Hurricane season off to a typically slow start

by USATODAY.com

World insurance premium volume fell for the first time since 1980 by 2 percent after years of expansion, according to a report released by Swiss Re.

In its study, â€œWorld Insurance in 2008,â€• the Zurich, Switzerland-based carrier said non-life premiums shrank by 0.8 percent in 2008 compared to the previous yearâ€™s growth of 1.5 percent.

The carrier noted that non-lifeâ€™s decrease was slight compared to the global life insurance sector which fell by 3.5 percent last year after rising 5.1 percent in 2007.

The declines took place in industrialized countries while emerging markets continued to register double-digit growth, Swiss Re said.

In U.S. dollar terms, global premium income rose slightly from $4.13 billion in 2007 to $4.27 billion in 2008.

The report said North America had the biggest drag on premium volume with a negative 2.8 percent growth. The United Kingdom, Germany, Japan, Italy, Spain and Switzerland all experienced lesser amounts of declines.

Growth remained solid for newly industrialized Asian economies at 7.1 percent (down from a long-term trend of 8.7 percent) and increased marginally in select European markets.

Swiss Re said losses from natural catastrophes in 2008 were above the long-term average with incurred losses of $53 billion. Insured man-made disasters totaled $7.7 billion.

In the United States, Hurricanes Ike and Gustav accounted for $24 billion in losses, the carrier said.

Underwriting results continued to deteriorate in the non-life sector, but the combined ratio remained below 100 except for the United States, which reported a combined ratio of 105, and Australia with a combined ratio of 104.

Hurricanes were the major culprit for underwriting losses in the United States, while flooding and brushfires accounted for losses in Australia, Swiss Re noted. Losses suffered by mortgage and financial guaranty insurers were also a factor in losses in the United States.

Swiss Re said between 2002 and 2008, equity increased faster than premium income for non-life insurers, improving the solvency of the global property and casualty industry to 120 percent. However, the financial crisis caused losses in equity value that have not been covered by premiums or value of government bonds.

â€œAs a result, the non-life insurance industry lost 15-to-20 percent of its equity and its solvency ratio slipped below 100 percent,â€• said Swiss Re, bringing solvency levels to their 2004 level.

With low or negative growth predicted by the International Monetary Fund, the industry is expected to remain challenged by the economic crisis, observed Swiss Re.

â€œOn a positive note, as soon as the downward pressure on asset prices comes to an endï¿½ï¿½"usually about six months before the end of a recessionï¿½ï¿½"investment results should recover,â€• Swiss Re said. â€œThis will not only have a positive impact on profitability, but also on shareholder capital and the ability to raise capital.â€•

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