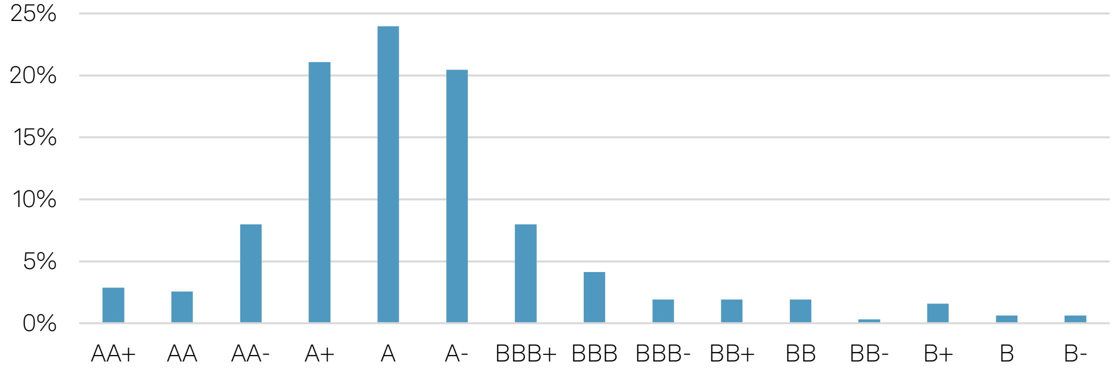
- **Inflation**, and to some extent, **competition**, in key retail lines (motor and medical) should drag on insurers' underwriting performance in 2022-2023.
- Return on equity (ROE) could deviate from our forecasts, since **investment results remain uncertain** and may be volatile.
- The increase in **interest rates** by central banks to tackle inflation is causing **mark-to-market losses**. However, many insurers hold their fixed-income portfolios to maturity, so these unrealized losses are unlikely to fully crystallize.
- Reduced **purchasing power** due to the increased cost of living may slow premium growth, notably for life insurers. In contrast, many property/casualty (P/C) lines are mandatory, and P/C insurers are increasing premiums to adjust for inflation.
- For many **life markets** that are still exposed to traditional **products with guarantees**, the rising interest rate environment should ease the pressure on capital and reserve requirements.

Insurance Is One Of The Highest Rated Sectors Globally, But Adverse Economic Forces Are At Play

Mostly Stable Ratings In The Insurance Sector



The Average Insurer Financial Strength Rating Remains 'A'



Rating and outlook distributions as of Nov. 24, 2022. Source: S&P Global Ratings.

– Despite macroeconomic headwinds, insurance ratings remain among the highest globally. Some negatives are linked to the global reinsurance, U.S. P/C, and marine liability insurance sectors, M&A activity, and some legacy COVID-19 issues.

The economics of insurance:

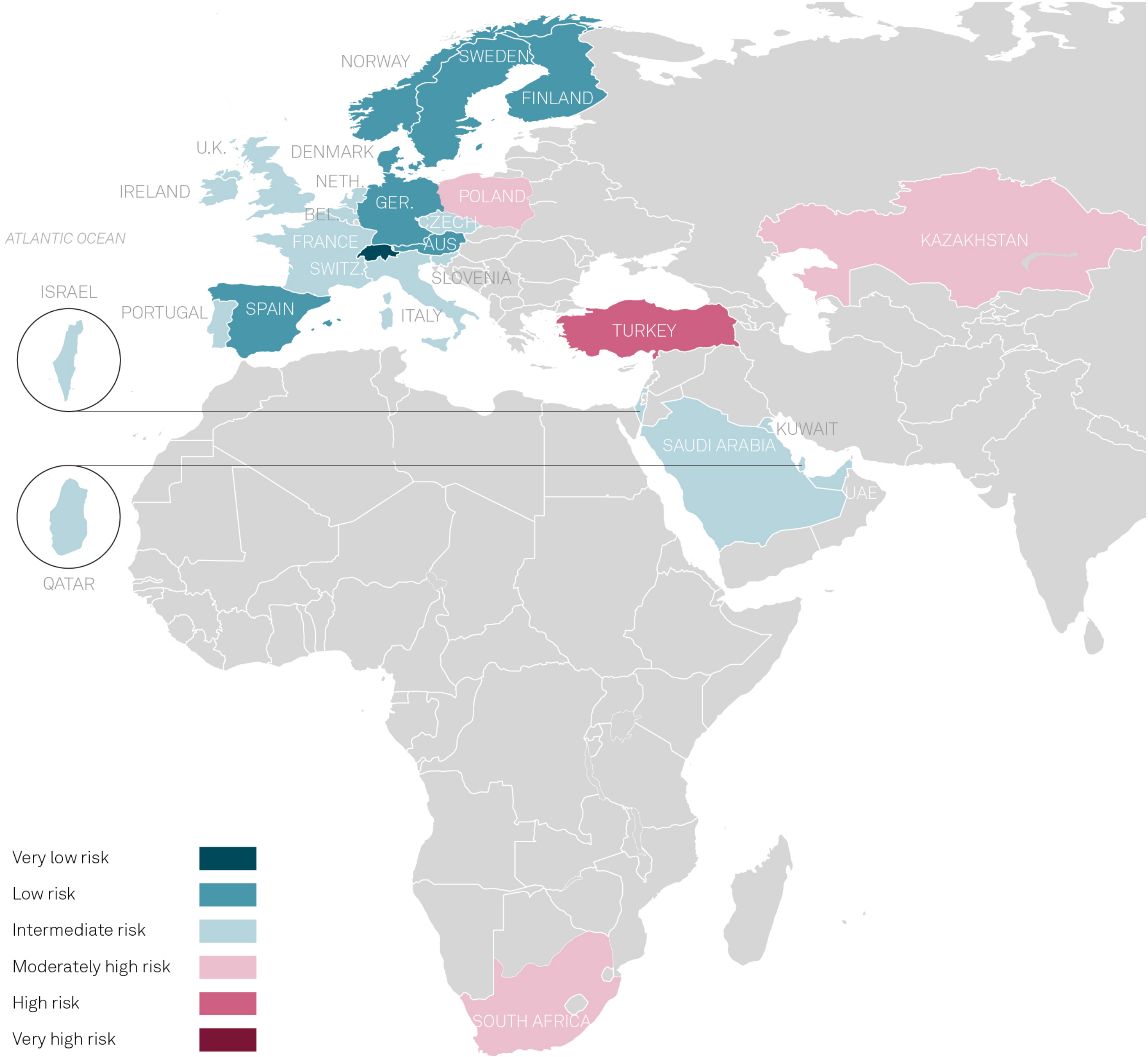
– Quantitative easing across most of the world is over
– Sensitivity to macroeconomic factors, e.g., inflation, persists
– Capital remains king, but excess supply can pressurize prices
– Barriers to entry in some sectors support profitability
– Demand for some products is more inelastic
– Pricing and coverage terms are important to get right
– Insurance has a role in fostering economic growth

Top Risks For The Global Insurance Sectors

Risk Category	Description
Country risk factors	
Macroeconomic risks	Including muted economic growth, recessionary environments, inflationary pressures, and foreign-exchange risk.
Government policy and regulatory risks	Institutional and rule-of-law risks, including changes in government, regulatory policies, and accounting changes, often having a material impact on insurers' business models or profitability.
Industry risk factors	
Intense competitive environment	Whether the market is concentrated with a few large players, or contains a high number of smaller ones, an intensely competitive environment could lead to price wars and hurt profitability.
Investment performance risk	Financial market risks, including interest rate changes and mark-to-market volatility.
Exposure to high-risk assets	High-risk assets typically include equities (listed and unlisted), real estate, fixed-income investments, or deposits in institutions rated 'BB+' or lower.
Exposure to physical and external risks	Natural catastrophes, climate risk, as well as other external or man-made risks such as cyber and terrorism.
Muted premium growth prospects	The lack of potential for premium growth, either because the market is mature, or due to high inflation, resulting in near-zero (or negative) real premium growth.
Litigious legal system	A system where litigation often leads to lengthy court cases, potentially causing social inflation risks, increasing the tail of an insurer's liabilities, and resulting in unpredictable claims settlements.
Weak technical results	Technical performance--typically measured by combined ratios (non-life) and return on assets (life)--that is loss-making.

For markets that follow International Financial Reporting Standards (IFRS), the market data is based on IFRS 4.

EMEA P/C



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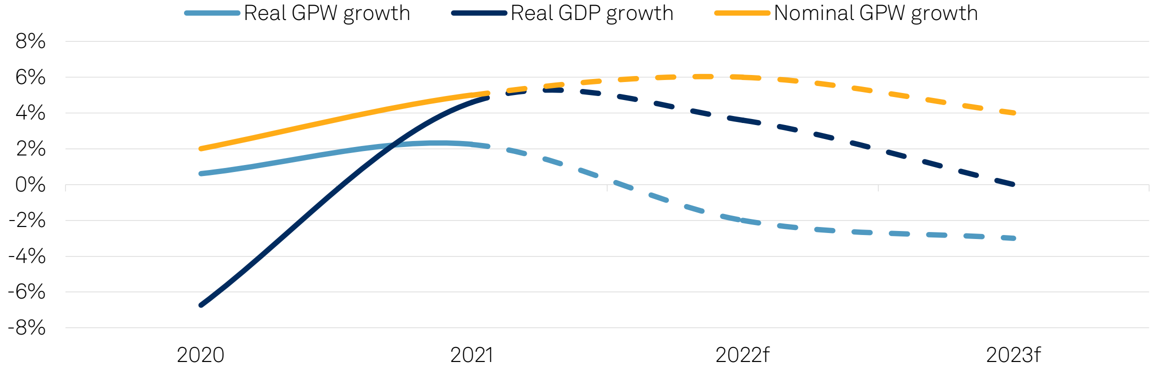
EMEA P/C | Top Risks

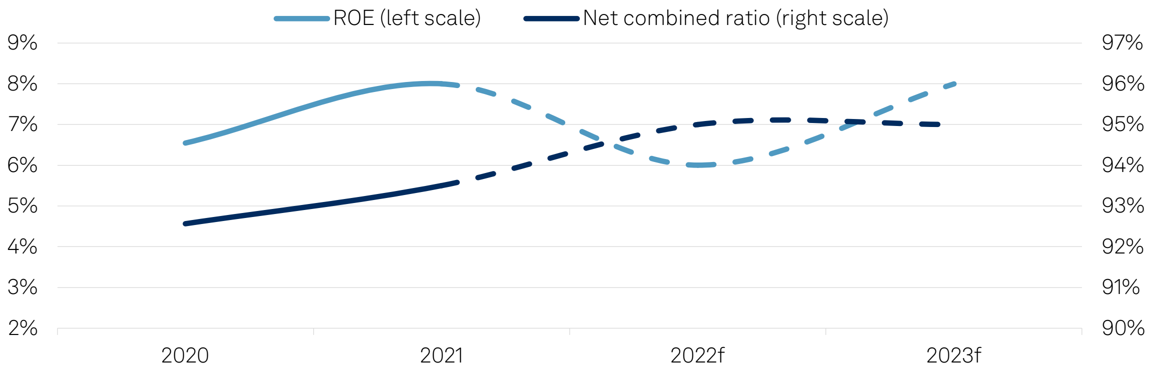
	Macroeconomic risks	Government policy and regulatory risks	Intense competitive environment	Investment performance risk	Exposure to high-risk assets	Exposure to physical and external risks	Muted premium growth prospects	Litigious legal system	Weak technical results
Austria	■		■			■			
Belgium		■	■			■			
Czech Republic	■		■			■			
Denmark	■			■	■				
Finland	■			■	■				
France		■	■	■					
Germany	■		■			■			
Ireland			■		■			■	
Israel		■	■	■					
Italy	■						■		
Kazakhstan	■		■				■		
Kuwait		■			■				
Netherlands			■	■		■			
Norway				■	■				
Poland	■	■		■					
Portugal			■	■					
Qatar			■		■				
Saudi Arabia	■		■						
Slovenia	■	■		■					
South Africa	■		■				■		
Spain	■			■					
Sweden	■			■	■				
Switzerland	■			■		■			
Turkey	■	■							■
UAE			■		■				
U.K.		■	■					■	

Austria P/C | Relatively Stable Technical Results, With Risks Stemming From Inflationary Pressures And Economic Uncertainties

Premium Adjustments And Some Select Growth Opportunities Are Unlikely To Offset Inflation



We Anticipate That The Sector Will Enjoy Stable Profitability Over 2022-2023

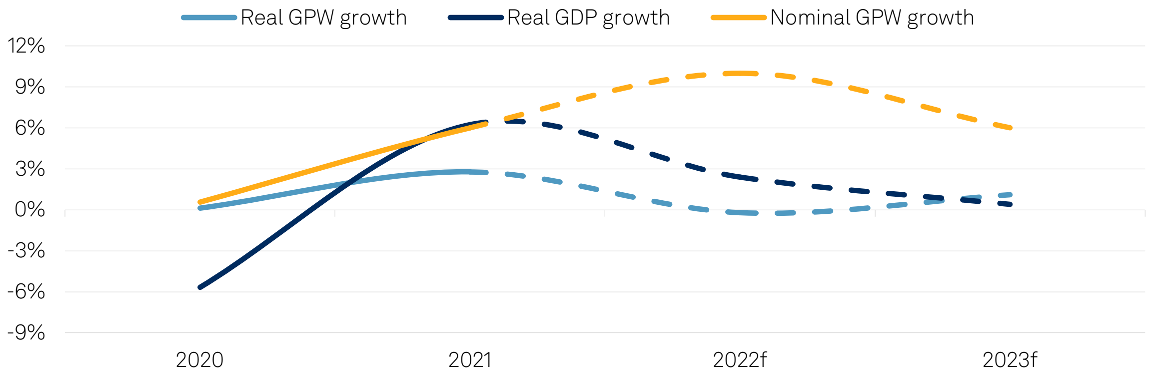


- The market shows **low volatility** in technical results, evidencing the **underwriting discipline** of P/C insurance companies.
- We expect combined ratios in the range of 94%-96% over 2022-2023, but ROE will depend on **investment performance**, which could be **volatile**.
- Following disruption relating to the COVID-19 pandemic, intermediaries adapted well to the changing dynamics and shifted to **virtual means of distribution**.
- Insurers' longstanding **expertise in natural catastrophe** claims has been reflected in adequate pricing and comprehensive reinsurance coverage, leading to **very stable technical results** over the past 10 years, which we expect will continue.

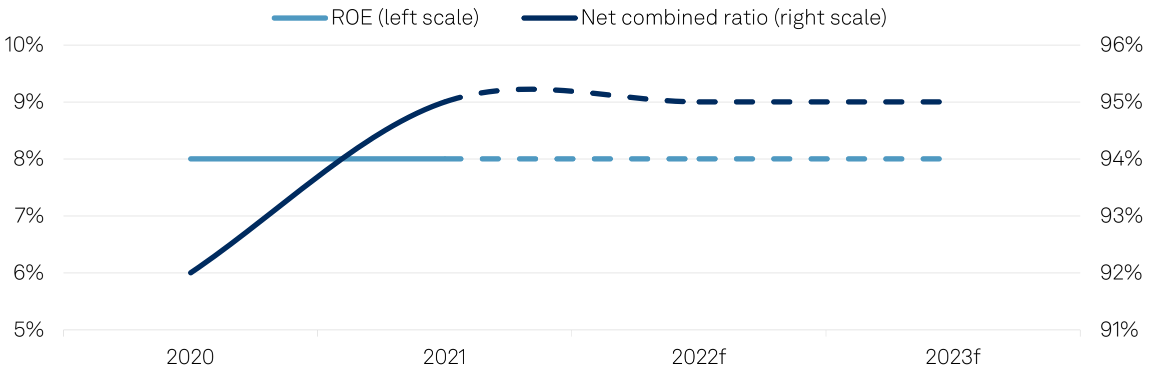
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Belgium P/C | Stable Growth Prospects And Robust Technical Performance, Despite Some Exposure To Weather Events

We Expect Near-Zero Real Premium Growth In The P/C Sector



We Expect Combined Ratios Of 95% Over 2022-2023, Excluding Major Weather-Related Claims

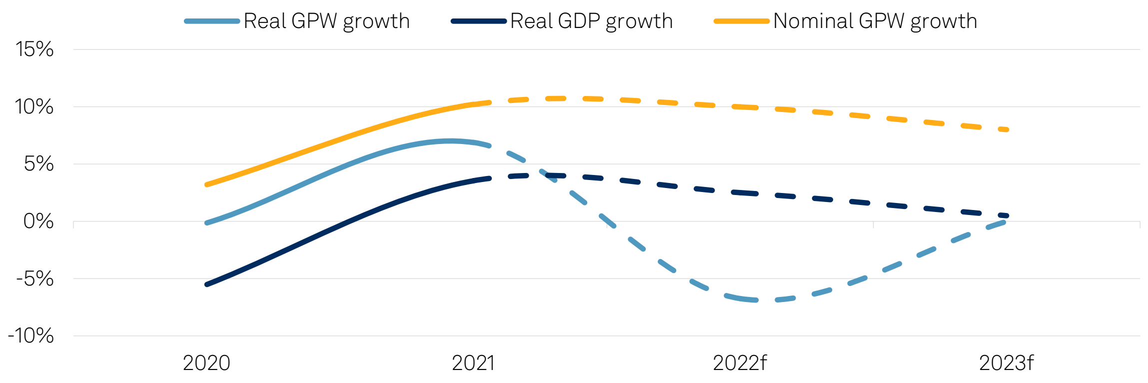


- Satisfactory performance, benefiting from **disciplined underwriting** and comprehensive reinsurance programs.
- The **increase in motor claims** is linked to the recovery of traffic activity, which **price increases are unlikely to mitigate** due to intense competition.
- We expect that ROE will remain around 8% for 2022-2023, although **investment performance could result in volatility**.
- Belgium is exposed to **weather events.** It does not have a central mechanism for covering natural catastrophes, but has **extensive recourse to reinsurance**.

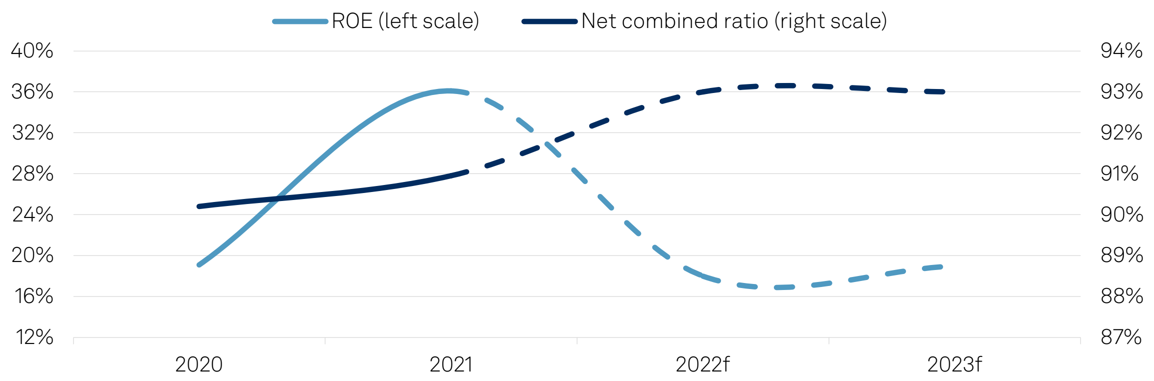
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Czech Republic P/C | Premium Growth Set To Continue, And Underwriting Performance To Remain Among The Best In Europe

Price Increases To Mostly Offset Inflationary Pressures, With Real GPW Growth To Match Real GDP Growth By 2023



Operating And Underwriting Profitability To Remain Strong

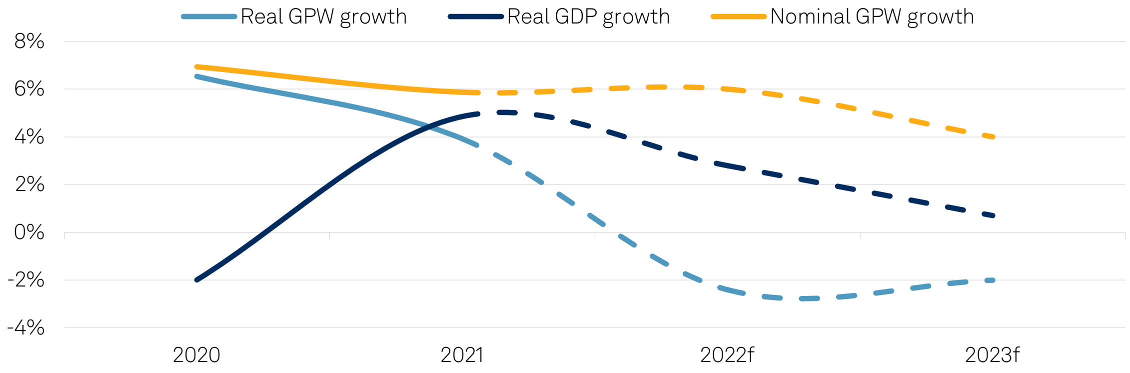


- The combination of timely **price adjustments** and some usage of **reserve buffers** should cushion high inflation. We expect the market to maintain **strong and stable underwriting** performance, with combined ratios of 92%-94% until end-2023.
- The market continues to see **robust nominal GPW growth**, with commercial and property business leading the way.
- We note that in **obligatory motor** (about 24% of the market's premiums), **competition picked up** in 2022, with growth now likely to be slightly below claim cost trends.
- Due to **higher interest rates** in the Czech Republic and capital market volatility, we expect some reduction in **investment returns** in the short term. But higher interest rates on **domestic securities** will gradually offer improved investment results.
- A prolonged period of **weaker-than-expected** economic growth, together with **high inflation** and **intense price competition** in obligatory motor insurance, could weaken the sector's performance.

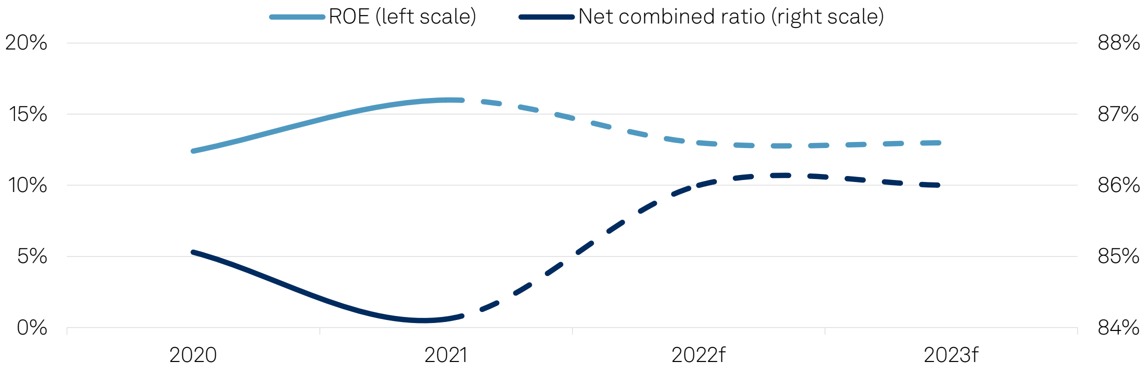
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. CZK—Czech koruna. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings. Czech insurers are composite players, as such ROE reflects combined life and non-life operations.

Denmark P/C | Continues To Display Strong Profitability And Healthy Underwriting Results

Macroeconomic Challenges To Dampen Growth Prospects



Stable And Strong Profitability Likely To Remain A Key Characteristic Of The Market

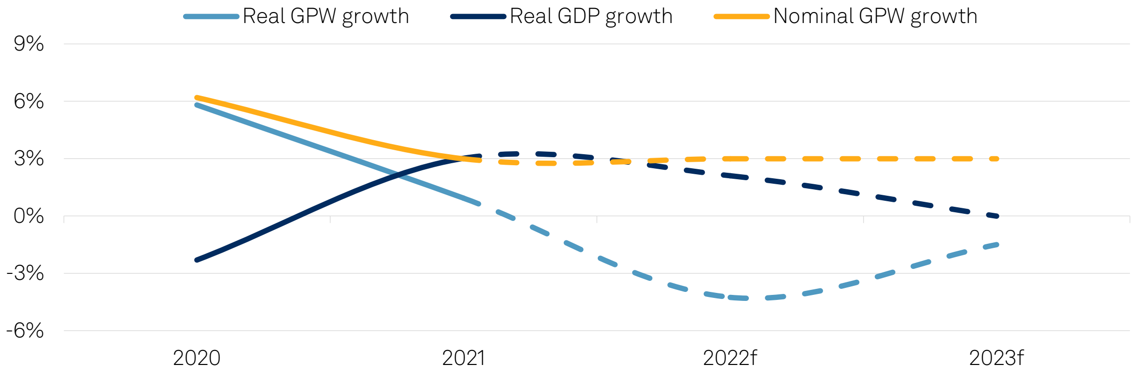


- The sector remains exposed to **long-tail motor**-related claims and some **natural catastrophe risk**, with the latter being the primary source of large claims and loss volatility.
- The sector's **overall profitability is robust**, thanks to sound underwriting discipline and a lower cost base than the European average.
- The **low expense ratio** and **strong distribution network**, through insurers' own sales channels, business partners, and banks, are important factors **hindering new entrants**.
- While the sector experienced **strong premium growth in 2021**, notably in motor, accident, and health insurance, we expect **macroeconomic challenges to dampen** growth over 2022-2023.
- **Certain long-tailed lines of business**, such as workers' compensation, **could result in some volatility**, notably in the event of legislative changes.

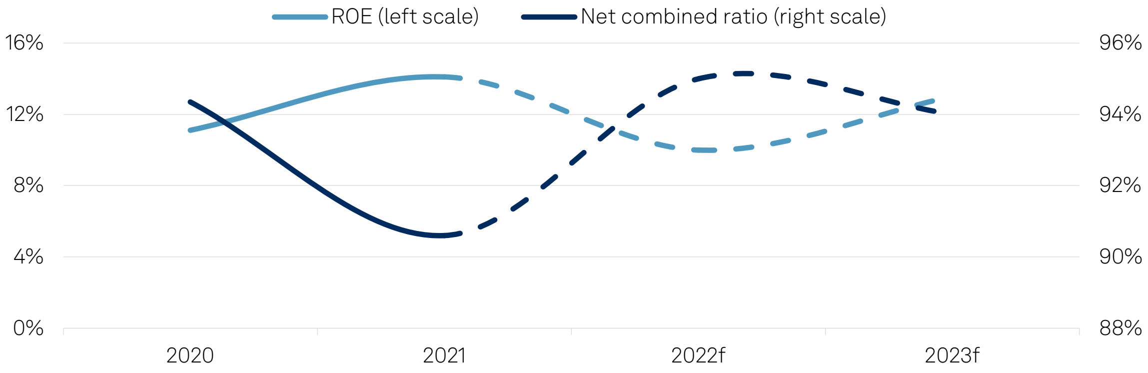
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Finland P/C | Healthy Profitability, Although Not As Strong As Its Nordic Peers

Real Premium Growth To Lag In Light Of The Uncertain Environment



Strong Cost Efficiency Contributes To The Sector's Profitability



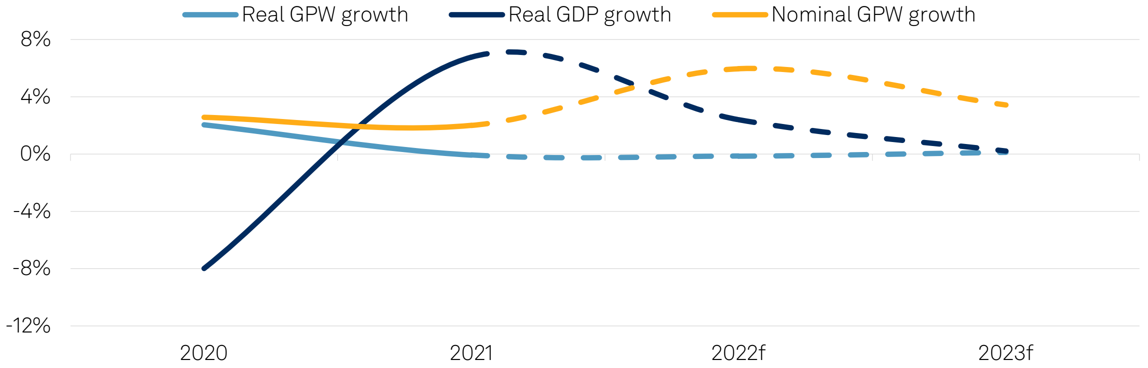
- The Finnish insurance sector has demonstrated strong underwriting standards owing to **high cost efficiency** indicated by low expense ratios, which we expect will continue over the next two years.
- **Investment results will have a negative impact on ROE**, driven by a combination of volatile equity markets and increased interest rates, the latter resulting in some mark-to-market losses on the fixed-income portfolio.
- **Earnings volatility** might arise from a high proportion of **long-tailed workers' compensation** and motor-related business written by Finnish insurers.
- The sector benefits from **high operational barriers to entry**, as the four largest players control most of the market.

GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

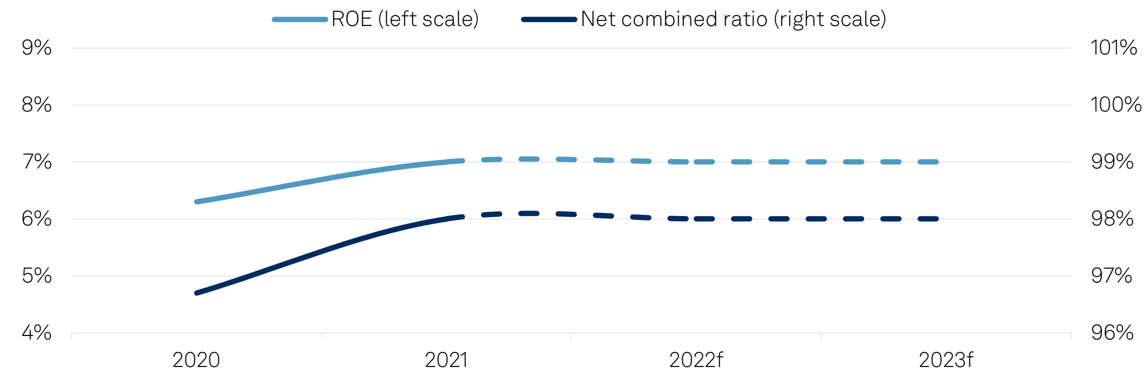
S&P Global Ratings

France P/C | Very Mature Market With Limited Growth Potential

We Expect Premium Growth To Stagnate In Light Of The Uncertain Environment



We Expect The Sector To Maintain Its Underwriting Discipline

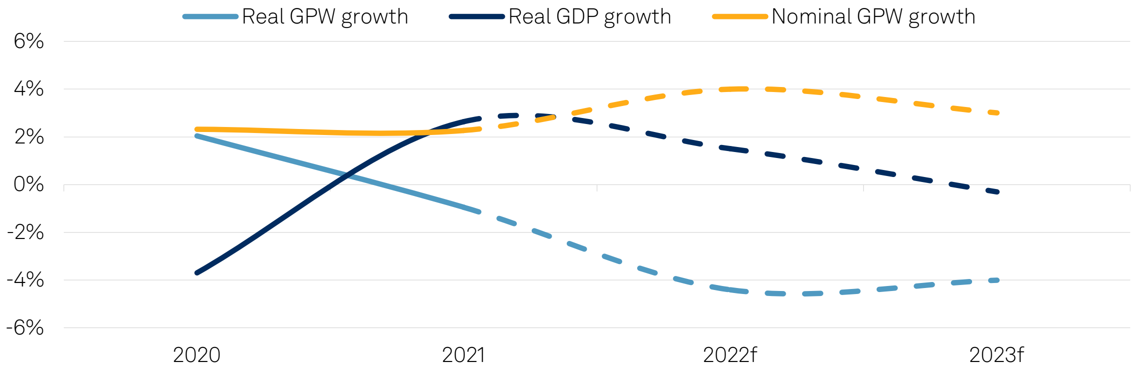


- We expect underwriting **profitability to normalize** back to pre-COVID-19 levels.
- As the market is **highly saturated**, it only offers **select growth** opportunities and **limited, but stable profitability**.
- **Market discipline**, particularly for historically loss-making motor insurance, has improved.
- The sector's exposures to **natural catastrophes** and man-made events are **materially mitigated** through a combination of state schemes and privately placed reinsurance (mainly against windstorms).
- We will continue to monitor insurers' ability to pass the increased **cost of claims on to policyholders** in the context of elevated competition and **pressure from public authorities to curb policy costs.**

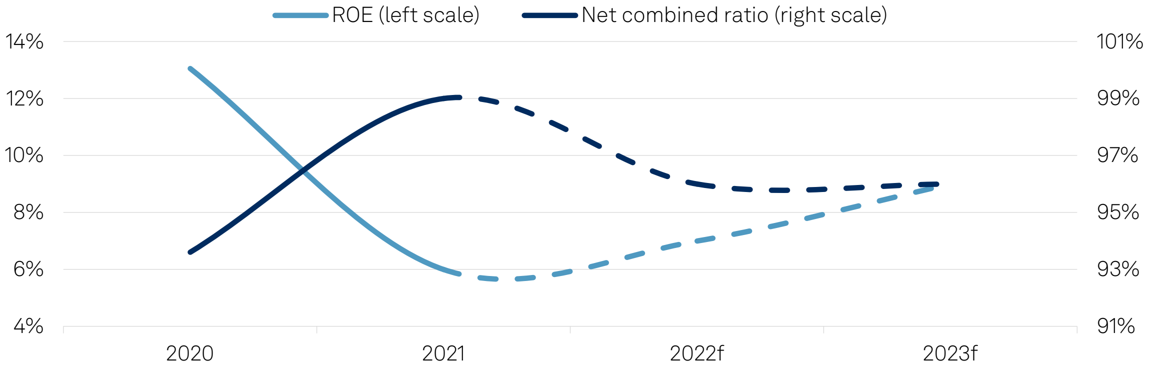
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Germany P/C | Improved Technical Results Following Weather Events In 2021-2022

Limited Growth Opportunities In The Mature German P/C Market



We Expect Combined Ratios To Remain Between 94%-97% In 2022-2023, Assuming Normalized Catastrophe Claims

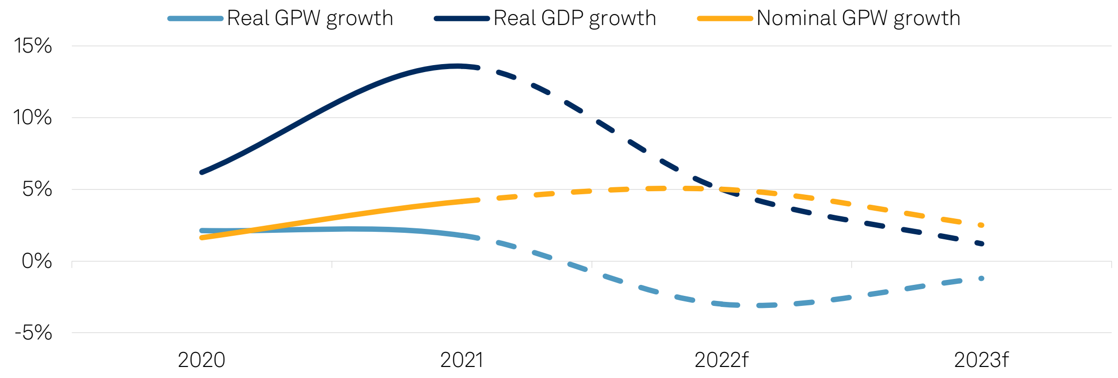


- The historically low interest rate environment has led to a greater need for **disciplined underwriting**. As a result, German P/C insurers have improved their underwriting **profitability** and largely offset the pressure on investment results.
- Insured natural **catastrophe claims** were more than six times higher in 2021 than in 2020, €12.5 billion compared to just €2 billion.
- Effective reinsurance protection, a large equalization provision, and conservative reserving **materially mitigate** the sector's exposures to **natural catastrophes** (mainly floods, wind, and hailstorms).
- **ROE should bounce back** to 7%-11%, mainly driven by continued pricing discipline. In 2022, investment results will **negatively impact ROE**, due to a combination of volatile equity markets and increased interest rates.

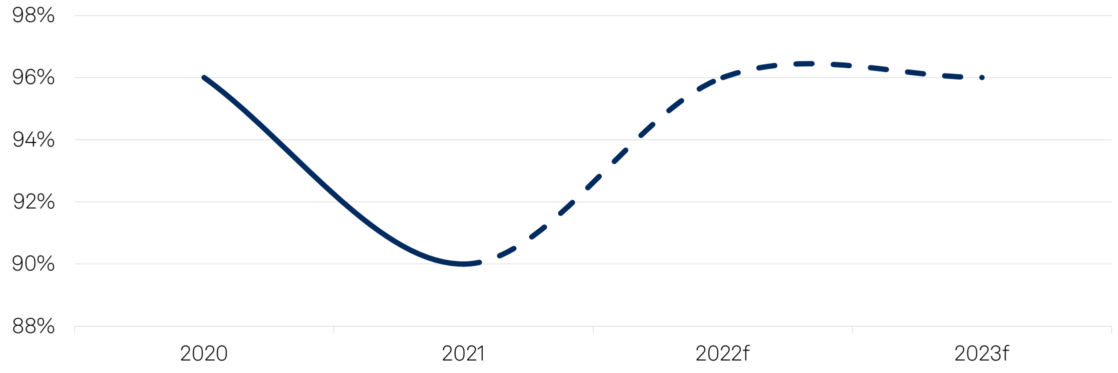
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Ireland P/C | Improved Underwriting Discipline In A Litigious Market

Inflation Is Likely To Depress Real Premium Growth In The Market



Net Combined Ratios To Normalize Following One-Off Improvements Due To COVID-19

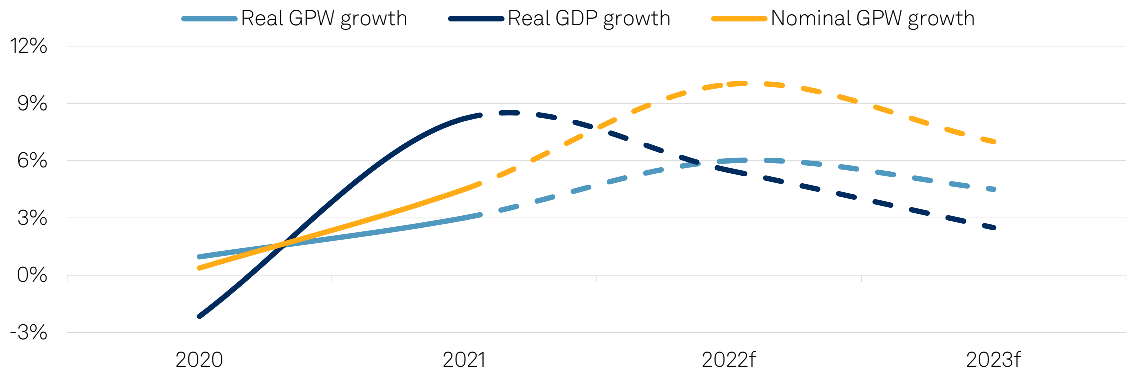


- The **market remains litigious**, which could relatively quickly lead to a deterioration in overall performance, particularly for **motor third-party liability** and other liability business.
- However, in March 2021, the judicial council voted for new guidelines, which were introduced on April 24, 2021. These new guidelines are **reducing overall levels of compensation** in Ireland and could bring them in line with those in other countries.
- We expect combined ratios of 95%-97% over 2022-2023, based on a **normalized natural catastrophe** experience.
- Although the Irish P/C industry is exposed to **natural catastrophe risks** from flooding and freezing temperatures, such risks are **adequately reinsured**.
- Irish non-life insurers are increasingly taking risks **in the bond portfolio** by shifting from sovereign and highly-rated corporate bonds to lower-rated bonds.

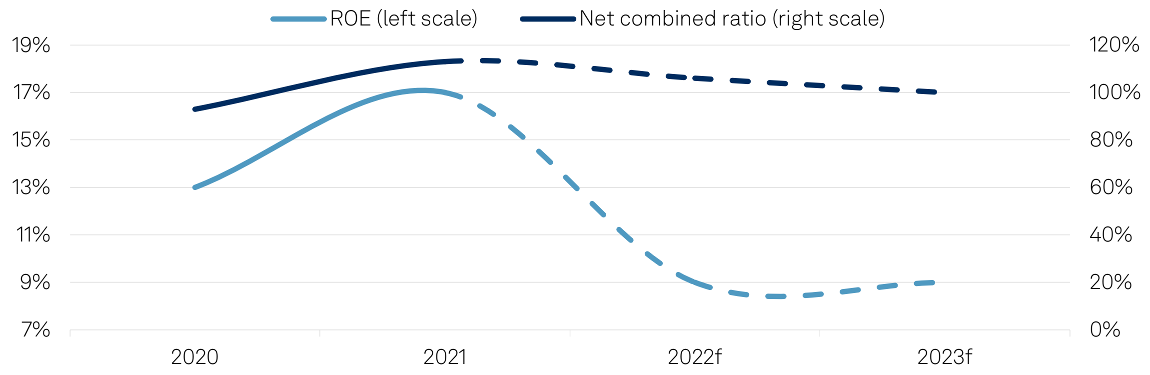
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. The forecast 2022 combined ratio of 96% represents the midpoint of our forecast range 95%-97%. Source: S&P Global Ratings.

Israel P/C | Improving Technical Profitability In A Competitive Environment With Low Barriers To Entry

Decent Premium Growth Prospects Through To 2023



Combined Ratios Should Stabilize Around 99%-100% Over The Next Two Years

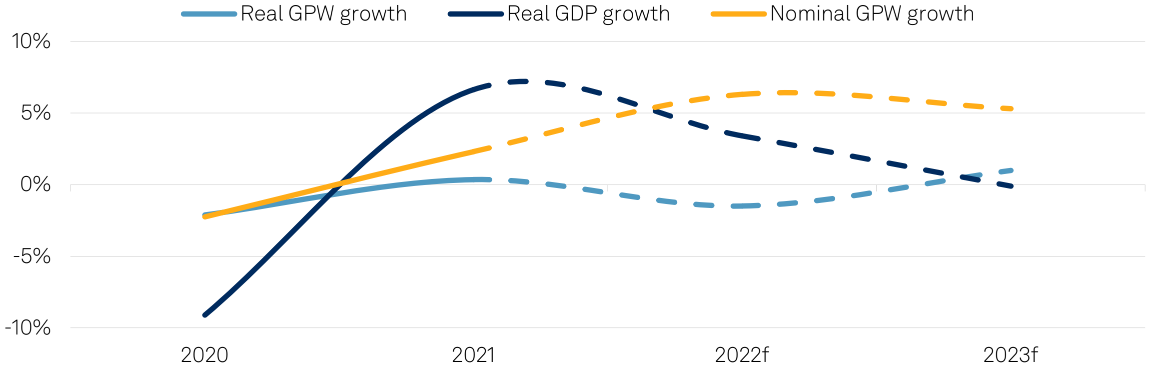


- The **competitive dynamics** are relatively fierce, with the recent entry of **new digital players** that compete with traditional established players.
- We expect **price adjustments** to reflect the current cost of claims, despite competition.
- **Investment losses** will negatively affect the 2022 result.
- Insurers are increasing their efforts on **advanced product branding** to drive selection by end customers either directly or via insurance agents.
- **Earthquakes** are a major source of profit volatility for P/C insurers, but this risk is almost entirely **covered by reinsurance**. We have recently observed **more extreme weather conditions than usual**, negatively affecting the cost of claims.

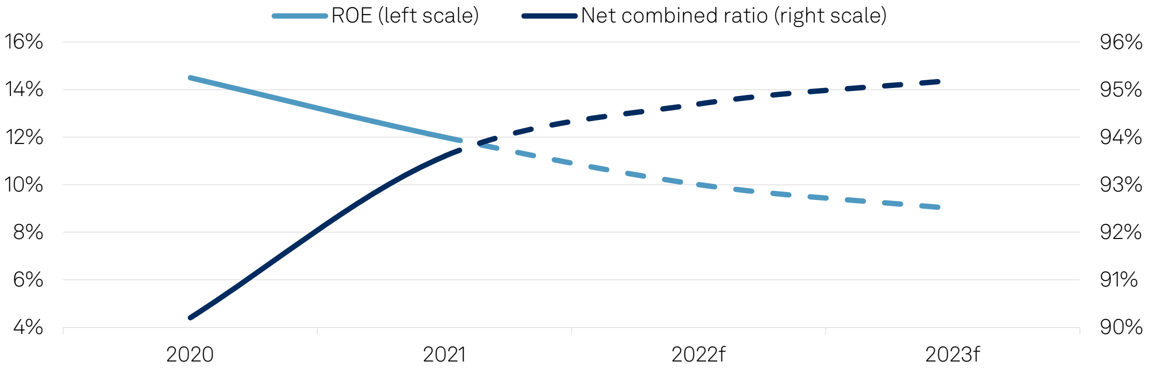
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Italy P/C | Strong Profitability Should Continue, Despite Intense Competition in Motor

We Expect Non-Motor Lines To Grow Faster Than Motor Insurance Over 2022-2023



Strong Profitability Will Slightly Ease On Intense Competition In Motor And Declining Positive Run-Offs

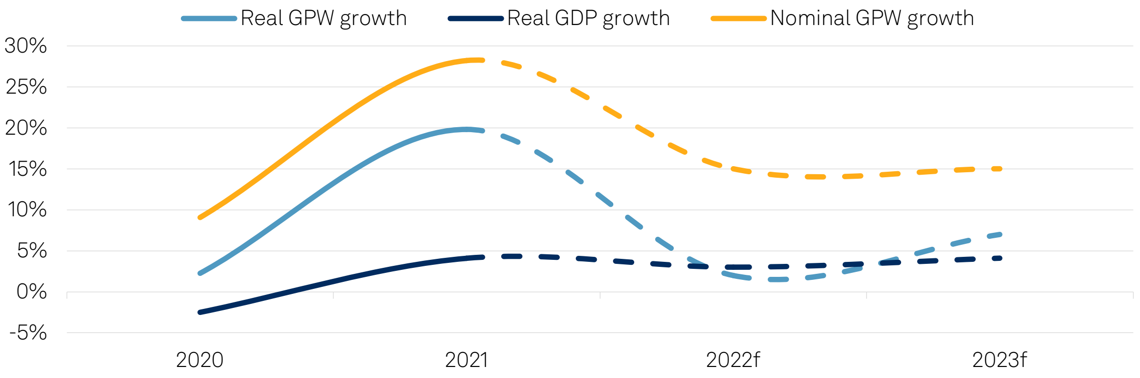


- Intense **competition in motor** is impeding insurers from fully passing on the rising cost of claims owing to a post-COVID-19 **rebound in traffic** and claims frequency.
- The majority of revenues derive from **non-motor** P/C, for which **profitability is strong**, with a much better combined ratio than motor. This is partly due to the **automatic indexation to inflation** in certain business lines such as property.
- Insurers' bottom line has benefitted in recent years from large **positive run-offs** on professional general liability claims reserves. We view this source of profit as **nonrecurrent** and it should decline in 2022-2023.
- Insurers could suffer from some **negative market value adjustments** in the short term, but most values should recover as bonds return to par value as they approach maturity.
- Product risk is not likely to trigger significant earnings volatility, because insurers' **pricing policies** have become much more sensitive to **policyholders' risk profiles** and behavior, and the more widespread use of telematics **has reduced fraud rates**.

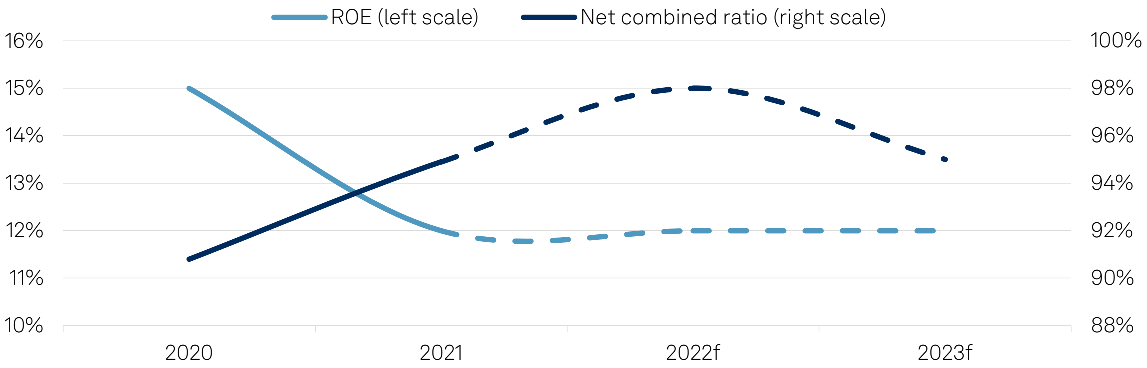
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Kazakhstan P/C | Strong Profitability, With Limited Impact From The Russia-Ukraine Conflict

We Expect Persistent Premium Growth Prospects In 2022-2023



Kazakh P/C Insurers' Profitability To Remain Favorable, Despite An Increase In 2022 Motor Losses

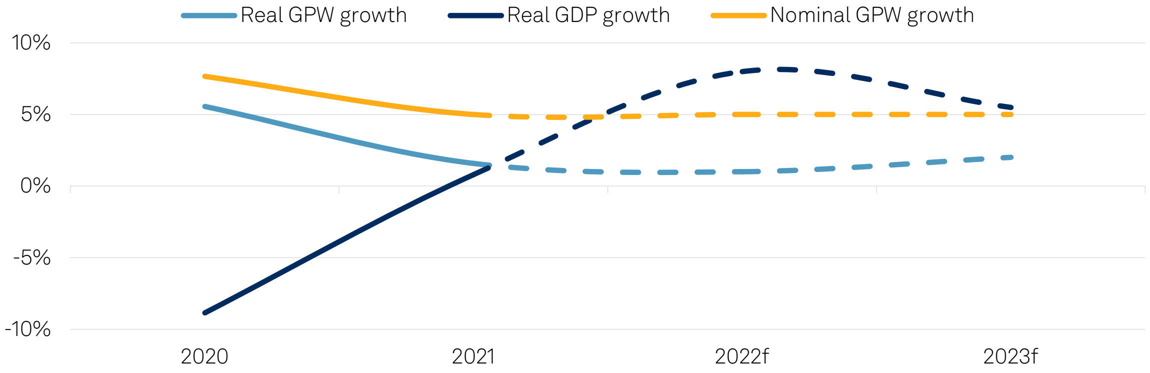


- Kazakhstan's strong government and external balance sheets, along with **elevated oil and gold prices**, should help **mitigate** the external shocks to the economy amid the **Russia-Ukraine conflict**.
- In October 2022, the regulator prolonged its **relaxed requirements for solvency** capital calculation for insurers until Jan. 1, 2024.
- While we expect that the insurers' interest income will remain relatively stable, we think that **foreign-exchange** movements may lead to some **volatility in the overall profits**.
- We expect a combined ratio of 98% in 2022 because of **higher motor losses**, as accidents return to pre-pandemic levels and inflation increases repair costs.
- Technical **performance should improve** in 2023, with net combined ratios of 95%, as insurers **adjust pricing** in response to inflation and higher reinsurance losses.

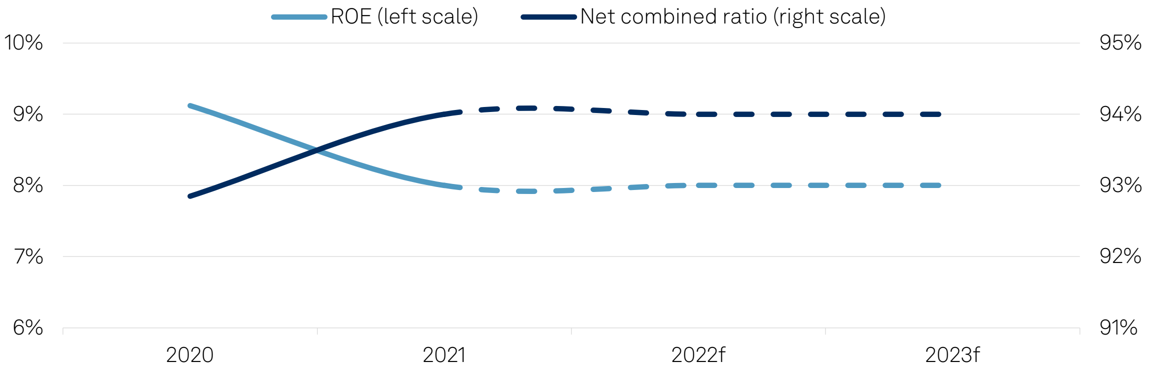
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Kuwait P/C | Satisfactory Profitability, Supported By Low Product Risks And Good Growth Prospects

The Underdeveloped Sector Offers Opportunities For Premium Growth



We Expect Profitability To Remain Relatively Stable

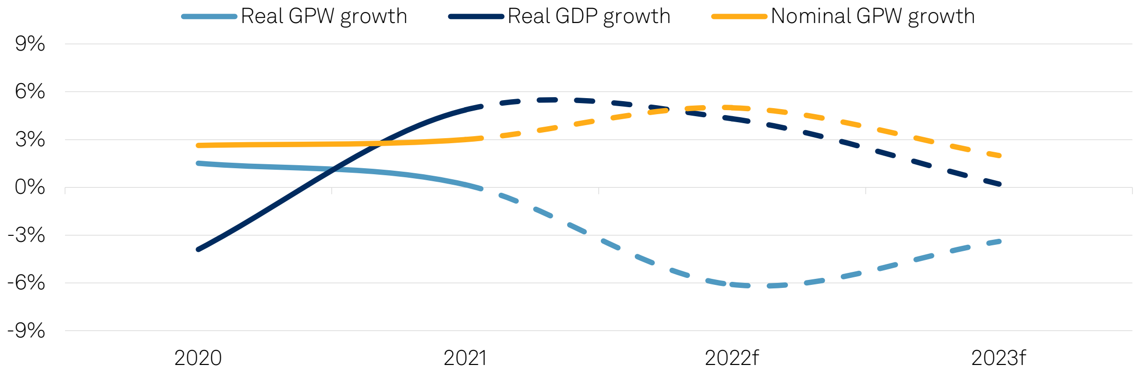


- Kuwait's still-**developing regulatory framework** and oversight are among the key weaknesses in the sector. However, the introduction of a **new insurance law** in March 2021 and the implementation of an **independent insurance regulator** should help strengthen market discipline and oversight, in our view.
- We expect **GPW to increase** by about 5% in 2022 and 2023, following similar growth rates in previous years, mainly backed by the expansion of some **compulsory medical cover** and ongoing **economic growth**.
- Larger insurers benefit from access to profitable commercial business, economies of scale, and **lucrative reinsurance commissions**, while many smaller insurers mainly write unprofitable motor business to generate cash flows.
- Despite the relatively low barriers to entry, new entrants have found it **hard to compete** with existing players due to difficulties in distributing their products and establishing **direct relationships** with policyholders.

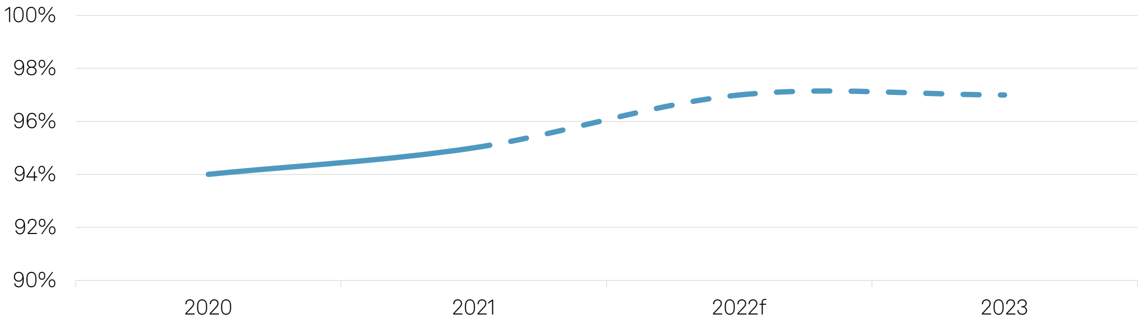
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Netherlands P/C | Improved Underwriting Discipline

Inflation To Depress The Market's Limited Organic Growth Potential



Improved Pricing Environment Supports Profitability, Which We Expect Will Moderate Following Lower Claims During COVID-19

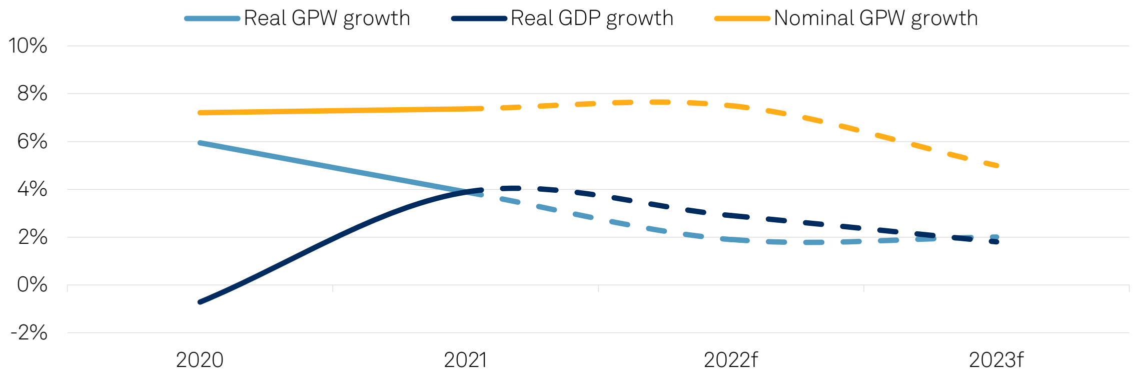


- Organic **growth** opportunities are **somewhat limited**, but some market players are able to generate organic premium growth thanks to **premium adjustments** from improved underwriting discipline and **opportunities** in new lines of business such as cyber insurance.
- P/C insurers have maintained their **underwriting discipline** in a difficult interest rate environment. The improvement in technical profitability is due to **premium rate increases** mainly in the motor, accident, and property segments.
- **Entering the market** would require substantial investment in expertise and infrastructure and access to distribution channels. The number of active participants in the market has fallen because of the **acquisitive mood** of the three largest insurance groups, NN Group N.V., ASR Nederland N.V., and Achmea B.V.
- **ASR Nederland** N.V.'s acquisition of **Aegon** Group's operations should **enhance its P/C market share**, premium volumes, and local product diversification.

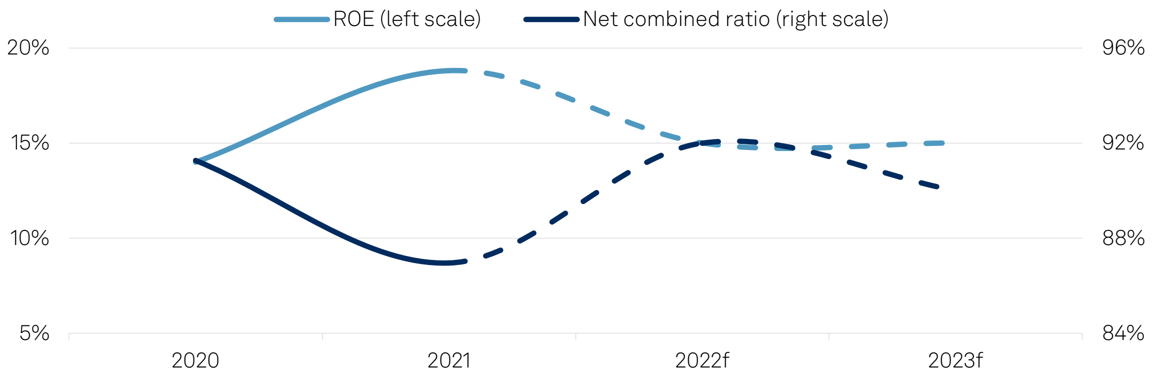
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Norway P/C | Strong And Stable Profitability, Despite Relatively High Investment Risk

We Expect Real Premium Growth To Broadly Align With GDP



We Expect Profitability To Remain Strong Over 2022-2023

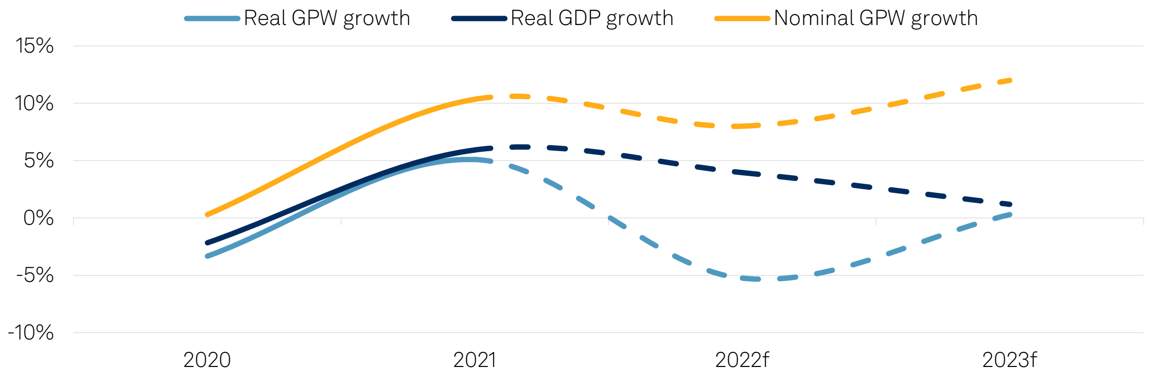


- The sector consistently **outperforms** the majority of European (and global) P/C sectors in terms of underwriting, displaying **strong profitability standards**, underpinned by a five-year average net combined ratio of 90%. We expect this will continue over the next two years.
- The sector is exposed to some **natural catastrophes** (storms and flooding), though these are **mitigated** through the Norwegian Natural Perils Pool and the purchase of extensive reinsurance.
- The main risk for the sector is insurers' exposure to **high-risk assets**, notably equities, which could result in earnings volatility.
- Companies maintain large portfolios of fixed-income securities, which are experiencing **unrealized losses** from the rise in interest rates. Insurers should be able to absorb these thanks to the strength of their capital and their **holding of investments to maturity**.

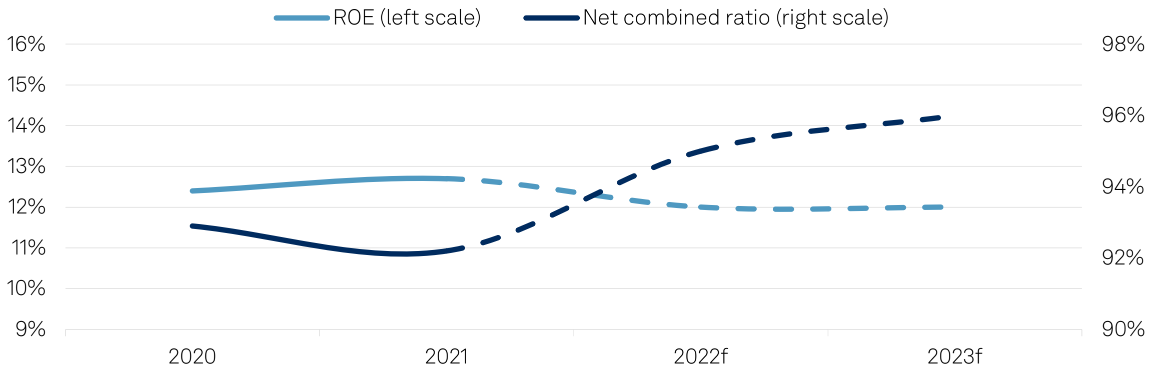
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Poland P/C | Challenges In The Obligatory Motor Line Should Not Derail The Sector's Performance

We Expect MTPL Premiums To Increase In 2023



Profitability To Slightly Ease On Intense Competition In Motor, Albeit Not As Severely As During 2013-2016

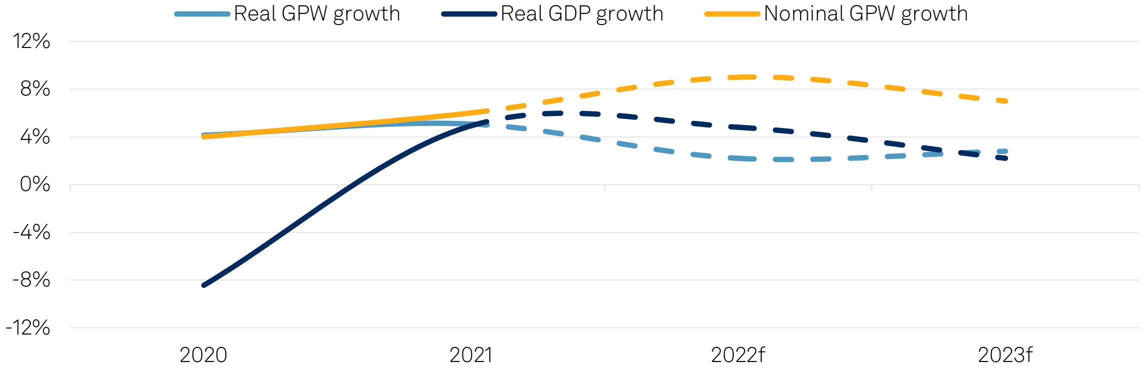


- High inflation, foreign-exchange movements, rising operating costs, and intense competition are **pressurizing the performance** of obligatory motor insurance (MTPL), which makes up 30% of market GPW.
- The November 2022 **introduction** of the new MTPL claims settlement standard should **further pressurize** MTPL performance, which, if not offset by higher prices, could push the line into material losses.
- Thanks to price increases, **non-motor lines** should continue to show **strong growth**, supporting the sector's performance.
- The Polish central bank increased **interest rates** by 625 bps to 6.75% in the past year. As insurers' assets are dominated by Polish **government debt** and insurers **holding bonds to maturity**, we do not expect a material effect on the sector's 2022 investment results. Insurers will gradually benefit from higher reinvestments.
- We believe that sector **ROE excluding PZU will be below 10%** in 2022-2023. We consider this to be relatively neutral considering materially higher interest rates in Poland than in most other EU countries.

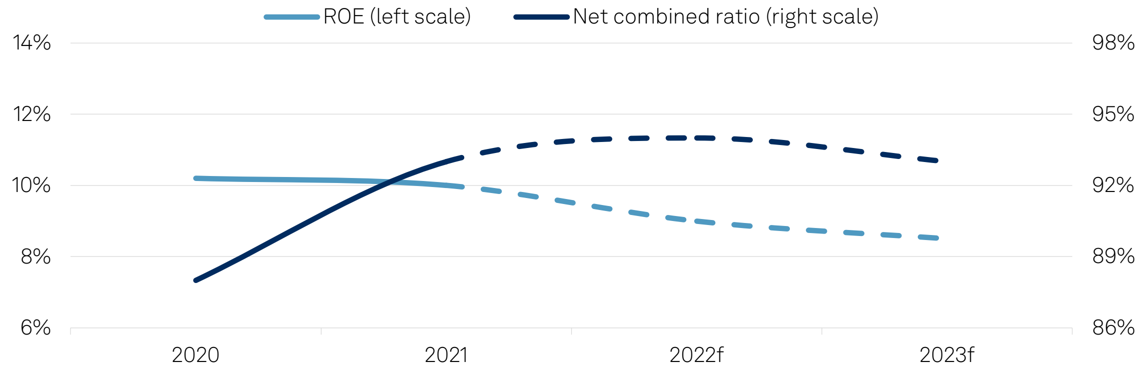
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Portugal P/C | Real Premium Growth In Line With Real GDP Growth

Premium Growth Should Continue, Although Inflation Will Dampen It In Real Terms



Profitability Will Likely Remain Favorable Over 2022-2023

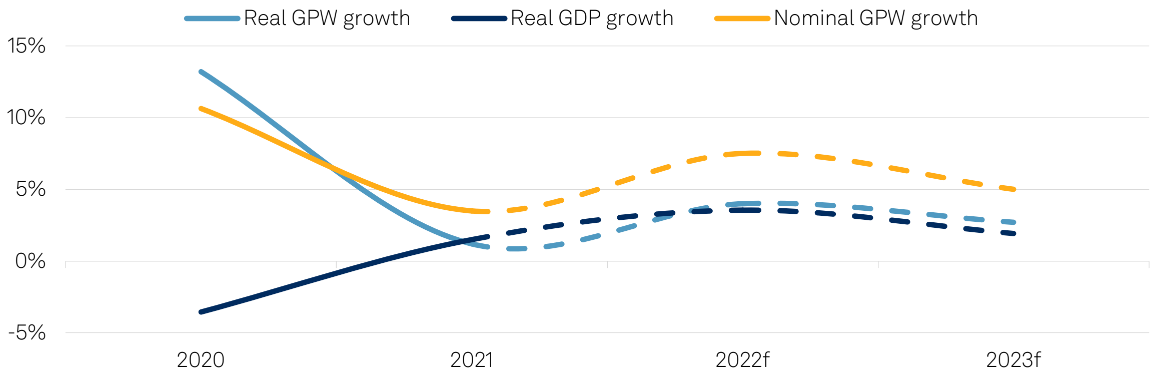


- **Despite inflationary pressures**, premium growth should **track Portugal's economic growth**, supporting the sector's profitability over 2022-2023.
- Notwithstanding significant improvements in the combined ratio of the **worker accident insurance line**, it still burdens the sector's performance.
- Although the number of insurers in the market is high, **mergers have made the sector increasingly concentrated at the top**, with the leading five players sharing over two-thirds of the market.
- The **sector is exposed to** natural catastrophes, including **low-frequency, but very high-severity catastrophes** such as earthquakes, and increasingly, floods, particularly in the south.

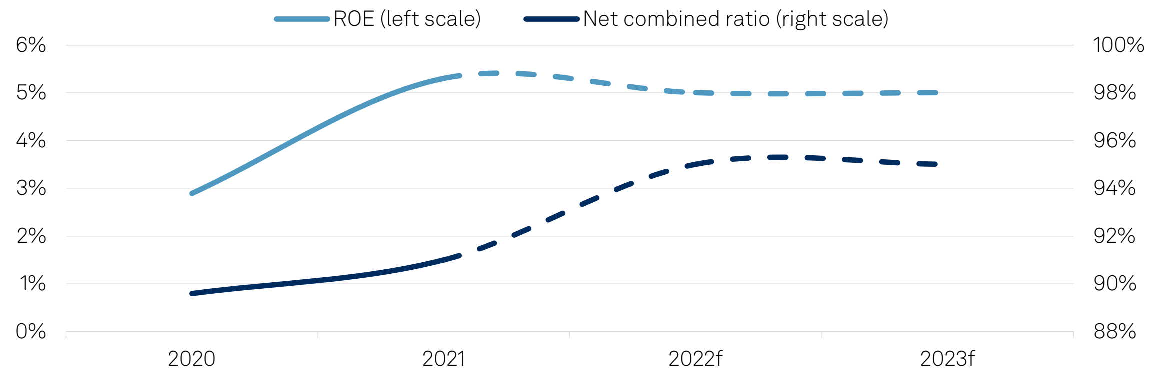
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Qatar P/C | Decent Growth Potential, Offset By Exposure To Equity And Real Estate Investments

We Expect Premium Growth To Be In Line With The Qatari Economy



We Expect Net Combined Ratios Of Around 95% And ROE Of 5%

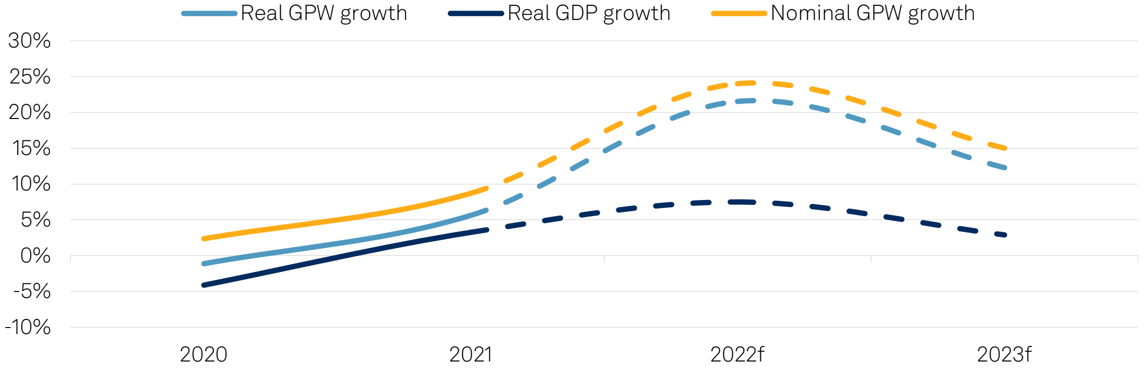


- Once implemented, the new **compulsory health insurance** scheme targeting all foreign visitors, residents, and workers in the country could generate additional new premiums of Qatari riyal (QAR) 1.0 billion-QAR1.5 billion, in our view. Its **implementation** has been delayed further, likely to the **first half of 2023**, as pricing and the table of benefits remain uncertain at this stage.
- Qatari insurers focus their asset allocation on **equity and real estate** holdings. This introduces significant **earnings volatility** during times of lower economic activity and declining share prices.
- The six largest national insurers form a **consortium** and benefit from **preferential access** to government-related risks, making it difficult for new insurers to enter and successfully gain meaningful market share.

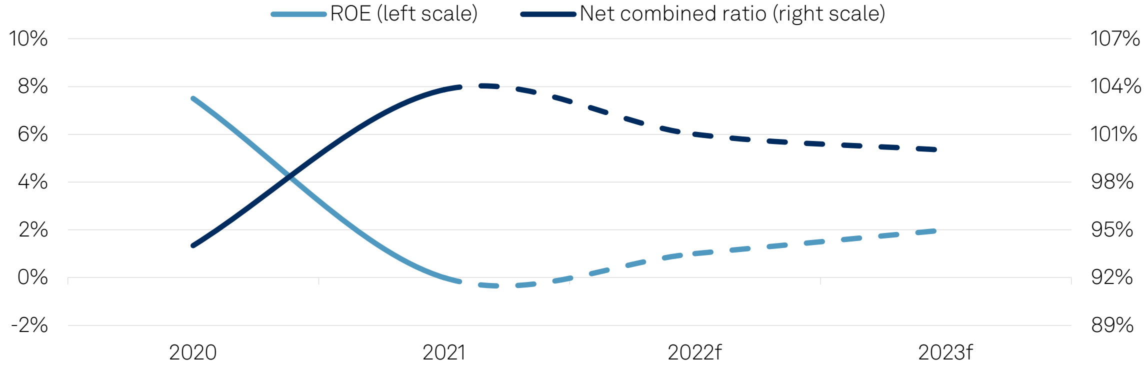
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Saudi Arabia P/C | Intensely Competitive Environment, Leading to Weaker Profitability

Medical And Other Lines Will Drive Strong Premium Growth In The Saudi P/C Sector In 2022-2023



Combined Ratios Should Gradually Improve To 99%-104% Over 2022-2023

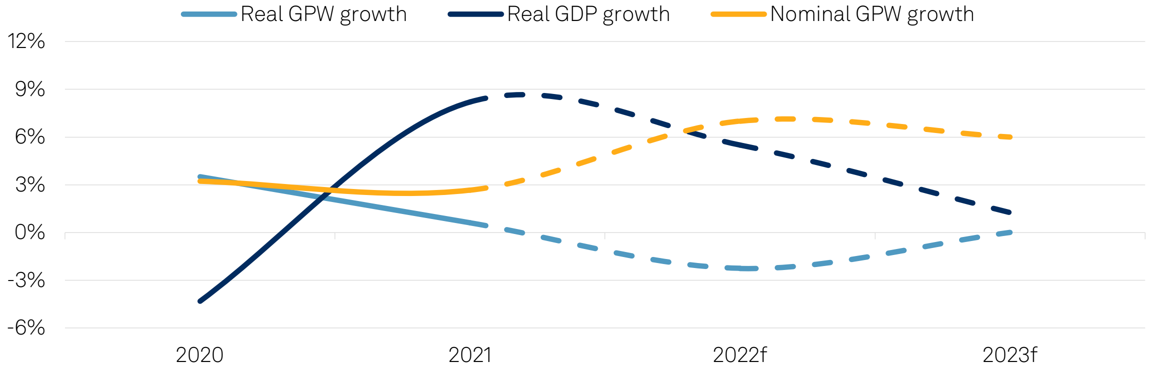


- **Pricing conditions** for motor and medical policies will remain **tough**, but we believe that the insurers that recorded losses in 2021-2022 will revise their pricing strategy. We therefore expect a **gradual improvement** in underwriting performance.
- Since Saudi insurers gear their investments toward **bank and other deposits**, we expect investment results to benefit from rising interest rates. These should offset technical losses and support at least **breakeven overall earnings** in 2022-2023.
- The sector has seen some consolidation over the past few years, with some **mergers and acquisitions** being completed in 2020-2022, and a few more being at advanced stages.
- **Premium growth** in 2022-2023 will be supported by the implementation of new, and the extension of existing, **mandatory medical coverage**, the rollout of **inherent defects insurance**, rate increases in commercial lines, and efforts to reduce the number of **uninsured cars**.
- Insurers see occasional losses from **natural catastrophes** in the form of seismic activity, flash floods, or hailstorms, though they **protect** against these using extensive **reinsurance**.

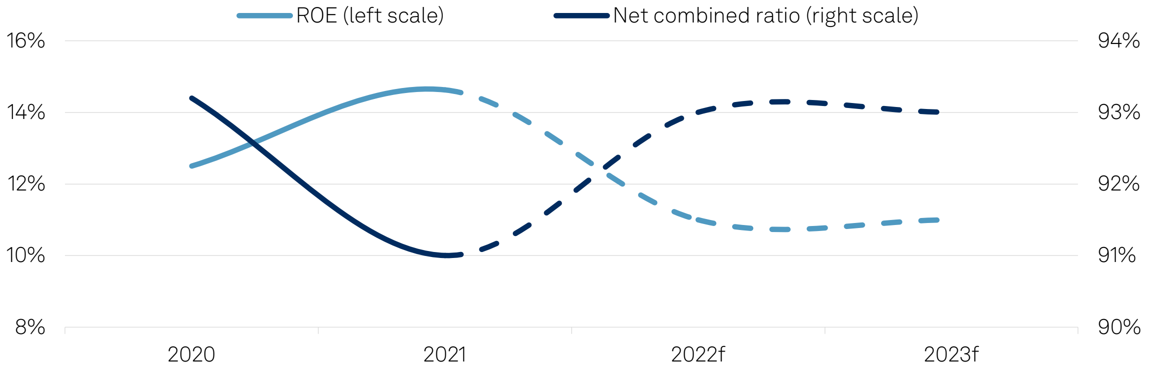
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Slovenia P/C | Strong Performance Despite Higher Inflation

Price Increases To Mostly Offset Inflationary Pressures, With Real GPW Growth To Return To The Level Of Real GDP Growth By 2023



Solid Underwriting To Support Strong And Stable Profitability Through To 2023

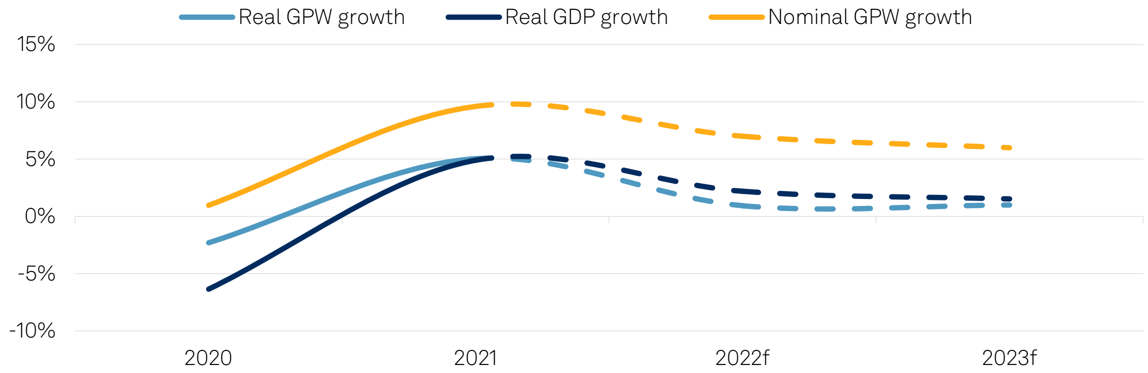


- The market is likely to maintain a record of **strong and stable technical results**, including good reinsurance protection, with combined ratios in the range of 92%-94% until end-2023.
- **Increasing tariffs** are likely to offset higher inflation, and the normalization of motor and health claim frequencies should support **premium growth**.
- Due to **capital market volatility**, we expect a moderate reduction in investment returns in the short term. However, **higher interest rates** in Slovenia and the rest of the EU will gradually lead to better investment results. We note that investment results represent only about one-third of overall operating results.
- Key **risks** for the sector remain the sudden discontinuation of supplementary **health insurance** in case of health reforms, and a **substantial rise in interest rates** above those we have observed to date in 2022, causing simultaneous capital market volatility and a prolonged weakening of the sector's underwriting performance.

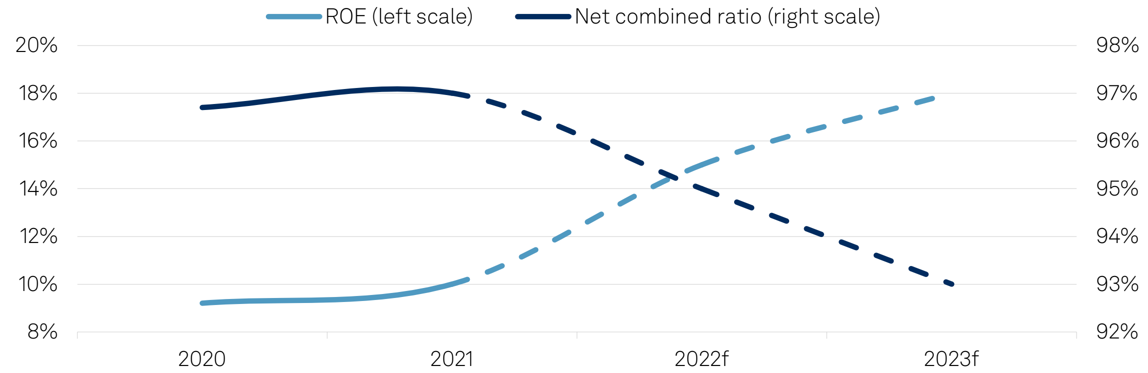
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

South Africa P/C | Challenging Macroeconomic Environment To Test Profitability

Constrained Economic Growth Has Hampered The Potential For Broader Insurable Risks



Profitability To Improve Through To 2023, Driven By Underwriting Discipline Following Large One-Off Pandemic-Related Losses

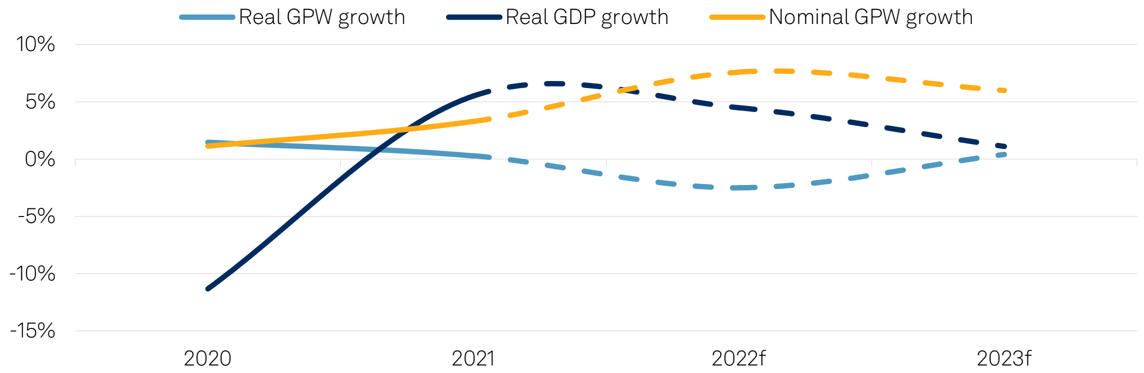


- The sector continues to improve its **underwriting discipline** in order to enhance its technical profitability through to 2023. This is in response to large, **one-off losses** relating to business interruption claims during the pandemic, and rising inflation.
- **Lower technical and investment results** will weigh on overall profits in 2022.
- **Floods** in KwaZulu-Natal will have a limited effect on insurers' earnings, since insurers passed most of their claims to reinsurers, but **reinsurance costs** are likely to **rise**.
- Unlike most emerging market insurers, insurance companies in South Africa enjoy a diverse and active **capital market**, offering investment opportunities in a variety of assets. Yet these are largely in local currency and **concentrated domestically**, resulting in relatively low credit quality and heightened **credit risk**.
- Product risk arises from **natural catastrophe** exposures relating to hail, flooding, and other weather-related events, and investment constraints due to low credit quality.

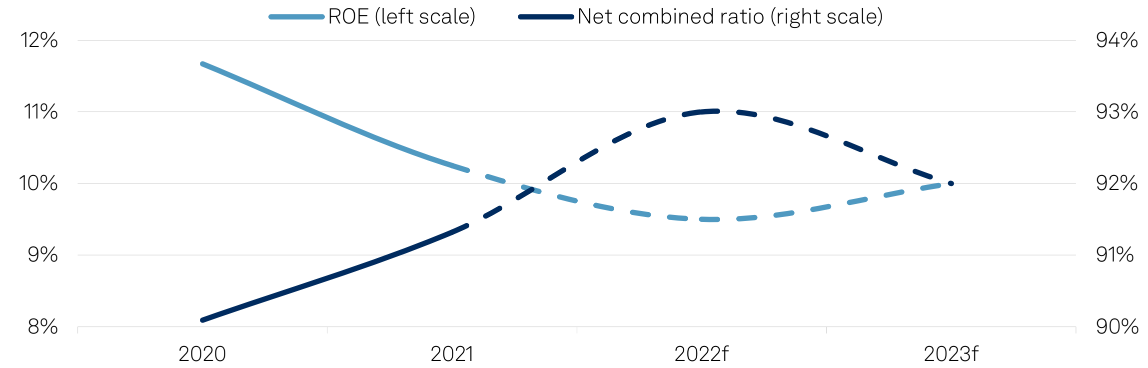
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Spain P/C | One Of The Most Profitable In Europe, Although Inflation Could Pressurize Technical Performance

Inflation Could Erode The Sector's Underlying Profitability In The Short Term



We Expect The Sector To Sustain Its Sound Technical Performance Over The Long Term

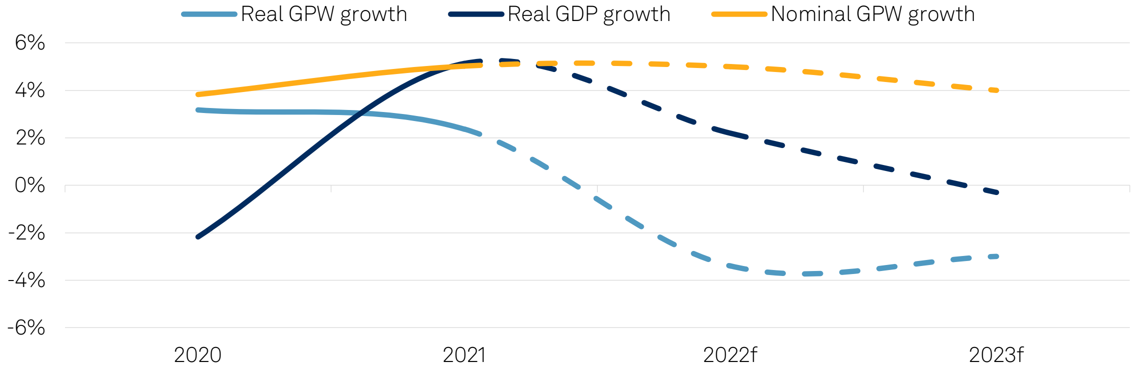


- We expect a **slight uptick** in the overall **combined ratio** due to the increase in economic activity as well as inflation. However, **performance should remain strong**, with combined ratios of 92%-93% over 2022-2023.
- The **volatility** in equity markets and rise in interest rates have been **detrimental to investment yields**.
- The Spanish non-life market benefits from the national system for assessing harm from bodily injuries after motor accidents (**Baremo**) and the Insurance Compensation Consortium, which **mitigates volatility** arising from extraordinary events.
- The Insurance Compensation Consortium (Consorcio de Compensacion de Seguros) is a public entity that **mitigates spikes in claims** arising from extraordinary events. The Baremo helps participants predict claim settlements for **bodily injuries** arising from motor accidents.

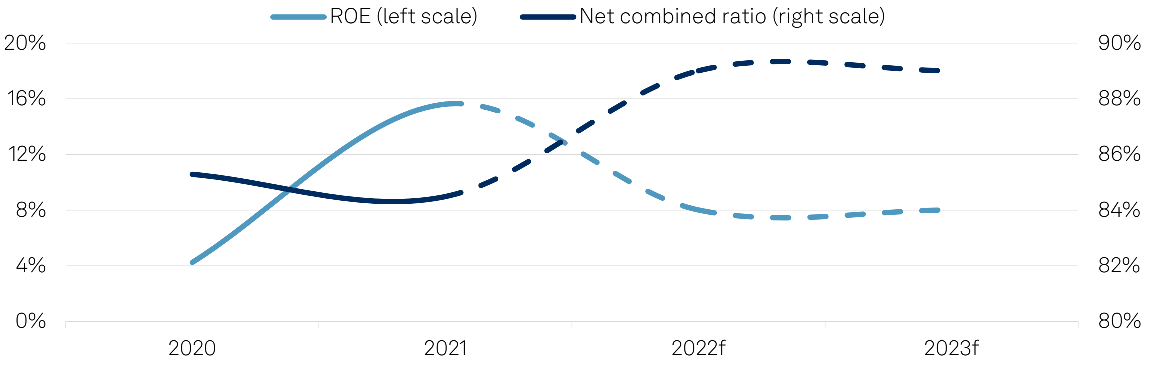
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Sweden P/C | Highly Profitable, Though Risky Asset Allocation Could Create Earnings Volatility Amid Economic Uncertainty

Macroeconomic Challenges To Dampen Premium Growth Over 2022-2023



Strong Profitability Likely To Carry Through To 2023

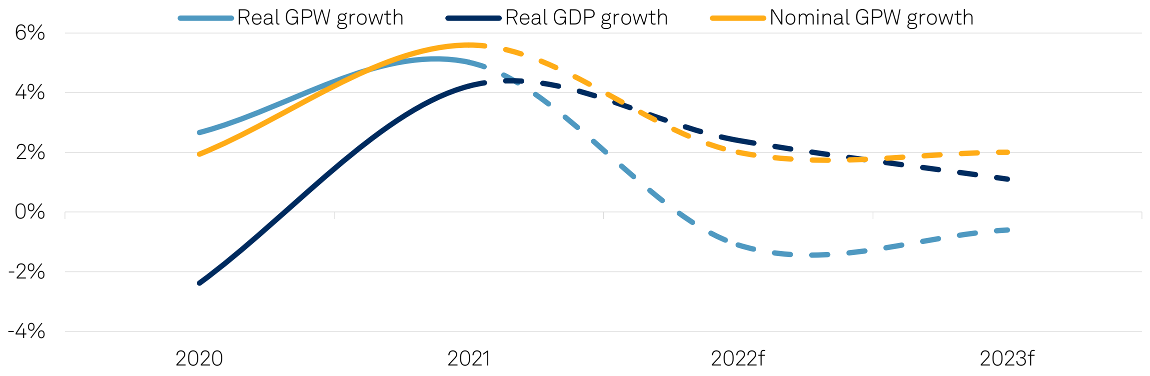


- The sector demonstrates **strong profitability**, supported by healthy technical profitability and **high cost effectiveness**.
- Inflation is pushing up claim costs, though **we do not expect a material margin erosion** or a pick-up in competition.
- The market has strong operational barriers to entry, with the largest **five players accounting for about 80%** of total premiums, markedly higher than in many European P/C markets.
- There is a **sizable risk** in the Swedish P/C sector relating to **long-tail motor claims**, which exposes insurers to **claims inflation** and legislative changes. In addition, moderate natural catastrophes (storms, floods, and harsh winters) add to product risk.
- Swedish P/C insurers display a **greater appetite for equity investments than their peers in other European countries**, which increases earnings volatility and market risk.

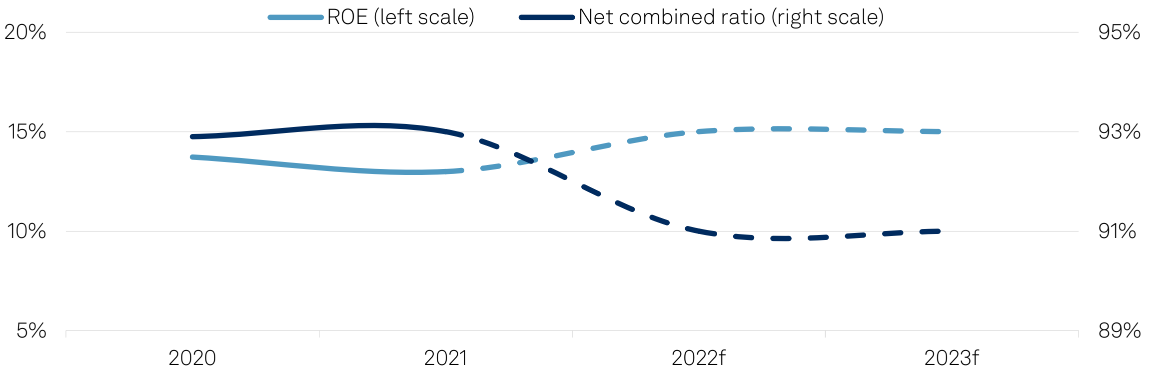
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Switzerland P/C | More Profitable Than Neighbouring European Countries

The Mature Market Still Offers Some Opportunities For GPW Growth



Sustainably Strong Returns With Relatively Little Volatility

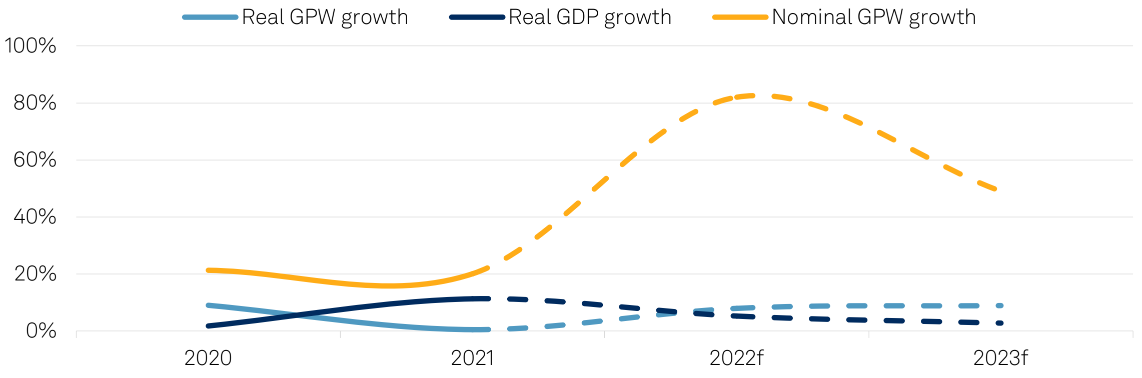


- We attribute the strong technical performance to **disciplined** underwriting, **strict claims management**, and less fierce price competition than in other markets due to somewhat lower price sensitivity, multi-year contracts, and market concentration.
- While technical **profits** and **investment performance** should remain **strong**, investment market volatility, the rise in interest rates, and inflation could add some pressure, although inflation in Switzerland is lower than in other European countries.
- Swiss federal states provide a meaningful **buffer for natural catastrophes**. These mandatory cantonal monopoly insurers act as a first layer of insurance coverage, largely mitigating claims arising from natural catastrophes for primary insurers.

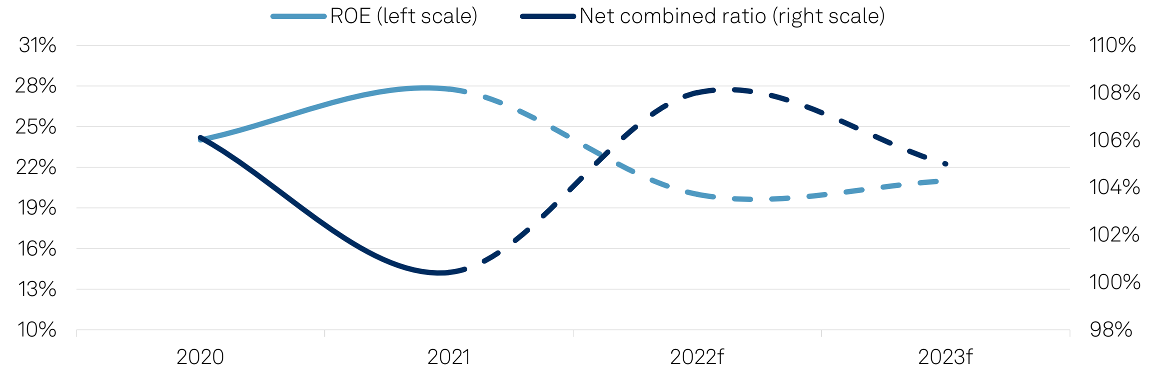
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Turkey P/C | High Inflation Will Dent Real Premium Growth And Technical Results

We Expect The Market To Continue Growing In Real Terms



We Expect High Inflation To Have A Significant Adverse Impact On Technical Performance

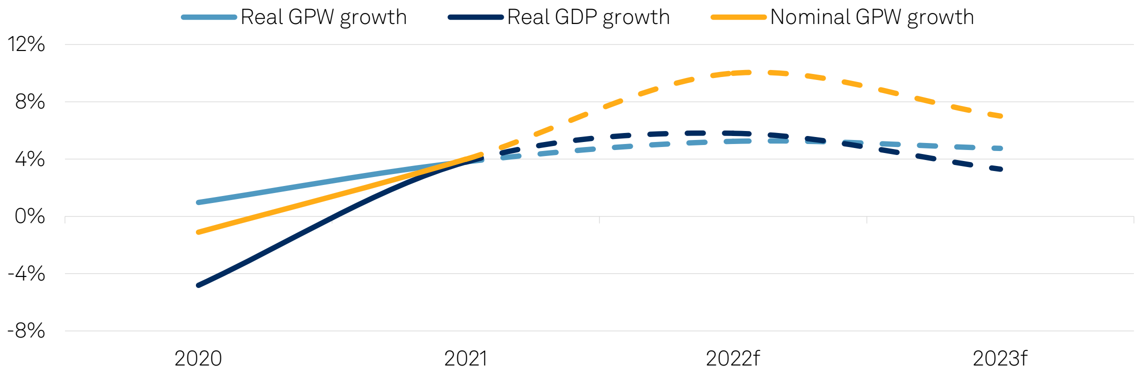


- We expect that **inflation** will reach 74% in 2022 and 40% in 2023, and materially undermine technical performance, particularly for motor lines, notably through increases in the cost of spare car parts.
- Thanks to **high interest rates** on bank deposits, we anticipate that significant investment returns will result in **double-digit returns on equity**, offsetting the sector's technical losses. However, **real returns are negative** due to inflation.
- Market growth prospects continue to support profitability, notably as we expect **real growth rates to be positive**.
- **Earthquake insurance** penetration is increasing, with just over half of residential properties estimated to have earthquake coverage under the Turkey Catastrophe Insurance Pool (DASK).

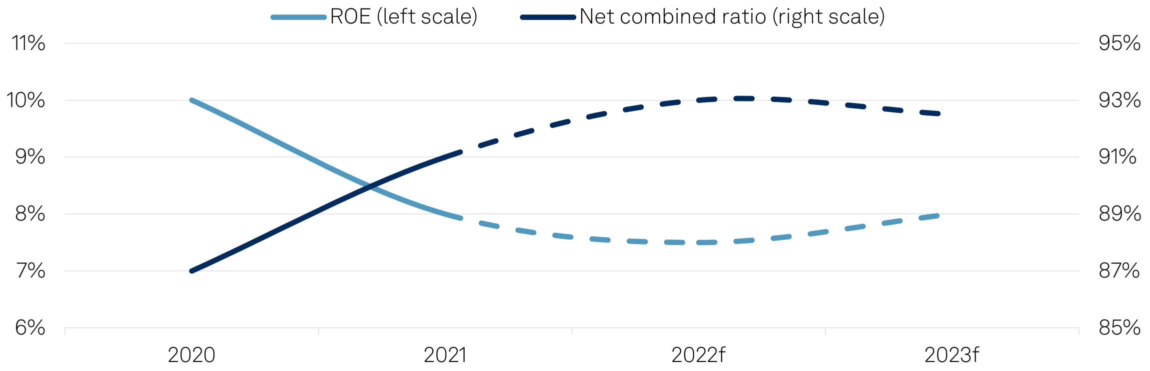
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

United Arab Emirates P/C | One Of The Most Profitable P/C And Health Sectors In The GCC, Despite Fierce Competition

We Anticipate Healthy Growth For the P/C Sector Going Into 2023



The Sector Benefits From Profitable Underwriting That We Expect Will Continue Into 2023

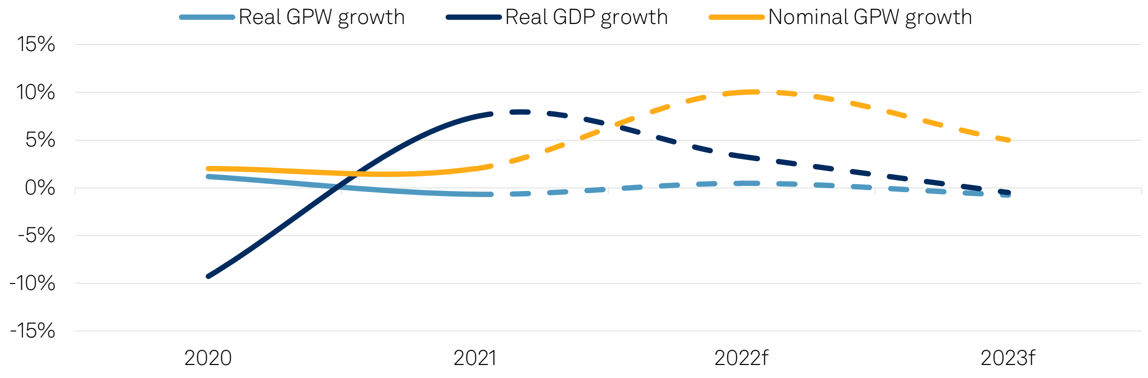


- An increase in competition in the **overcrowded market**, particularly in the motor sector, will result in **weaker underwriting** profitability in 2022. However, we anticipate a modest improvement in operating performance in 2023, based on higher motor rates.
- **Volatility** in the global capital markets will weigh on **investment returns** this year, but the **rise in interest rates** should enhance yields on cash and fixed-income instruments over the next 12 months.
- We expect the main spur to **GPW growth** in 2022-2023 to be ongoing **infrastructure spending**, an increase in the number of visitors, and new visa programs to attract more residents and visitors.
- The UAE benefits from relatively **low exposure to natural catastrophes**, which means that material claims are rare.

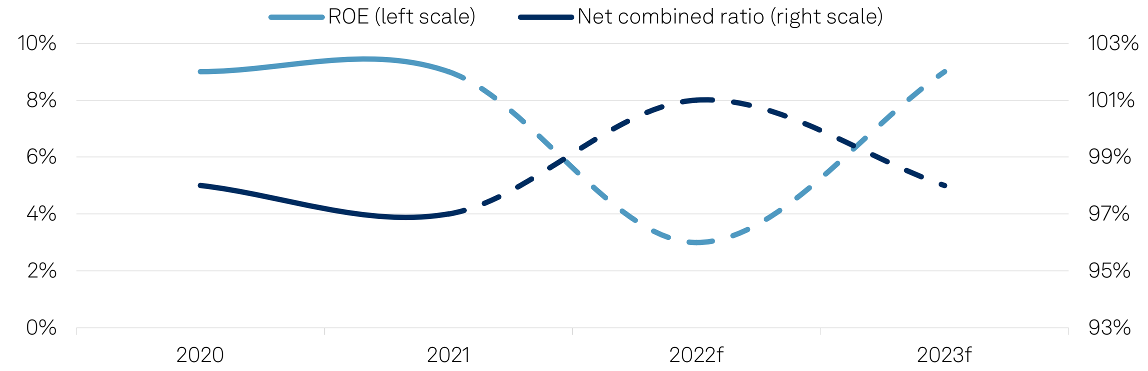
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. GCC—Gulf Cooperation Council. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

U.K. P/C | Solid Profitability, With Results Broadly In Line With European Peers

The Maturity Of The Industry Results In Limited Real GPW Growth Prospects



We Expect Relatively Stable, But Unspectacular Profitability For U.K. Insurers



- Underwriting **profitability is more constrained** than that of European peers.
- We expect that the U.K. P/C market will generally **struggle to generate underwriting profits in 2022**, with insurers more focused on **commercial lines recording the best results**, thanks to rate hardening.
- While **inflation will erode margins** in retail lines, we note that many players are able to **re-price rapidly**.
- **Increasing interest rates** in response to high inflation will drive **mark-to-market losses** on insurers' bond portfolios and we expect to see accounting-based profit measures fall significantly.
- The introduction of **new regulation** (General Insurance Pricing Practices, or GIPP) that effectively bans any divergence between the price of new business and renewals is, in our opinion, **unlikely to lead to a significant change in profitability** for the industry.

GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

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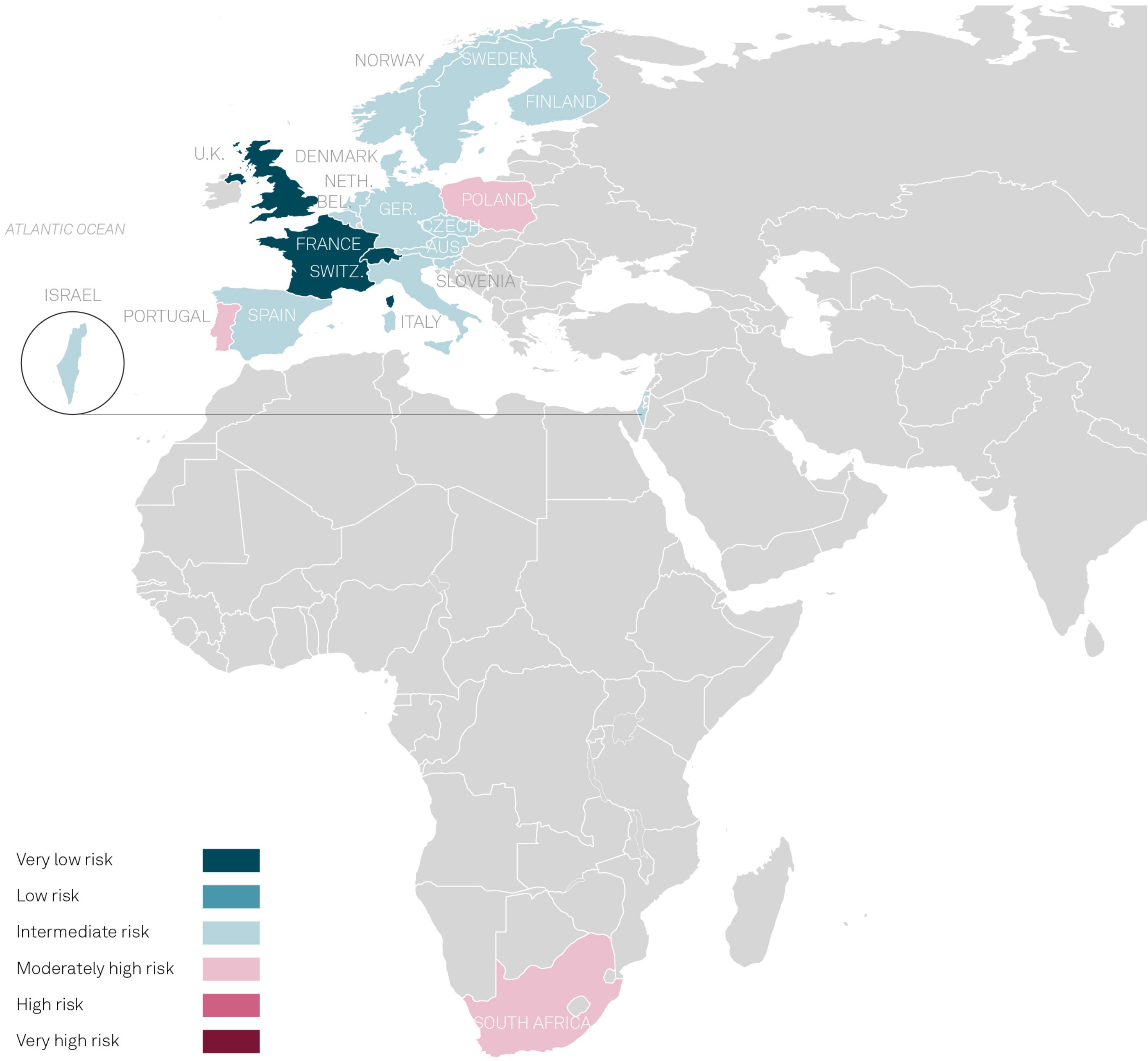
EMEA Life



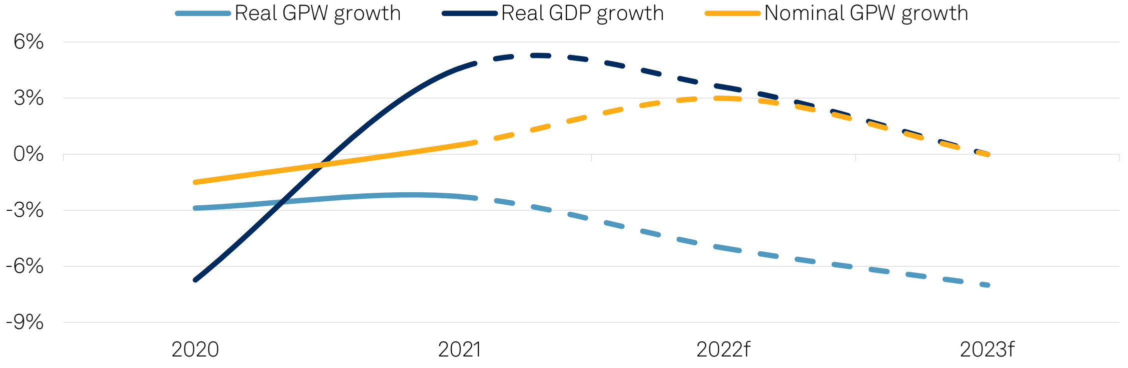
S&P Global
Ratings

EMEA Life | Top Risks

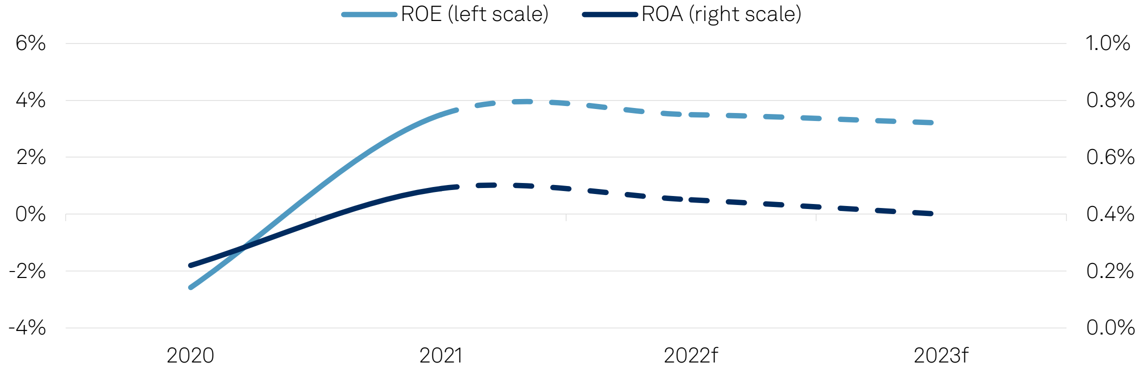
	Macroeconomic risks	Government policy and regulatory risks	Intense competitive environment	Investment performance risk	Exposure to high-risk assets	Exposure to physical and external risks	Muted premium growth prospects	Litigious legal system	Weak technical results
Austria	■		■				■		
Belgium		■	■	■					
Czech Republic	■		■				■		
Denmark	■		■		■				
Finland	■		■		■				
France		■	■				■		
Germany		■	■				■		
Israel		■	■						
Italy	■		■						
Netherlands			■		■		■		
Norway	■		■		■				
Poland	■	■						■	
Portugal			■	■					■
Slovenia	■		■				■		
South Africa	■				■		■		
Spain	■						■		
Sweden	■		■		■				
Switzerland	■	■	■						
U.K.	■		■	■					

Austria Life | Profitability Is Under Pressure

Real Premiums To Decline Due To Muted Demand For Life Products



Relatively Stable But Low Profit Margins Result In Modest Returns

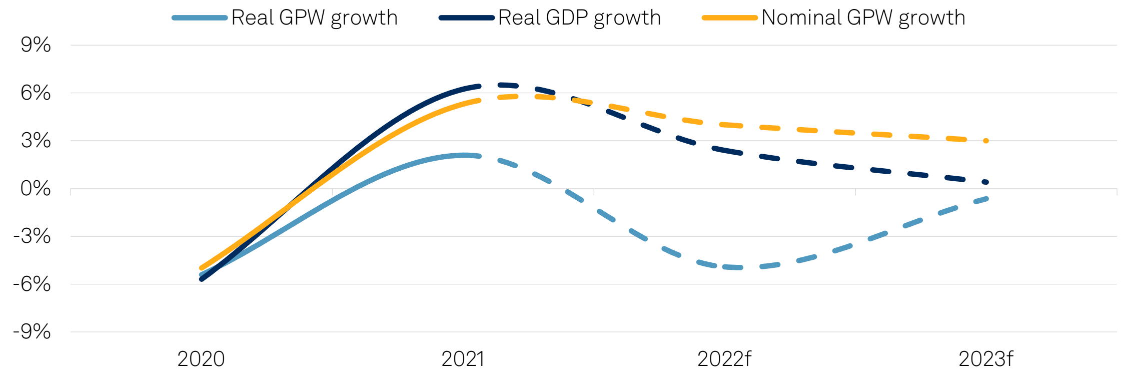


- Average **guarantees** are below the European market average, according to EIOPA's financial stability report. Still, guarantees in the back book and **asset-liability mismatches** make it challenging for Austrian life insurers to earn sizable margins.
- The **increase in interest rates** should **ease** this pressure over the next 12 months and will increase the reinvestment yield for Austrian life insurers, improving the overall margins.
- The sector's **high asset-liability mismatch,** combined with its considerable exposure to long-term policyholder guarantees in the existing book, creates product risk.
- **Operational barriers** to entry in the Austrian market are relatively high, protecting the profitability of the existing and well-established players.

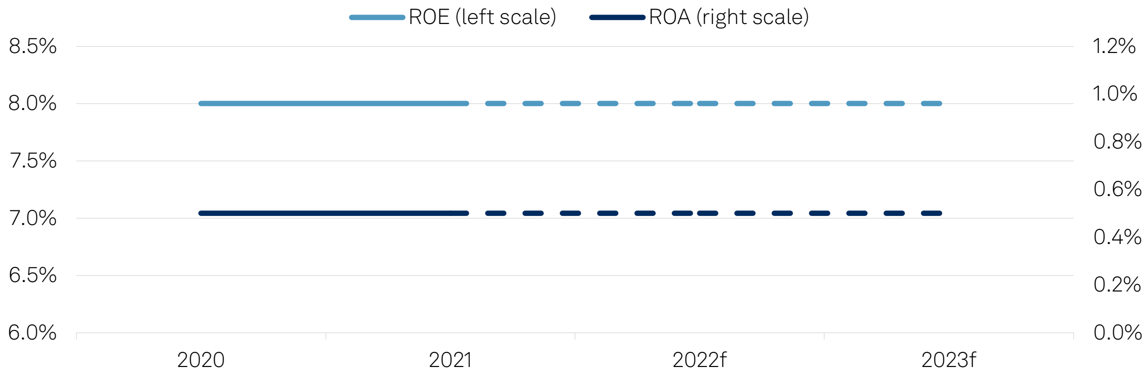
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Belgium Life | A Wealthy And Relatively Healthy Economy, But Growth Opportunities And Profitability Remain Constrained

Growth In The Life Sector To Remain Constrained



We Expect Flat Profitability Over The Next Two Years

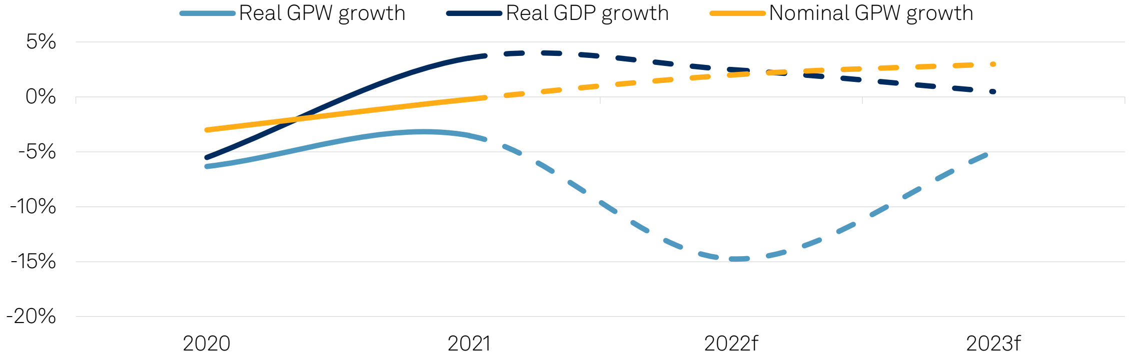


- **Profitability** is likely to remain **satisfactory**, supported by Belgian life products' profit-sharing characteristics that absorb some market volatility, and by life insurers' moves toward **capital-light** rather than guaranteed products.
- We believe the close **asset-liability duration match** and limitations on **surrender risk** mitigate the impact of interest rate volatility, despite the **high average guaranteed rates** for in-force life reserves of about 2%.
- Yet we note that the **average guaranteed rate** on the book of traditional savings business continues to **gradually decline**.
- Belgian life insurers remain **partially exposed to market volatility** via their share of equity and property investments.
- High concentration in the sector and the **exclusive bancassurance distribution** agreements for life insurance products dominate the market.

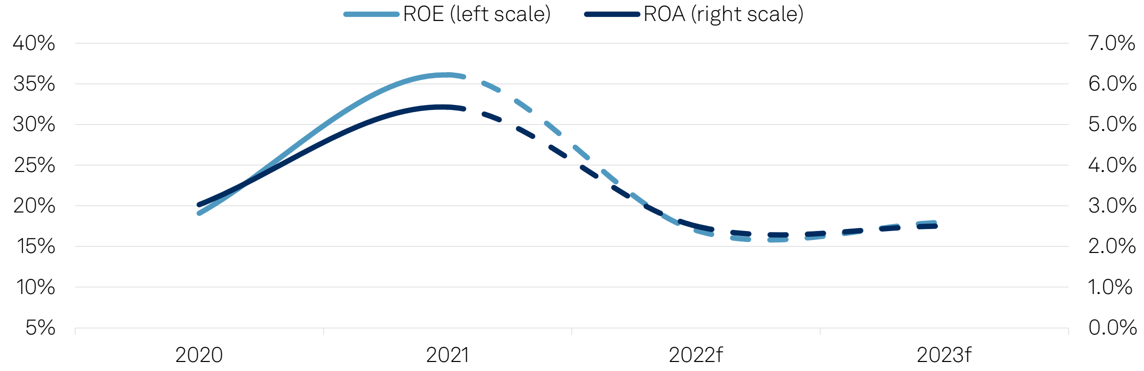
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Czech Republic Life | Technical Profitability Should Remain Among The Strongest In Europe

We Expect Overall Market Growth Prospects To Remain Subdued In 2022-2023



Performance To Remain Comparably Strong And To Normalize Following A Spike In Investment Gains In 2021

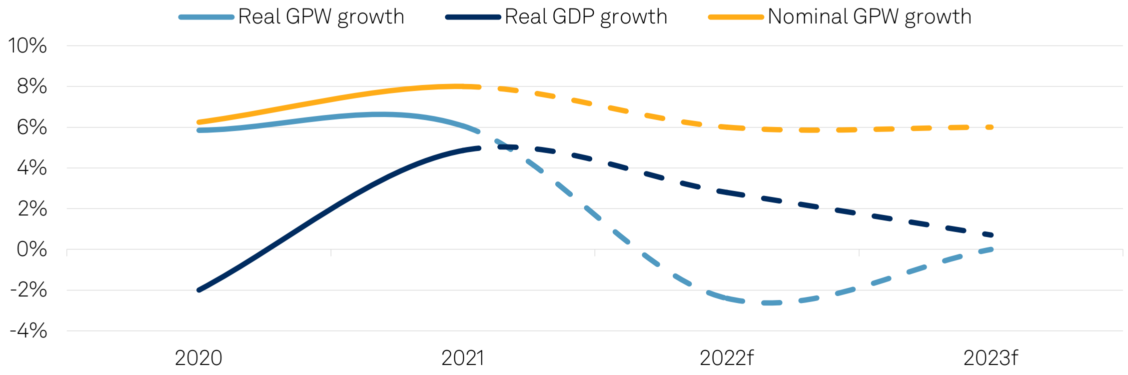


- In the last decade, a strong expansion in profitable **risk and disability products** repositioned the market (42% of GPW versus 17% in 2010). Underwriting margins on these products are **less exposed to interest rates** compared to other EU markets.
- Despite weaker-than-expected economic activity, **high inflation** pressuring sales, increasing lapses and surrenders, intensifying **competition,** and higher **operating expenses**, profitability should remain comparably solid.
- Interest rates in the Czech Republic have increased by 625 bps to 7% in the past 12 months. We expect insurers to sustain their **underwriting margins** while higher interest rates and volatile capital markets reduce **realized investment** gains in 2022.
- In comparison to other EU insurers, the sector's asset portfolio is among the most concentrated in terms of local **government bonds**.
- Protracted **reputational challenges** and weak capital markets to date in 2022 continue to hamper growth in **unit-linked policies** (about 39% of market GPW). With uncertainty in capital markets and lingering recession risk, **growth** prospects remain **subdued**.

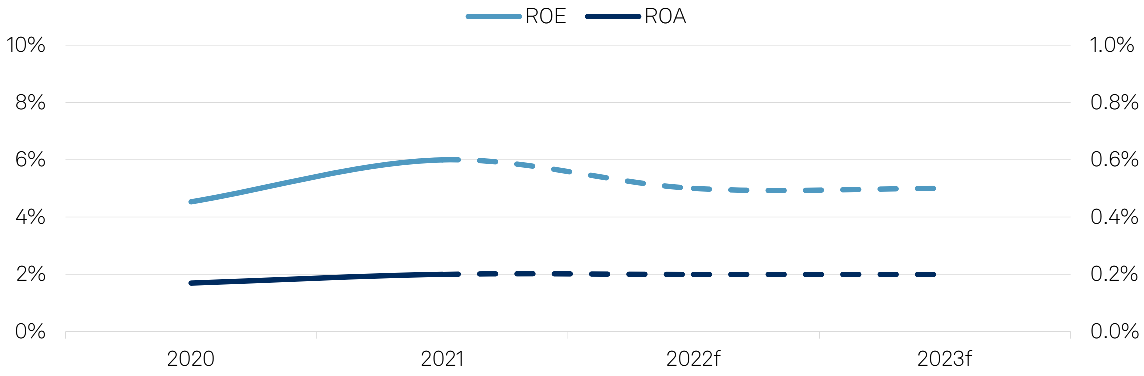
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Czech insurers are composite players, as such ROE reflects combined life and non-life operations. Source: S&P Global Ratings.

Denmark Life | The Weakest Performer Among Nordic Peers

Macroeconomic Challenges To Dampen Growth Prospects



Low Profitability Relative To Nordic Peers

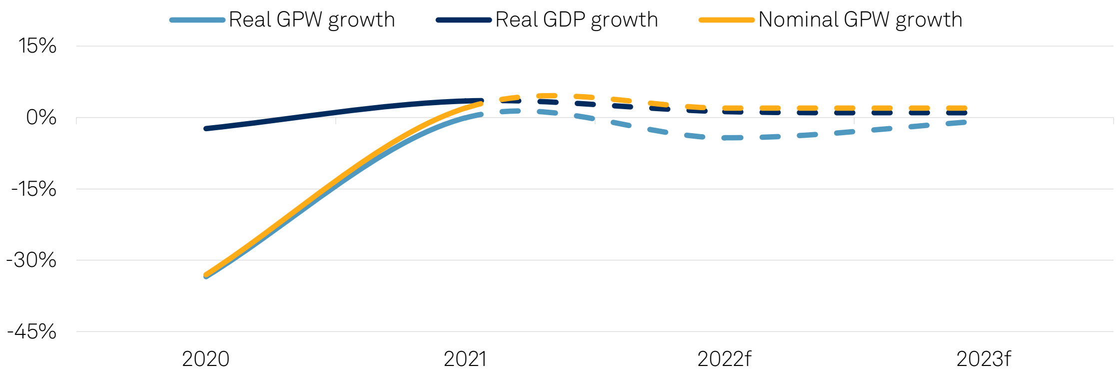


- **Profitability is lower** than that of Denmark's Nordic life peers, but this is **offset** by its more advanced **transition** from guaranteed products to **lower-risk** unit-linked products.
- The amount of long-term **traditional savings products** with **high guarantees** in the back book and the sector's relatively **high asset risk** represent key challenges.
- Danish life insurers have a material proportion (about 35%) of investments in high-risk assets like **equities**. This leads to additional **earnings volatility** and market risk.
- **High cost efficiency**, a good distribution setup, and strong brands are the main safeguards against competition.
- Relative to other Nordic markets, Denmark has the **least concentrated life insurance market**.

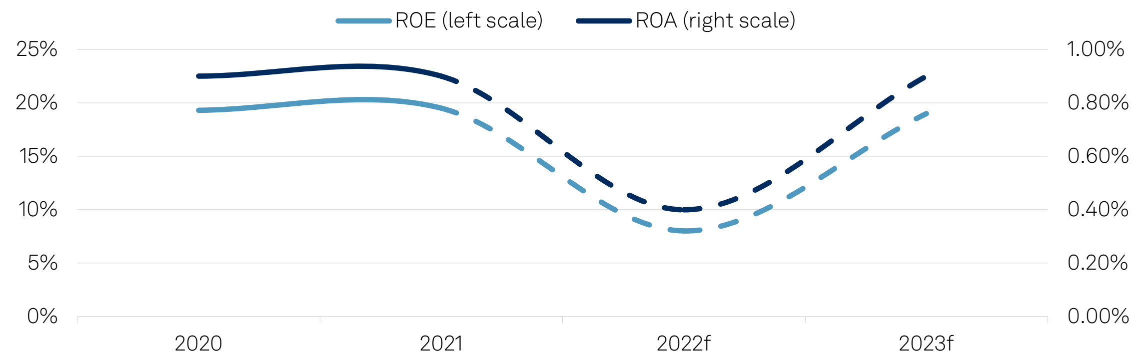
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Finland Life | Interest Rate Movements And Market Volatility Could Constrain Profitability

Real GPW Growth To Lag GDP Growth



Proven Record Of Strong Profitability

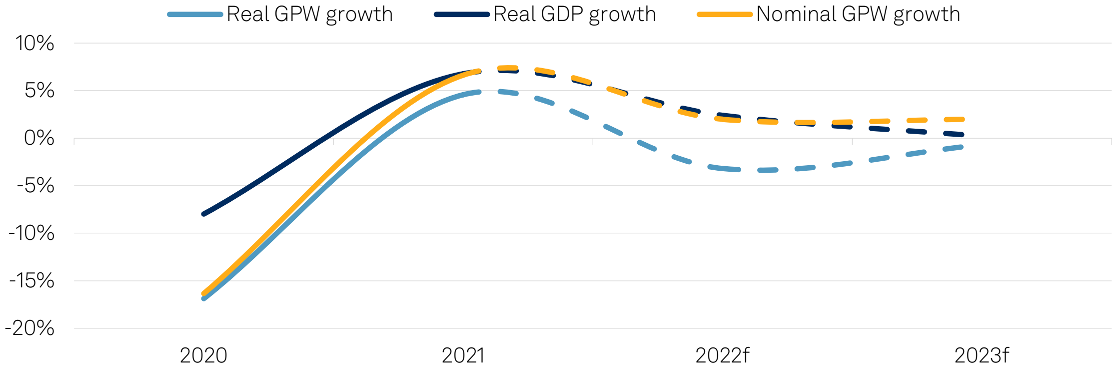


- The sector is exposed to **high guaranteed rates**. At about 4%, the rate is among the **highest in Europe**.
- While historically, profitability has been strong, **volatile interest rates** and investment performance could **constrain future profitability.** We expect that profitability will recover to pre-pandemic levels.
- Potential **volatility in investment performance** is likely to drag on the sector's returns.
- **Market concentration** and controlled distribution channels create **high operational barriers** to entry. Indeed, the three largest insurers account for around three-quarters of the market's premiums.
- Finnish insurers **distribute** life and pension products largely through their **own sales** operations, trade unions, business partners, and banks.

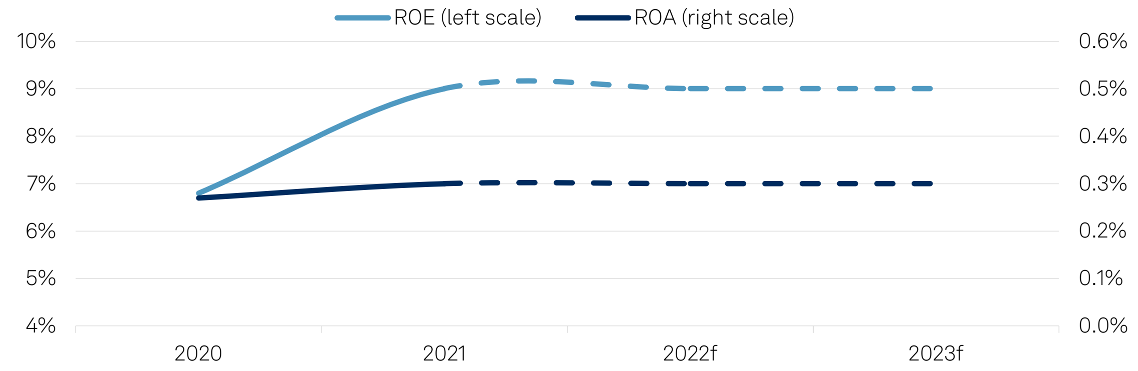
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

France Life | Strong Financial Discipline, Although The Macroeconomic Environment Staunches Growth Opportunities

We Expect Muted Market Growth Prospects In The French Life Sector



Stable Profitability Owing To A Favorable Product Mix

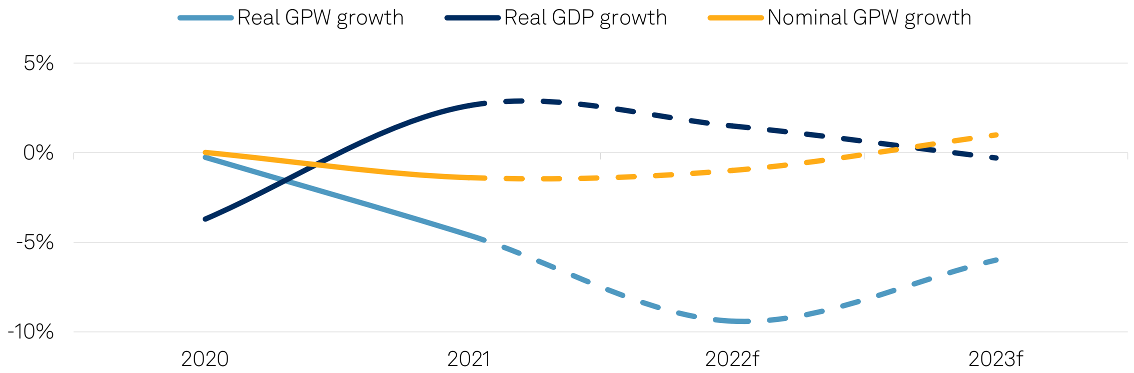


- New entrants have very limited prospects for profitable growth because of the **significant distribution power**, insurance expertise, and management resources needed to meaningfully penetrate the mature French life market.
- Due to the **low minimum guaranteed** bonus rates and low surrender rates, life insurance products sold on the French market carry **little risk**.
- The French life insurance sector can sustainably **generate capital buffers** because its investment yield is still significantly higher than the credited rate offered to policyholders, and insurers have wide discretion over the credited rate itself.

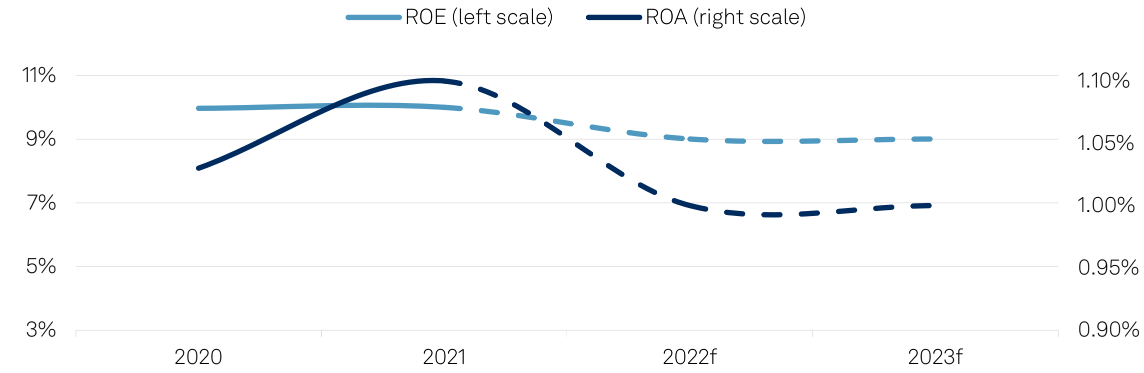
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Germany Life | A Competitive Market With Effective And Stable Institutions, Yet High Exposure To Interest Rate Movements

The Highly Mature Nature Of The Market Limits Growth Opportunities



We Expect Relatively Stable Returns Over 2022-2023

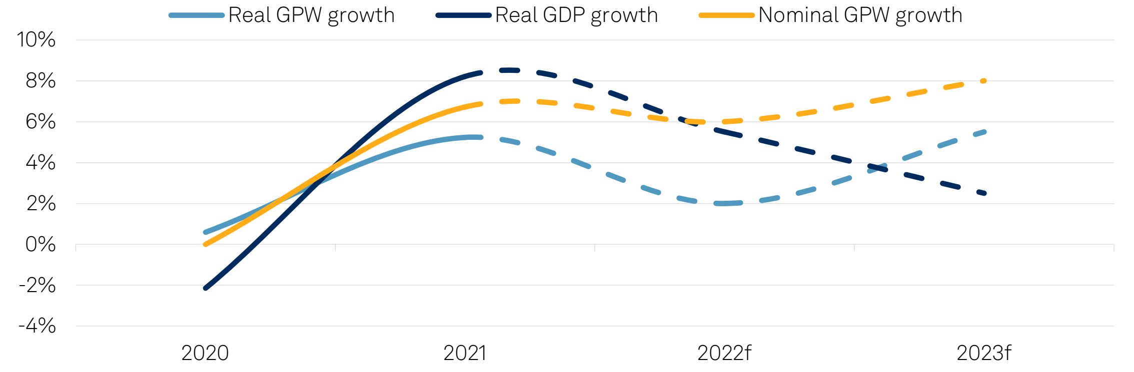


- German life insurers remain exposed to **low**, yet improving, **yields** and are therefore more **dependent on investment results** to erode the spread between investment income and guaranteed rates on life insurance policies.
- The **rising yield** environment brings some **relief** to the additional **reserve requirements**.
- Given the experience of German insurers with low yields and very **strict risk management** of equity and credit risk, we expect ROA to remain in line with the five-year average.
- The current **geopolitical risks** and rising **energy prices** will add to the **pressure** on the sector's premium **growth** prospects.
- The market benefits from **high barriers to entry**, since entering the market requires substantial investments in expertise and infrastructure, as well as access to **distribution channels**, which are dominated by **tied agents**.

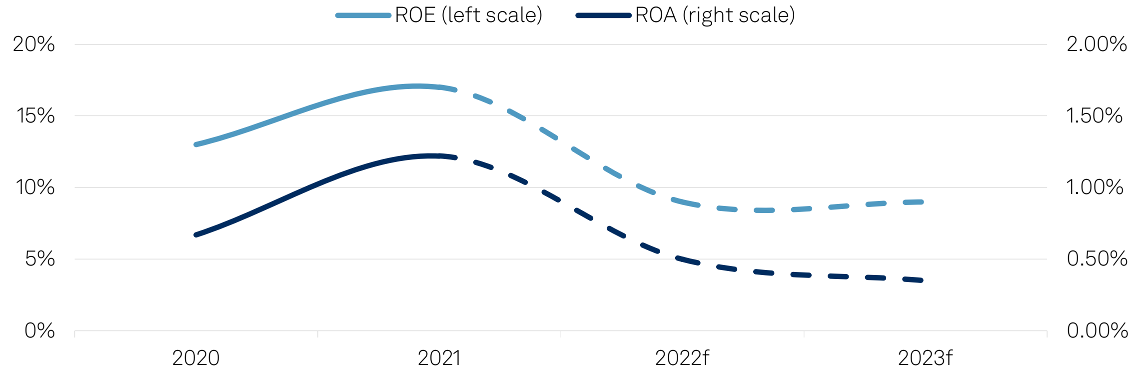
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Israel Life | The Sector Is Set To Grow, But Profitability Is Volatile Due To A Close Correlation With Capital Markets

We Expect Decent Market Growth Prospects Over The Next Two Years



Sector To Experience Volatile Profits In The Current Macroeconomic Conditions

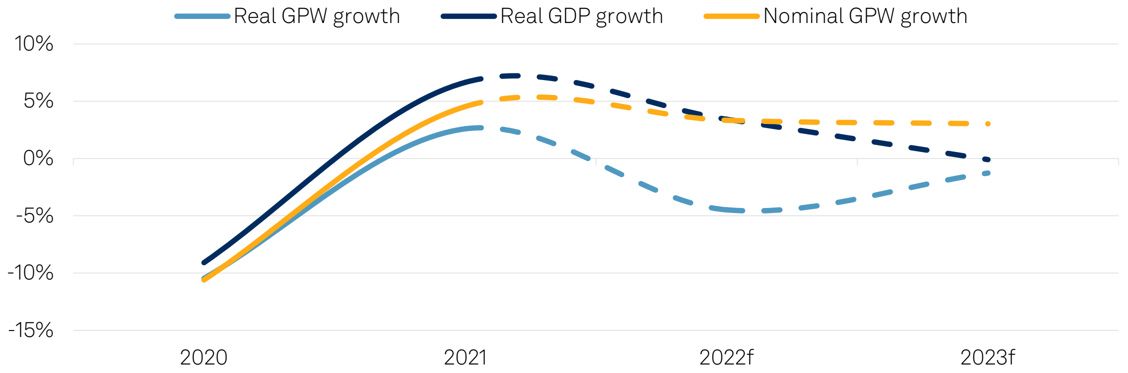


- The sector's **profitability is volatile** because it is highly **dependent on investment income** and subject to risk-free interest rate yield-curve fluctuations.
- **Variable management fees**, which are charged on about 42% of the life portfolio, are linked to investment returns and not collected in the case of investment losses. This limits the sector's profitability prospects.
- While **weak investment markets** will hit profitability in 2022, **rising discount rates** should boost technical results by **shrinking required reserves**.
- Growth in long-term **savings premiums** and **pension and provident fund** deposits should return to pre-pandemic levels, supported by recent **regulatory changes** that make unit-linked policies less attractive.

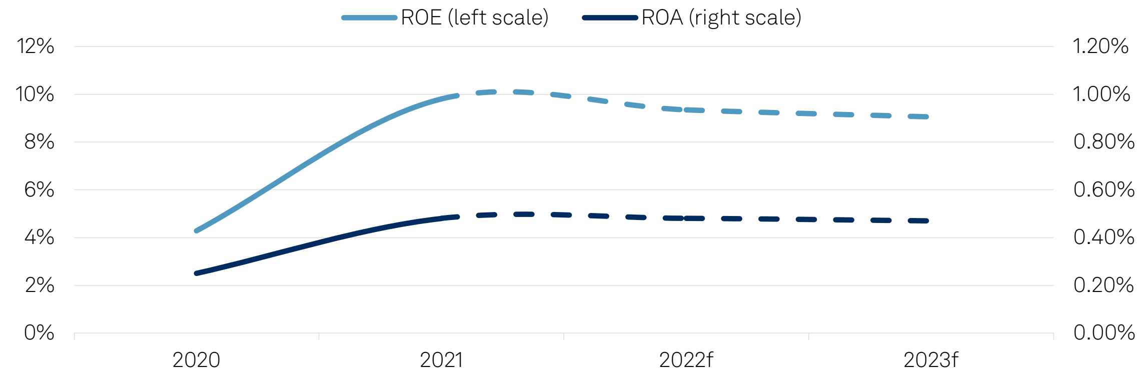
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. LAT—Liability adequacy test. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Italy Life | Profitability Will Remain Satisfactory, Helped By Rising Interest Rates

Growth Prospects Driven By Structurally High Market Penetration And An Increase In Unit-Linked Policies



We Expect Profitability Metrics To Stabilize Over 2022-2023

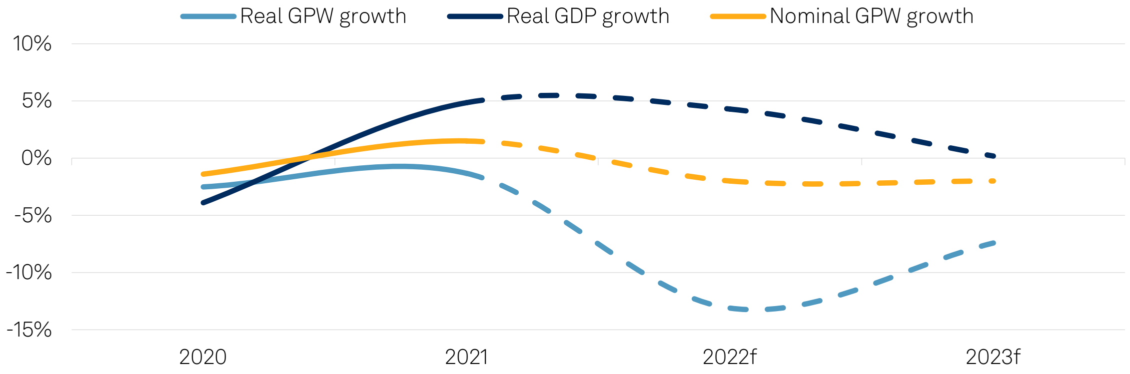


- Italian life insurers have successfully **navigated the low interest rate environment** of the past seven years, thanks to a major shift to **unit-linked policies** that now make up more than 40% of total life insurance premium.
- The impact on insurers of the fall in market values due to rising rates is mitigated by the **profit-sharing** characteristics of life insurance policies and insurers' strategy to generally **hold bonds to maturity**.
- A hypothetical spike in **surrenders,** as seen during the 2011-2012 sovereign crisis, would put **insurers under pressure**. This is **not our main scenario** as traditional guaranteed life policies become increasingly attractive in case of turmoil and rising rates.
- The industry's still-high **concentration of Italian government bonds** increases the volatility of profitability and solvency.

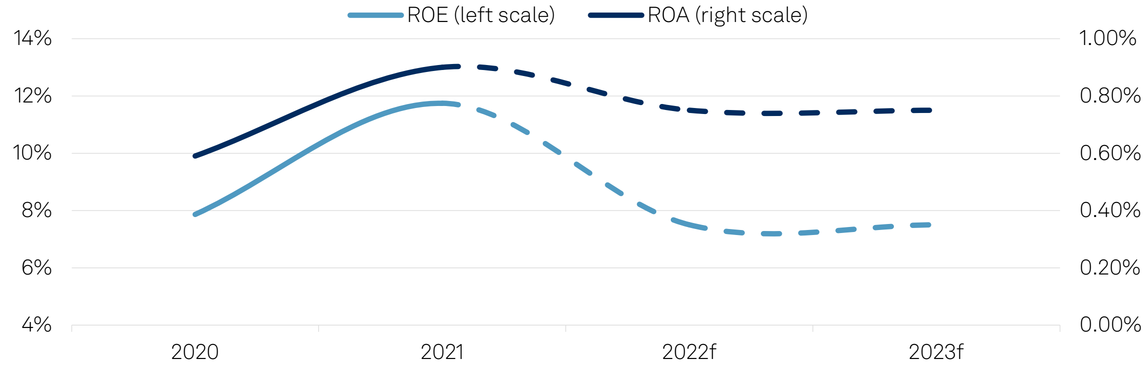
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Netherlands Life | The Sector Faces Continued Weak Premium Growth Prospects

Real Premium Growth To Lag The Dutch Economy



Profitability Prospects Uncertain Amid Pressure From Investment Results

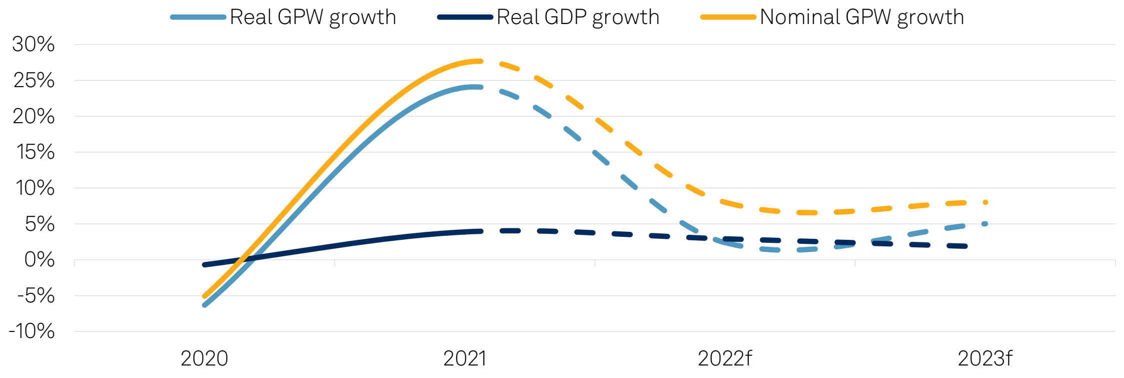


- The sector's high proportion of traditional business, high guarantees, and shrinking premiums pose a **challenge to Dutch life insurers**.
- We anticipate **downward pressure on profitability** due to weaker household purchasing power amid **high inflation**, a society-wide **loss of confidence**, and **reduced demand** for individual life insurance and savings products.
- Despite **rising interest rates**, the **significant guaranteed rates** in life insurers' in-force business and longevity risk continue to **weigh on overall earnings**.
- We expect premium volume for the life **sector to contract further** in the next two years due to increased **competition from bank savings products**.
- ASR Nederland N.V.'s **acquisition** of Aegon Group's operations for €4.9 billion should **establish** it as a leading player in the **pension and disability business**.

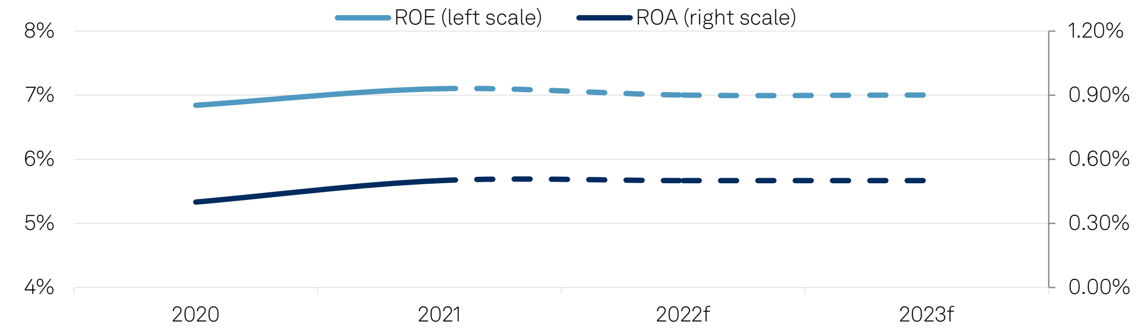
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Norway Life | Stable Profitability Despite Volatile Growth

Norway's Growing Economy To Support Top-Line Growth



Returns Should Remain Stable Over The Next Two Years

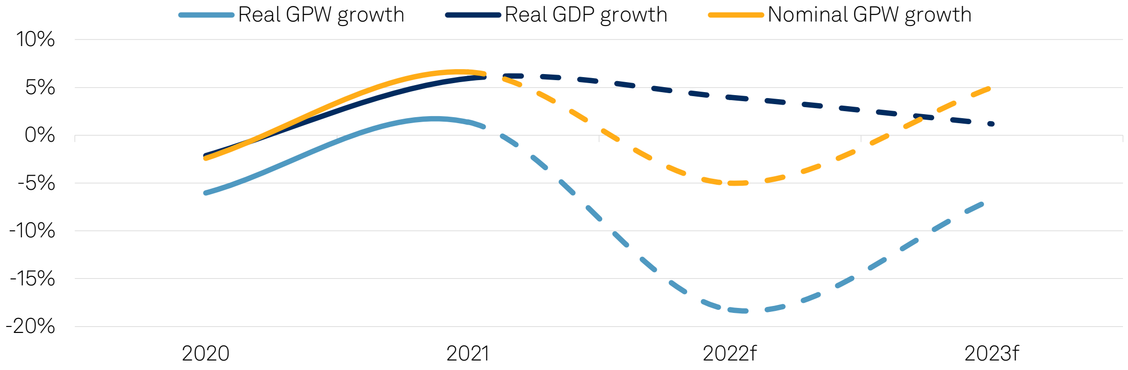


- The **sharp growth in 2021** mainly relates to **recent regulations** allowing for an increase in premiums to account for a rise in wages and a **higher basic amount** in the National Insurance.
- We expect ROE and return on income in 2022 of about 7% and 2%, respectively, reflecting **weaker financial markets** on account of the Russia-Ukraine conflict, **monetary tightening, and inflation**.
- Product risk remains elevated because **guaranteed products** continue to **dominate** insurers' portfolios.
- Insurers have gradually increased their share of assets in direct equity, equity funds, and other alternative investments to generate higher yields. Therefore, insurers' **exposure to market shocks**, oil price volatility, and the global **economic downturn** has also **gradually increased**.

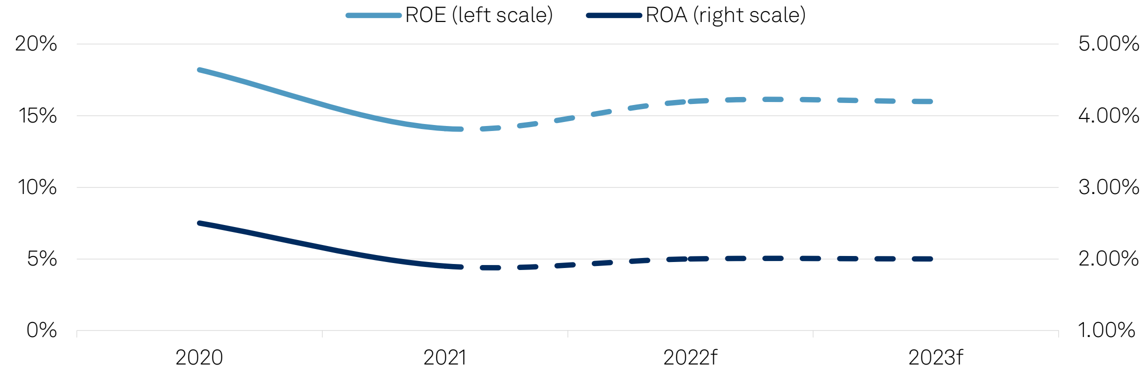
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Poland Life | Market Performance Is Recovering, But Headwinds Abound

Weak Capital Markets And Regulatory Review To Hit Growth Prospects



The Largest Player, PZU Zycie S.A., Should Continue Outperforming The Sector Due To Its Position In Group Life

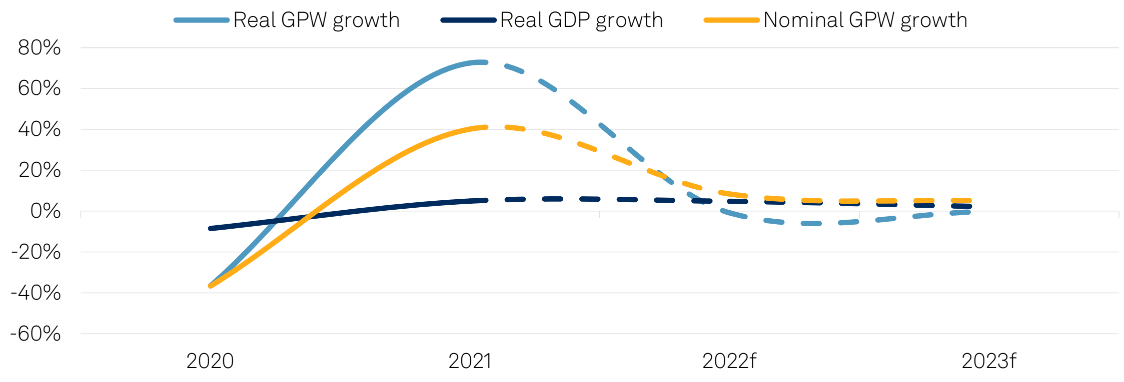


- Since the start of the pandemic, the sector has gradually **adjusted the pricing** of risk products affected by mortality. With lower mortality in 2022-2023 and product repricing, **performance** should gradually **improve**. We expect risk products to retain **solid margins** even in case of a weaker economic environment in 2023.
- Sales of **unit-linked** (UL) products (about 26% of 2021 GPW) in first-half 2022 declined by 30%, driven by capital market movements. In addition, the local **regulator** (KNF) started **reviewing** product suitability, which also affected the market. Overall, **poor UL sales** could hurt less diversified insurers.
- The sector's relatively **high solvency ratios** should offer modest buffers against increases in lapses and surrenders. Yet households have relatively **limited cushions** in case of a deeper or longer **recession**, which could lead to a material increase in lapses and surrenders.
- The sector remains exposed to a significant number of **court litigations** related to UL policies sold before 2014.
- Compared to other EU insurers, the sector's asset portfolio is among the most concentrated in terms of local **government bonds**.

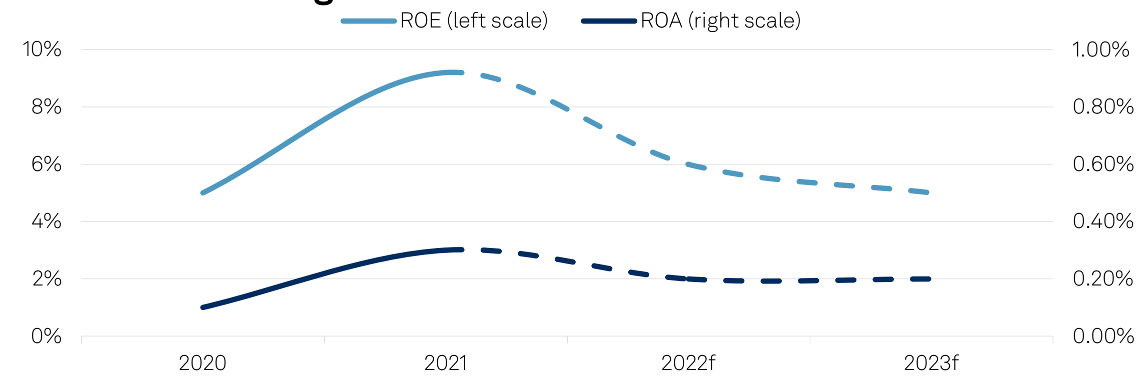
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Portugal Life | Weak Profitability With Relatively Limited Growth Prospects

We Anticipate Relatively Flat Real Premium Growth In 2022-2023



The Life Insurance Market's Profitability Will Likely Remain Constrained Through To 2023

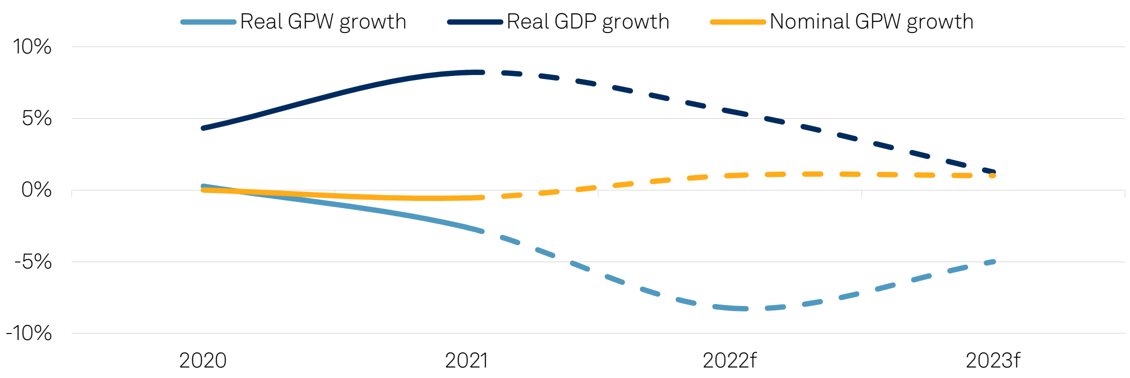


- Substantial growth **in 2021** was driven by **investment funds, retirement savings plans**, and a change in the commercial strategy of the banking sector, which is responsible for the distribution of most of the premium volume.
- **Premiums decreased substantially in 2020** due to restrictions relating to containment measures implemented during the pandemic, especially on individual contracts.
- The sector **manages asset-liability duration mismatches** within reasonable limits. We consider that the sector does not retain high mortality or longevity risks that it has not modelled.
- Despite improvements in solvency levels, the sector still **relies materially on Solvency II transitional measures**.

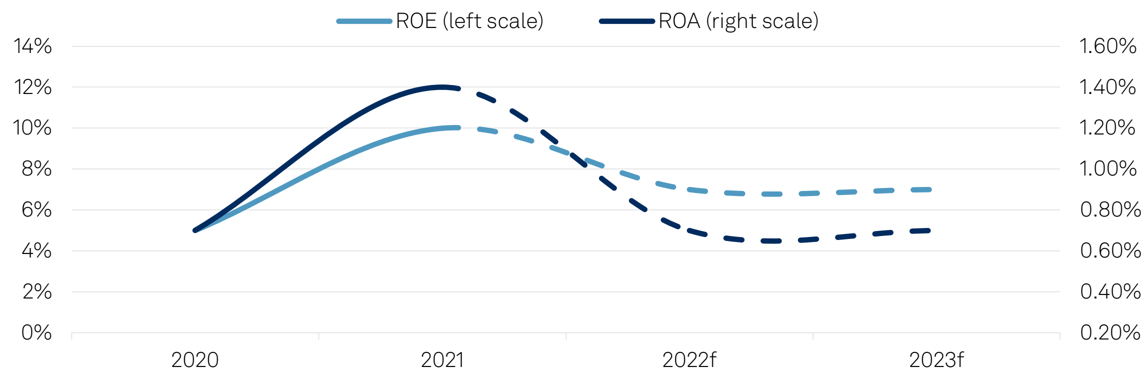
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Slovenia Life | Profitability Will Remain Satisfactory, Supported By Solid Margins On Capital-Light Products

Growth In Risk And Unit-Linked Products To Partly Offset Reduced Demand For Traditional Guaranteed Business In 2022-2023



Profitability To Remain Healthy In 2022-2023

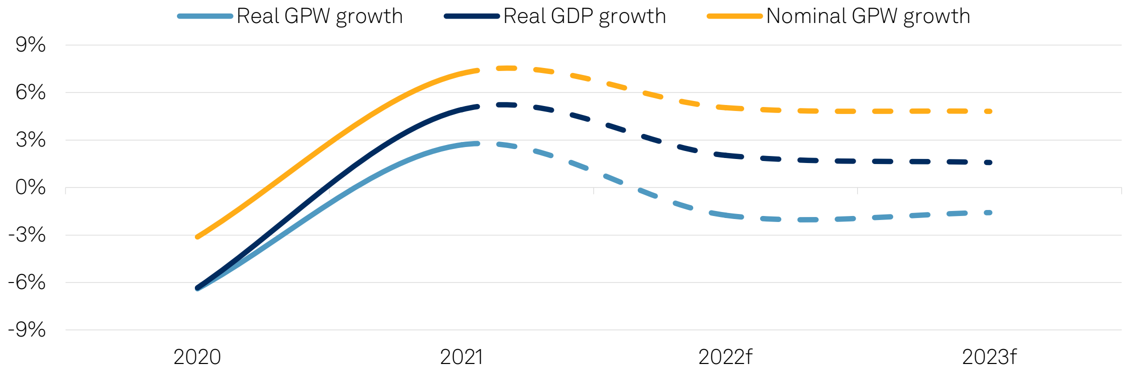


- The resilient sector retains **robust capitalization**, thanks to its reliance on shareholders' equity, **conservative** life underwriting and investments, and growing and profitable **capital-light** business.
- The market should continue performing strongly in 2022-2023 thanks to **sound underwriting results** from solid margins on risk and unit-linked products.
- **Solid sovereign fundamentals** and continued strong household finances should prevent spikes in lapse and surrender rates.
- **Sensitivity** to interest rates and capital market **volatility** should be **lower** than in other developed European countries thanks to a more favourable business mix, the profit-sharing characteristics of traditional life policies, and insurers **holding bonds to maturity**.
- Slovenia's membership of the EU allows the sector to maintain a **conservative** and more diversified **asset portfolio**, with lower exposure to domestic government bonds than the European average, **limiting** capital and earnings **volatility**.

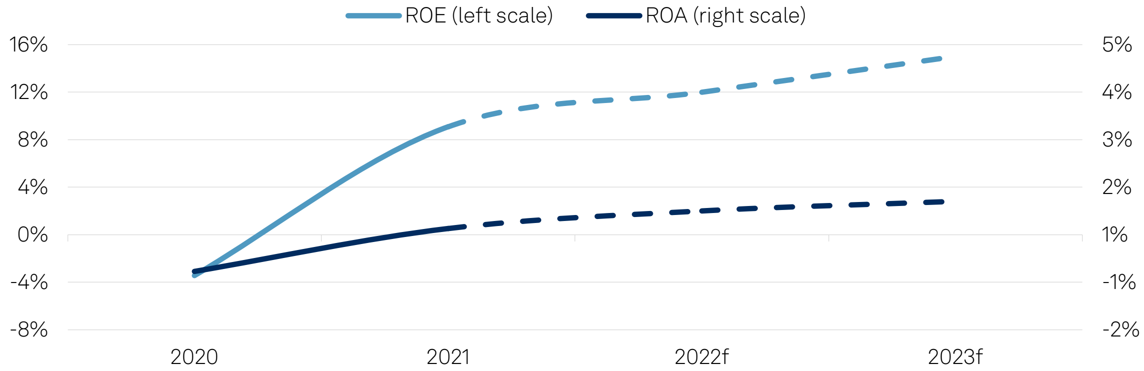
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

South Africa Life | Low Product Risk Supports Prospective Profitability Despite Macroeconomic Uncertainty

Inflationary Pressures And Uncertain Economic Growth Could Constrain Demand



Profitability To Show Some Improvement But Remains Susceptible To Macroeconomic Risks

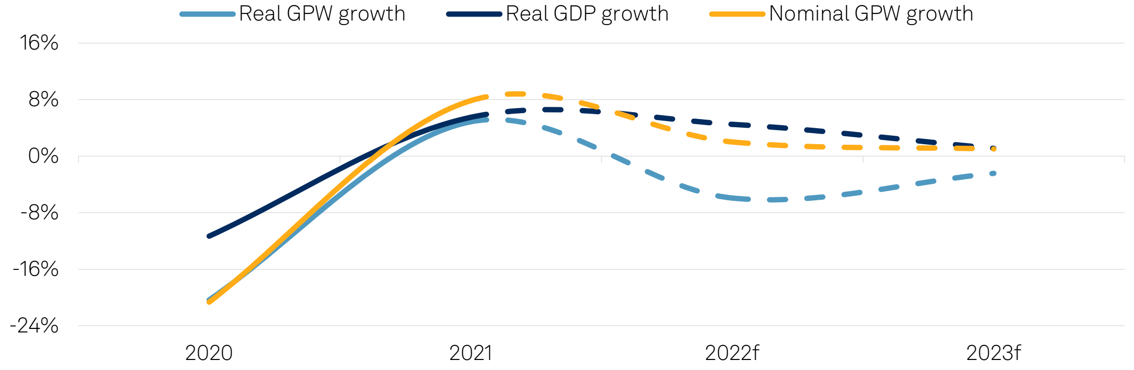


- South Africa's life insurers derive a significant proportion of earnings from **unit-linked savings products**, offered **with and without guarantees**. This amplifies the sector's **dependence on investment returns** to achieve profitability.
- A key feature of the South African life insurance market is the significant **risk-sharing mechanism** within the investment products, with most of the **risk transferred to the policyholder** as returns are linked to the underlying portfolios.
- **Investment income** has been a key supporter of industry profitability and has helped to **mitigate constraints on underwriting performance**.

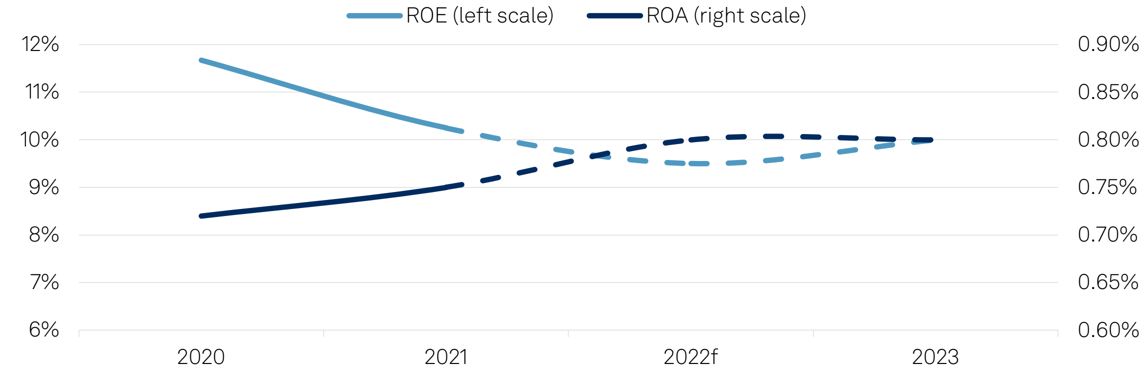
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Spain Life | Consistently Profitable And Less Sensitive Than Other European Markets To Interest Rate Movements

Growth Prospects Constrained By Limited Switch To Unit-Linked Policies



Sector Enjoys Relatively Good And Stable Profitability, Albeit Below Historical Highs

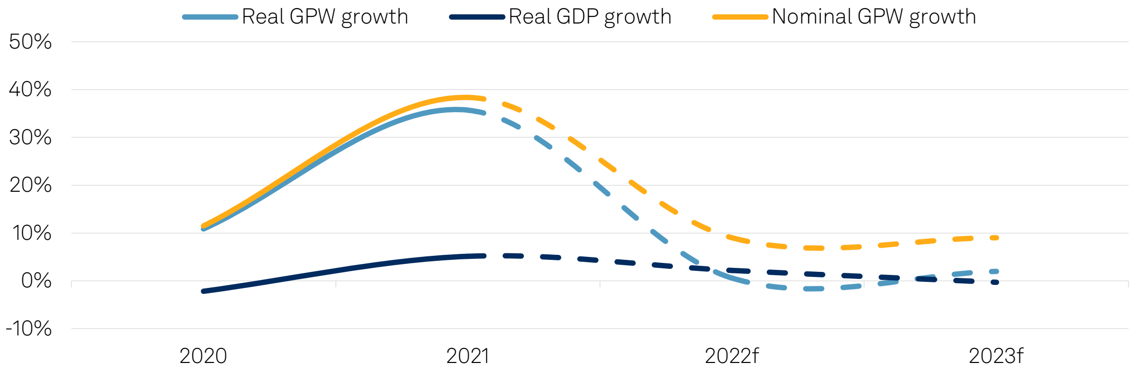


- Profitability benefits from the large share of risk products and the dominant share of **fully-matched savings products**, which are **far less exposed to interest rate** sensitivities than for other European participants.
- While the life insurance market remains profitable, we believe that the **difficulty in incentivizing policyholders** to move to unit-linked products and the low returns on new policies mean that **growth prospects are weak**.
- While we expect profitability to remain **resilient** in the **short term**, negative trends may weigh on the expense ratio in the **long term**, notably in the current **inflationary environment**.
- The **concentration of the players** makes it difficult for new entrants to gain market share, **lowering risks** for the existing participants.

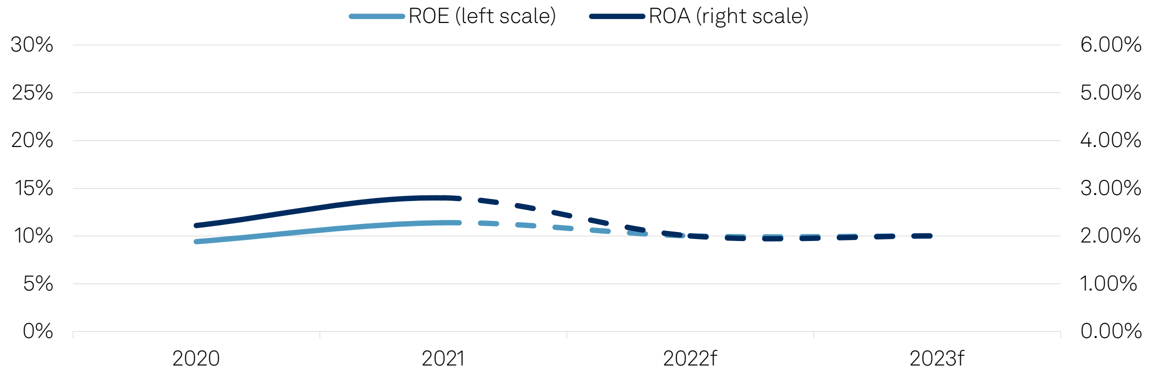
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Sweden Life | Stable Profitability, With Rising Yields Set To Cushion Heightened Capital-Market Risks

Premium Growth To Trend In Line With The Economy



We Expect 2022-2023 Profitability To Remain In Line With Historical Levels

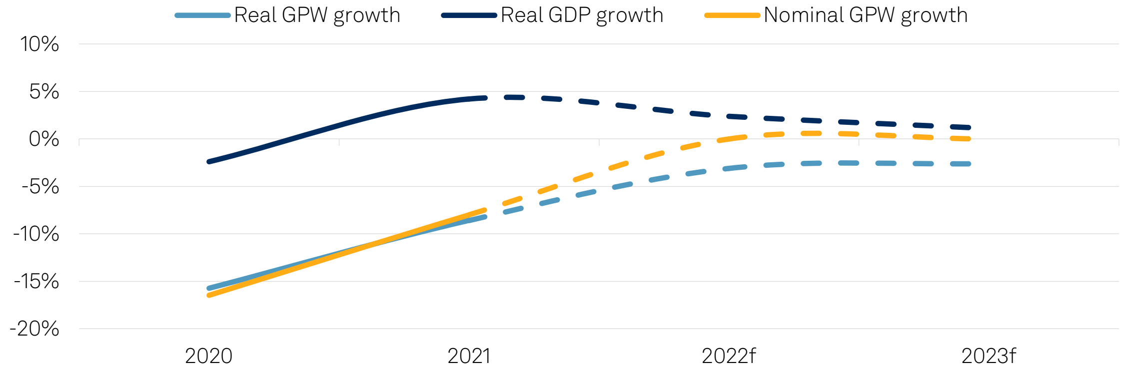


- We expect **stable profitability** over 2022-2023, thanks to **steady fee-based income** from unit-linked business, while **rising interest rates** should support investment results and long-term margins.
- We believe that net income has benefitted from investment returns based on a rather high share of high-risk assets. Hence, the **current market volatility could pose some risks to profitability**.
- With average guarantees around 2%, the major risks stem from the **mismatch between assets and liabilities**, accounting for over 40% of technical reserves, as well as the **relatively high exposure to equities and unrated bonds**.
- To mitigate interest rate risk, life insurers shift their portfolios toward **capital-light products**, such as those that are unit-linked and have a **reduced guarantee**, which account for about 70% of premiums. However, it will take time for guarantees on the back book to decline materially.
- Demand for **savings and protection products** should stay strong, supported by premiums from occupational pensions and the general growth of the Swedish economy.

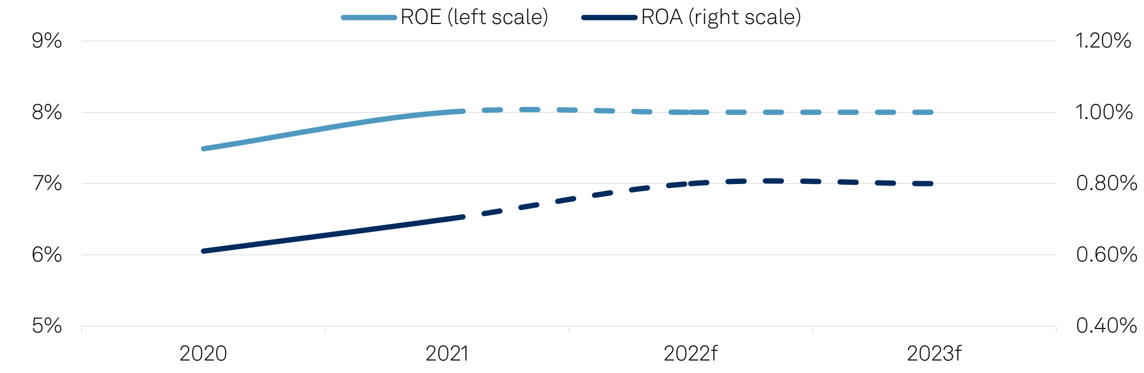
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Switzerland Life | Satisfactory Profitability, With Lower Guarantees Than European Peers

The Mature And Stable Market Offers Little Opportunities For Real GPW Growth



We Expect The Swiss Life Sector To Generate Stable Returns

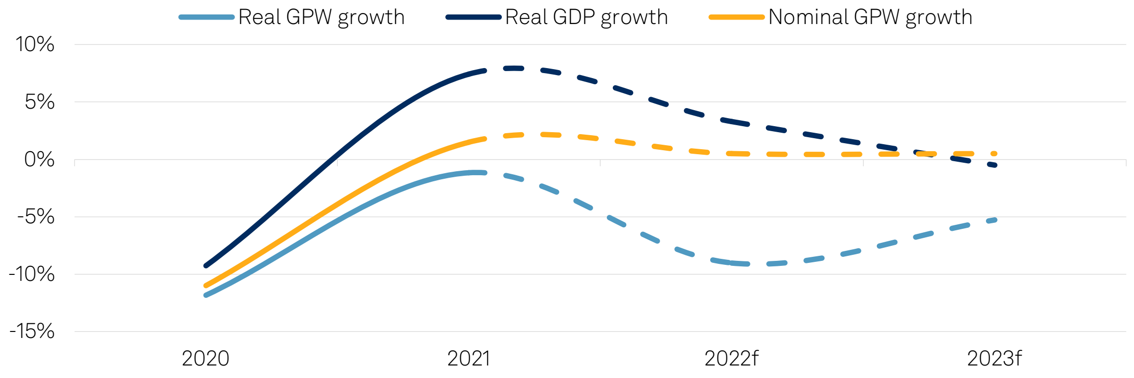


- A higher share of **semi-autonomous products** should support the sector's profitability. Furthermore, although interest rates are increasing, the high **conversion rate** in the group life business remains a major challenge for the insurers.
- The **highly developed** and mature Swiss market should see **limited premium growth potential**. The growing, semi-autonomous group life market generates lower premium than traditional policies, constraining nominal premium growth.
- Increasing bond yields will **improve investment** income over time.
- Switzerland follows a strict regulatory regime, which has helped Swiss insurers to maintain a strong track record of **minimizing** risks from **asset-liability mismatches**.

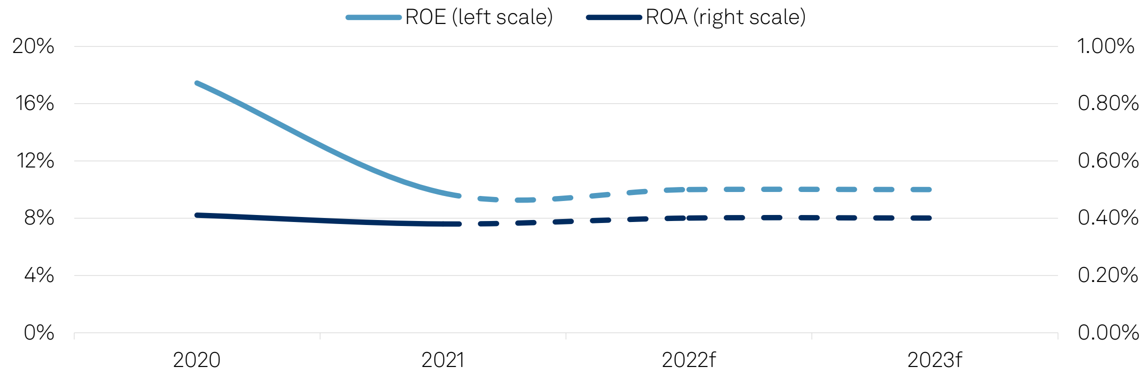
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. The conversion rate is the rate used to convert retirement assets into an annual pension payment to policyholders. Source: S&P Global Ratings.

U.K. Life | Lower Exposure To Traditional Guaranteed Products, High Barriers To Entry, And Relatively Stable Profitability

Sluggish Top-Line Growth Could Pressurize Underwriting Profits



We Expect Relatively Stable Profitability Over 2022-2023



- The **uneven economic recovery** and **volatile financial markets** could indicate **headwinds** for the sector's growth and profitability going into 2023.
- **High inflation and monetary tightening** may hamper demand, and consequently premium growth.
- The **increase in interest rates could offset some of the pressure** from lower investment returns and management fees as a result of choppy credit conditions.
- The U.K. life insurance sector faces **lower risks from interest rate fluctuations** than some of its European peers as it has less exposure to guaranteed products.
- The demand for **bulk annuities** supports growth opportunities for the market.

GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

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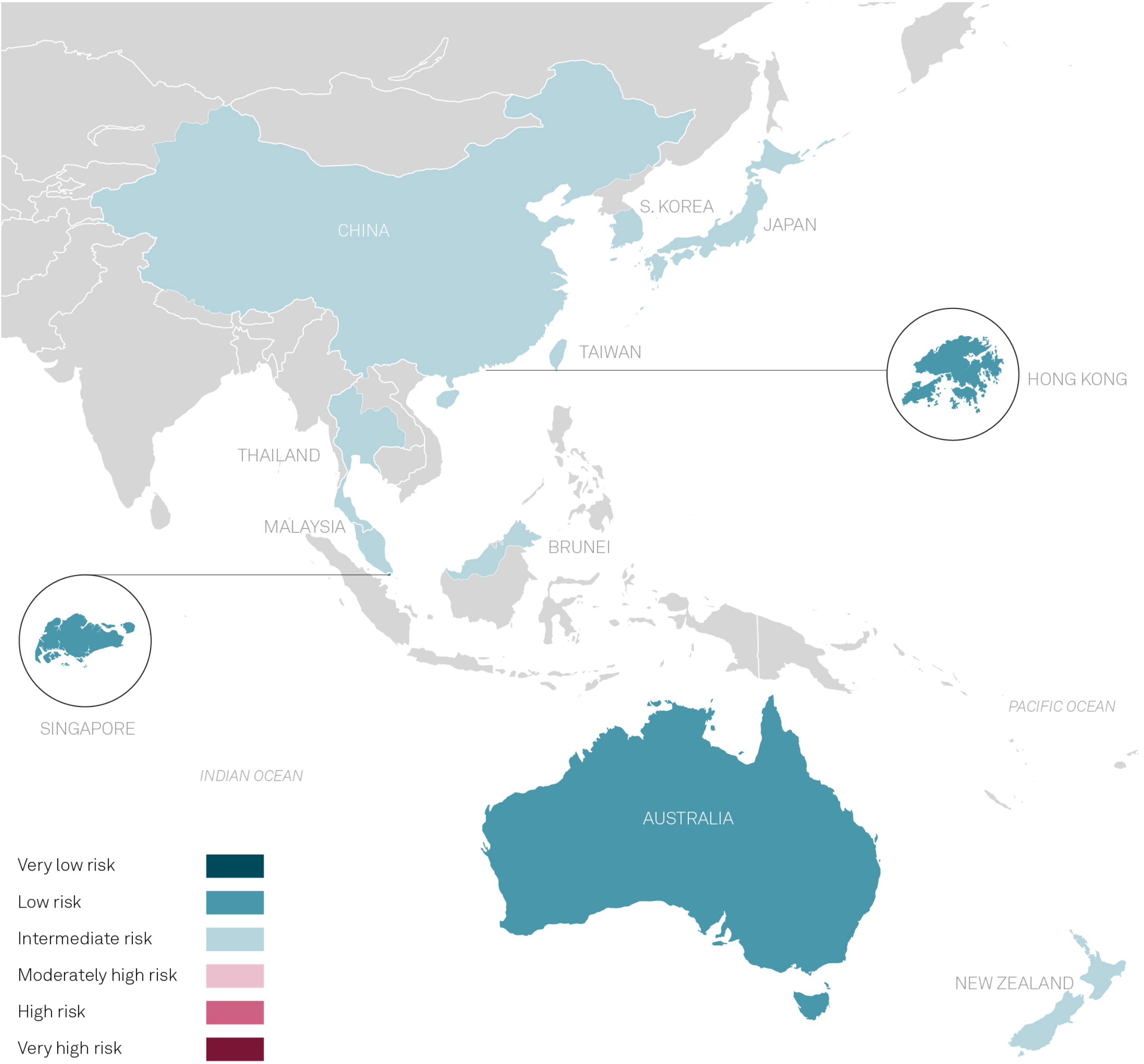
APAC P/C



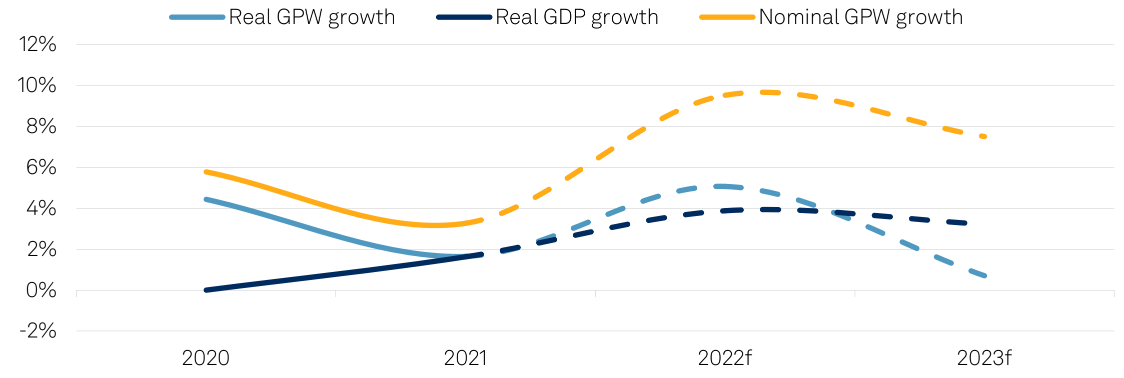
S&P Global
Ratings

APAC P/C | Top Risks

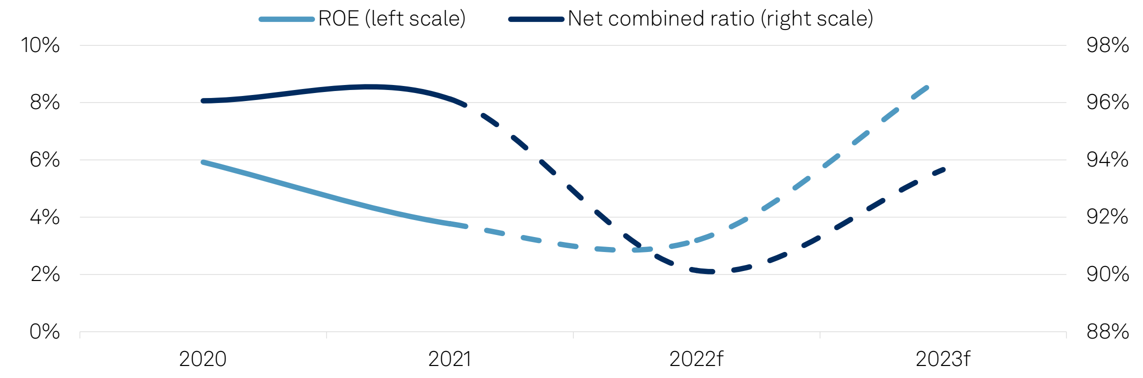
	Macroeconomic risks	Government policy and regulatory risks	Intense competitive environment	Investment performance risk	Exposure to high-risk assets	Exposure to physical and external risks	Muted premium growth prospects	Litigious legal system	Weak technical results
Australia			■	■		■			
China		■		■	■				
Hong Kong	■	■		■					
Japan					■	■	■		
Korea			■	■	■				
Malaysia	■	■		■					
New Zealand			■	■		■			
Singapore	■			■			■		
Taiwan			■			■			■
Thailand	■	■				■			

Australia P/C | Strong Operating Performance And Sophisticated Pricing Moderated By Exposure To Physical Risks

Price And Volume Increases To Support Moderate Real GPW Growth



We Expect A Rebound In ROE Over The Next Two Years

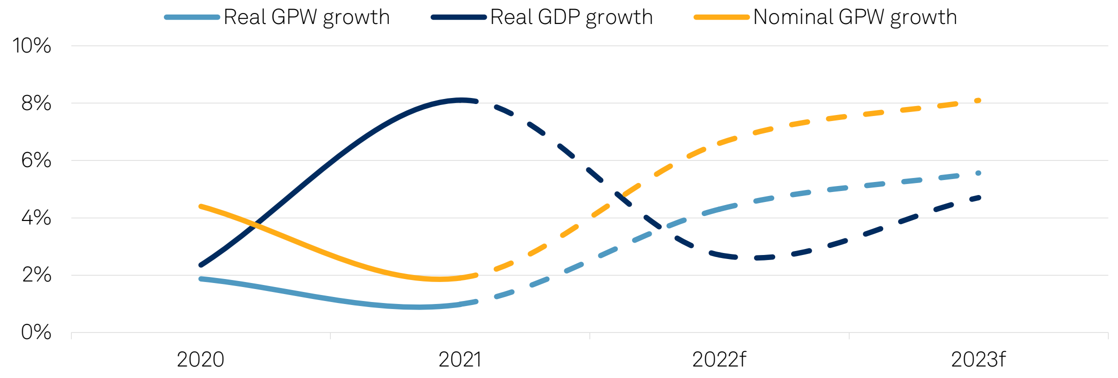


- **Stable operating conditions** and higher premium rates have contributed to higher GWP and ROE across the P/C industry.
- We expect the Australian P/C market **to grow at a much faster pace** this year, benefiting from **prior and ongoing premium rate increases**, although higher interest rates may temper unit growth across a range of business lines.
- Although ROE dipped in 2021 due to **business interruption** provisions, **higher claims,** and **weaker investment results**, we expect it to rebound over the next two-to-three years.
- The sector witnessed losses of about A$5.5 billion arising from floods in South East Queensland and New South Wales in 2022, which follows **natural catastrophe losses** in 2021 of about A$2.3 billion (including cyclone Seroja and the Mansfield earthquake).
- In July 2022, the Australian **government created a reinsurance pool** worth A$10 billion, working along with the Australian Reinsurance Pool Corp.'s Cyclone Pool.

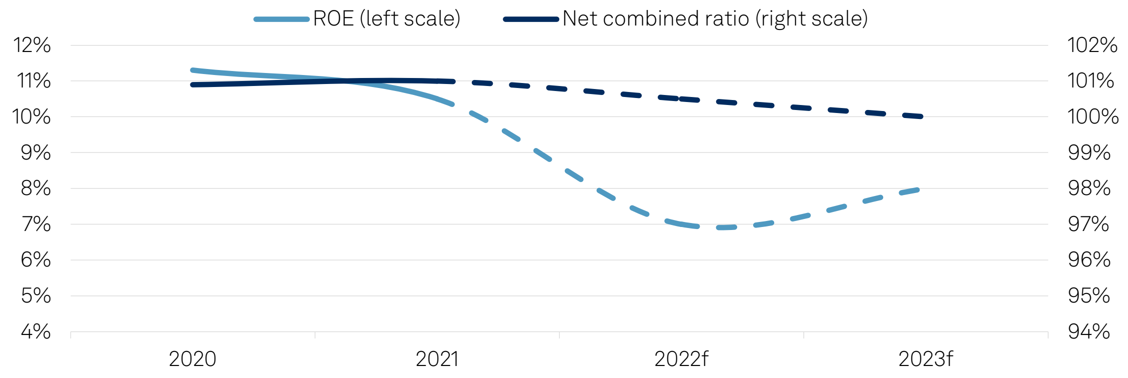
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: Australian Prudential Regulation Authority and S&P Global Ratings.

China P/C | Volatile Underwriting Results And Susceptibility To Investment Risk Weigh On Earnings

Government Initiatives Prompt Top-Line Recovery



Large Exposure To High-Risk Assets Leads To Earnings Volatility



– **Credit trends** remain **negative** for Chinese P/C insurers, reflecting pressure on their profitability prospects. This is despite the **temporary improvement** in underwriting results due to reduced activity amid COVID-19 restrictions.

– The **non-auto** segment will drive **premium growth**, particularly in business lines associated with **government initiatives** (such as agriculture insurance).

– **Auto insurance** will likely resume moderate growth as the impact from comprehensive auto insurance reforms has largely faded.

– However, increasing exposure to **non-auto coverage** could signal **volatility** in underwriting results, particularly exposure to large losses associated with **extreme weather** events.

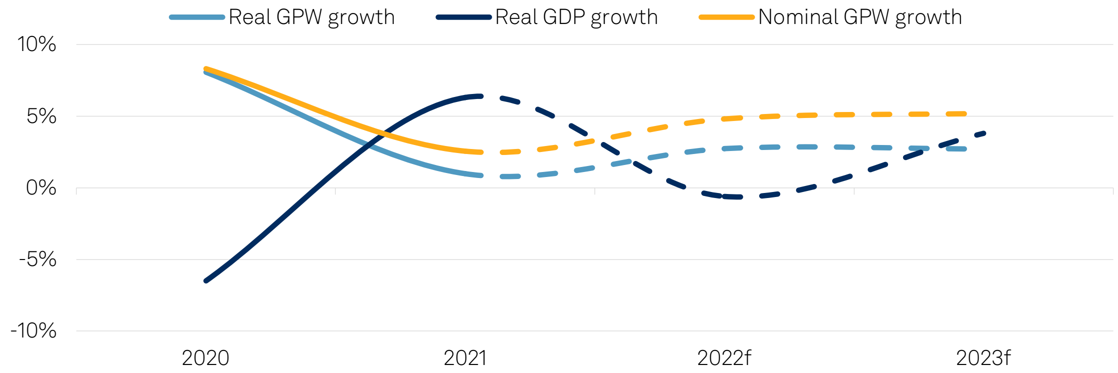
– Capital market swings lead to **volatile earnings** due to large holdings of **high-risk assets**. This reflects the need to boost investment income to compensate for underwriting pressure.

GPW—Gross premiums written. ROE—Return on equity. f—Forecast. Actual figures for 2020-2021 represent approximately 80% market share. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

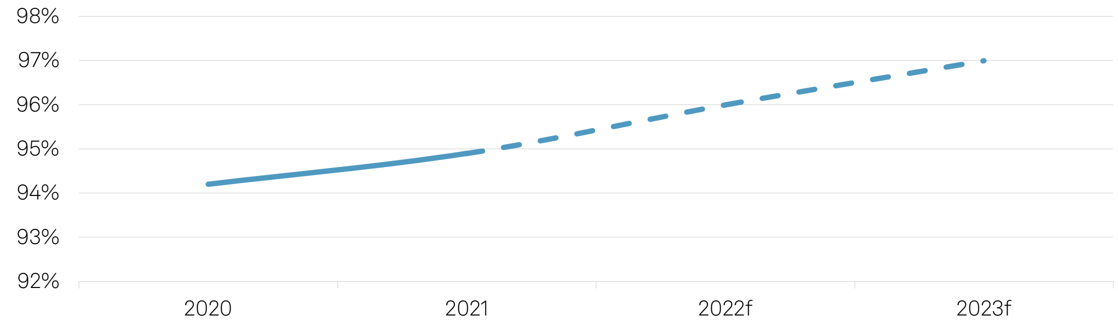
S&P Global Ratings

Hong Kong P/C | Strong Underwriting Results Despite High Fragmentation

Premium Growth To Stabilize Amid Resumed Daily Activities



Strong Combined Ratios To Moderate Due To Increased Compliance Costs

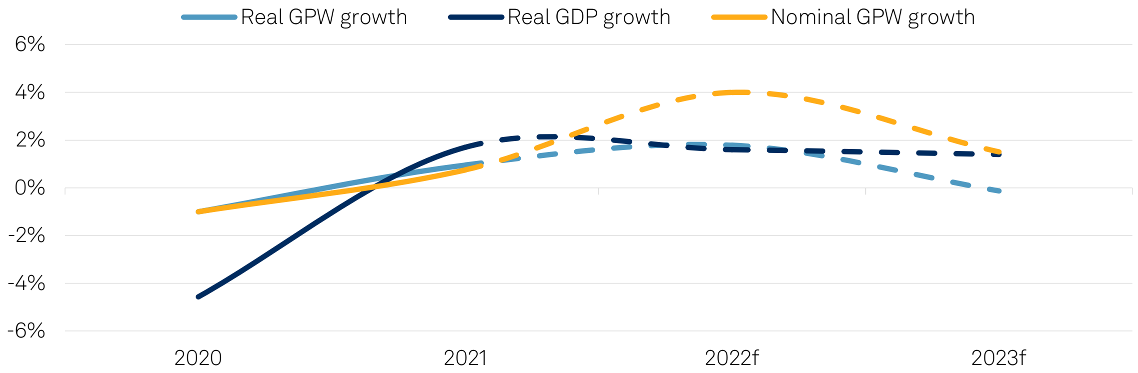


- We expect **premium growth** to moderate over the next two years amid the resumption of daily activities and premium adequacy.
- The regulator's continuous oversight prompts **disciplined underwriting**, sustaining the sector's strong underwriting results. This is despite high market fragmentation.
- Effective **reinsurance** arrangements will protect the sector against **volatility** from large losses, notably typhoons. However, **rising reinsurance costs** could eat into underwriting margins.
- Evolving developments in **regulatory and accounting frameworks** could lead to increasing operational costs.

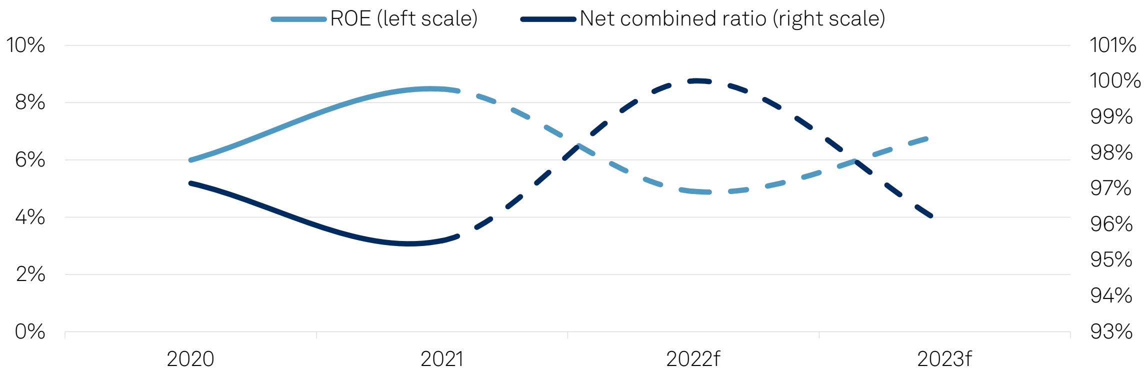
GPW—Gross premiums written. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Japan P/C | Material Exposure To Physical Risks

The Recovery From The Pandemic And Price Increases To Support Growth



Profitability Is Sensitive To Natural Catastrophes

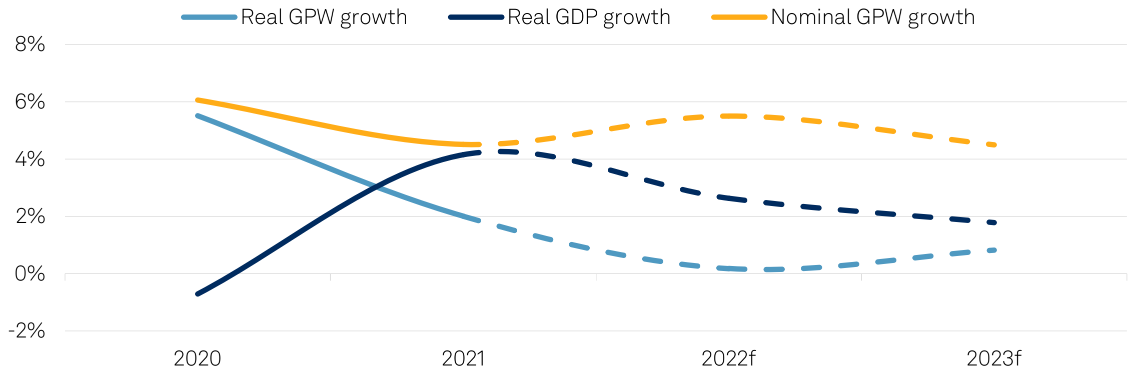


- Moderate GPW growth is supported by **improved economic activity** and **rate increases** in fire insurance, while the **growth in 2023 will moderate** through the price decreases we expect in auto insurance.
- We expect P/C **underwriting profits to decrease** through to 2023 due to an increase in **auto insurance losses** and higher damages for **natural disasters**.
- The P/C sector is exposed to natural catastrophe risks, particularly typhoons. The sector has experienced relatively **large natural disasters in 2022**, including Typhoon Nanmadol. However, we view the losses from these natural disasters as **earnings events**.
- In addition to natural catastrophe risk, industrywide **profitability is sensitive to financial market movements**. We expect higher foreign-exchange **hedging costs** to put pressure on investment income, offset by a **weaker yen**.

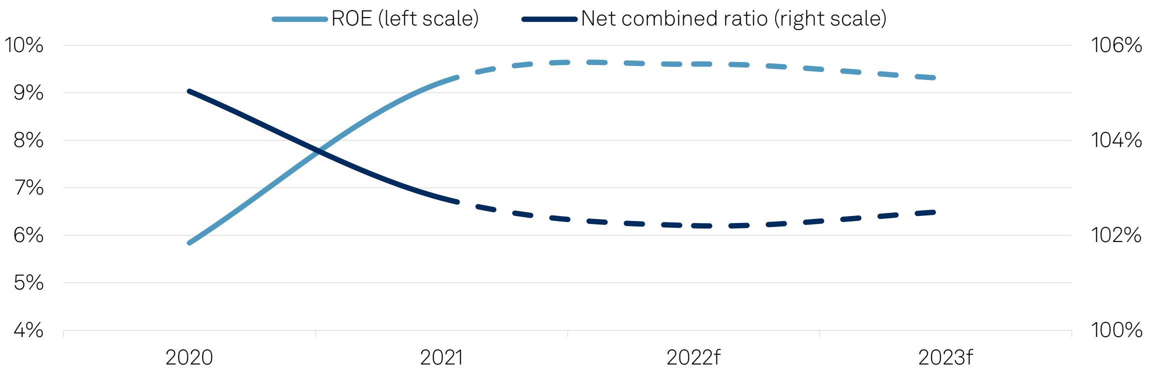
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Korea P/C | Adequate Underwriting And Pricing Strategy Underpin Largely Stable Profitability

Moderate Premium Growth Over 2022-2023



Underwriting Performance To Stay Largely Stable

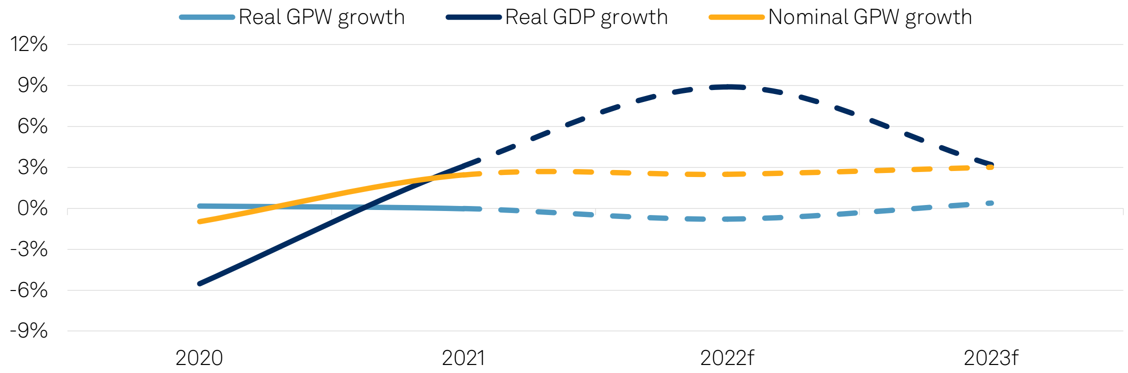


- Korean P/C insurers' underwriting performance **will remain broadly stable** over the next two years. Continued premium adjustments for medical indemnity policies, tightened control on claims, and gradually improving investment yields will **support profitability**, despite an increase in auto loss ratios and higher prospective reinsurance costs.
- Premium growth of around 4%-5% for the sector will likely be underpinned by steady domestic economic growth and **hikes in premium rates** for medical indemnity policies.
- Korean P/C insurers see a **limited impact from catastrophes** thanks to effective reinsurance protection.
- Korean P/C insurers have some exposure to **potential credit risks** arising from investments in the **less liquid loans** and securities with **alternative investment features**.

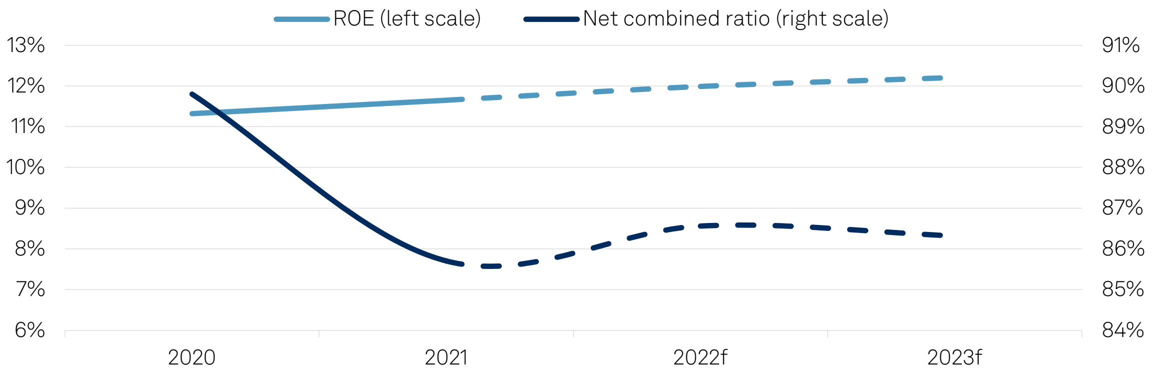
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Malaysia P/C | Steady Profitability Despite Subdued Growth Prospects

Limited Premium Growth Owing To Competitive Market Conditions



Strong Combined Ratios Through To 2023



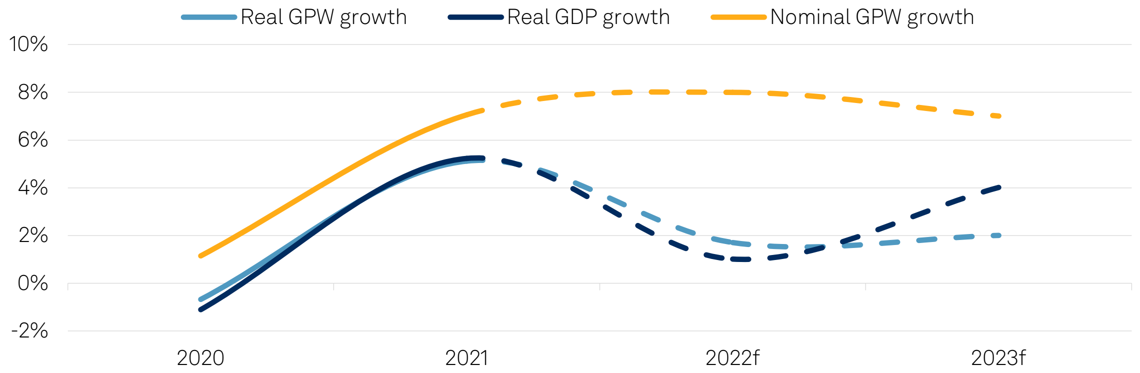
- The sector's **profitability should remain healthy**, thanks to strong underwriting performance and low natural peril risks (except flooding).
- Ongoing **de-tariffication** efforts in motor and fire insurance, which allow insurers to use risk-based pricing, will help to **improve profitability** in the longer term.
- The P/C sector's premium **growth remains low**, mainly attributable to only gradual increases in vehicle sales (as supply chain issues take time to resolve). However, we anticipate **improved demand** for property, engineering, and personal accident insurance amid a steady economic recovery.
- We expect **demand for health insurance to grow**, due to increasing medical cost inflation and the need for critical illness cover, with greater health awareness following the onset of the pandemic.

GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

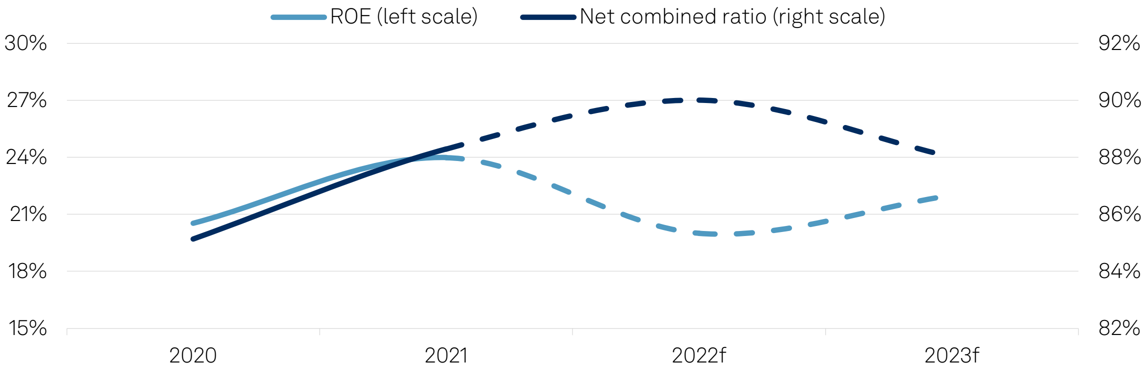
S&P Global Ratings

New Zealand P/C | The Market Should Sustain Strong Profitability And Stable Returns

Ongoing Premium Rate Increases To Support Premium Growth



We Expect The P/C Sector To Perform Strongly Over The Next Two Years

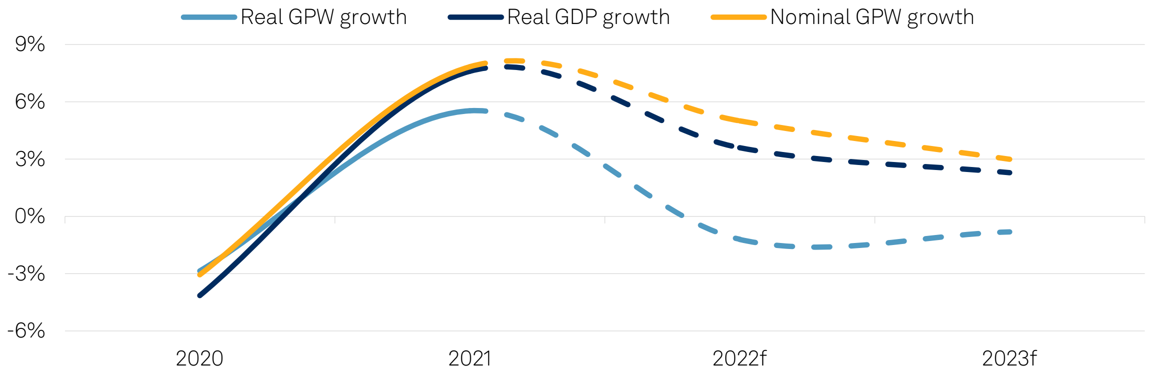


- We anticipate that the sector's **profitability will remain around the current levels** for the next two years, supported by solid premium growth and **strong underwriting and claims practices**.
- Despite rising **claims inflation** and some **investment-market volatility**, we expect the industry to perform well in 2022.
- While the sector's profitability remains vulnerable to volatility arising from the country's **exposure to earthquakes**, insurers have **strong coverage** from both reinsurers and the government-backed Earthquake Commission, which **doubled the coverage** it provides to insured homeowners to NZ$300,000 as of Oct. 1, 2022.

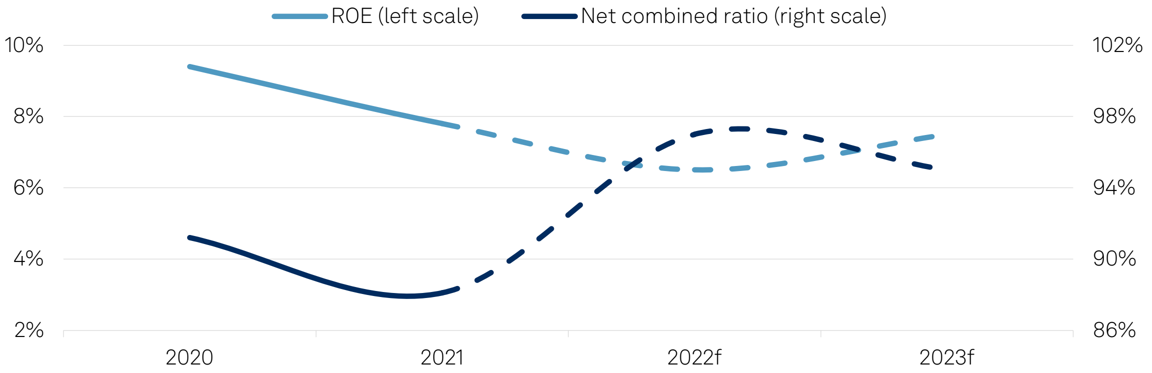
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Singapore P/C | Mature Domestic Market With Limited Growth Potential

Subdued Premium Growth With Near-Zero Vehicle Growth Policy



Impact Of Rising Costs To Be Partially Offset By Market Discipline



– Underwriting **performance is set to weaken** through 2023, due to higher **inflation** and an increase in economic activity leading to more **motor and workplace accidents**. However, we expect the sector to maintain combined ratios typically below 100%.

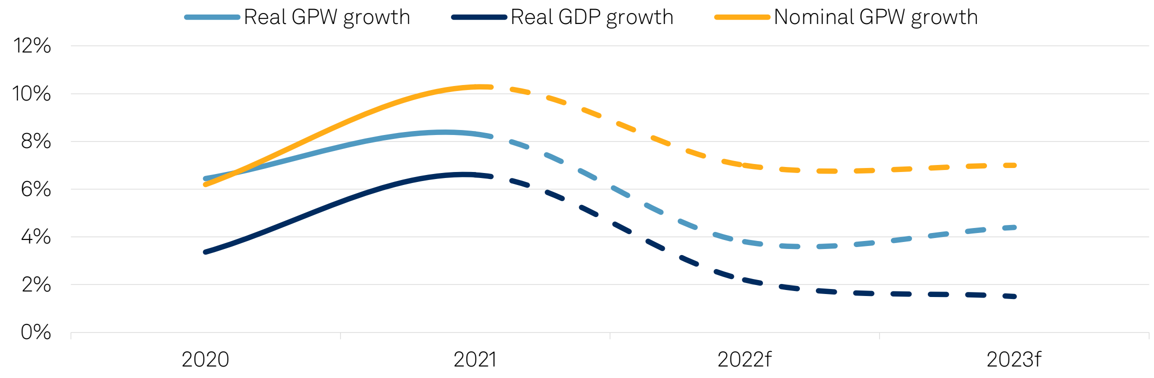
– Higher interest rates and credit spreads will cause short-term **mark-to-market losses**, but investment income is likely to rise and improve ROE in the coming years.

– **Muted premium growth** reflects the government's policy of targeting a near-zero vehicle growth rate, partially offset by increasing demand for property, engineering, and travel insurance.

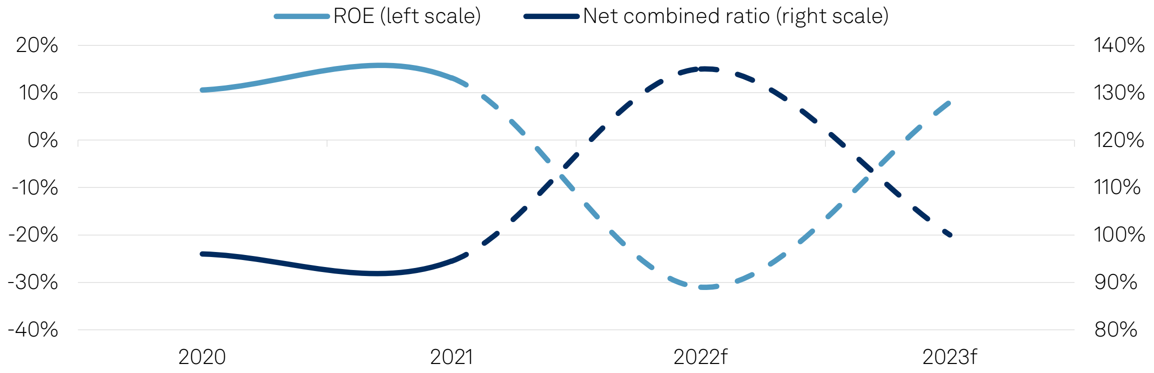
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Taiwan P/C | Growth Potential And A Recovery In Technical Results Following Material Pandemic-Related Losses

Continuous Economic Expansion To Support Mid- To High-Single-Digit Premium Growth



Earnings To Rebound In 2023 From One-Off Shock COVID-19-Related Claims

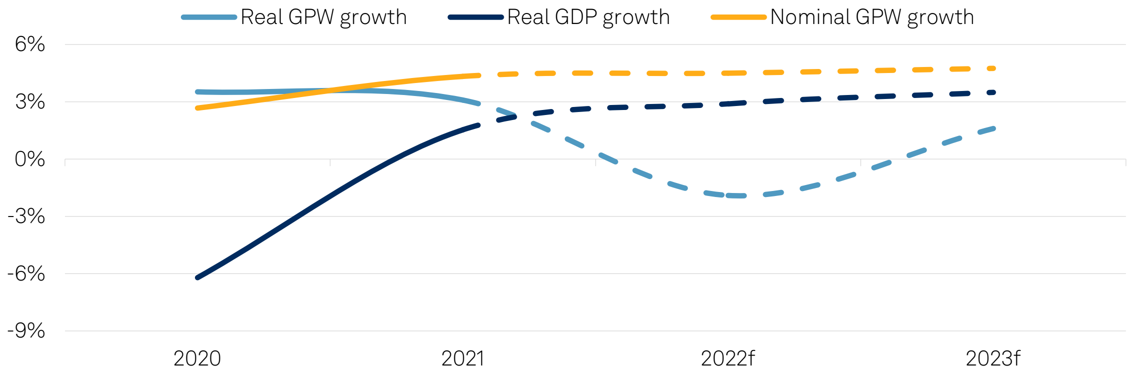


- Drivers of continued **premium growth** include demand for **auto and other liability** insurance products, premium **rate increases**, and a rebound in **travel insurance**.
- The sector's **accumulated losses** from pandemic insurance policies **continue to grow**, and we expect it to **peak around end-2022**. We expect a cascade effect until the outstanding policies mature by May 2023.
- **Major business lines** (excluding COVID-19-related policies) continue to **perform satisfactorily in 2022** and will likely do so over the coming two years. We expect the sector's underwriting **profitability to recover to historical levels by 2024**.
- While Taiwan is in a **catastrophe-prone area**, local insurers purchase sufficient **reinsurance to mitigate the risk**. The average catastrophe risk retention is below NT$1 billion per company.

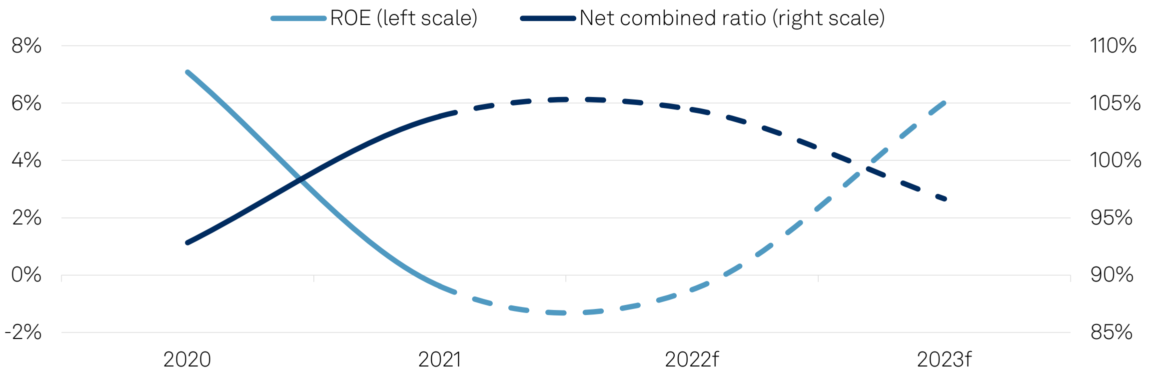
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Thailand P/C | Underwriting Profits Should Improve Following Material Pandemic-Related Losses

Premium Growth Prospects Dependent On Economic Recovery



Combined Ratios To Recover After COVID-19 Hit



- Industry **profitability will remain weak** until the pandemic-related lump sums are paid out by end-2022. We expect underwriting profits to return in 2023.
- **Growth** for Thai P/C insurers will hinge on Thailand's **economy** rebounding faster with the **opening of borders** and a stronger recovery in **tourism**.
- **Rising inflation** may hurt profit margins through higher claim payouts from rising costs for spare car parts and labor. The upcoming renewals will test insurers' ability to **pass increased costs** on to policyholders through premium rate hikes while retaining their **market shares**.
- The government's commitment to national projects such as transport **infrastructure development** will fuel **premium growth** over the longer term.

GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

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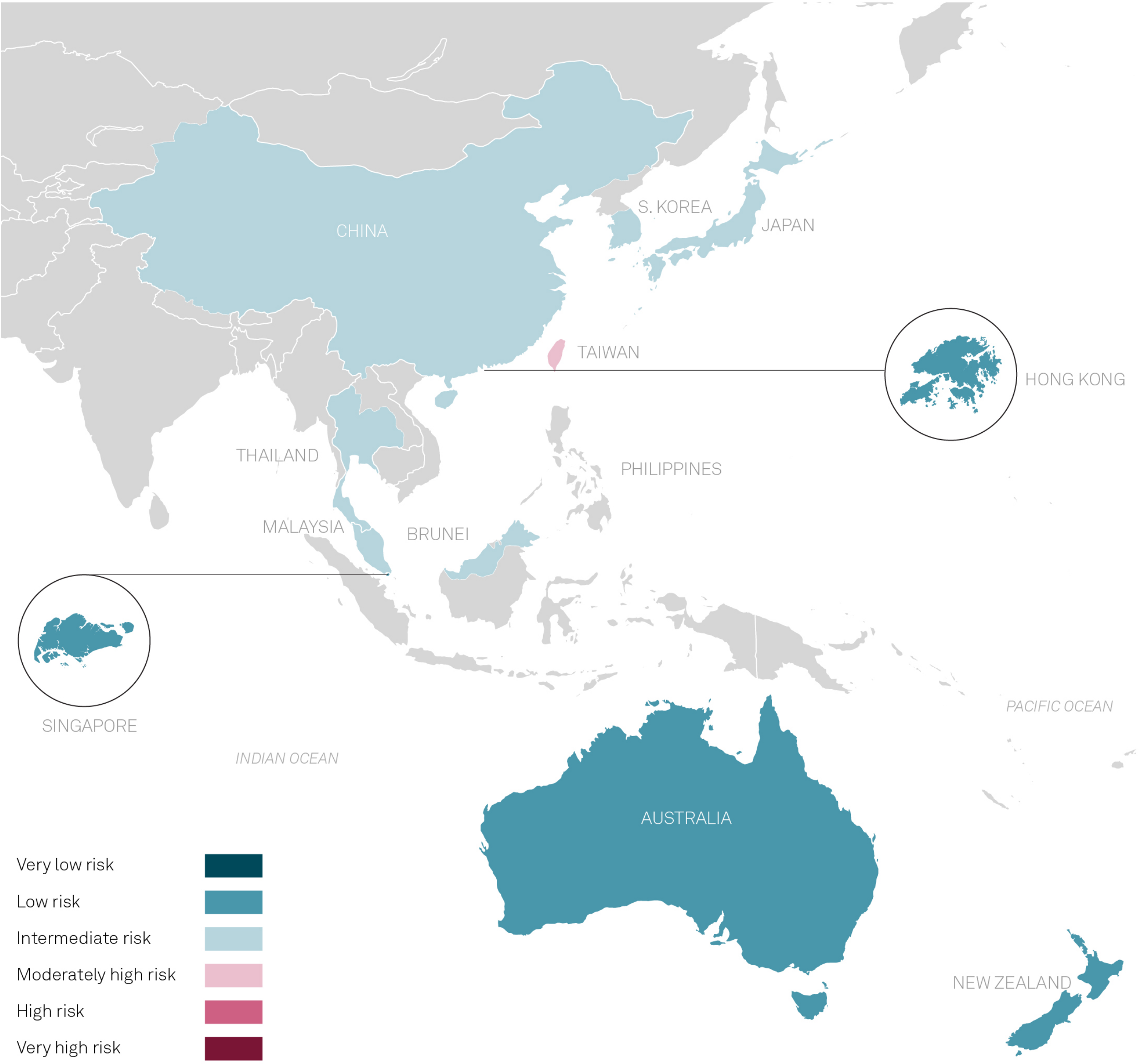
APAC Life



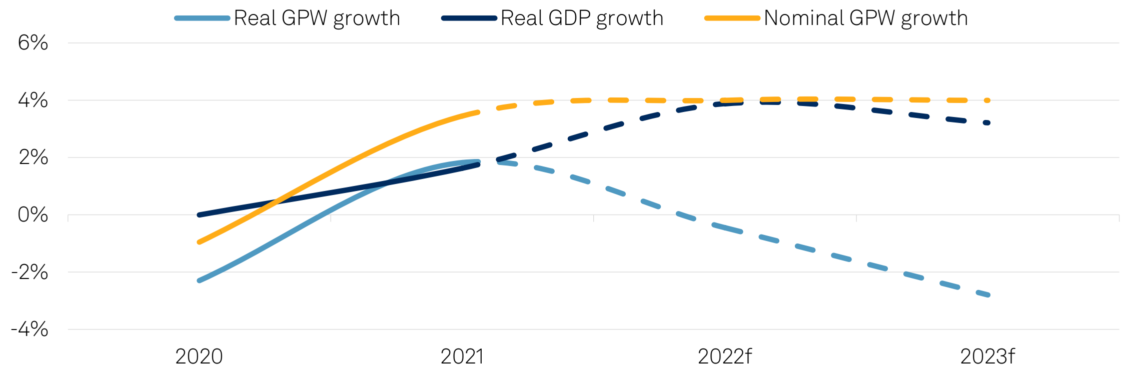
S&P Global Ratings

APAC Life | Top Risks

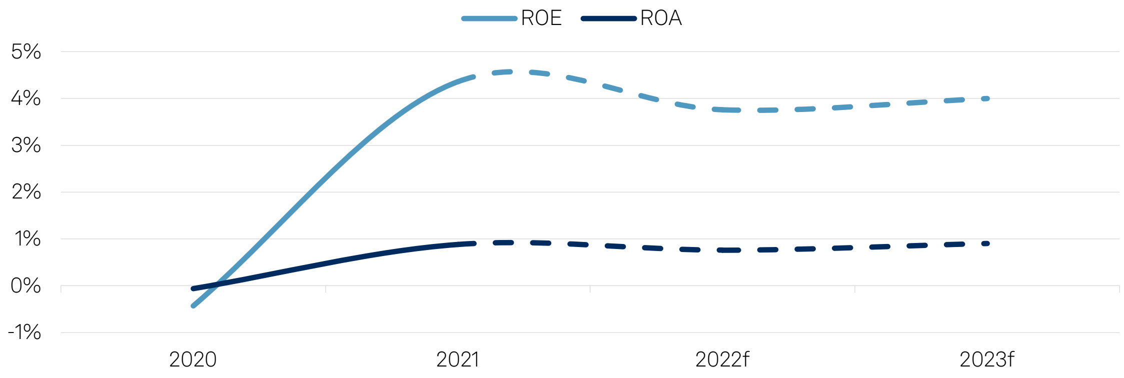
	Macroeconomic risks	Government policy and regulatory risks	Intense competitive environment	Investment performance risk	Exposure to high-risk assets	Exposure to physical and external risks	Muted premium growth prospects	Litigious legal system	Weak technical results
Australia		■	■						
China		■	■		■				
Hong Kong	■		■	■					
Japan		■	■		■				
Korea		■	■		■				
Malaysia	■	■	■						
New Zealand		■	■				■		
Singapore	■		■	■					
Taiwan			■		■		■		
Thailand	■		■	■					

Australia Life | Stable Industry Risk Trend On Improved Profitability

We Expect Nominal Premium Growth Of About 4% Per Year



Price Increases And Improved Underwriting To Support Profitability

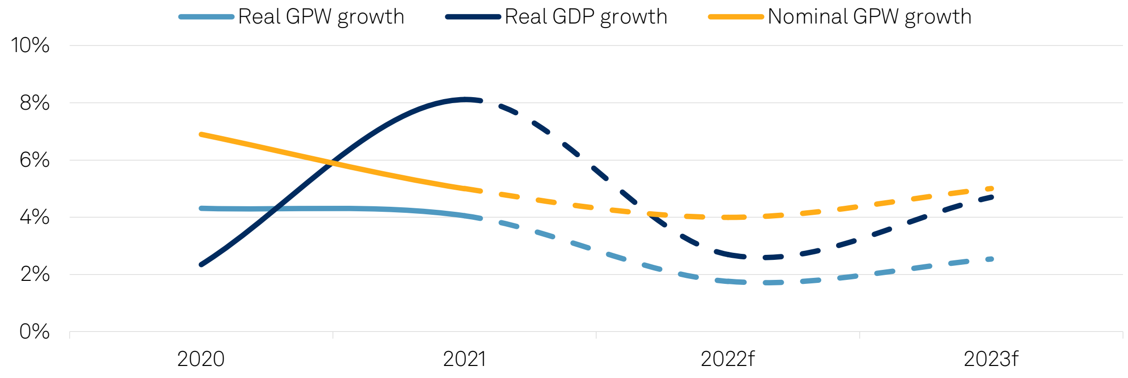


- Industry **profitability turned positive** in 2021 after two years of net losses. This is due to **improved underwriting** performance in disability income insurance (income protection) and strong investment returns.
- **Geopolitical tensions** persist, but profitability should remain satisfactory, albeit muted from first-half 2022. Heightened **market volatility** could affect capital and earnings, although Australian life insurers are **less exposed** to interest rate risk than insurers in other markets.
- **Pricing and policy changes** to individual disability income insurance have made the product more sustainable after many years of material losses.
- Significant changes in **ownership** in the industry have continued into 2022, with foreign players, particularly **Japanese insurers**, having **acquired** significant shareholdings in several insurers.

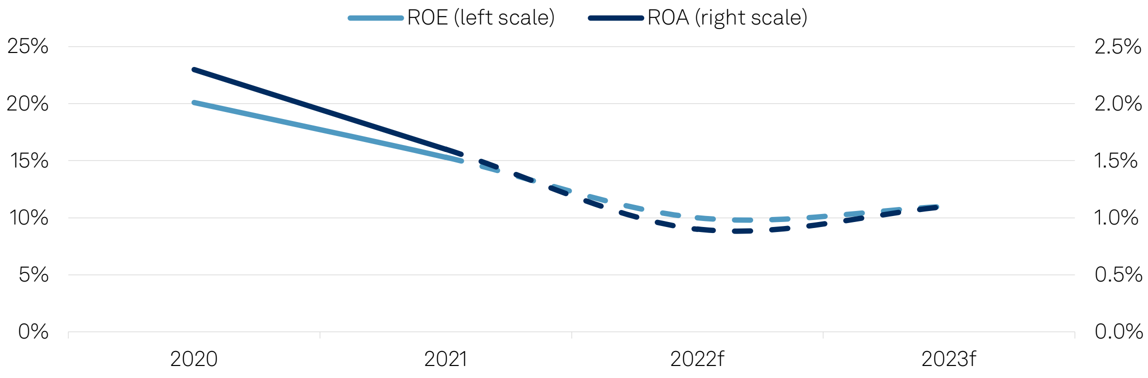
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

China Life | Strained Profitability In A Volatile Market With Low Interest Rates

Rising Insurance Awareness Will Support Long Term Growth Prospects



Diluted Earnings From Both Investment And Insurance Margins

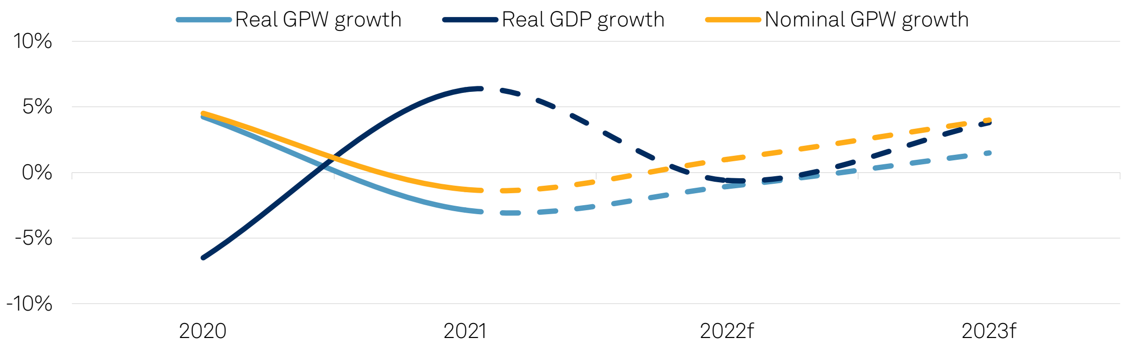


- Life insurers in China face **negative credit trends** because of constraints on their profitability.
- Volatile capital markets and low interest rates lead to **falling investment income** and a rising need for reserve provision. In addition, the **slower growth** of long-term protection-type policies moderate value generation.
- **Rising awareness** of insurance protection will support the sector's long-term growth prospects. This is despite modest growth due to a decline in the number of sales forces.
- The limited availability of long-duration assets implies persistent **asset-liability challenges**.

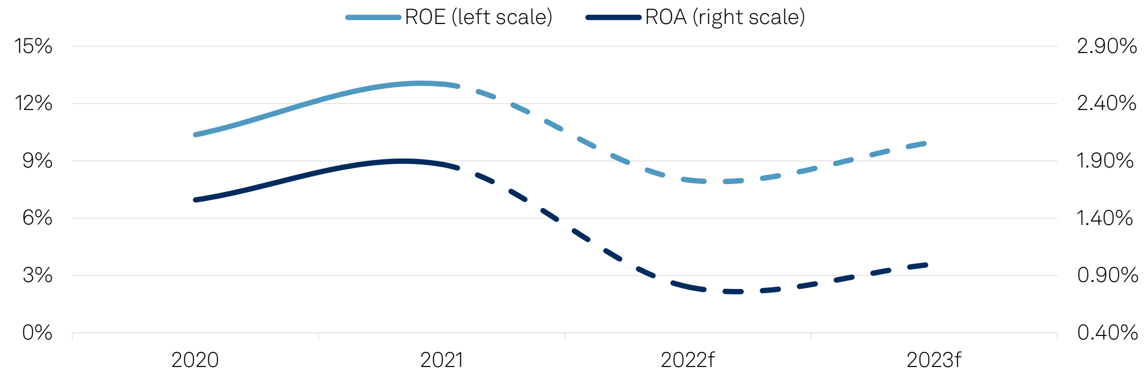
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. Actual figures for 2020-2021 represent approximately 60% market share. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Hong Kong Life | Profitable Growth Underpins Low Industry Risk

Premium Growth To Gradually Recover From 2023



Sound Insurance Margins Support Profitability, Despite Volatile Investment Income

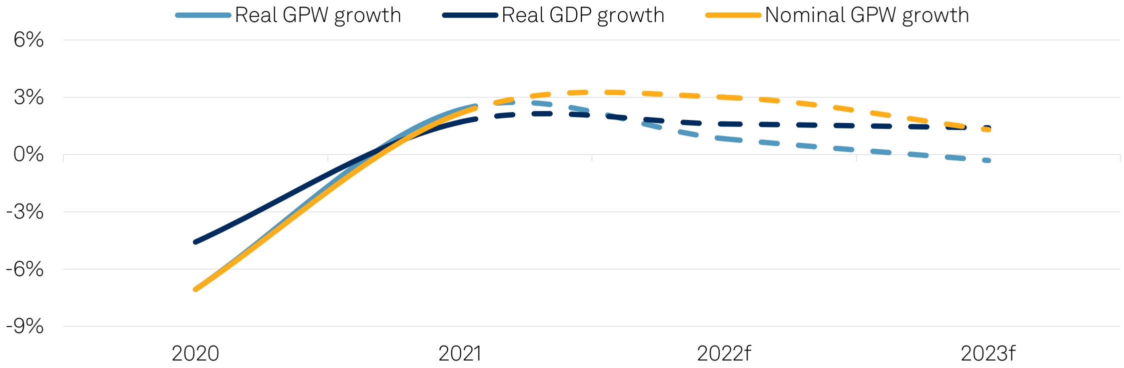


- Challenging **capital markets** weigh on capital and earnings. However, the rise in **interest rates** could gradually reduce the need for reserve provisions and support an improvement in recurring yields.
- Low guarantees, **flexible product designs**, and a high portion of participating-type policies provide insurers with the flexibility to adjust unguaranteed policyholder dividends, **supporting their margins**.
- **Growth** momentum will likely be gradual over the next two years, along with the resumption of sales activities and cross-border travel.
- Hong Kong's ability to settle insurance policies in foreign currency and its high-end medical and protection products will likely remain attractive to **offshore customers**, supporting the sector's prospective profits.

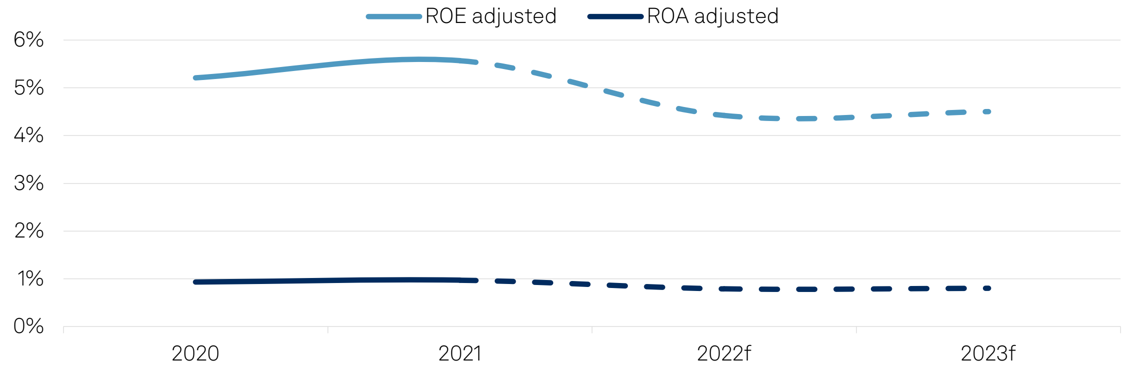
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Japan Life | Mature Market Supported By Stable Core Insurance Profits

Premiums To Grow In 2022 As COVID-19 Restrictions Wear Off, Along With Stronger Sales And Higher Interest Rates Overseas



ROE Affected By Financial-Market Movements And COVID-19 Losses, But Core Insurance Profit Remains Stable

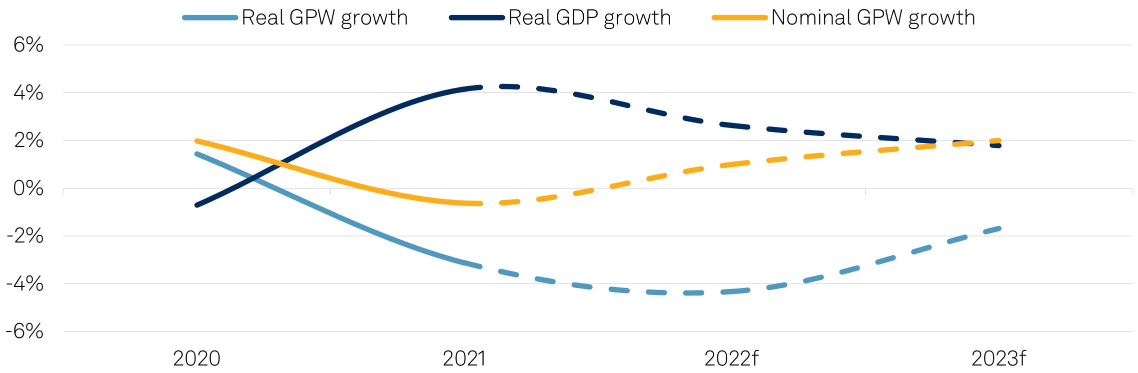


- Improved **economic activity** following the COVID-19 pandemic and good sales of **foreign-currency savings products** that are regaining attractive yields are two factors that should support **nominal GPW growth**. Medical products also sell well among Japan's aging population.
- **Healthy mortality/morbidity rates** continue to support the sector's profitability. We also expect insurers to maintain **sound interest margins**, albeit not as large as in 2021. We expect the spike in COVID-19-related claims to subside in 2023.
- **Higher interest rates overseas** should pressurize regulatory solvency margins, although the impact tends to be moderate for insurers' economic value-based capital.
- While the **weaker yen** helps offset unrealized losses on bonds, equity and credit exposures pose a financial risk.

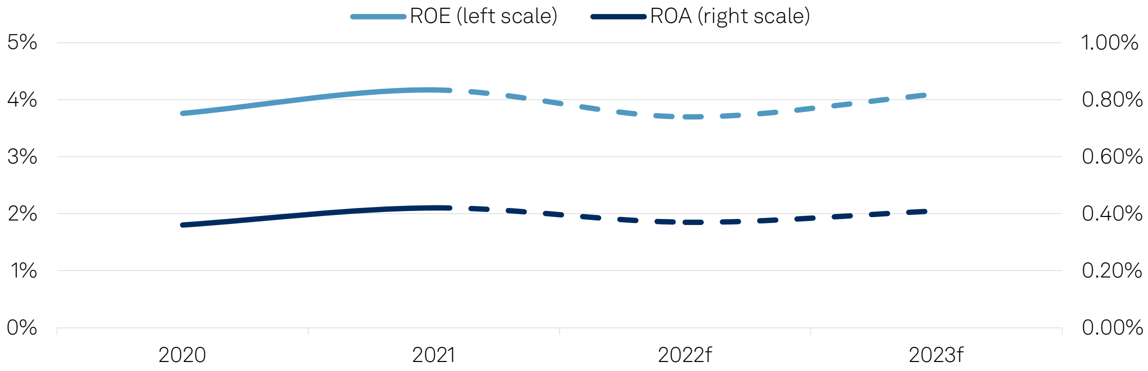
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. Adjustment to return metrics reflects our views on equity-like reserves. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Korea Life | Legacy High-Yield Guarantee Policies Constrain The Sector's Profitability

Premium Growth Will Lag Economic Growth Given The Sector's Maturity And Focus On Protection Policies



Broadly Stable Profitability, Though Weaker Than Global Peers

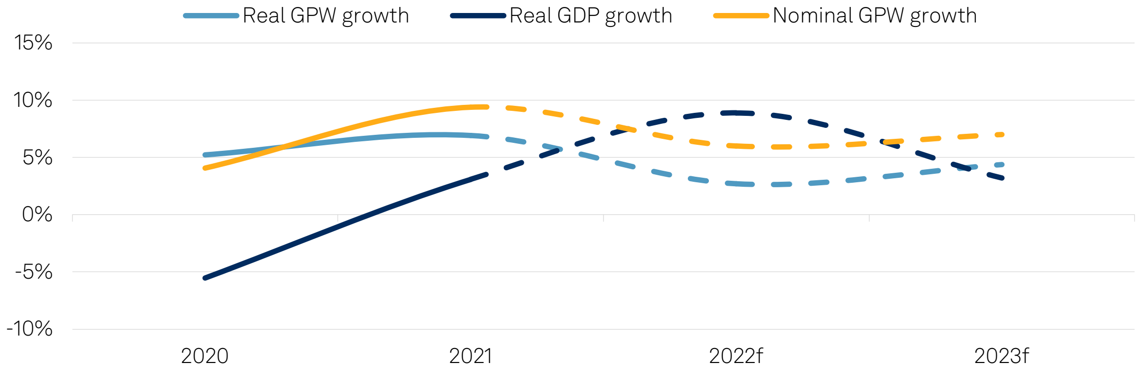


- **Rising domestic interest rates** should **alleviate some of the pressures** on insurers' technical reserves and support the improvement of investment returns in the medium-to-long term.
- Legacy **high-yield guarantee** policies will continue to **pressurize profitability**. We estimate that insurance policies with more than a 5% fixed-rate guarantee represent approximately 25% of major life insurers' reserves as of June 30, 2022.
- Insurers will continue to **focus on protection policies** while shifting away from savings policies to generate better value. Premium growth will likely be modest over the next two years.
- The evolving regulatory framework, along with **the adoption of IFRS 17 and the new regulatory capital framework from 2023,** will enhance comparability with international insurers.

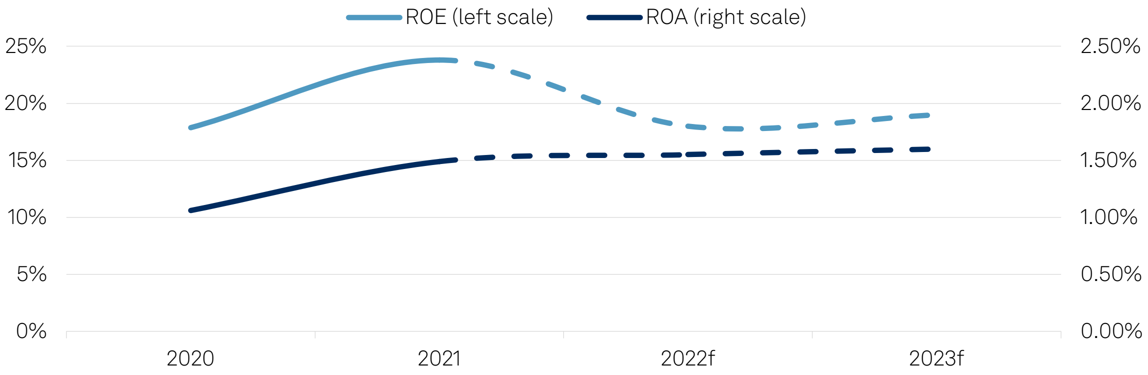
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Malaysia Life | Economic Recovery To Support Growth While Maintaining Profit Margins

Moderate Premium Growth Amid A Steady Economic Recovery



Efficient Operations And Low Guaranteed Products To Support Profitability

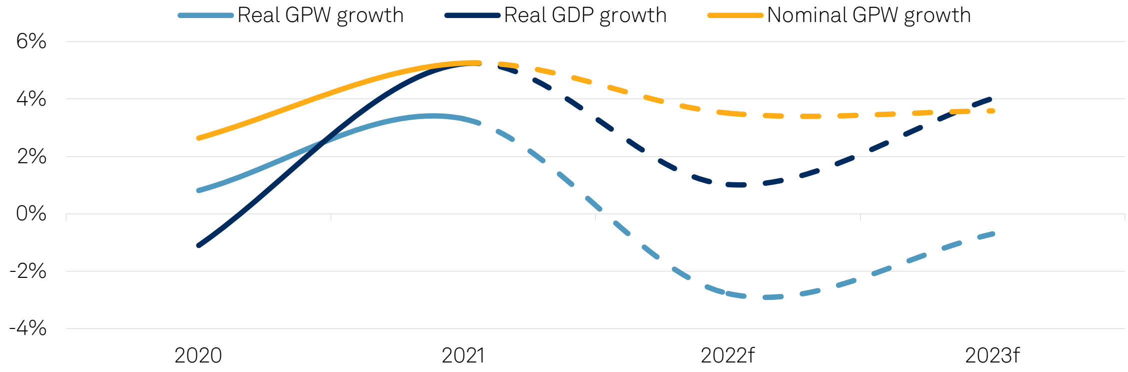


- The sector's **profitability** continues to benefit from the **efficient operations** of the dominant players and a capital-light product mix, with a sizable share of investment-linked policies.
- The generally **low number of guaranteed** products and improving investment yields will dampen the impact of market volatility through 2023.
- We expect **growth** in life premiums to be in the mid- to high-single digits over the next few years, amid Malaysia's steady **economic recovery** and favorable position as a net energy exporter.
- The central bank's framework for **digital insurers and takaful operators**, to be finalized in 2022, should attract **new players** and innovative solutions to tackle protection gaps. However, we will monitor implementation timelines amid a fluid political landscape.

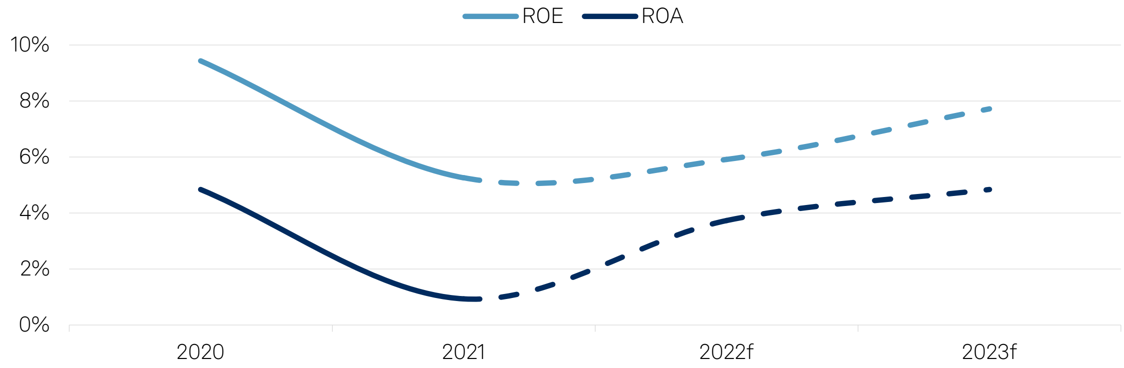
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

New Zealand Life | Strong Returns And Lower Exposure To Longevity Risks Than Other Life Markets

Real GPW Growth To Remain Subdued Due To Soft Economic Conditions



Return Metrics To Return To Historical Averages From 2023

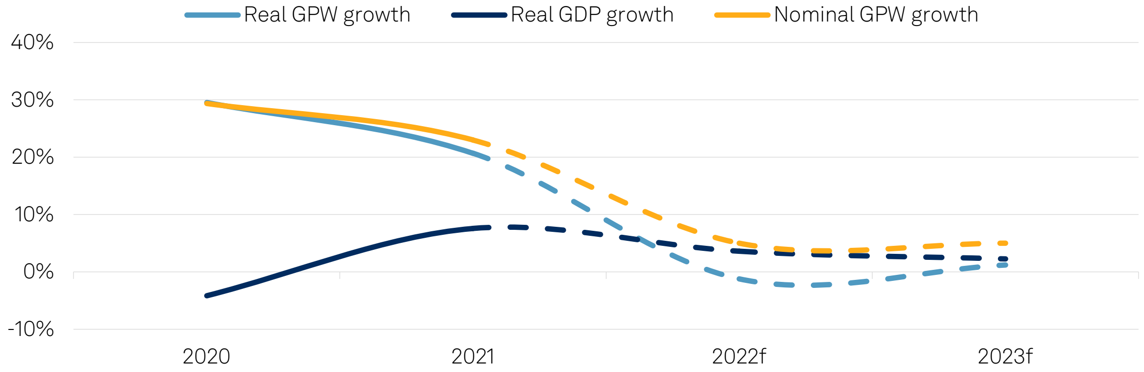


- Profitability metrics for 2022 remain subdued owing to **inflationary pressures**, ongoing **economic headwinds,** and **rising interest rates,** translating into higher **unrealized losses** for fixed-income investments.
- We expect **profitability to improve** in 2023 in line with the sector's strong historical average, thanks to low exposure to group schemes and disability and income protection products.
- We expect nominal premium growth of 3%-4% in over the next two years, supported by age-related premiums as well as **term and trauma products**, but offset by some likely policy lapses due to post-COVID-19 uncertainty.
- The **government's proposed income insurance scheme** that will continue to pay workers some salary after job loss or health issues will have a **limited impact on insurers.** This is because private-sector income-protection products rarely cover redundancy and offer broader disability coverage than the proposed scheme.

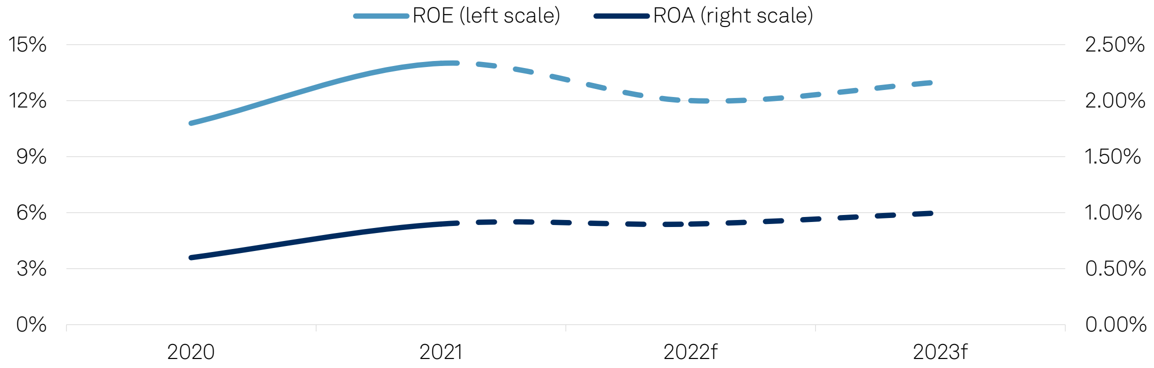
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Singapore Life | Profits Hit By Mark-To-Market Losses, Partially Mitigated By Rising Interest Rates

Modest Premium Growth Amid Macroeconomic Challenges



Profitability Could be Hit by Significant Mark-To-Market Losses

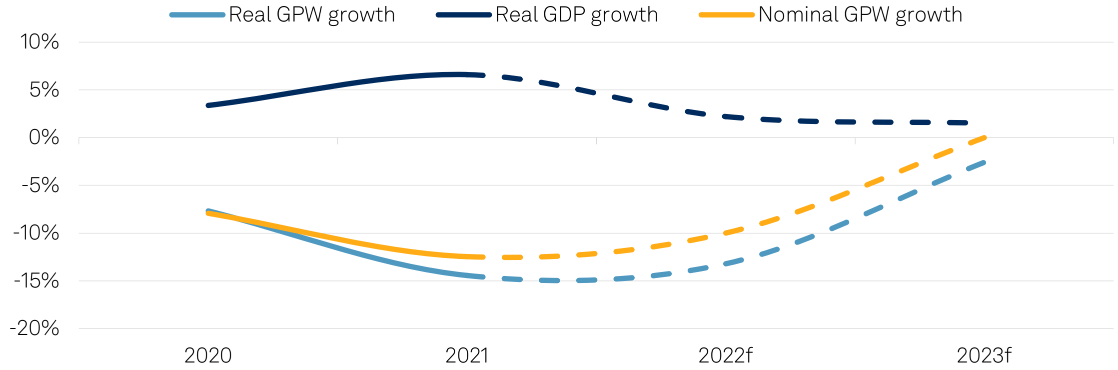


- **Profitability is under pressure** from mark-to-market investment losses, partially mitigated by lower reserves and higher investment yields in an environment of rising interest rates.
- The sector has a strong awareness of and an incentive to manage **asset-liability mismatch** risks and maintain prudent investment guarantees for solvency capital efficiency.
- We expect growth to moderate over the next two years in a **challenging macroeconomic environment**. Market volatility could **dampen sales** of investment-linked plans. Single premium endowment plans, which have helped to support growth in the past two years, could also be affected by greater competition from other financial products amid rising interest rates, given their relatively longer lock-in periods.

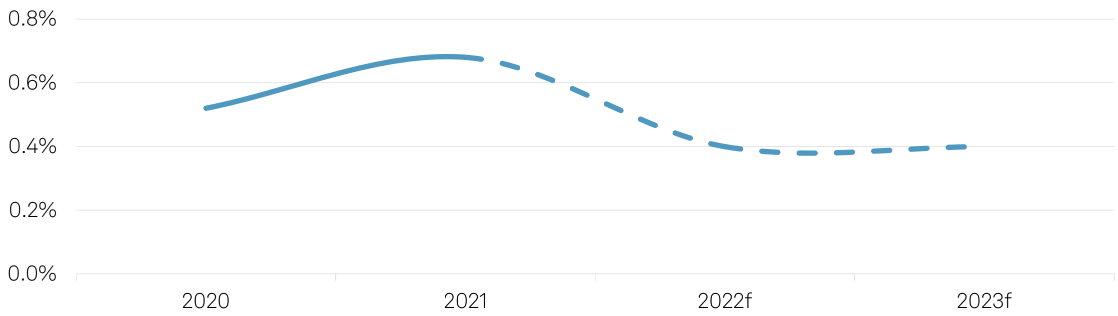
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Taiwan Life | Profitability Is Susceptible To Market Volatility And Foreign-Exchange Risk

Decline In Renewal Premiums To Ease, But Premium Growth To Remain Negative Through 2023



ROA To Normalize To Historical Levels After Strong Capital Gains In 2021

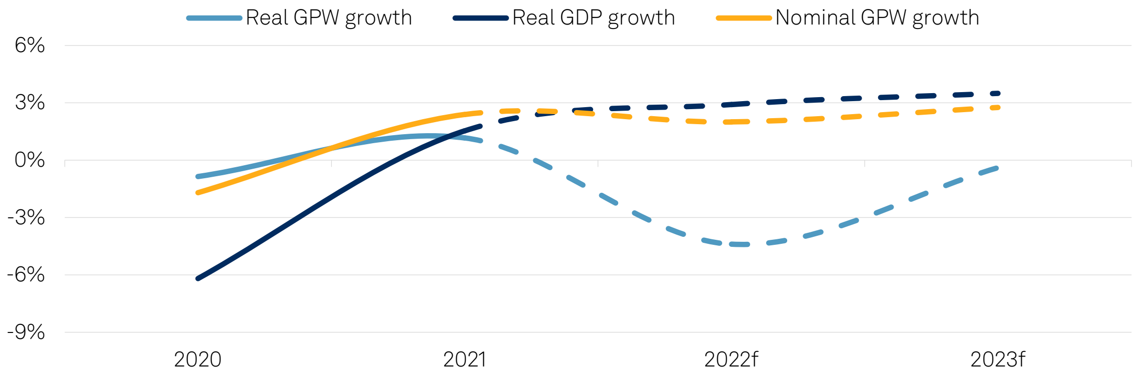


- Declining premiums resulted from the regulator enforcing **product reforms** to guide the industry toward more profitable, longer-tenure protection policies, and away from the previously hot-selling savings products that have been paid in full. This will **stabilize insurers' financial health** over the long term.
- We anticipate that **more intense market volatility** this year and, potentially, **rising hedging costs** will hamper insurers' full-year 2022 results. The industry's **return on average assets is likely to trend back** toward the historical norm over the coming two years amid rising hedging costs.
- The industry is exposed to **higher foreign-exchange risks** than other regional life sectors. Foreign-exchange risk exposure is likely to remain at a historical high as life insurers reduce their hedged positions in view of **rising hedging costs** and the benefits of a **stronger U.S. dollar** for **sizable foreign investments**.

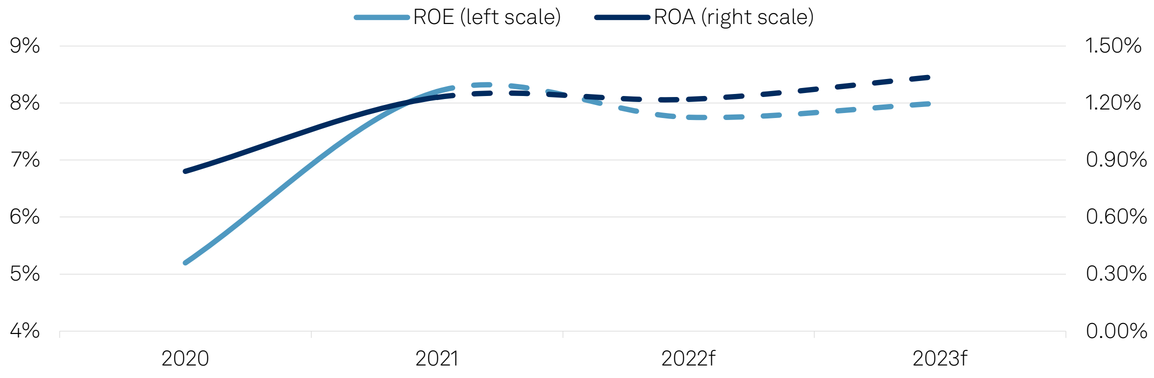
GPW—Gross premiums written. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Thailand Life | Ability To Maintain Core Insurance Profits In A Challenging Capital Market

Real Premium Growth Prospects Challenged By Inflation



Profitability To Remain Steady Amid Capital Market Challenges



- While **challenging** capital market conditions will weigh on Thailand life insurers' **earnings and capital** cushions in 2022, the industry should sustain its profitability in the long term.
- The sector continues to benefit from **modest underwriting margins and fee income**. Ongoing efforts to shift to products with **lower guarantees** should help mitigate some of the asset-liability mismatch risk. Recent **interest rate hikes** also ease reserve requirements, which alleviates pressure on the sector from market volatility.
- The sector's **growth** will be supported by Thailand's economic recovery, rising **health awareness,** and the increasing insurance needs of Thailand's **aging population**, despite **near-term inflationary pressures**.

GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

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North America
P/C

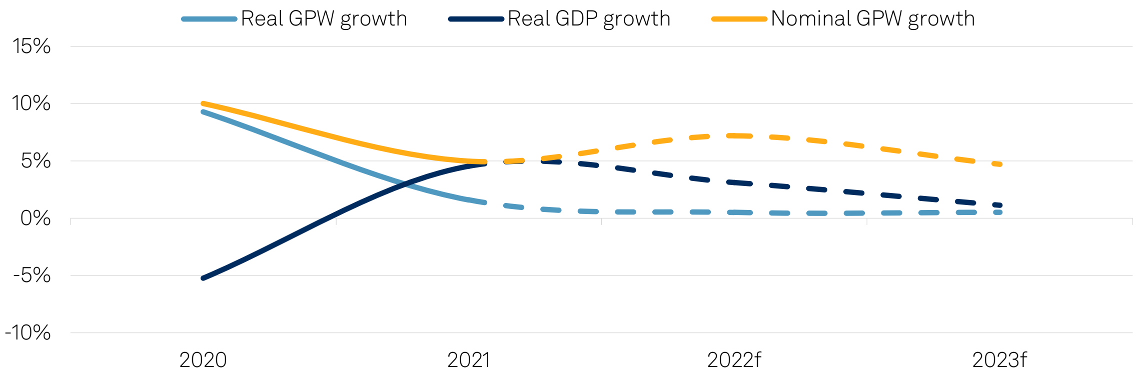
S&P Global
Ratings

North America P/C | Top Risks

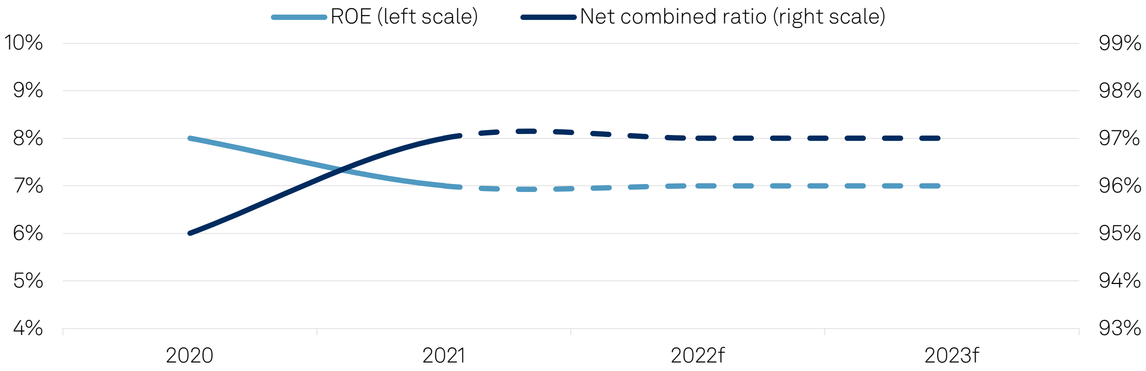
	Macroeconomic risks	Government policy and regulatory risks	Intense competitive environment	Investment performance risk	Exposure to high-risk assets	Exposure to physical and external risks	Muted premium growth prospects	Litigious legal system	Weak technical results
Canada									
U.S.									

Canada P/C | Favorable Pricing Should Help Offset Inflation

Slightly Positive Real Premium Growth, Thanks To Price Increases Offsetting Inflation



We Expect Profitability To Remain Stable Through To 2022

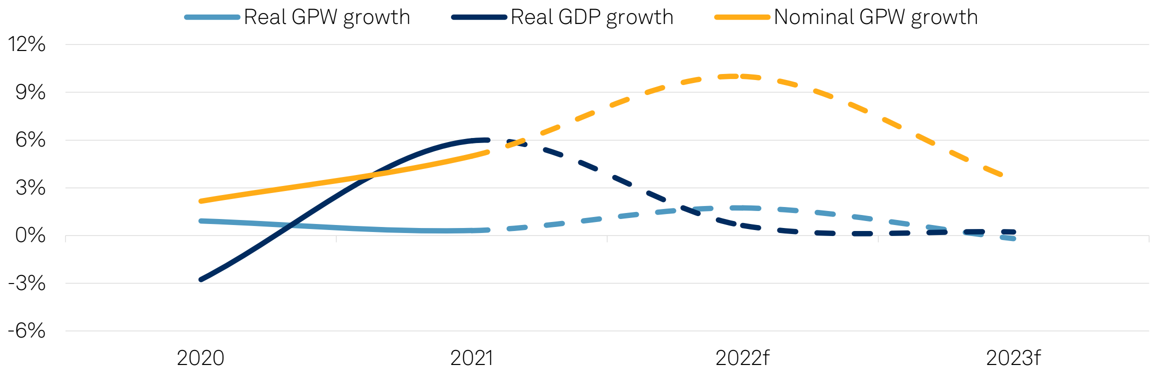


- Underwriting performance should remain **profitable** at 95%-98%, as **price increases** will help insurers deal with claims inflation and more frequent weather-related losses.
- Real **premium growth** should remain **slightly positive** in 2022-2023, thanks to price increases on key lines of business, **offsetting inflation**.
- We believe **interest rate increases** should partly **offset inflationary concerns** and result in better reinvestment opportunities.
- The sector's **exposure** to winter storms, earthquakes, and hurricanes could dent underwriting performance. Adverse reserve developments from claims inflation above provisions for adverse deviations (PfAD) could also hurt underwriting performance.

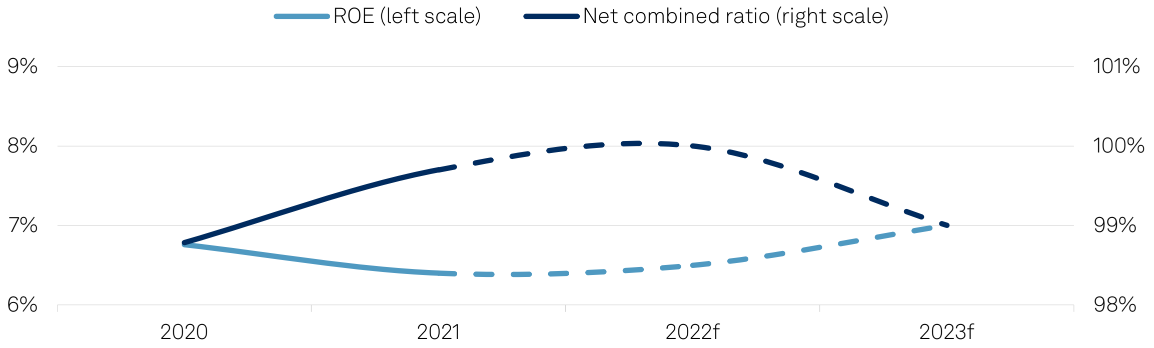
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

U.S. P/C | Satisfactory Prospective Profitability, Offset By Litigation Risk And Exposure To Natural Catastrophes

Favorable Pricing Momentum To Support GPW Growth



Underwriting Performance To Remain Near Breakeven In The Absence Of Major Catastrophe Events



- Increased rates in most lines of business will support **premium growth** of about 10% in 2022, slowing to an average of 5% in 2023.
- **Inflation** continues to run well above the U.S. Federal Reserve's target, with the consumer price index set to rise to 8.3% in 2022. **The hike in the federal funds rate** is a means of curbing inflation.
- Reduced bond valuations as **interest rates** rise are having a **negative impact on capital** in portfolios with **high bond allocations**.
- The region's overall **underwriting profitability** (as measured by the net combined ratio) is still hindered by **unanticipated spikes** in claims severity, as well as **natural catastrophes**.

GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

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North America
Life

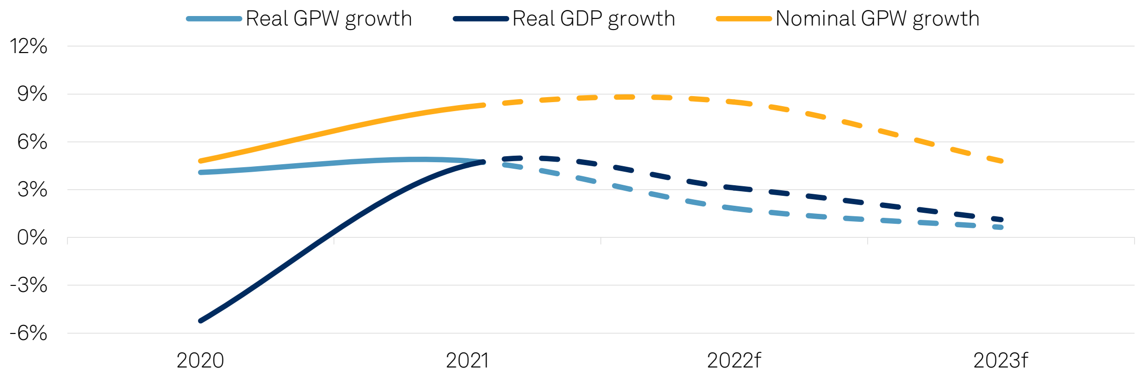
S&P Global
Ratings

North America Life | Top Risks

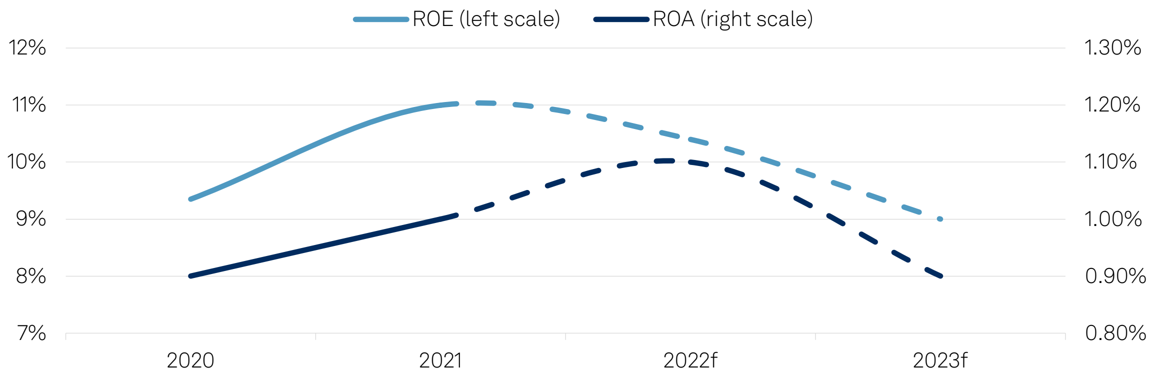
	Macroeconomic risks	Government policy and regulatory risks	Intense competitive environment	Investment performance risk	Exposure to high-risk assets	Exposure to physical and external risks	Muted premium growth prospects	Litigious legal system	Weak technical results
Canada									
U.S.									

Canada Life | The Market's Oligopolistic And Structured Nature Makes It One Of The Least Risky Globally

We Expect Real Premium Growth To Correlate With GDP



Challenging Economic Environment To Limit Profitability

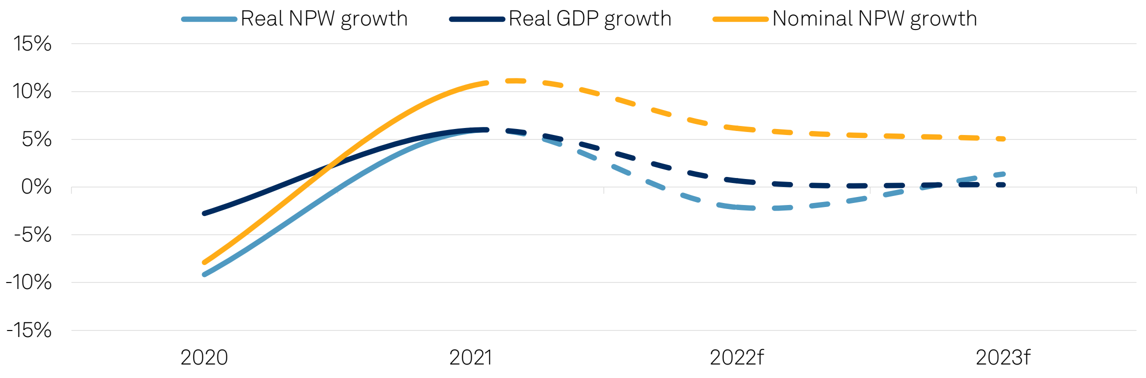


- Canada's life insurance sector benefits from **strong regulatory oversight, high levels of wealth,** and economic diversification.
- Net premiums are likely to recover in line with the GDP growth we expect over 2023. However, the **mature Canadian life insurance industry** limits the likely growth prospects.
- We expect relatively stable operating performance through 2023, but it will be under pressure from the **highly inflationary and recessionary environment**.
- **High asset quality and overall capital buffers** have helped insurers navigate crises and will continue to provide capital stability during the current economic uncertainties.

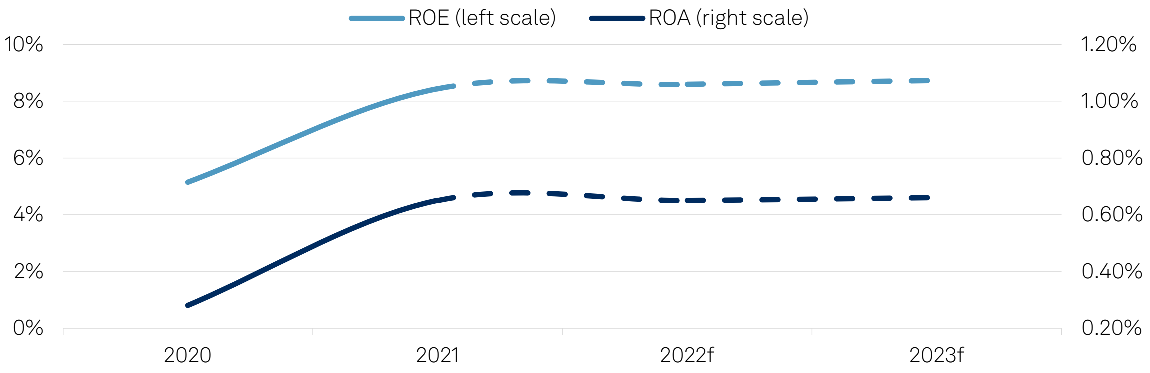
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

U.S. Life | Despite Its Maturity, The Sector Shows Decent Growth And Good Overall Profitability Prospects

Retirement-Savings Products To Support Premium Growth In The Longer Term Owing To The Aging Population In The U.S.



We Expect Stable Profitability For The Sector Into 2023



- We expect that life insurers will continue to deal with **elevated defaults and write-downs** in their investment portfolios, **distribution challenges**, and slightly **elevated mortality claims** as the pandemic subsides.
- **Uncertainty** surrounding the timing and magnitude of potential **interest rate movements** amplifies the necessity of robust capitalization. Debt-funding **strategies** developed during the era of very low interest rates may become less ideal during a protracted period of **inflation**.
- **Asset or investment risk** remains the biggest risk to U.S. life insurers' balance sheets. Indeed, while the industry has a solid history of abating the risk of **asset-liability mismatch** during the era of near-zero interest rates, lingering inflation and rising interest rates may require **adapting** asset-liability management strategies to an environment of **greater market risk**.

NPW—Net premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

North America Life | Analytical Contacts

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Latin America
P/C

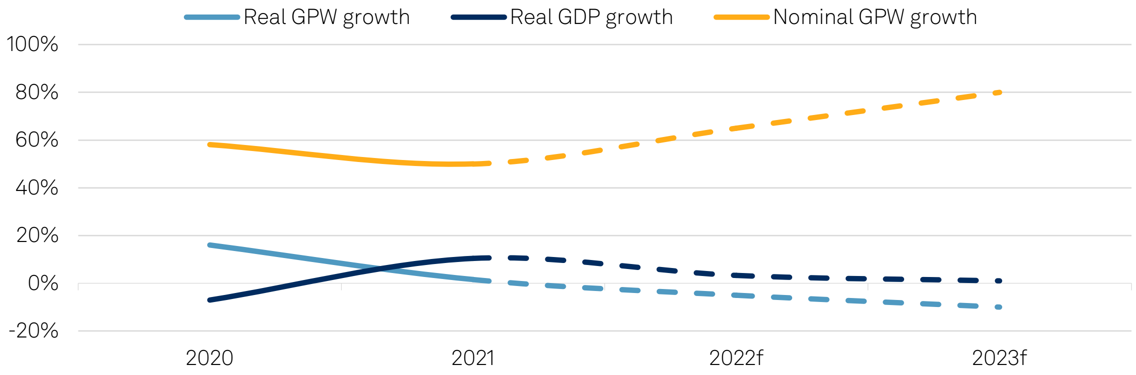
S&P Global Ratings

Latin America P/C | Top Risks

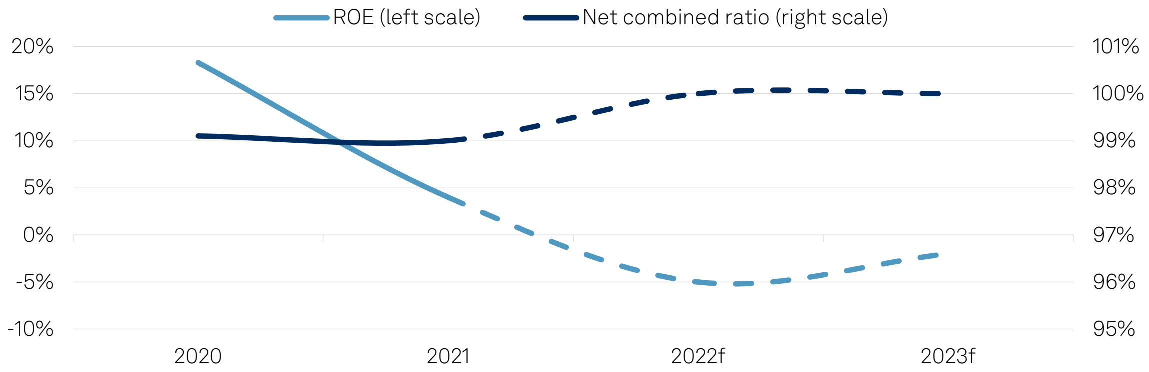
	Macroeconomic risks	Government policy and regulatory risks	Intense competitive environment	Investment performance risk	Exposure to high-risk assets	Exposure to physical and external risks	Muted premium growth prospects	Litigious legal system	Weak technical results
Argentina	■		■				■		
Brazil	■								
Colombia	■			■					■
Mexico	■			■					■

Argentina P/C | High Inflation And Currency Devaluation Dampen Sector Profitability

High Inflation Continues To Mute The Market's Growth Prospects



Inflation-Adjusted Returns Are Poor

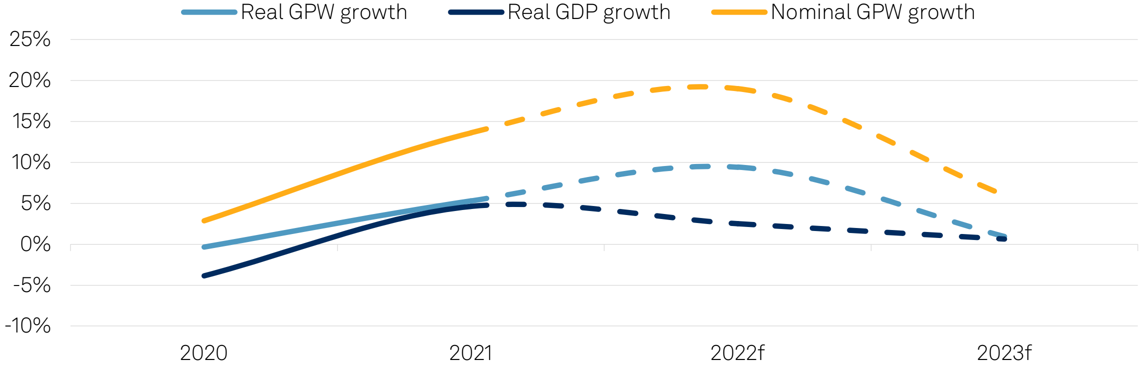


- We estimate that **premiums will contract in real terms**, with insurers focusing on retaining customers and collecting premiums, given Argentina's very challenging economic conditions.
- Argentina's **economy remains under stress**, with high inflation of about 70% in 2022 and 90% in 2023 (average CPI). We expect GPW to grow by about 65% on a nominal basis in 2022 and 80% in 2023. We therefore believe that the market will shrink in real terms into 2023.
- The sector faces considerable **product risk** from high inflation, a volatile exchange-rate policy, and foreign-exchange controls. These factors cause **uncertainties in both pricing and reserve adequacy**.
- **Government intervention** has often resulted in changes in regulations, making it difficult for the insurance sector to adjust to new requirements.

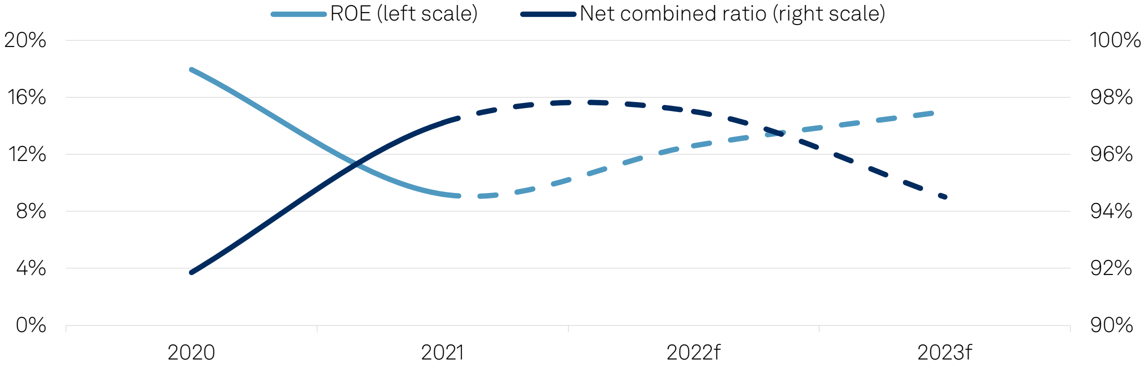
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. CPI—Consumer price index. Since June 2020 (fiscal year-end), insurers began presenting their financial statements adjusted by inflation, distorting comparable metrics with previous years as previous financial statements were in nominal terms. For inflation, we used S&P Global Ratings' assumptions for CPI growth. Source: S&P Global Ratings.

Brazil P/C | Satisfactory Profitability Despite Challenging Economic Conditions

Agriculture And Auto Insurance Are Driving Strong Premium Growth



Higher Claims Dragged On Profits In 2021-2022, But We Expect A Normalization In 2023

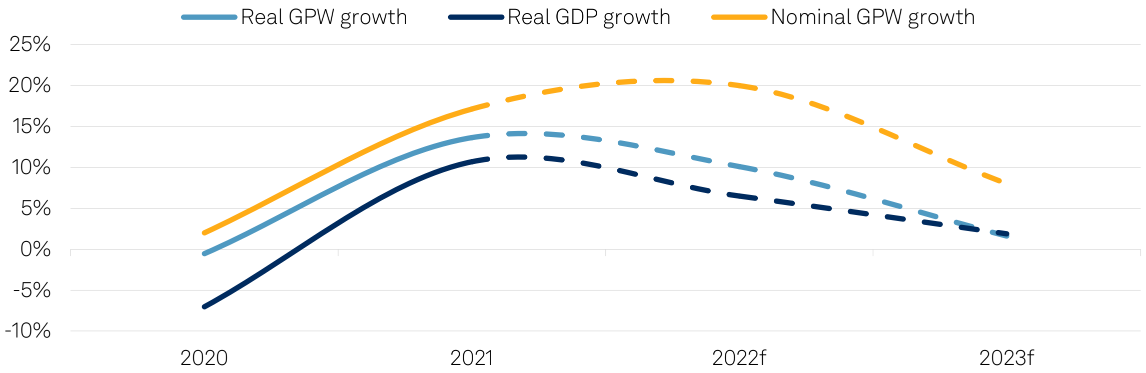


- **ROE** could be **volatile** in the next two years due to the uncertain and **challenging economic conditions**, although it should remain at least in the range of 10%-15%.
- **Motor** insurance represents roughly 40% of the P/C sector, while **agriculture** insurance has recently reached almost 10% of the sector.
- The deterioration in 2021-2022 profitability was due to severe **droughts** causing significant increases in **agribusiness** insurance **claims** in late 2021 and early 2022, while **motor insurance** claims were also high in 2022. Nonetheless, the strong **premium growth** in 2022 **cushioned** some of the increase in claims.
- In 2023, we expect **much lower premium growth** compared to 2022, but **profitability should improve** as the claims ratio for auto and agriculture insurance normalizes and **interest rates remain high**.

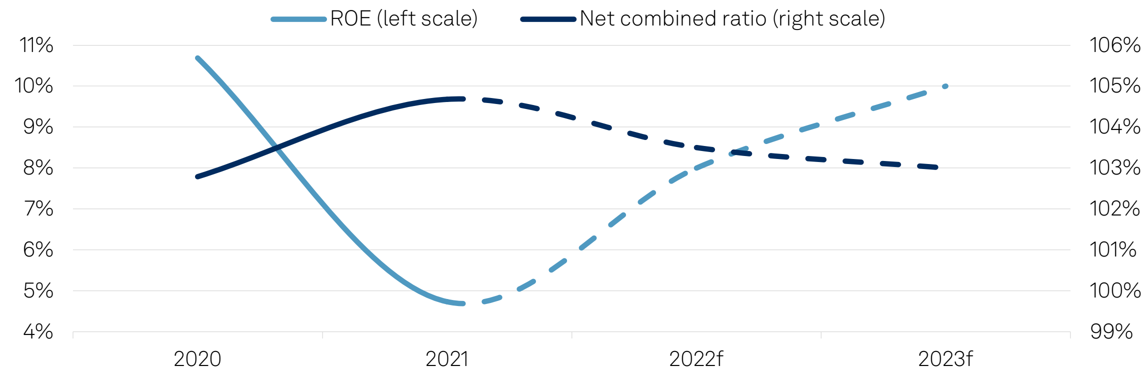
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Colombia P/C | Weak Technical Performance Amid Steady Investment Returns

Real GPW Growth To Follow Growth In The Colombian Economy



Investment Returns To Offset Technical Losses

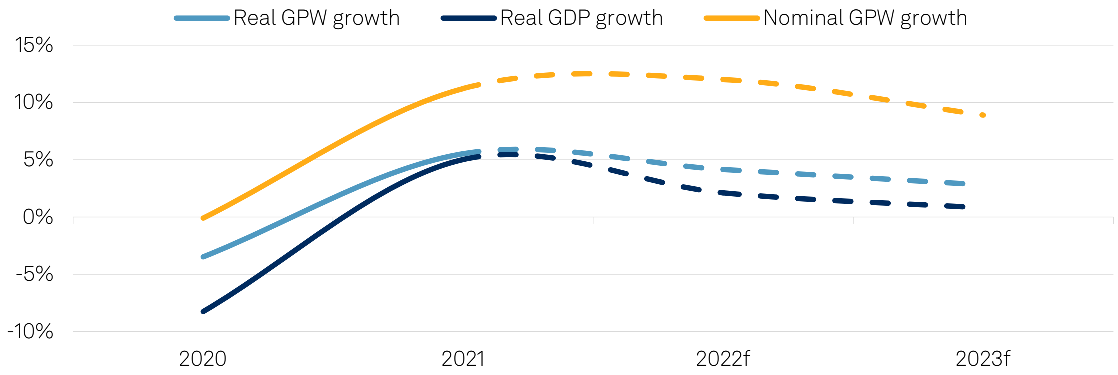


- The sector continues to have **consistent underwriting losses** and still relies heavily on **investment gains** to achieve earnings.
- The lifting of lockdowns and restrictions resulted in higher claims in 2021. We expect **results to improve** in 2022-2023 as accident frequencies stabilize and insurers adjust their pricing, **but technical performance will remain weak**.
- **Growing car sales**, along with the **increase in policy prices**, continue to drive double-digit growth of auto insurance, which makes up almost 40% of the industry's premiums.
- Insurers' **conservative investment strategies** (with portfolios mostly consisting of short-term fixed-income securities) will help keep investment yields stable, contributing to steady earnings.

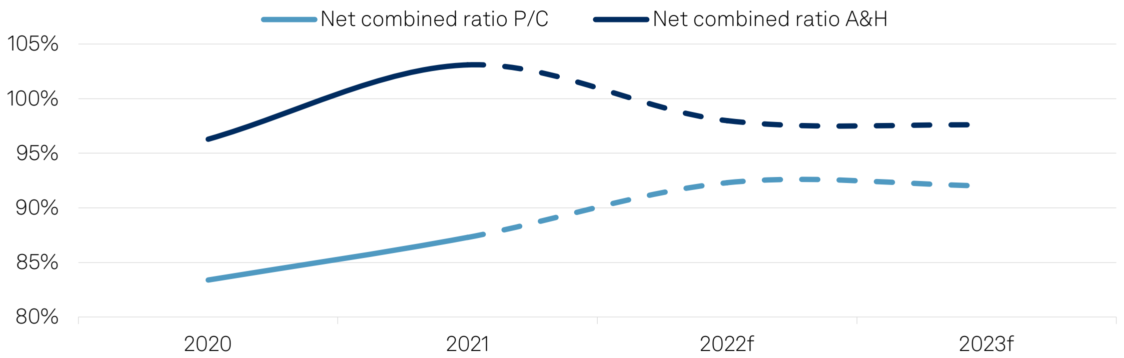
GPW—Gross premiums written. ROE—Return on equity. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Mexico P/C | Headwinds Abound Due To The Tough Macroeconomic Environment

We Expect The Market To Continue Growing In Real Terms, But Rates Are Likely To Remain Below Pre-Pandemic Highs



Combined Ratios To Remain Below 100%, Albeit Significantly Weaker Than Pre-Pandemic Times



- We expect accident and health and auto **premiums to grow**, although **inflation** could **reduce** purchasing power, and consequently the demand for insurance products. Furthermore, **tightening** economic conditions could inhibit the **operating** environment.
- We expect **auto insurance profitability to diminish** significantly as full mobility resumes, inflation keeps increasing the cost of claims, and crime rates increase.
- **Disrupted supply chains** are delaying imports of spare car parts and new cars. Therefore, used car prices and repair costs are increasing, hurting insurers' profitability.
- Accident and health combined ratios are decreasing, mainly because of **lower COVID-19-related claims.** This is slightly **offset** by a rebound in accidents, the return of non-COVID-19 claims, and **medical cost inflation**.
- While we expect the large players to post good results, the **smaller ones** are much more **vulnerable** to the current conditions and could therefore post significantly **weaker technical results**.

GPW—Gross premiums written. A&H—Accident & health. f—Forecast. As Mexican insurers are multiline entities writing life and non-life business, there is no available segment information to estimate return on equity for P/C insurers. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

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Latin America
Life

Latin America Life | Top Risks

	Macroeconomic risks	Government policy and regulatory risks	Intense competitive environment	Investment performance risk	Exposure to high-risk assets	Exposure to physical and external risks	Muted premium growth prospects	Litigious legal system	Weak technical results
Brazil									
Colombia									
Mexico									

S&P Global
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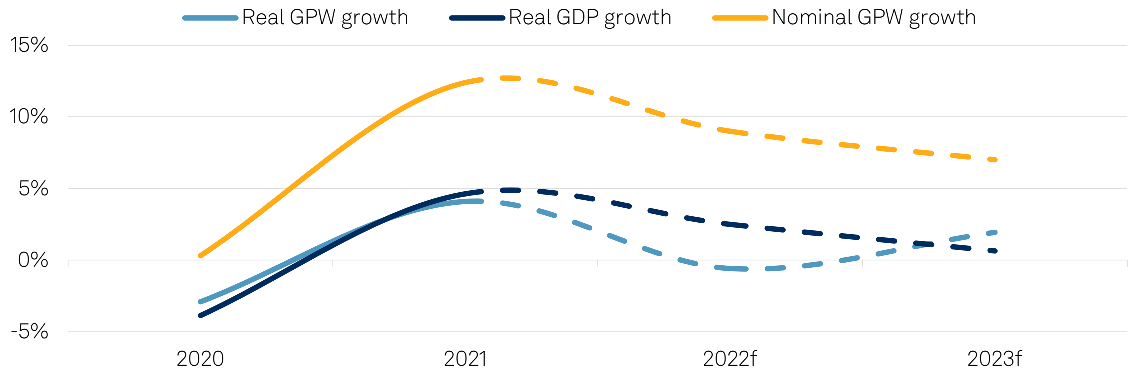
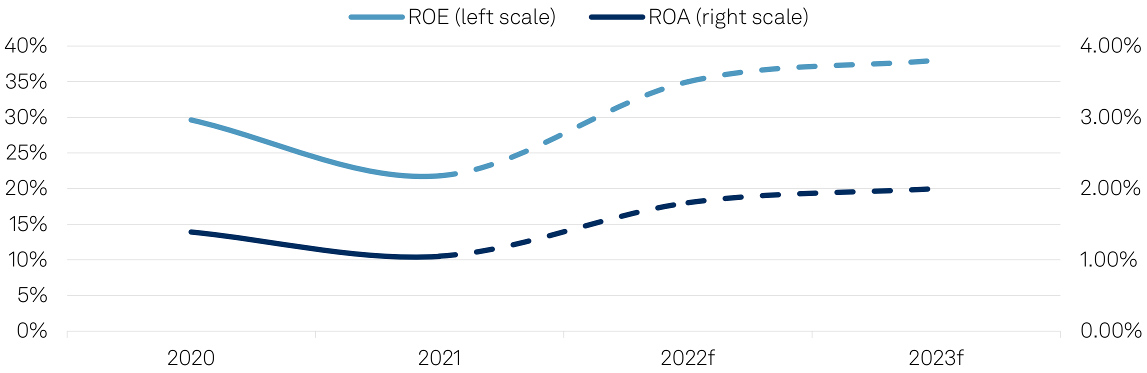
Brazil Life | Minimal Product Risk And High Barriers To Entry Support Low Industry Risk

The Slow Recovery Of The Brazilian Economy Could Limit Growth



Profitability Should Increase Due To High Interest Rates



– COVID-19 strained the sector's profitability in 2021, but **profits have been recovering** in 2022 and we expect this **trend to continue** into 2023, as interest rates remain high in Brazil.

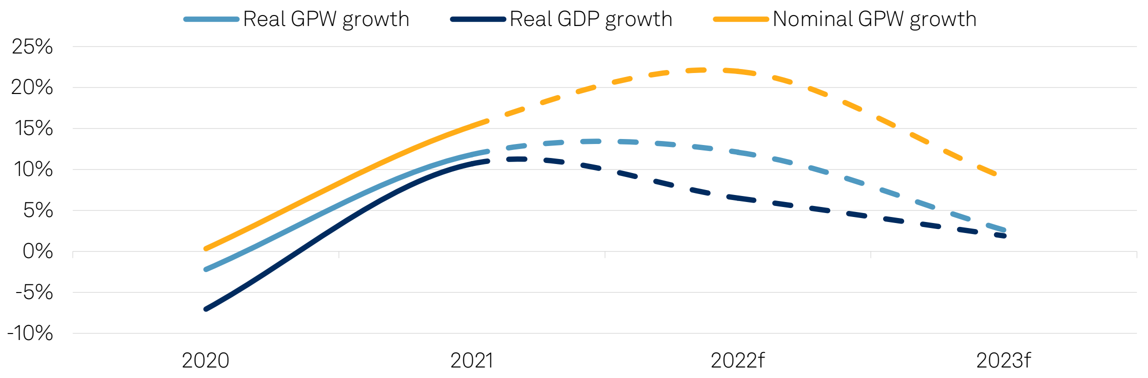
– The main life products in Brazil have **unit-linked characteristics**, minimizing product risk for insurers.

– The five largest companies share 75% of the market, and all are subsidiaries of the country's largest banks. This results in **efficient distribution channels**.

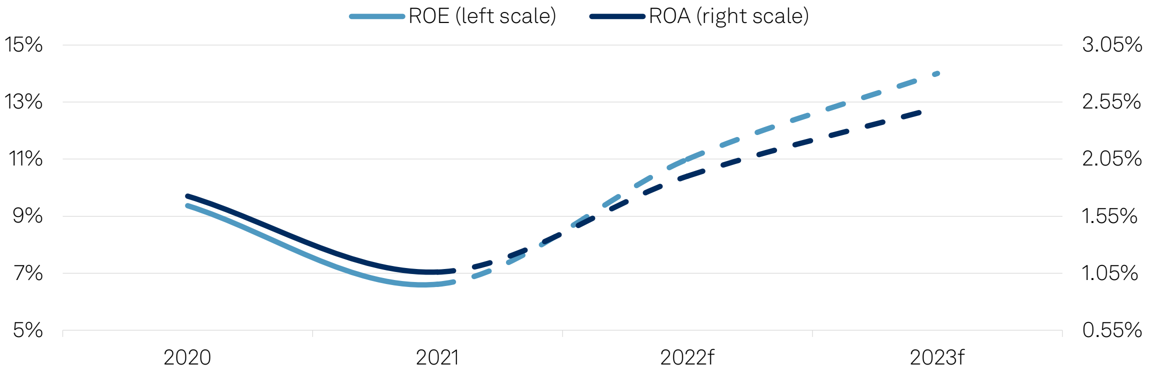
GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Colombia Life & Health | Profitability Should Recover Through To 2023

High Inflation And A Global Economic Slowdown Are Key Risks To Our Growth Forecasts



Profitability To Recover As Pandemic-Related Deaths And Illness Recede

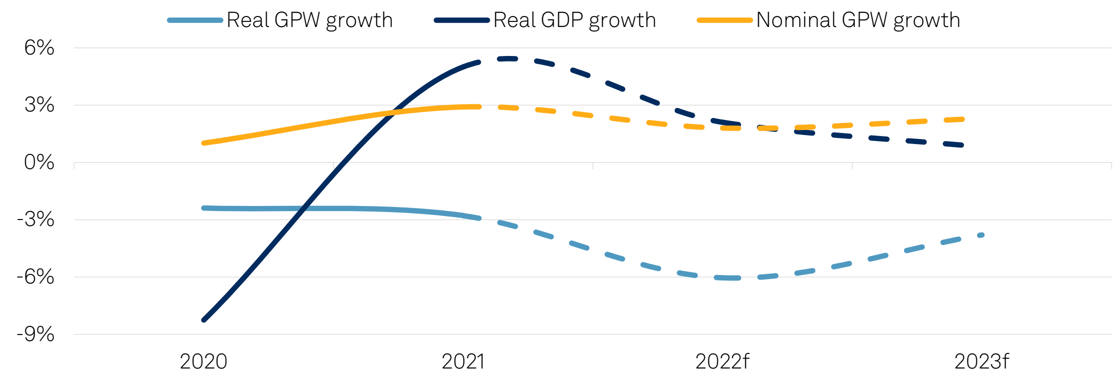


- We expect a gradual **recovery in profits** over 2022-2023, primarily because **vaccines have reduced the severity** of illness from COVID-19, as well as the number of deaths.
- **Healthy underwriting margins**, lower mortality rates, and improved investment returns driven by **higher interest rates** should support profit recovery.
- Life policies carrying **long-tail liabilities** (mostly workers' compensation and annuities) continue to be a source of **profit volatility**.
- **Evolving supervision** and regulations still lag international standards, although there are initiatives to improve this over the next few years.

GPW—Gross premiums written. ROE—Return on equity. ROA—Return on assets. f—Forecast. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

Mexico Life | Pressure On Profitability In A Sector Struggling For Growth

We Expect Real Premium Growth To Lag Growth In The Mexican Economy



- **Economic recovery** has been particularly **slow** in Mexico. In addition, uncertainty over the trajectory of the U.S. economy and a **shallow recession** now likely in the first half of 2023 are **key downside risks** to our GDP forecast for Mexico.
- Tougher economic conditions will **limit demand** for insurance products due to the weakening earnings capacity of households and corporations.
- The life sector's **profitability** is still **under pressure** due to low growth prospects and increasing unrealized losses relating to the rise in interest rates. We expect this pressure to be somewhat **offset by increasing investment yields**.
- We expect **claims** to continue **decreasing** toward pre-pandemic levels, thanks to COVID-19 **vaccination** progress.

GPW—Gross premiums written. f—Forecast. As Mexican insurers are multiline entities writing life and non-life business, there is no available segment information to estimate return on equity and return on assets for life insurers. For inflation, we used S&P Global Ratings' assumptions for consumer price index growth. Source: S&P Global Ratings.

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- Is The Global Reinsurance Sector About To Turn A Corner?, Sept. 6, 2022

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