

TRENDS ON THE EUROPEAN LIFE INSURANCE SECTOR

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ABSTRACT: *The purpose of the paper is to present the evolution and changes occurred on the European life insurance market in the recent years based on the official statistic data available at the Swiss Re Institute and Insurance Europe. Discussions are on the dimension of the European life insurance market: size, structure, trends and their place on the global insurance market. The main trends in this sector in last years, is based on the most important aspects such as share of this sector in the European insurance market, written premiums, and benefits paid, types of the life insurance contracts and density and penetration degree of the life insurance sector.*

KEY WORDS: *insurance, life insurance, health insurance, non-life insurance, premiums, claims paid, benefits paid, unit-linked.*

JEL CLASSIFICATION: *G22.*

1. INTRODUCTION

The insurance sector is based on a complex and dynamic activity of the insurance companies having an important role in the economic development of a country. The overall economic environment in 2015 it improved slightly, remained unfavorable for insurers, and also in this environment, The European insurance market growth slowly. The European insurance market is the largest insurance market in the world. Europe is also a very specific region with various culture differences on one hand and manifold different economic foundations on the other. The financial crisis had a different impact on the international insurance market, from one region to other, from one country to other.

Referring to life insurance, the developed countries were less affected than the countries with emergent economy. Life insurance determines a higher level of financial safety for the population, and even a possible reduction of expenditure with social protection and increase of sustainability of the social insurance system. The more rapid

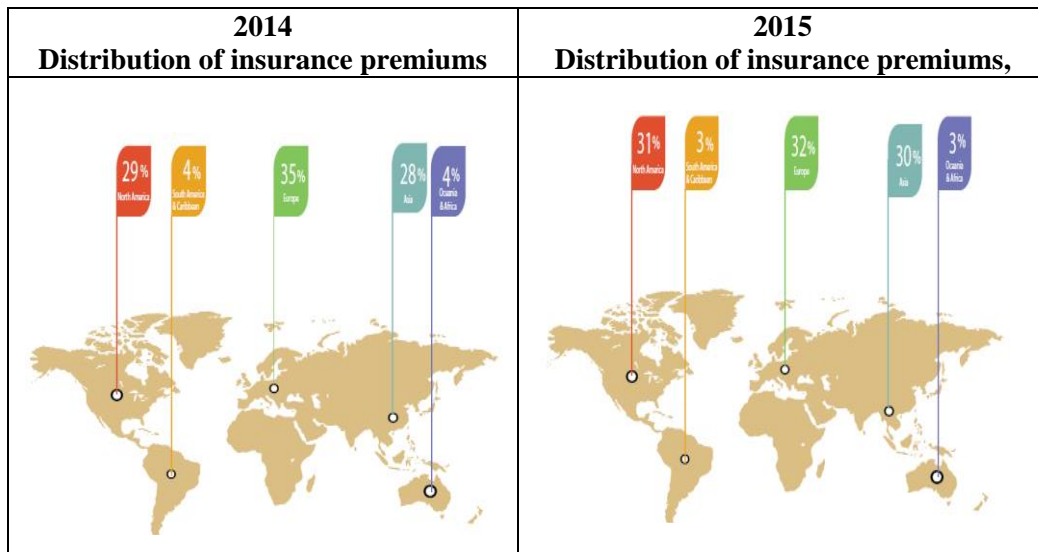
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development of the life insurance market would lead to the development of the economy by a larger investment volume, by a more efficient allocation of the capital, by stimulating long term savings, but also a more rapid development of financial markets (Preda, 2012).

The present paper provides information about the evolution of life insurance in Europe, which have a great influence on the economic development of each country. To achieve the objectives of this paper, we studied statistic data collection, from various reports, publications and statistics available at Swiss Re Institute and Insurance Europe.

2. EUROPEAN INSURANCE MARKET IN THE WORLD

At the end of 2015, taking into account the amount of the insurance premiums, European insurance market, with a share of 32% (percent) of the global market, is the largest in the world, followed by North America (31%) and Asia (30%). At the end of 2014 the share of European insurance market was higher about 35% from global market, also followed by North America (29%) and Asia (28%). A comparative distribution of insurance premium is presented in Figure 1, according to the statistic data collected from Swiss Re and Insurance Europe.



Source: Insurance Europe, *European Insurance Key Fact* (august2015, august 2016) by Swiss Re Sigma No.4/2015: “World insurance in 2014”; Swiss Re Sigma No.3/2016: “World insurance in 2015”

Figure 1. Distribution of insurance premiums in the global insurance market

The situation of the main markets from the world, through the amount of insurance premiums written is presented in Table 1 between 2010 and 2015 and also the share of the European insurance market in the global insurance market through the

premiums written, which demonstrate once again, the place and importance of the European insurance market in the world.

Table 1. Distribution of the insurance premiums around the world / share of the European insurance market, 2010-2015 (\$m)

	2010	2011	2012	2013	2014	2015
Europe	1601565	1639959	1551882	1630607	1713176	1508604
Asia-Pacific	1213622	1338011	1397868	1318716	1388538	1399151
North America	1278613	1345592	1398468	1391156	1397751	1432905
Latin America & Caribbean	130630	155460	166971	173836	179283	159277
Middle-East and Africa	85544	94947	99291	100201	104987	102416
Total	4309974	4573969	4614480	4614516	4783735	4602353
Share of Europe	37%	36%	34%	35%	35%	32%

Source: Swiss Re (2010, 2011, 2012, 2013, 2014, 2015)

The share of the European insurance market decreased in the last years 2010-2015, but still remains the largest in the world insurance market.

3. TRENDS OF THE EUROPEAN LIFE INSURANCE MARKET

The size of the insurance market was assessed taking into account, mainly, the total volume of the written premiums and benefits paid. Based on data collected and processed, from Insurance Europe, in the period 2010-2015, the evolution of written premiums, cumulated for the two insurance classes –non-life and life, and their share on the European insurance market are presented in Table 2, Table 3.

Table 2. Evolution of gross written premiums in Europe, 2010-2015 (€ bn)

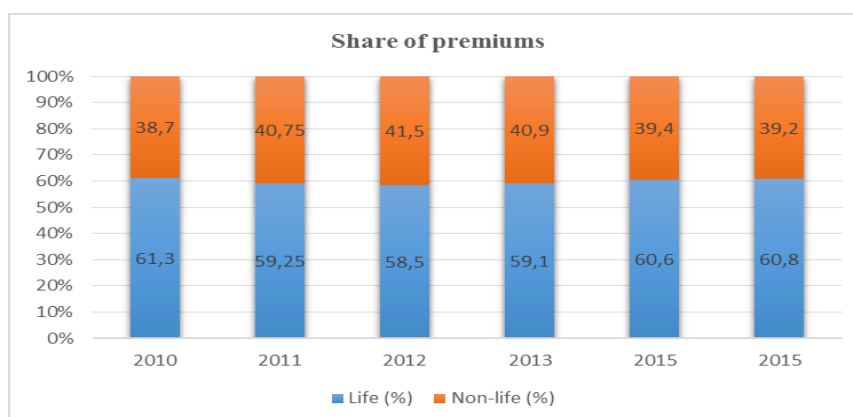
Year	Written premiums European insurance sector (€ bn)	Written premiums from non-life insurance (€ bn)	Written premiums from life insurance (€ bn)
2010	1104	427	677
2011	1075	438	637
2012	1080	448	632
2013	1103	450	651
2014	1157	456	701
2015	1211	475	736

Source: based on data from Insurance Europe Database (2010, 2011, 2012, 2013, 2014, 2015), <https://www.insuranceeurope.eu/insurancedata>

Table 3. Share of the written premiums in Europe, 2010-2015 (life and non-life insurance)

Year	2010	2011	2012	2013	2014	2015
Non-life insurance (%)	38.70	40.75	41.50	40.9	39.40	39.20
Life insurance (%)	61.30	59.25	58.50	59.1	60.60	60.80

Source: based on data from Insurance Europe Database (2010, 2011, 2012, 2013, 2014, 2015), <https://www.insuranceeurope.eu/insurancedata>



Source: based on data from Insurance Europe Database (2010, 2011, 2012, 2013, 2014, 2015), <https://www.insuranceeurope.eu/insurancedata>

Figure 2. Evolution of share of the premiums in Europe, 2010-2015

Between 2010 and 2015, written premiums registered a decrease by 6,8% in 2011 and 1,8% in 2012; after this period registered a yearly increasing trend till 2015. In nominal units the premiums written from life insurance in Europe slowly recovered from 677 € bn in 2010, and reached at 736 € bn in 2015. The share of life insurance market is about 60% from total European market, and we have to observe the place of life insurance market in Europe, compared with the Romanian life insurance, where the share of life is only about 20%.

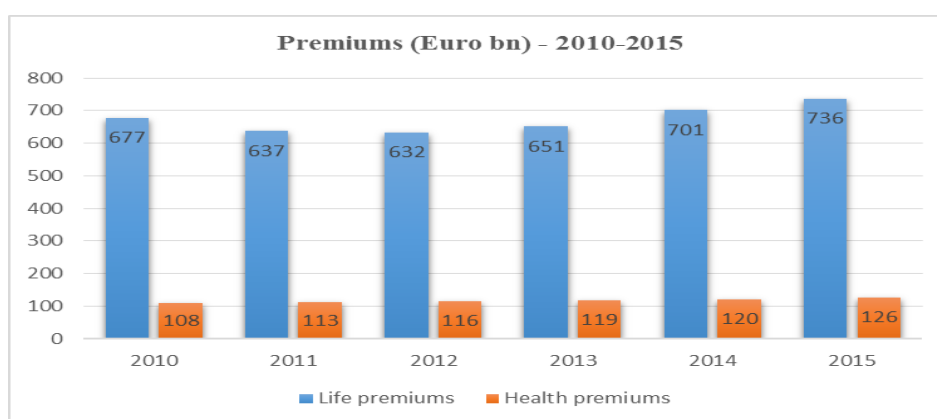
Table 4. Key facts of European life insurance sector, 2010 – 2015

Specification	2010	2011	2012	2013	2014	2015
Life premiums (€bn)	677	637	632	651	701	736
Growth rates (%)	-	-6.8%	-1.8%	4.1%	6.4%	2.8%
Life benefits paid (€bn)	564	635	653	623	627	651
Growth rates(%)	-	11.6%	1.7%	-3.6%	-1.1%	1.7%
Life density (€)	1.142	1.063	1.040	1.078	1.141	1.168
Growth rates(%)	-	-7.0%	-2.2%	3.7%	5.9%	2.3%
Life penetration (% of GDP)	4.67%	4.25%	4.07%	4.19%	4.33%	4.22%
Percentage change	-	-0.42%	-0.19%	0.13%	0.14%	-0.11%

Source: based on data from Insurance Europe Database (2010, 2011, 2012, 2013, 2014, 2015), <https://www.insuranceeurope.eu/insurancedata>

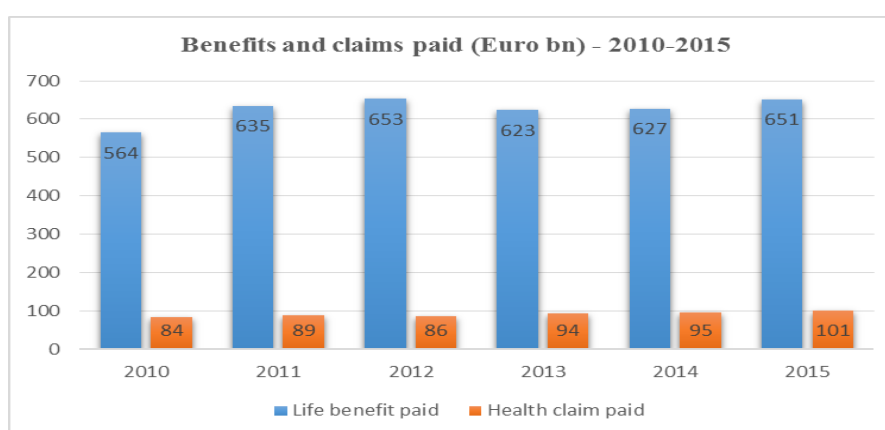
An average of 1.168euro/per capita was spent on life insurance in Europe in 2015, the highest amount since 2010. This represents a 2,3% increase in life insurance density compared with 2014. Life insurance penetration in Europe fell by 0,11% in 2015 when recorded 4,22% compared with 4,33% recorded in 2014. This was due to GDP growing faster in Europe than premiums, the two factors affected this ratio.

According to the report of Insurance Europe (*European Insurance - Key Facts, august, 2016*), the majority (72%) of premiums were written in Europe's four largest life insurance markets: the UK, France, Italy and Germany. Their combined share of Europe's total premiums in 2015 grew by 0,6% year-on-year as a result of strong premium growth in France (5.2%) and Italy (4.0%) offset by a slight decline in premiums in Germany (-1.1%). UK life insurance premiums grew by a steady 1,4%. Significant fall in premium recorded Portugal - 17% reduction in life premiums in 2015, and also, Netherlands and Czech Republic recorded fall in premium — of 16%.



Source: based on data from Insurance Europe Database (2010, 2011, 2012, 2013, 2014, 2015), <https://www.insuranceeurope.eu/insurancedata>

Figure 3. Evolution of life premiums and health premiums in Europe, 2010-2015



Source: based on data from Insurance Europe Database (2010, 2011, 2012, 2013, 2014, 2015), <https://www.insuranceeurope.eu/insurancedata>

Figure 4. Evolution of life benefits paid and health claims paid in Europe, 2010-2015

A comparative evolution of life premiums and health premiums is presented below, and it is observed almost the same trend for both category. Also, a picture of benefits paid for life insurance and claims paid for health insurance. (Figure 3, Figure 4). Comparing the premiums with indemnities from those two categories it is observed that this sector of insurance is efficient in terms of claim ratio.

Table 5. Evolution of claims and benefits paid in Europe, 2010-2015 (€ bn)

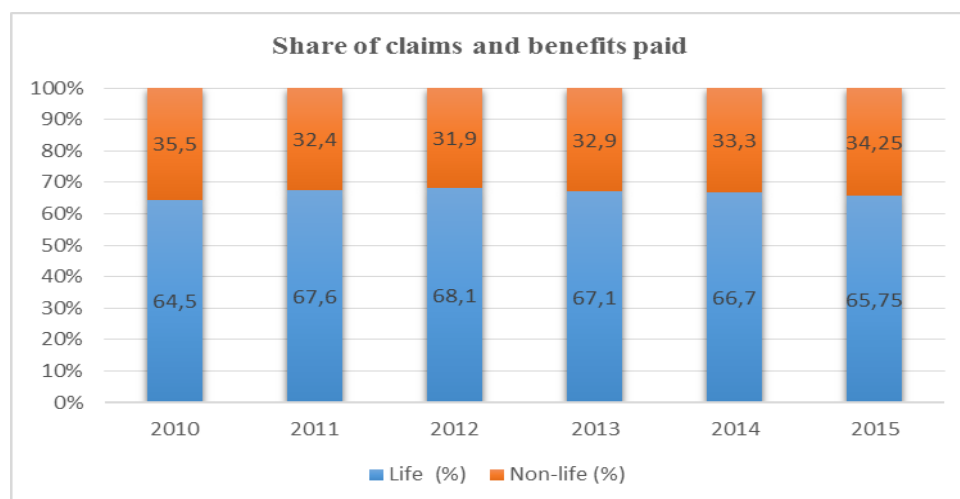
Year	Gross indemnity paid insurance sector (lei)	Claims paid from non-life insurance (lei)	Benefits paid from life insurance (lei)
2010	875	311	564
2011	940	305	635
2012	959	306	653
2013	929	306	623
2014	940	313	627
2015	990	339	651

Source: based on data from Insurance Europe Database (2010, 2011, 2012, 2013, 2014, 2015), <https://www.insuranceeurope.eu/insurancedata>

Table no. 6. Share of the indemnities paid in Europe, 2010-2015 (benefits paid from life and claims paid for non-life insurance)

Year	2010	2011	2012	2013	2014	2015
Non-life insurance (%)	35.50	32.40	31.90	32.90	33.30	34.25
Life insurance (%)	64.50	67.60	68.10	67.10	66.70	65.75

Source: based on data from Insurance Europe Database (2010, 2011, 2012, 2013, 2014, 2015), <https://www.insuranceeurope.eu/insurancedata>



Source: based on data from Insurance Europe Database (2010, 2011, 2012, 2013, 2014, 2015), <https://www.insuranceeurope.eu/insurancedata>

Figure 5. Evolution of share of the benefits and claims paid in Europe, 2010-2015

Between 2010 and 2015, benefits paid for life insurance recorded an increase by 11,6% in 2011, and 1,7% in 2012, a slowly decrease in 2013, and after this period registered a yearly increasing trend till 2015. In 2015 life benefits paid remained broadly stable in Europe, up to 1,7% from 627 €bn to 651 €bn.

The share of benefits paid from life insurance is about 65% from total European market.

Life insurance contracts can take the following forms:

- Individual contracts;
- Group contracts,

Also, and they can be:

- Traditional life contracts;
- Unit-linked contracts;

The share of life premiums by type of contract is presented in Table 7.

Table 7. Share of life premiums by type of contract (%)

Type of contract	2013	2014	2015
Individual	75.5%	76.7%	79%
Group	24.5%	23.3%	21%
Total	100%	100%	100%
Traditional life	81.2%	81%	80.8%
Unit-linked	18.8%	19%	19.2%
Total	100%	100%	100%

Source: based on data from Insurance Europe Database (2010, 2011, 2012, 2013, 2014, 2015), <https://www.insuranceeurope.eu/insurancedata>

In 2015 share of premiums from individual life contracts grew by 3,5% and accounted for 79% of all life premiums, compared to 75,5% in 2013. The share of life premiums collected through group contracts decreased from 24,5% in 2013 down 21% in 2015.

Traditional life contracts decreased in the same period from 81,2% in 2013 to 80,8% in 2015. Unit-linked contracts, which provide both risk cover and an investment element, recorded a share of 18,8% in 2013 and their share of total life premiums increased up to 19,2% in 2015.

4. CONCLUSIONS

Insurance sector has a major contribution to economic growth and development. Insurance sector through activity conducted by the insurance undertakings provides risk transfer and indemnification. Life insurance segment provides long term-investments in economy, promoting financial stability.

European insurance market is a leader in the world insurance industry based on its size and its levels of innovation. In 2015, it remained the largest market in the world with a 32% share of global premiums. In the paper we emphasized the size and importance of the Life European insurance market; it continued to grow in 2015, up to 1,5% compared with the previous year.

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