

sigma

World insurance in
2025: a riskier, more
fragmented world order

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Executive summary

Global growth is slowing as US tariff policy reduces trade and heightens geopolitical uncertainty.

Global growth is slowing at a time of large macroeconomic regime shifts. Extreme policy uncertainty is set to persist with the highest US goods tariffs since the Great Depression. Trade wars and protectionism leave no winners and over the long term will relocate trade and production into new patterns globally. In this more fragmented world, firms and consumers face greater risks, including more volatile exchange rates and asset prices. We now expect global GDP growth to slow to 2.3% in 2025 and 2.4% in 2026, adjusted for inflation, from 2.8% in 2024, and to be an average 40 basis points (bps) lower in advanced markets this year at 1.3%. Global growth should be stable since other major economies are indicating they will respond to the US trade shock with greater fiscal and monetary easing. However, this will likely create upside inflation risks too. Large-scale fiscal stimulus represents a structural upside risk to our outlook for sovereign bond yields. At the long end of the yield curve, an initial US “risk premium” is evident and may continue to grow. In our view, such duration risk is still underpriced, particularly for investors with asset-liability models.

US tariffs will affect insurance differently across geographies, likely increasing US loss trends the most.

US tariffs impact the primary insurance industry through premium growth, claims and investment returns, with differing effects by geography. We see the greatest and most direct impact on non-life claims severity in the US, most notably in US motor and construction, though these should be manageable. Outside the US, tariffs are more likely to be disinflationary, reducing pressure on claims. Premium growth will likely be lower in the environment of economic slowdown, more so in trade-exposed areas such as marine and trade credit insurance, and in sectors like construction. Life insurance sees primarily indirect consequences via financial and labour markets.

The fragmentation of geopolitics, economies and markets could have serious long-term risk and cost impacts.

The long-term regime shift towards fragmentation of economies and markets implies serious risks and costs for insurance. Trade barriers and supply chain disruptions or reshoring may push up inflation for prolonged periods, feeding into higher claims costs. Restrictions on free capital flows for re/insurers can lead to inefficient capital allocation, higher capital costs, and higher insurance prices, possibly curtailing insurability of peak risks. For example, after the exceptional 2005 US hurricane season, 12% of US insurers received reinsurance payments equal to 100% of their equity, and 23% received payments exceeding one-third of equity. Fragmentation could reduce the insurability of such peak risks. Political fragmentation reduces international cooperation on mitigating critical global risks such as climate change, pandemics, and cyber risks, increasing global exposures. Society ultimately bears the cost of fragmentation as firms and individuals have less insurance coverage, keeping protection gaps wide.

Non-life rates are softening and premium growth decelerating, but higher re-investment yields should support profits.

The primary non-life insurance sector is seeing decelerating premium growth as insurance pricing softens and policy uncertainty cuts economic momentum. We forecast 2.6% growth in real terms in 2025 (vs 4.7% in 2024) and 2.3% in 2026. Localised pricing strength remains in areas such as US casualty due to their higher loss cost trends, but will likely not be sufficient to offset the overall growth downtrend. Still improving investment results will be a key driver of Property & Casualty (P&C) sector profitability in the next three years. We see global P&C underwriting results broadly stable at around 1.5% to 2% of net premiums earned, and we estimate industry return on equity (ROE) at 9.7% from 2025 onward.

Life insurance premium growth is down from past year highs but the profitability outlook remains strong.

We forecast primary global life insurance premium growth to slow to 1% this year in real terms, after a strong 6.1% gain in 2024. The life markets in both advanced and emerging regions will likely grow below trend in 2025, recovering in 2026. Policyholders are cautious amid high uncertainty, tilting demand towards saving products that offer a store of value. We expect global life insurance premium volumes to reach USD 5.1 trillion by 2035, primarily driven by saving premium rises. Protection business should stay resilient unless uncertainty weighs on economic growth and labour markets for an extended time. Resilient demand for spread-based business, rising investment returns and mortality rate reversion to pre-pandemic norms underpin a positive profitability outlook.

Key takeaways

We lower our growth forecasts globally as tariffs disrupt activity in 2025

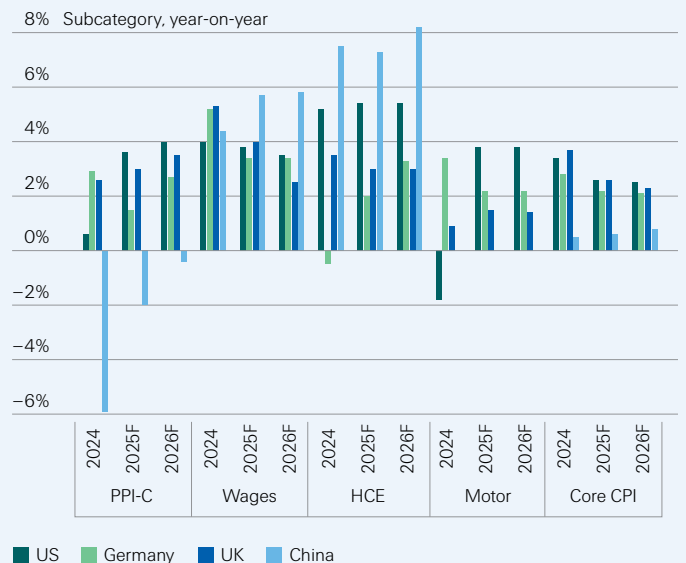
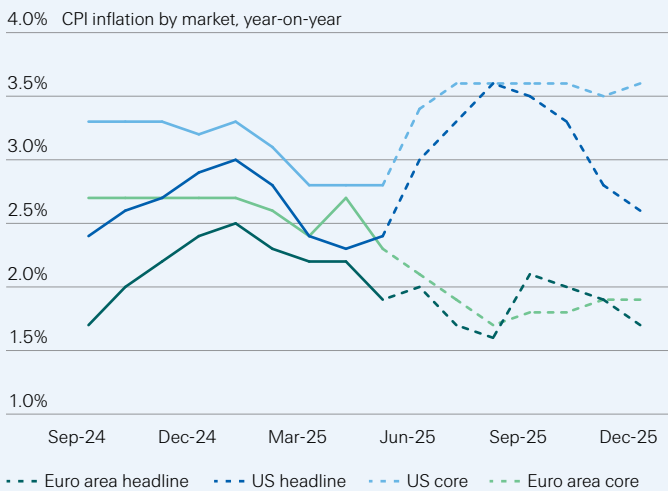
US tariffs add to the slowing momentum in the US economy, while Europe should see a brighter picture in 2026 from more supportive fiscal policy.

	Swiss Re Institute			Consensus	
	2024	2025F	2026F	2025F	2026F
Real GDP (% change)					
Global	2.8	2.3	2.4	2.3	2.4
US	2.8	1.5	1.8	1.4	1.6
Euro area	0.8	0.8	1.3	0.9	1.1
China	5.0	4.7	4.3	4.5	4.2
CPI (% change)					
Global	5.2	3.5	3.0	4.3	3.6
US	3.0	3.0	2.6	3.0	2.8
Euro area	2.4	2.0	2.0	2.0	1.9
China	0.2	0.3	1.3	0.3	1.0
10-year government bond yield (%)					
US	4.6	4.2	4.0	4.3	4.1
Euro area	2.4	2.7	2.9	2.6	2.8
China	1.7	1.8	2.1	1.6	1.7
Central bank rate (%)					
US	4.4	3.9	3.4	3.9	3.3
Euro area	3.0	1.8	1.8	1.8	2.0
China	1.5	1.2	1.0	-	-

Note: IMF used for global GDP and CPI consensus, where GDP is FX-weighted and CPI is PPP-weighted. SRI's global GDP and CPI are both FX-weighted.
 Source: Bloomberg, IMF, Macrobond, Swiss Re Institute

Tariffs will cause higher inflation in the US, disinflation for the rest of the world

The US will impose the highest tariffs in almost a century, which we expect will drive up US inflation. For countries outside the US, the negative demand shock will dominate the cost-push supply shock leading to a net disinflationary impact (right-hand chart).

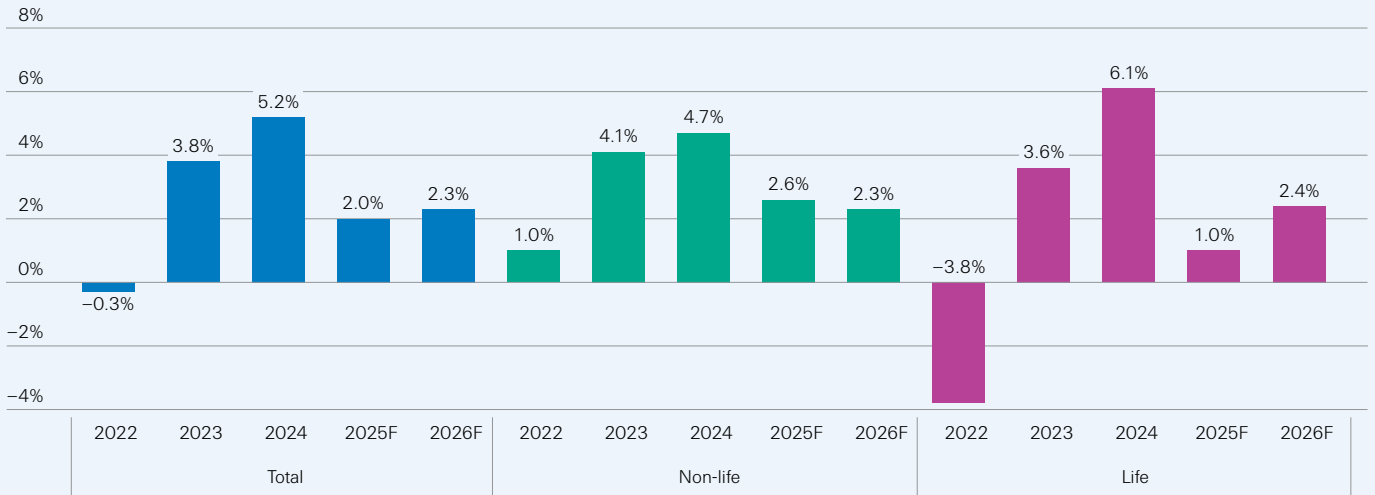


Note: PPI-C stands for producer price index for construction. HCE means healthcare expenditures and refers to overall expenses on the health sector from governments, firms and households, rather than medical CPI.
 Source: Macrobond, Swiss Re Institute

The insurance industry will feel the effect of a weaker global economy

We forecast slower premium growth in both the life and non-life sectors, impacted by the unstable policy environment. In non-life, competitive pressures and soft market conditions add downside risk.

Real premium growth, total, non-life and life, 2022–2026F



Source: Swiss Re Institute

Higher tariffs to primarily hurt US premiums growth and claims severity

US tariffs are likely to increase insurance claims severity in the US, and may dampen insurance demand, especially in the US and for specialty lines tied to economic activity (ie, credit and surety, marine and engineering).

Assessment of different scenarios by line of business, combining claims and premiums impact on loss ratios

	Baseline		Deteriorating trade war		Prolonged trade war	
Tariff assumptions	Reciprocal tariffs are negotiated down to a 15% effective rate. Significant exemptions granted. Only partial retaliation.		Reciprocal tariffs are negotiated down to an effective rate of 20%. Partial retaliation.		Reciprocal tariffs are maintained with effective tariff rates over 30%. Significant retaliation.	
Insurance impact	US	RoW	US	RoW	US	RoW
Property	Moderate negative impact	Limited impact	Significant negative impact	Significant negative impact	Significant negative impact	Moderate negative impact
Motor	Moderate negative impact	Limited impact	Significant negative impact	Limited impact	Significant negative impact	Moderate negative impact
Casualty	Limited impact	Limited impact	Moderate negative impact	Limited impact	Moderate negative impact	Moderate negative impact
Specialty	Moderate negative impact	Moderate negative impact	Significant negative impact	Moderate negative impact	Significant negative impact	Significant negative impact

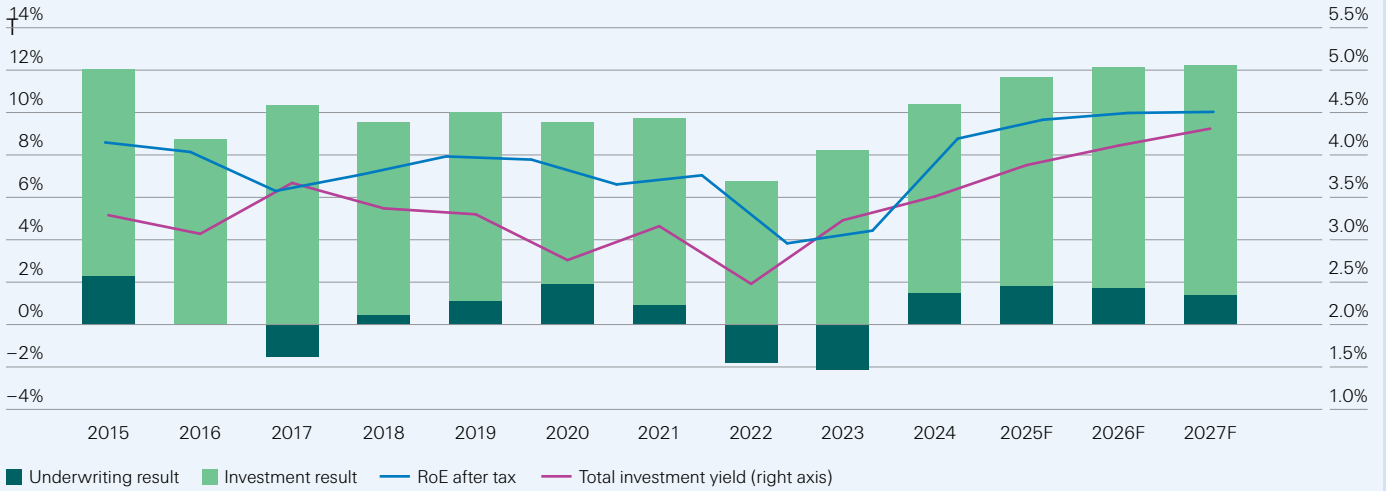
● Significant negative impact
 ● Moderate negative impact
 ● Limited impact

Source: Swiss Re Institute

Non-life insurance profitability forecast to stay resilient in our sample of seven major markets*

We forecast P&C industry ROE to rise to 9.7% in 2025 and stay steady through 2027, with broadly stable underwriting and improving investment results.

Non-life insurance underwriting and investment results (in % of NPE, left axis) and ROE and investment yield (% , right axis), seven major non-life markets

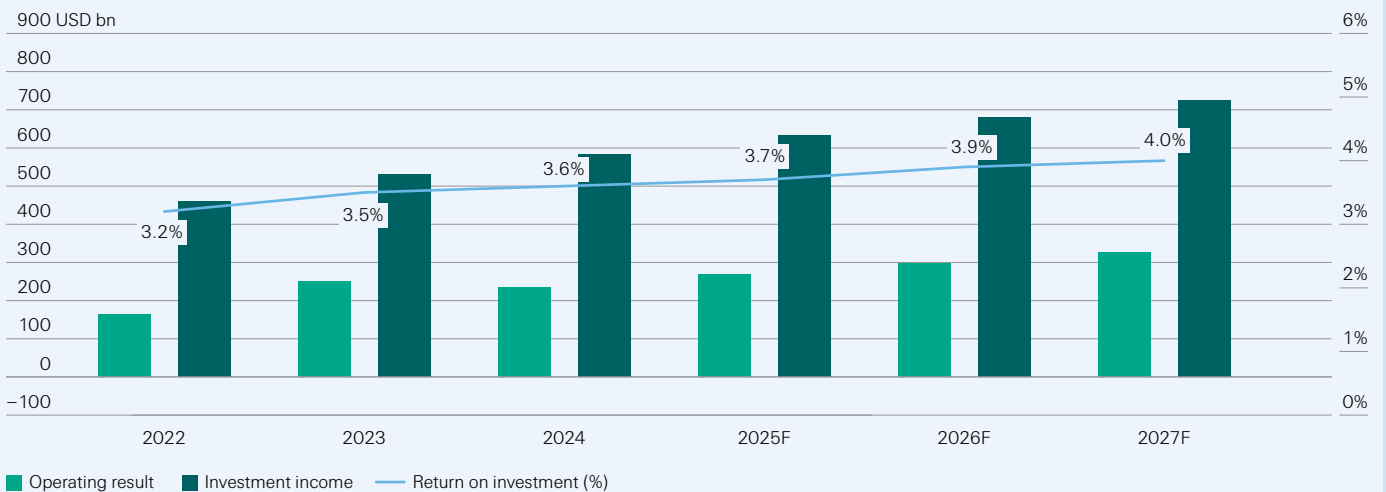


*The seven markets are Australia, France, Germany, Italy, Japan, the UK and the US. Source: Swiss Re Institute

Life insurance sector to see further profitability improvement as investment returns rise

We expect profitability in our sample of eight major global life insurance markets* to improve this year and next. Our model forecasts aggregate return on investment (ROI) to reach 4% by 2027, driven by rising long-term sovereign yields and reduced lapse pressures.

Life insurance operating result and investment income (USD billion, left axis) and return on investment (% , right axis), eight major life markets



*The eight markets are Australia, Canada, France, Germany, Italy, Japan, the UK and the US. Source: Swiss Re Institute

Macroeconomic environment for insurers

The world economy is slowing and will grapple with rising fragmentation in the medium term. We forecast global real GDP growth of 2.3% in 2025 and 2.4% in 2026 (2024: 2.8%). Major regime shifts from the rapid restructuring of global trade to renewed fiscal stimulus, add impetus to our view of structurally higher inflation and long-term government bond yields. While high reciprocal US tariffs announced in April are likely to be negotiated lower, final tariff rates are set to be a stagflationary headwind in the US this year. In an environment of extreme uncertainty and still-high asset valuations, we see downside risk to financial market pricing.

Back from the brink, but a new order begins

The highest tariff rates since the Great Depression are a stagflationary headwind for the US economy.

The unpredictable nature of US policy changes so far this year has triggered some questions about the US economy's long-standing recognised status as a safe haven for global capital. There is likely no going back to the open world trading economy prior to the US "Liberation Day" of 2 April 2025, and we have lowered growth expectations for most major markets in 2025. For the US, we anticipate the economy will experience another stagflationary shock in the second half of this year.

The environment of protectionism and US isolationism raises costs and long-term fragmentation risks.

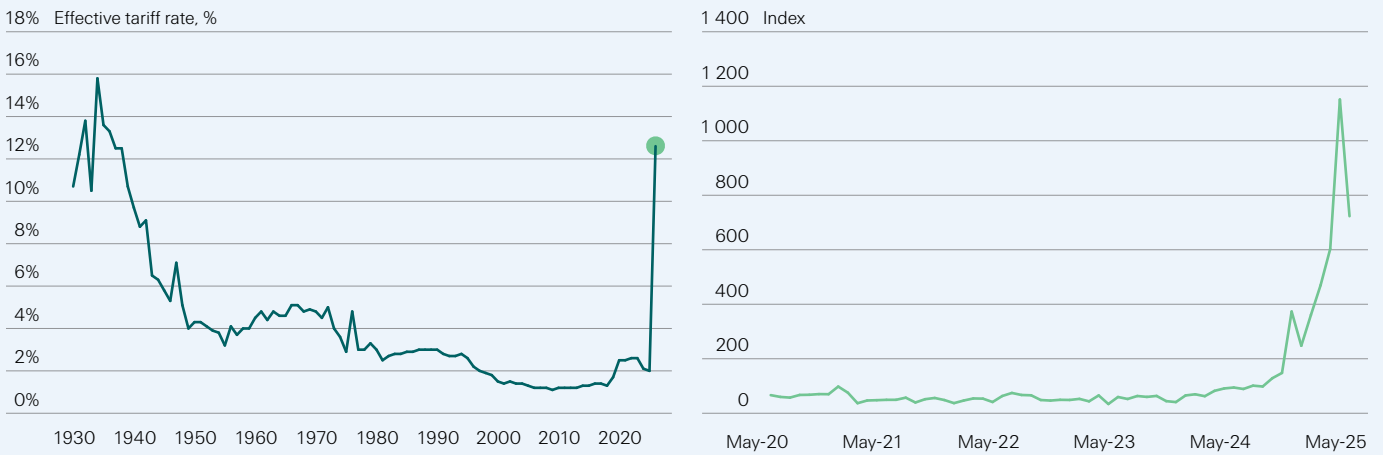
As global supply chains become less efficient and domestic US industries more protected from international competition, on aggregate US inflation is set to move structurally higher. In this more fragmented world of heightened US isolationism, firms and consumers will face greater risks including more volatile exchange rates and asset prices. The re-escalation of geopolitical tensions in the Middle East heightens these risks. At the same time, the ability of the insurance industry to spread and absorb risk globally is under increased strain as the prospect of US capital controls (such as taxes on dividends paid to foreigners, or on remittances) become just one of potentially several regime shifts.

Supply chain disruptions and impacts on spending due to uncertainty are not yet fully captured by macro data.

Uncertainty bites: policy volatility is weighing on the global economy

It seems a pattern to US tariff policy setting is taking shape: initial threats of extremely high tariff rates (for example, 145% and 50% on Chinese and EU goods, respectively) are followed by partial pauses or amendments. Still-unresolved negotiations with US trading partners are creating unprecedented policy uncertainty as 1) final tariff rates remain unclear; 2) further sectoral tariffs are possible (eg, on semiconductors and pharmaceuticals); and 3) pauses and delays (including legal challenges) do not guarantee that the US administration will not raise tariffs again. Once policy discussions are finalised later this year, we expect the effective tariff rate on imports into the US to settle at about 15%, close to peaks last seen in the Great Depression almost a century ago (see Figure 1).

Figure 1
US effective tariff rate (figure on left), and trade policy uncertainty index (right)



Source: USITC, Macrobond, Swiss Re Institute

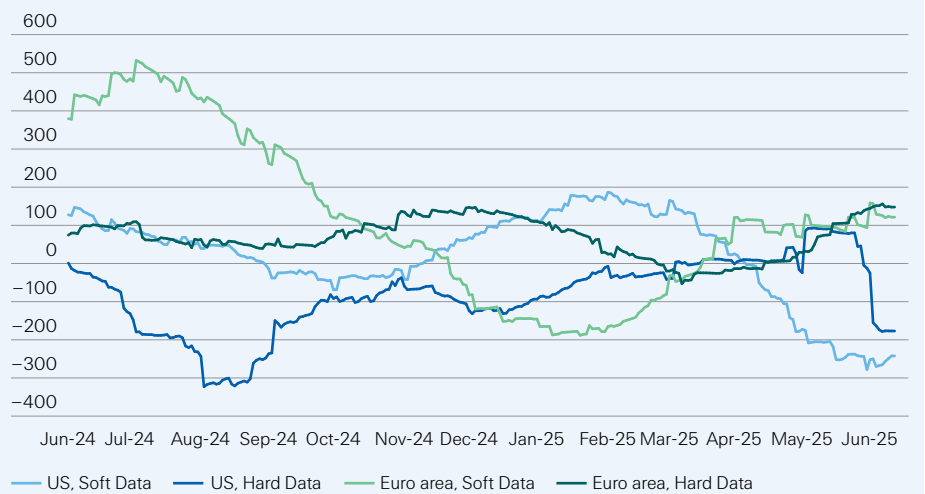
The most direct impact will likely be on trade flows.

The limitless configuration of tariffs – and non-tariff barriers – leave more questions than answers, but the most direct impact will be on trade flow volumes. The frontloading of exports may limit the fall in flows in 2025. But as tariffs subsequently bite, the OECD estimates that by the fourth quarter of 2026, global trade volumes will be 2.1% lower than they would otherwise have been.¹

The negative growth impact of tariffs not yet evident in macro data, but we expect it to converge towards more pessimistic surveys.

The early weeks of the second quarter of 2025 saw a sharp negative response in surveys or “soft” data, with “hard” data (eg, industrial production, consumer spending, trade volumes) remaining resilient (see Figure 2). We see this lagging divergence narrowing in the rest of 2025 and early 2026, as corporations are increasingly exposed to higher tariffs, reducing investment and weighing on consumer demand through higher prices. This economic backdrop of slowing income growth and weaker labour markets implies reduced insurance demand.

Figure 2
Change in Citi’s Hard and Soft Data indices for the US and euro area



Source: Citi, Macrobond, Swiss Re Institute

¹ *Economic Outlook*, Volume 2025 Issue 1, OECD, 3 June 2025.

US real GDP growth is to slow sharply to 1.5% this year.

After several years of fast growth, we expect the US economy to slow to 1.5% this year (from 2.8% in 2024) and remain below 1.9% trend growth until the second quarter of 2026. Signs of late-cycle dynamics are materialising, including a steadily weakening labour market, higher credit card delinquency rates, some corporates pausing guidance while warning of slowing demand, and a rising savings rate due to greater caution from consumers. We expect corporate margin compression from higher tariff rates to ultimately result in reduced hiring, accelerating employment weakness and putting upward pressure on the unemployment rate through the first half of next year.

US growth should improve next year as the economy adjusts.

Later in 2026, we expect a rebound from the 2025 tariff shock, with firmer growth of 1.8% as the economy adjusts to a “new normal” of higher tariff rates, supported by a stabilisation in labour market conditions. Over the medium to long term, however, the reduced flow of goods, services, finances and people is expected to pose a structural headwind to potential growth.

Europe is also facing significant tariff uncertainty, but easier monetary and fiscal policy can support a rebound.

In Europe, weaker growth in 2025 could give way to a brighter picture in 2026 from a more expansionary fiscal stance from the German government, and also supportive credit conditions due to further interest rate cuts by the European Central Bank (ECB). The frontloading of exports (particularly from Ireland) ahead of the global tariff shock temporarily boosted euro area growth in the first quarter of 2025. We expect policy uncertainty alone will weigh on economic activity and forecast lower growth of 0.8% this year. US-EU trade negotiations are clearly the main risk to the baseline outlook.

US-China trade war adds to downside risks for the Chinese economy.

We expect China’s GDP growth in 2025 to slow to 4.7%, further affected by disrupted economic activity and persistent uncertainty. The tariff rate on Chinese goods remains elevated at 34% despite the major reduction from what was essentially a full embargo. The lower rate is only in effect for 90 days (until 12 August), with negotiations ongoing. Chinese exporters to the US and related manufacturers will face pressure to diversify export destinations, which will take time and constrain short-term economic momentum.

Table 1

Key economic indicator forecasts: Swiss Re Institute and consensus

	Swiss Re Institute					Consensus	
	2024	2025F	2026F	2010–2019	2025–2034F	2025F	2026F
Real GDP (% change)							
US	2.8	1.5	1.8	2.3	1.8	1.4	1.6
Euro area	0.8	0.8	1.3	1.4	1.2	0.9	1.1
UK	1.1	1.0	1.2	2.0	1.3	1.0	1.1
Japan	0.1	0.8	0.6	1.2	0.8	0.8	0.8
China	5.0	4.7	4.3	7.7	3.8	4.5	4.2
Global	2.8	2.3	2.4	3.1	2.4	2.3	2.4
Advanced economies	1.9	1.3	1.5	2.0	1.6	–	–
Emerging economies	4.2	3.8	3.7	5.0	3.4	–	–
CPI (% change)							
US	3.0	3.0	2.6	1.8	2.3	3.0	2.8
Euro area	2.4	2.0	2.0	1.4	2.1	2.0	1.9
UK	2.5	3.3	2.5	2.2	2.4	3.1	2.3
Japan	2.7	3.0	1.8	0.5	2.1	2.8	1.8
China	0.2	0.3	1.3	2.6	1.7	0.3	1.0
Global	5.2	3.5	3.0	3.0	2.8	4.3	3.6
Advanced economies	2.7	2.6	2.3	1.5	2.2	–	–
Emerging economies	8.7	4.7	4.1	5.4	3.6	–	–
10-year govt. bond yield (%)							
US	4.6	4.2	4.0	2.4	4.2	4.3	4.1
Euro area	2.4	2.7	2.9	1.0	3.0	2.6	2.8
UK	4.6	4.5	4.7	1.9	4.5	4.2	4.1
Japan	1.1	1.4	1.5	0.5	1.6	1.5	1.7
China	1.7	1.8	2.1	3.5	2.4	1.6	1.7
Central bank rate (%)							
US	4.4	3.9	3.4	0.7	3.2	3.9	3.3
Euro area	3.0	1.8	1.8	–0.2	1.9	1.9	2.2
UK	4.8	4	3.5	0.5	2.8	3.7	3.3
Japan	0.3	0.8	1.0	0	1.0	0.7	0.9
China	1.5	1.2	1.0	3.0	1.5	–	–

Source: Bloomberg, IMF, Macrobond, Swiss Re Institute

Emerging markets hope to be spared the worst of the US reciprocal tariffs.

In emerging markets, the 90-day pause to US reciprocal tariffs offered hope of a step back from potentially punitive tariff rates, particularly on some APAC countries (eg, 46% on Vietnam, 37% on Thailand, 32% on Indonesia). However, US dollar depreciation against many emerging market currencies since Liberation Day adds further pressure on emerging market exporters. We have broadly downgraded our GDP growth expectations for many emerging markets, although the silver lining of a weaker US dollar is lower import inflation and reduced risk of sudden capital outflows. This should give emerging market central banks room to cut interest rates earlier and by more through 2025, especially as domestic inflation has generally remained low.

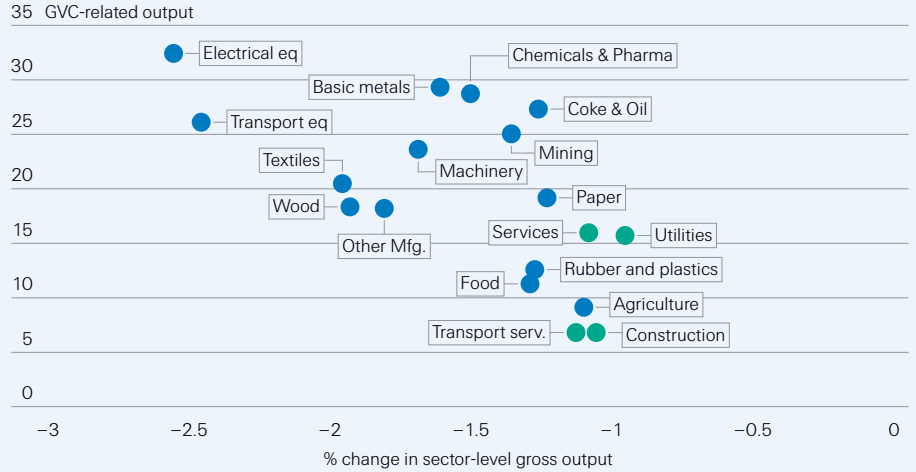
The new macro environment increases the likelihood of downside scenarios.

Alternative policy scenarios need to be watched and kept close to home

The frequency of policy shocks, and regime shift to accelerated fragmentation, increase the likelihood of alternative downside policy scenarios that would lead to a weaker economic outlook. While not our baseline, a US recession this year or next is possible if trade negotiations falter and the effective tariff rate jumps. With tariffs at 20%, we envisage a *deteriorating trade war* scenario resulting in US GDP growth of 1.1% this year and 0.9% in 2026; a >30% tariff rate results in a *prolonged trade war* scenario, with US growth as low as 0.8% this year and 0.4% in 2026 (see Table 2). We also consider a *loss of trust* scenario, where persistent policy uncertainty triggers accelerating capital outflows from the US, leading the US 10-year sovereign bond yield to rise above 5% in 2026. Global spillovers to the euro area and China become more acute under these downside scenarios.

inputs to the US are exempted) and significant impact on auto claims inflation is therefore likely (see next chapter), although the severity of inflationary shocks will vary by region.

Figure 3
Change in sector-level global gross output by global value chain intensity under the equivalent of a prolonged trade war scenario

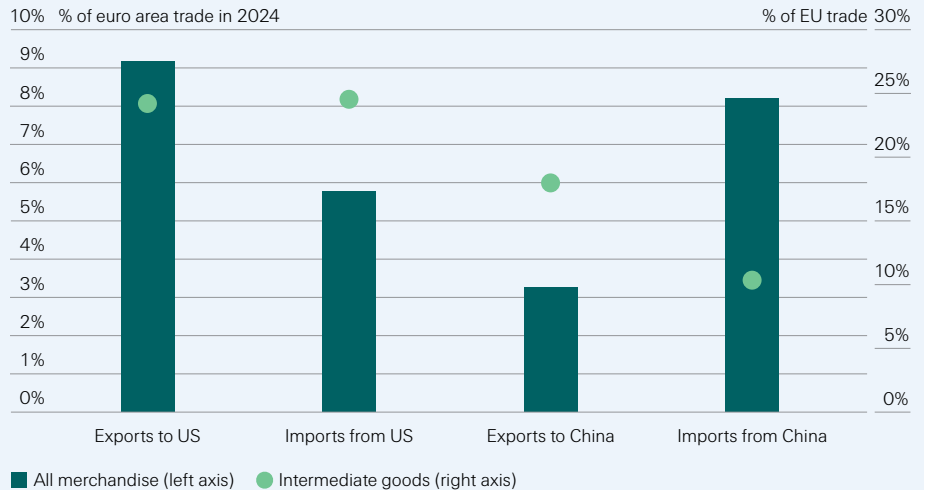


Source: *Roaring tariffs: The global impact of the 2025 US trade war*, VoxEU, 6 May 2025.

US-China tariffs are most disruptive to US supply chains.

The dependence of many US supply chains on inputs from China makes the country-specific tariffs on Chinese imports particularly disruptive. Research has found that among the US sectors that import that most intermediate inputs, China's value added as a share of the total value of inputs are three times higher on average than for the next closest supplier.² In the clothing and electronics sectors, China's share exceeds that of the other top 10 suppliers put together. This reflects that China is also the top and growing supplier to the other countries that supply the US.³

Figure 4
EU exports and imports to the US and China



Note: WITS data for intermediate goods flow are from 2019 and at the EU level.
Source: Eurostat, Macrobond, WITS, Swiss Re Institute

Europe and China will likely seek to diversify trade relations away from the US.

By contrast, China (and the US) account for a smaller share of Europe's trade, and the US-China trade war has thus far not extended into third countries.

Higher US tariffs are a stagflationary cost-push supply shock

A stagflation shock for the US, disinflation for the world

Global inflation dynamics by country will be different under a tariff supply shock. US inflation is likely to re-accelerate in the coming months. We expect the 15% effective

² *Hidden Exposure: Measuring US Supply Chain Reliance*, National Bureau of Economic Research, Oct 2023.
³ *As the US is Derisking from China, Other Foreign US Suppliers Are Relying More on Chinese Imports*, Federal Reserve, 2 August 2024.

tariff rate in the US will lift CPI inflation to an annual average of 3.0% this year. In Europe and China, the pressure is more likely to be disinflationary, due to weaker demand.

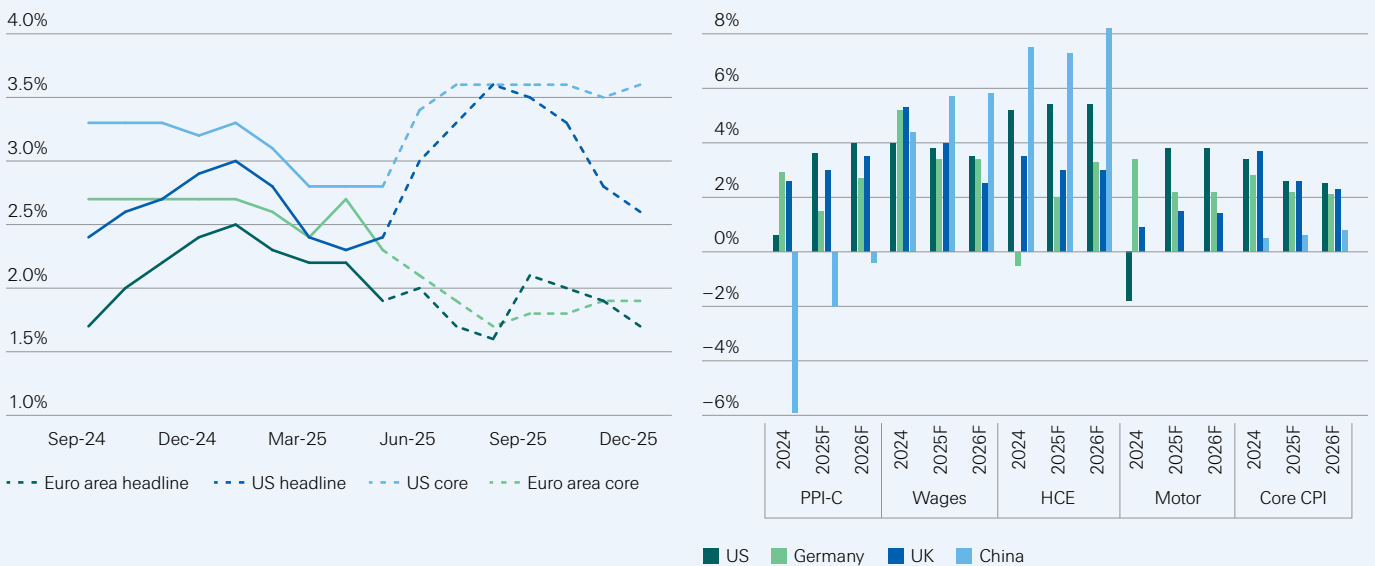
Fiscal and labour market conditions point to a less stressed inflation environment in this shock.

However, the tariff supply shock is different in kind and degree to the COVID-19 or Russia/Ukraine shocks. There is no repeat of the huge coordinated fiscal stimulus response between the US and other countries like during the pandemic. Labour market conditions have been weakening prior to the tariff announcement, meaning less concern over a wage-price spiral, with labour shortages largely alleviated. Tariffs have long-term impacts on productivity and inflation, as they would protect relatively inefficient industries and resource allocations. Inflation could become structurally stickier closer to 3% as US firms re-shore supply chains and inflation expectations settle at higher levels.

Adding to the mix of global uncertainty is the latest conflict between Israel and Iran.

The latest conflict between Iran and Israel is another reminder of the economic crisis posed by geopolitical conflicts. The conflict prompted an initial 10% increase in oil prices. Under a worst-case outcome, where the Strait of Hormuz (responsible for moving about 20% of global oil supplies) is closed, oil prices could rise toward USD 150 per barrel. This would simultaneously raise US inflation to nearly 5% while reducing US GDP growth by as much as 50bps. While the likelihood of such an adverse outcome remains low, it adds to the theme of global fragmentation that introduces greater downside risk to the outlook.

Figure 5
CPI inflation rates, by market and subcategory, year-on-year



Note: PPI-C stands for Producer price index for construction. HCE means healthcare expenditures and refers to overall expenses on the health sector from governments, firms and households, rather than medical CPI.
Source: Macrobond, Swiss Re Institute

European inflation is more likely to fall due to weaker demand, assuming no retaliatory tariffs on US goods.

We expect euro area inflation to fall to the ECB’s 2% target in 2025, then rise in 2026 as growth strengthens. Inflation is already below 2% in France and Italy, but stickier in the Netherlands and Germany. We expect tariffs to be net deflationary as weaker aggregate demand dominates over the cost-push tariff impact. The partial redirection to Europe of goods from China and other Asian economies affected by US tariffs should also put some downward pressure on prices (although de-escalation between China and the US may reduce this).⁴ Exchange rate moves have a relatively limited impact in Europe due to US imports’ lower share in the euro area trade basket.

Japan is likely to be one of the few countries in which interest rates are raised this year.

In Asia, Japan’s inflation firmed in early 2025, but we see moderation by the end of the year and in 2026, anchored around the 2% target, as pressures from past price rises

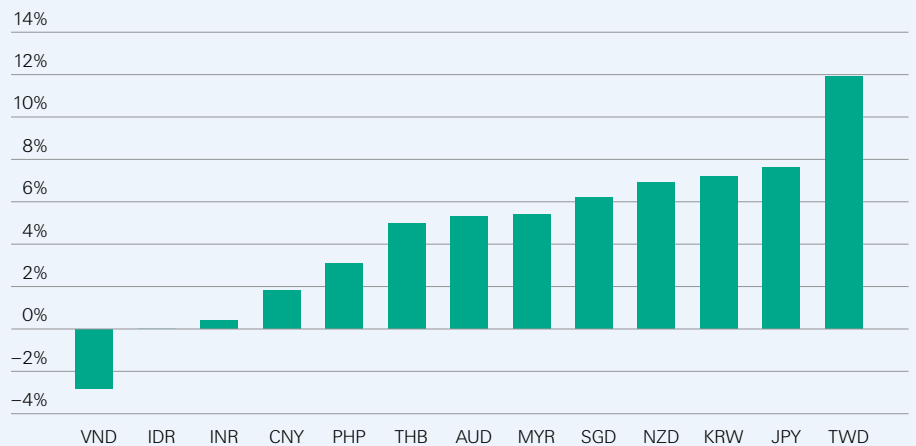
⁴ US-China trade respite eases EU fears of being flooded with Chinese goods, Reuters, 13 May 2025.

abate. Risks to inflation remain to the upside, based on high food prices and sustained increases in future union wage expectations/settlements. The Bank of Japan will stand out as one of the few central banks to increase interest rates in 2025. Yet if deflation is widely seen as over, then the real policy rate will remain negative, with room for both short- and long-term interest rates in “low-yield anchor” Japan to normalise upward. A key risk scenario is the potential for global bond yields to rise as capital flows back into Japan if confidence in the US dollar continues to erode.

China’s economy is growing below potential. A de-escalation of trade tensions could bring upside risks, also for inflation.

Deflation risk lingers in China due to soft domestic demand as households continue deleveraging. Headline CPI should remain muted whereas deflationary pressure on China’s production side is likely to persist, compounded by weakening global demand stemming from persistent trade tariffs and supply chain realignments. However, the risk around the baseline for China and through exports to the rest of the world is upwards, should 1) further de-escalation of trade tensions with the US; and 2) monetary and especially fiscal policy succeed in reflating the economy.

Figure 6
APAC exchange rates,
year-to-date % change vs USD



Source: Macrobond – data as of 3 July 2025.

China has notably refrained from devaluing its currency in response to US tariffs, and could anchor other regional currencies

We expect further cuts to policy interest rates and the reserve requirement ratio (RRR) as the People’s Bank of China (PBoC) has expanded room amid global easing and deflationary pressure to align with fiscal expansion. We expect a gradual and managed movement of the renminbi against the US dollar within a limited range, even in the event of a re-escalation of trade tensions with the US. The PBoC has thus far kept its daily fixings notably steady, in contrast to much larger moves in other currencies. The stability of the renminbi could serve as an important anchor for other regional currencies.

A riskier, more fragmented world order

Central banks face conflicting tensions to their respective policy mandates.

Central banks face conflicting tensions to their respective mandates under the new macroeconomic paradigm. Policy uncertainty in a more fragmented world will require patience to observe economic impacts while large fiscal deficits will increasingly pressure central banks to maintain accommodative policy. In the near term, we expect the US Federal Reserve (Fed) to focus on tariff risks and maintain a restrictive policy rate to combat upside inflation concerns. We forecast two interest rate cuts of a total –50 basis points (bps) to 3.9% by year end 2025. Should growth data surprise to the downside, we see the Fed easing more.

The ECB is likely to end the year at the lowest side of its neutral range.

In Europe, the ECB’s focus is rather to cushion a weaker macroeconomic outlook as it progresses toward its price stability target sooner than the US. We expect the depo rate

will end 2025 at 1.8%, the lowest end of its neutral range. In 2026, we see the narrative shifting from subdued growth and deflationary hits from tariffs and a stronger euro to increased defence spending and strategic autonomy. The PBoC will likely err on the side of monetary accommodation as it battles weak domestic demand.

The direction of sovereign bond yields will be governed by policy changes.

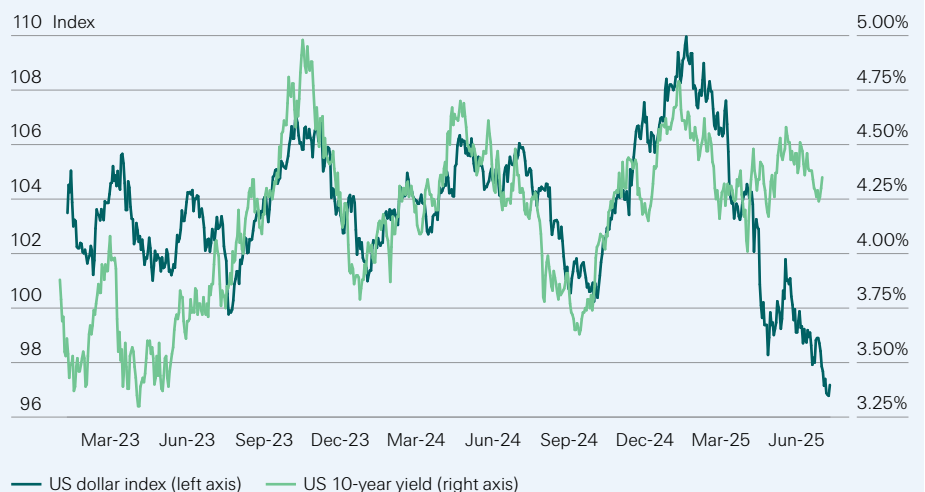
Our near-term outlook for sovereign bond yields also remains highly dependent on the policy outlook. We forecast the US-10 year yield at 4.2% by the end of 2025 as markets increasingly price in future Fed cuts later in the year amid the growth slowdown. In the euro area, we look for German Bund yields to settle at 2.7% before rising further to 2.9% in 2026. However, signs of regime shifts affirm our view of structurally higher interest rates and add upside risk to our near-term forecasts, a shift spearheaded by the US.

Investors are likely to demand a higher premium to hold US assets going forward.

A rising “US risk premium” points toward higher interest rates

At the longer end of yield curve, a “US risk premium” is likely to continue to expand over the coming quarters. This may well reflect dampened confidence among global investors in US assets. The US dollar depreciated notably earlier this year at the same time as US Treasury yields rose (see Figure 7). Investor uneasiness, not just with the direction of US policy direction, but the unpredictable policymaking process has led to an initial “sell America” trade in bond markets. This can also be seen in lower foreign demand at US Treasury auctions in light of a rapidly deteriorating fiscal outlook, resulting in a sharper curve steepening (the 30-year yield is already around 5%, having increased by 57 bps over the past 12 months compared with a 27 bps increase in the 10-year yield).

Figure 7
Divergence between US dollar and 10-year Treasury yields



Source: ICE, US Treasury, Macrobond, Swiss Re Institute

Our alternative downside scenarios highlight the risk of 5% US Treasury yields.

While the *levels* of the US dollar or Treasury yields are hardly historically extreme, the unusual market response warrants attention. Typically, periods of extreme uncertainty result in US Treasuries attracting significant inflows and US dollar appreciation. Our current baseline scenario sees yields falling slightly from current levels, but the *Loss of Trust* scenario sees 10-year US Treasury yields rising above 5% in 2026, which has not happened in over a quarter of a century. That would lead to a more stressful scenario for weaker borrowers. The last time the 10-year Treasury came close to 5% was October 2023 (“the Treasury tantrum”⁵), causing a rapid increase in high-yield corporate credit spreads that peaked at more than 453 bps (not far off the recent peak of 461 bps on 7 April 2025).

Key major economies are poised to increase government spending sharply in the coming years.

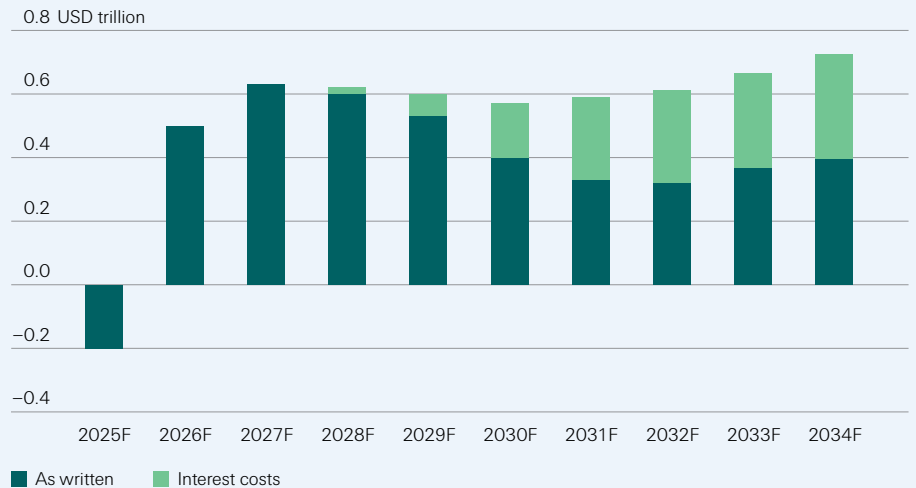
Rising fiscal deficits amplify interest rate tailwinds

The worsening fiscal outlook is a key theme across the US, Europe and China for the coming years. In the US, the recently passed “One Big Beautiful Bill” act would add roughly USD 4.1 trillion to the national debt over the next decade, or USD 5.3 trillion if

⁵ *The Treasury Tantrum of 2023*, Federal Reserve, 3 September 2024.

expiring provisions are made permanent, according to the Committee for a Responsible Federal Budget (see Figure 8).⁶ Interest costs alone would be a large share of borrowing, rising by more than USD 800 billion over the next decade and lifting overall interest payments from USD 900 billion in 2024 to USD 1.9 trillion by 2034.

Figure 8
Forecast US fiscal deficits under the “One Big Beautiful Bill”



Source: US Committee for a Responsible Federal Budget, Swiss Re Institute

We see a significant fiscal impulse in Europe over the next two years.

In Europe, conversely, we factor in a fiscal impulse of 0.6 ppts over 2025 to 2027, driven by the kick-off of Germany’s multi-annual fiscal spending. The German fiscal impulse is expected to peak at 1.1 ppts in 2026 before moderating to 0.5 ppts in 2027 and 0.1 ppts in 2028. We expect sovereign yields in Germany to remain capped by flight-to-safety flows, but the fiscal impulse will lift medium-term yields to a new steady state.

China’s large fiscal deficit will provide a tailwind to the economy.

In China, a higher fiscal deficit of over 4% of GDP from 2025 onwards will similarly provide a tailwind to the economy, with spending targeted at enhancing social welfare, supporting the green transformation, and boosting domestic consumption. However, the effectiveness of the fiscal impulse will be constrained by deep correction of the property sector and the ongoing structural transformation of the economy towards more productive sectors. Given still low inflation or even mild deflation, some upward pressure on sovereign yields in the China market is to be expected.

We see a level shifter in yields across former “low-yield anchors”.

While substantial fiscal measures will stabilise growth rates around the world, it also reinforces the removal of former “low-yield anchors”, which in turn will push up global bond yields. This duration risk remains underpriced, particularly for pension funds and asset-liability models. This also implies mortgage-backed securities and investment-grade credit spreads may also see a material repricing, underscoring our view of further volatility in the coming quarters as markets adjust to a new normal.

Any lessening of Fed independence could have significant interest rate implications.

One of the most important anchors of global investor confidence in the US economy has been the independence of the Fed. History suggests a loss of central bank independence and economic policy inconsistency leads investors to demand greater inflation risk and term premia. Such outcomes are not uncommon in emerging markets, but would represent a significant shock to global markets were it to happen in the US, leading to a notable rise in long-term US Treasury yields. A loss of investor confidence would make it more expensive for the US to sustain fiscal or current account deficits. In the extreme, surging bond yields eventually have several endgames: 1) forced fiscal austerity and a sharp contraction in GDP and employment; 2) greater financial repression such as regulations requiring higher holdings of sovereign debt;⁷ or 3) accelerating inflation and currency depreciation.

⁶ US debt impacts vary across a wide range of estimates.

⁷ *What is financial repression – and should countries embrace it as debt climbs?* World Economic Forum, 25 March 2025.

USD currency fragmentation has been happening gradually over the past two decades.

The restructuring of global supply chains is likely to accelerate global fragmentation in the coming years.

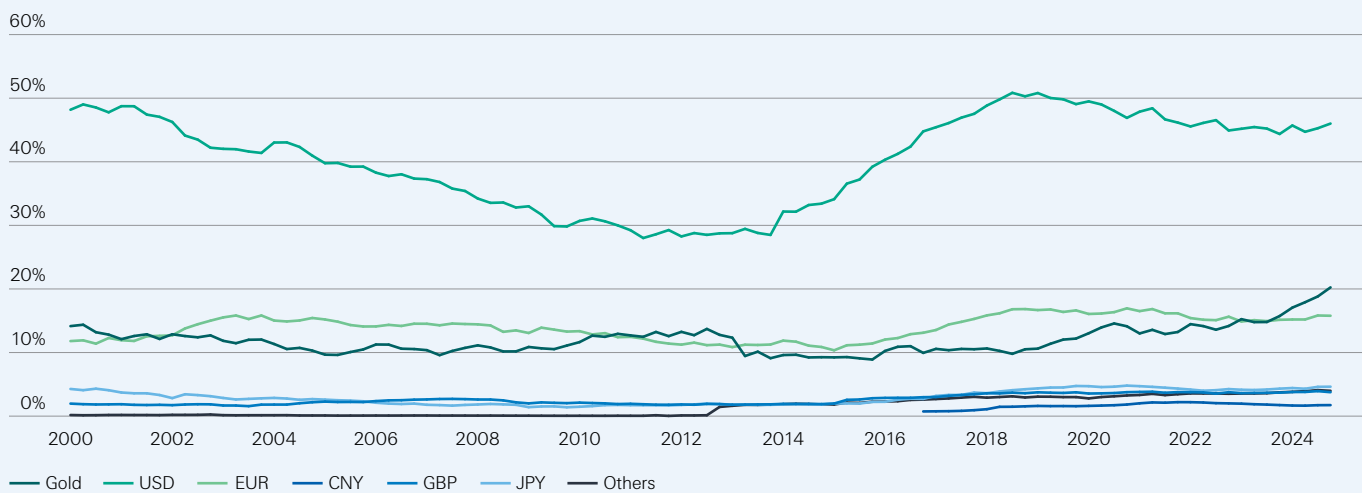
Fragmentation creates potential for serious long-term costs

Fragmentation has been taking place for several years and will now likely accelerate. For example, the share of USD in official reserves has been falling steadily for decades’, even though the USD still retains by far the largest share. Notably, the ECB estimates that the share of gold in official holdings has of late risen above that of the euro.⁸ This has been driven by both higher prices and stockpiling by central banks. The erosion of trust in the US dollar, which was mainly of academic interest during past shocks and crises, has become a more plausible risk scenario due to concerns over fiscal policy, geopolitics etc.

While trade wars and protectionism leave no “winners” (especially not consumers), it may cause long-term shifts in where production is located, based on how trade agreements are eventually settled. The potential configurations are almost limitless, but regional agreements such as the Regional Comprehensive Economic Partnership (RCEP) in APAC as well as bilateral deals (eg, UK-India) could mean regions move closer together in the absence of the US. Higher costs will be borne by firms engaged in international trade, which will likely face greater FX risks in a world without a single dominant vehicle currency.

Figure 9

Share of allocated international reserves by currency



Source: IMF COFER, Swiss Re Institute

A return to a multipolar world would have major implications for insurer’ asset allocation strategies.

Multipolar reserve currencies and a fragmented global trading/financial system have historically been the norm rather than the exception. However, a return to such a system will have major implications for insurers’ asset allocation strategies, both in the near- and long terms. Greater geographical diversification and hedging in asset management could become much more urgent. For example, the recent sharp appreciation in some Asian currencies has been accompanied by reports of local insurers repatriating their USD assets in anticipation of further dollar weakness. This could potentially cause asset-liability mismatches,⁹ just a taste of the kind of seismic regime shifts insurers may need to prepare for in the coming years.

⁸ The international role of the euro, 2025 Report, European Central Bank, June 2025.

⁹ Taiwan insurers expand FX reserves after dollar appreciation: AM Best Insurance Asia, 13 May 2025.

Trends in global insurance markets

Growth of the global insurance industry is slowing. We forecast 2% total premium growth (non-life and life) in 2025 and 2.3% in 2026, about half the growth rate of 2024. A weaker world economy and backdrop of policy uncertainty add downside risks to the outlook. However, US goods tariffs add upside risks to pricing and claims severity in several non-life lines of business, particularly in the US, which may slow the softening in non-life insurance rates. For life insurers, financial market volatility is likely to dampen demand for many savings products. Still-rising average portfolio yields underpin a robust profitability outlook industry-wide. Longer term, a key risk scenario is that the pressures of fragmentation obstruct the effective working of the global re/insurance industry. A deglobalised economic, financial and geopolitical environment would impede risk diversification, increase the cost of insurance and ultimately prevent the closure of protection gaps.

Lower growth, heightened risks

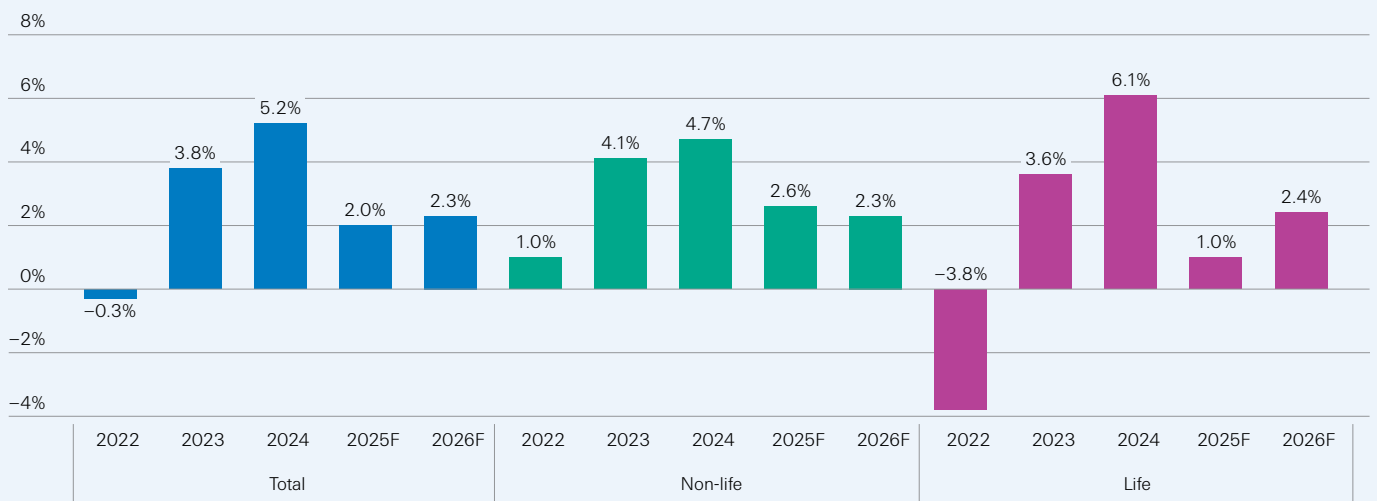
Global insurance premiums will grow by an estimated 2% this year.

After a strong showing in 2024, premium growth in the world’s insurance industry is slowing on both the non-life and life sides, impacted by global economic slowdown and the unstable policy environment. We estimate total premiums (life and non-life) to grow at 2% in real terms in 2025 (vs 5.2% in 2024), with a marginal pick-up to 2.3% in 2026. US tariffs create new risks for insurers, with negative impacts expected through inflation, trade, supply chain and economic growth outcomes.

Deceleration in personal lines to slow growth in non-life insurance; demand for life cover to slow after a very strong 2024.

In non-life insurance, intensifying competition in personal lines and softer market conditions across commercial lines will drive premium growth significantly lower to an estimated 2.6% this year (2024: 4.7%) in real terms. For life insurance, after a strong performance in 2024 (premiums up 6.1%) driven by high demand for savings products, premium growth is set to slow to 1% this year as interest rates come off their highs. We forecast an improvement to 2.4% growth in 2026. However, volatile financial markets are making policyholders more cautious, and we anticipate a shift in demand to life products with saving guarantees. Demand for protection business is inelastic and hence relatively shielded (although still exposed should economic slowdown be prolonged).

Figure 10
Real premium growth, total, non-life and life, 2022–2026F



Source: Swiss Re Institute

The profitability outlook for both life and non-life sectors is positive, supported by higher investment income.

The industry's profitability outlook remains positive, with investment returns still rising. We expect P&C underwriting tailwinds to fade beyond 2025 given economic slowdown and broader softening in insurance pricing, but for positive momentum in investment profitability to continue for a further 2–3 years as structurally higher interest rates feed into asset portfolios. Life insurers will also benefit, but high market volatility and rising default rates pose downside risk to profitability, particularly for insurers with weaker capital buffers.

Geo-economic fragmentation impedes risk diversification and will weigh on insurance industry efforts to close protection gap.

Global geopolitical shifts are cause for caution in an industry like re/insurance that relies on global risk pooling, international capital movement and a geopolitically cooperative environment. An uptick in de-globalisation rhetoric in recent months signals more geo-economic fragmentation. This could have significant broad-based impact on re/insurance business, across all regions. Such fragmentation would impede risk diversification, increase cost of insurance and curtail the contribution of the industry to narrowing existing protection gaps.

Tariff implications for underwriting and profitability

Tariffs should increase US loss trends with more moderate impacts elsewhere.

Risks of higher claims severity, softer growth, fragmentation

Tariffs will affect the insurance industry differently across geographies. We see greatest impacts in the US, though these should be manageable. Outside the US, the effects should be relatively limited. The main direct transmission mechanism will likely be claims severity, as import costs increase, most notably in US motor and construction lines. Uncertainty around tariffs and the associated loss cost outcomes is higher than usual. Indirectly, we expect tariffs to slow global real GDP growth, and so weigh on insurance demand. In the long term, US tariff policy is a move towards greater international fragmentation, which could reduce the affordability and availability of insurance, and so diminish global risk resilience.

US motor damage could see the greatest loss cost increase but much less than 2021–22.

Direct tariff impacts: US claims severity

US motor physical damage is the most tariff-impacted insurance sector. US tariffs are expected to increase prices for auto parts used for repairs, and also for new and used cars. However, claims severity increases should be modest relative to the post-COVID-19 inflation impact. Uncertainty complicates the assessment of loss cost trends for insurers. Loss costs could rise by low-to-mid single digit percentages.¹⁰ Our baseline forecast is for US motor repair and replacement costs to grow by 3.8% in 2025, more than the 0.8% decrease we had forecast in November last year. Nevertheless, this is still lower than the annual increases of 14% in 2021 and 13% in 2022.

US property and engineering loss costs should also rise, which may be amplified during the hurricane season.

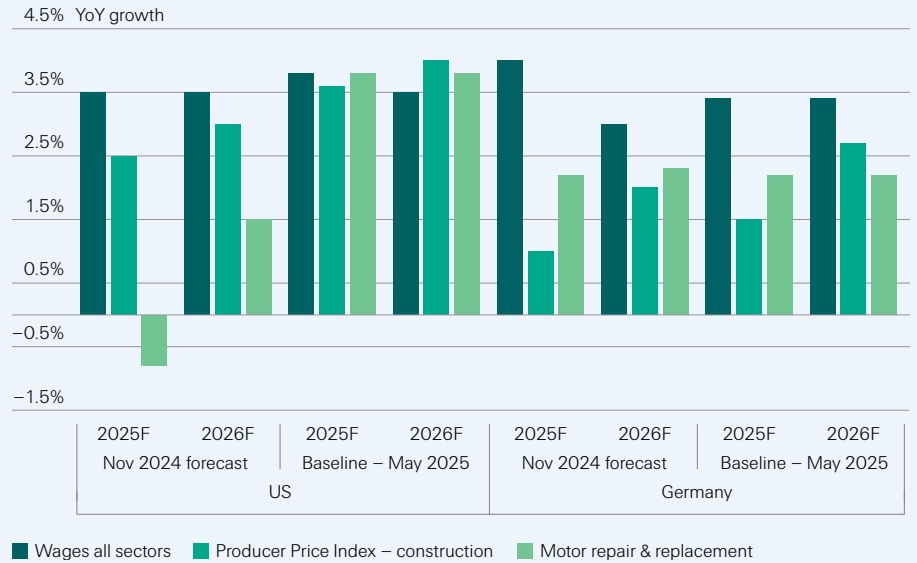
Higher tariff-driven intermediate goods costs, machinery and commodities could cause higher claims severity in US commercial property, homeowner insurance and engineering lines. However, loss cost impacts would be limited and below those for motor damage. We expect an increase in US construction costs of 3.6% in 2025, up from the 2.5% 2025 gain we had forecast in November 2024. The tariffs are likely to have their greatest inflationary impact around the third quarter of this year, the same time as the peak Atlantic hurricane season. This may amplify post-event cost increases and further boost claims severity.¹¹

¹⁰ See: *Insurers to navigate any challenges arising from new tariffs: KBW*, Reinsurance News, 3 April 2025.

¹¹ Also described as post-hurricane demand surge: see *A tale of two catastrophes: Demand surge and inflation put property insurers in a bind*, Milliman, 10 January 2022.

Figure 11

US and Germany, baseline forecasts in November 2024 and May 2025, sectoral inflation categories in y-o-y growth terms



Source: Swiss Re Institute

Other lines may see higher claims severity.

US claims severity should also rise modestly in other lines dependent on imported goods such as agriculture, cargo, aviation and marine hull. Health insurance, workers' compensation and multiple other areas in casualty exposed to bodily injury claims would be impacted by pharmaceutical tariffs (discussed but not implemented at the time of writing). Business interruption losses could rise due to delays in repairs and sourcing of inputs. Credit and surety could be impacted by an increase in bankruptcies.

US casualty is more insulated than damage covers. But social inflation could increase.






Tariffs are likely to have a neutral impact on US wage growth. Slower economic growth should reduce demand for labour. However, this should be offset by tighter immigration policies, which would reduce the risk of higher claims severity in US casualty. Even so, the litigation environment could worsen and social inflation climb. The de-regulation of consumer protection rights and declining societal trust levels may expose corporations to higher and more frequent litigation actions.

Outside of the US, tariffs will likely have little impact on claims severity.

Tariff impacts outside the US

Outside the US, we do not see substantial negative impacts on claims severity. US tariffs are overall disinflationary in Europe and may even become deflationary in China. Table 3 outlines the primary channels through which trade tensions may influence inflation outside the US, assuming retaliatory trade measures remain limited. Conversely, the fiscal stimulus measures implemented in Germany and China (initiated prior to Liberation Day) could exert upward pressure on prices.

Table 3
Disinflationary forces and their impacts on inflation; arrows show direction of inflation

Inflation driver	Impact on EU inflation	Impact on China inflation	Comments
 Retaliations by trading partners on US imports	→	→	1) Retaliatory tariffs (eg. Chinese tariffs on US goods) may only temporarily increase inflation if expectations remain stable. 2) Upward impact offset in case of goods substitution – tariffed goods can be replaced by alternatives. 3) Upward impact is avoided if retaliation is stopped/paused, as is the case now in the EU.
 Weaker demand amid slower growth environment	↓	↓	1) Demand-shock to outweigh the supply-side shock + uncertainty/weak sentiment. This would reduce pressure on prices.
 Lower oil (and other commodity) prices	↓	↓	1) Lower economic growth >> lower demand for energy/commodities >> lower energy prices.
 Stronger currencies relative to the US dollar	↓	→	1) Stronger domestic currencies >> imports cost less >> less “imported” inflation. 2) Disinflationary impact from stronger domestic currencies amplified if USD’s safe haven status erodes. 3) Less relevant in China, which is also seeing a devaluation of the RMB.
 Trade diversion of Chinese export goods	↓	↓	1) Lower US-China trade + China overcapacity >> trade diversion to Europe or within China >> reduced overall goods price pressures. 2) However, this disinflationary driver likely to be offset if EU responds with “anti-dumping” measures.

Note: Arrows and colours show the direction of impact. Amber signals no significant impact; green arrows indicates lower inflation.
Source: Swiss Re Institute

Tariffs bring upside risks to pricing, but the impact would be limited.

Upside risks to pricing due to tariffs

Tariffs create upside risks in insurance pricing. Uncertainty compounds this as insurers may refrain from incorporating any significant reductions in claims severity into their models due to the high policy and economic uncertainty. Yet the likely modest impact of tariffs on claims severity implies limited price adjustments. The current softening in US motor and property markets may temporarily slow as insurers consider the moderate rise in claims severity due to tariffs.¹² However, tariffs are unlikely to halt the softening in personal lines and commercial property. Tariffs are disinflationary in the rest of the world and are unlikely to put upward pressures on insurance prices.

Tariffs could also reduce insurance demand. The impacts are stronger in the US and in trade-related insurance globally.

Indirect tariff impacts: slower GDP growth, reduced insurance demand

Tariffs and uncertainty are negative for demand for insurance and therefore premium growth. The negative impact should be greater in the US and certain lines of business that are more cyclical and dependent on economic activity.

- Marine, transport and trade credit should see lower premium growth due to the fall in shipping volumes to and from the US.
- Surety and engineering/construction should see lower demand from reduced construction activity and cancelled infrastructure projects, especially in the US.
- Conversely, some lines of business are more resilient to economic cycles. Personal motor insurance is mandatory and many areas of liability insurance, such as professional liability and medical malpractice, are also statutory in many markets.

Higher tariffs imply more negative loss ratio developments.

Table 4 summarises our perspective on changes in loss ratios, incorporating the impact of claims severity and premiums growth detailed above. We have based this on our scenario assumptions as in the previous chapter (see pages 9–10). Overall, increased tariffs are likely to adversely affect the growth of premiums and the severity of claims. The traffic light indicators reflect the overall direction of loss ratios.

¹² Signs of a temporary slowdown in the softening are visible in US personal motor rate fillings by insurers. See Figure 2 in our first quarter 2025 US P&C outlook update *US property & casualty outlook: the past weighs on the present*, Swiss Re Institute, April 2025.

Table 4

Assessment of different scenarios by line of business, combining claims and premiums impact on loss ratios

	Baseline		Deteriorating trade war		Prolonged trade war	
Tariff assumptions	Reciprocal tariffs are negotiated down to a 15% effective rate. Significant exemptions granted. Only partial retaliation.		Reciprocal tariffs are negotiated down to an effective rate of 20%. Partial retaliation.		Reciprocal tariffs are maintained with effective tariff rates over 30%. Significant retaliation.	
Insurance impact	US	RoW	US	RoW	US	RoW
Property	○	○	○	○	●	○
Motor	○	○	●	○	●	○
Casualty	○	○	○	○	○	○
Specialty	○	○	●	○	●	●

● Significant negative impact
 ○ Moderate negative impact
 ○ Limited impact

Source: Swiss Re Institute

Tariff impacts differ across sectors.

Sectoral implications of tariffs for insurers

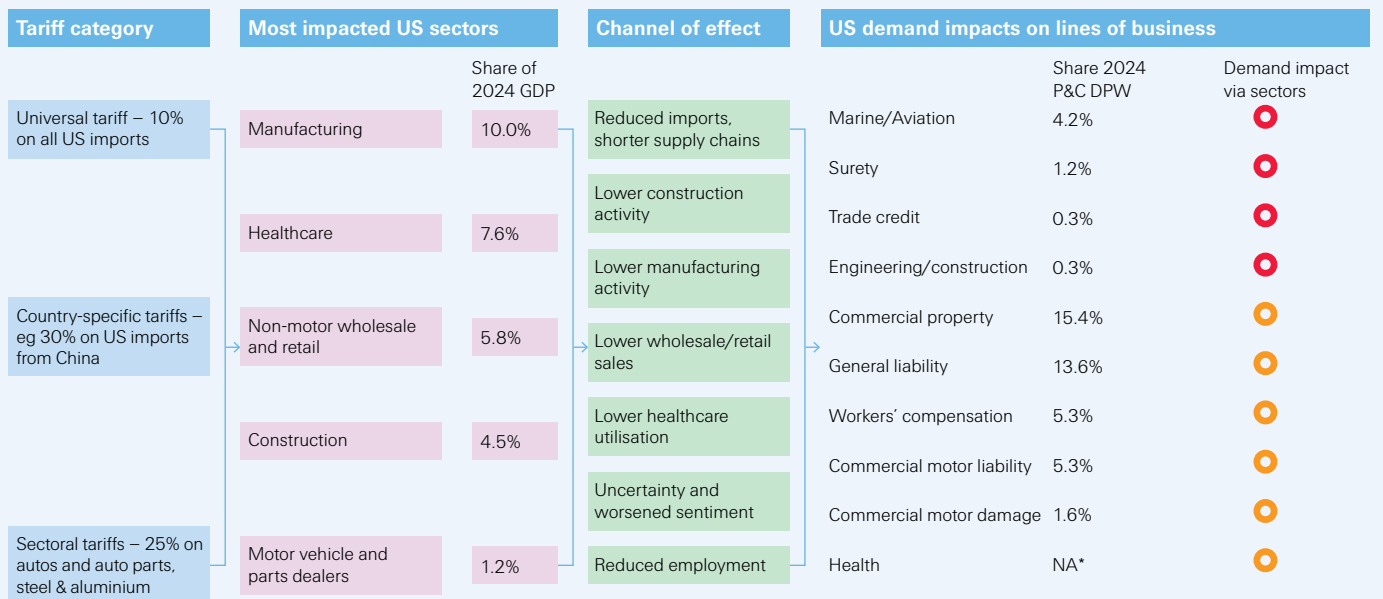
Differentiated tariffs could be a challenge for insurers in positioning their portfolios across sectors. The most sensitive US sectors are those most dependent on imports, including manufacturing, healthcare, wholesale/retail (especially for vehicles), and construction. Higher costs and lower sales will likely influence insurance demand within these sectors (see Figure 12 for channels of impact between sectors and lines of business, and the most vulnerable areas).

Outside of the US, sectors that export to the US are most exposed.

Outside of the US, tariff-led sectoral impacts on insurance demand should be modest. However, we can expect sectors focused on US exports to see reduced coverage demand, most notably in Mexico and Canada. Other major export-led economies, such as China, are more geographically diverse in their sector exports.

Figure 12

Flow-chart of US tariff impacts on US sectors and lines of business



There are growth opportunities from the tariff crisis.

Pockets of underwriting opportunity

More positively, tariffs and uncertainty may create some opportunities for insurers. A heightened awareness of risk typically benefits insurers, provided that the economic shock is not severe. This is particularly the case for lines of business offering protection against economic and financial disruption, such as credit and surety insurance. Marine insurance outside the US could benefit from supply chain realignment if other economic blocs increase trade among themselves. Insurance demand could be boosted by growth from fiscal stimulus, for example in China and the EU, as well as potentially looser monetary policies.

Insurers are exposed to greater asset price volatility and potential sudden price falls.

P&C insurers' balance sheets: resilient to volatility

Post Liberation Day, and with considerable US fiscal expansionism, greater asset price volatility can be expected but large sudden price falls remain a low probability risk. Rapid large asset price falls are more challenging than long-term moves as they can force insurers to realise losses, while insurers benefit from higher long-term bond yields.

US and European insurers have robust capital positions.

Insurers typically maintain robust balance sheets, enabling them to withstand fluctuations in asset prices, be that from bond or equity markets. The US P&C sector had a capital surplus of USD 1.1 trillion at the end of 2024, a large improvement from 2023.¹³ S&P Global estimates that 94% of rated insurers have strong or better capital adequacy.¹⁴ In Europe, JP Morgan estimates that in a scenario where 1) bond yields fall by 25 bps; 2) credit spreads widen 30 bps; and 3) equity prices drop 15%, solvency II ratios would on average decrease by 6 pts to 214%. This fall would not be of great concern to investors or regulators.¹⁵ It would take extreme scenarios featuring significant loss of trust and market fragmentation, to threaten the industry's capital position.

Life insurers are indirectly impacted by tariffs via changes to the macro environment.

L&H insurance: indirect tariff impacts from financial and labour risks

Life insurers are not directly impacted by tariffs but can be indirectly affected through changes in investor sentiment, a deterioration in labour market conditions or asset allocation repositioning.

- **Equity markets:** falling share prices could hit policyholders' investment sentiment and demand for saving products (see *Life insurance: seeking investment certainty*). Insurers' earnings would also erode through lower asset management fees, which are correlated with investment portfolio valuations.
- **Labour markets:** weaker labour markets would reduce group and single protection sales. This risk is more prominent in the US and more contained within the UK and euro area, due to still-strong labour markets.
- **Long duration assets:** rising yields on long-duration US Treasuries is an outcome of the trade war (see *A rising US "risk premium" points to higher interest rates*, page 14) that is a double-edge sword for life insurers. While rising yields would support annuity sales for *domestic life insurers*, there is also a risk that a sudden and broad-based loss of trust in US asset would prompt long-term *global life investors* to reposition, with the risk of realising mark-to-market losses on US Treasuries.
- **Lapse risks:** liquidity stresses could also emerge, particularly for insurers with significant private and alternative asset holdings. Life insurance companies are less subject to runs than banks due to stricter policy conditions. Yet, a sharp and sudden depreciation in USD-denominated assets, to which some Asian markets are particularly exposed, is a risk that could trigger panic movements.

Health insurers are exposed to potential pharma tariffs.

Health insurers would be negatively impacted by the imposition of tariffs on pharmaceuticals and raw materials (eg, chemical products) used in drug production. Such price increases can raise health insurance claims and temporarily impact profitability until health insurance contracts are repriced. This remains a risk at the time of writing with pharmaceutical tariffs not yet implemented.

¹³ *US Property/Casualty Industry Swings to Underwriting Profit of \$22.9 Billion in 2024*, AM Best, 18 March 2025.

¹⁴ *US Property/Casualty Insurance Sector View 2025*, S&P Global, 29 January 2025.

¹⁵ *European Insurance*, JP Morgan, 10 April 2025.

Fragmentation: reduced diversification, higher prices

Global re/insurance relies upon effective geographical diversification.

The regime shift to a more fragmented or multipolar world driven by trade barriers, restrictions on capital movement and political conflict would cause significant challenges for the global economy and re/insurance industry. Disruption in global supply chains – due to trade barriers or political conflict – could lead to higher inflation, feeding into higher claims costs. Similarly, restrictions on intra-group reinsurance and movement of capital for re/insurers can lead to inefficient capital allocation and higher capital cost, ultimately leading to higher insurance prices and possibly curtailing the insurability of peak risks.

Protectionism and political fragmentation can have harmful effects.

Political fragmentation reduces international cooperation on mitigating critical global risks such as climate change, pandemics and cyber, increasing global exposures. In the field of insurance regulation, there is risk of short-sighted protectionism with limitations to market access for foreign re/insurers, and of discriminatory regulation and legislation including taxation against them.

Geo-economic fragmentation could undermine global risk diversification.

Risk pools need sufficient diversification to be functional. This diversification can be by line of business, and/or by geography. Global re/insurers facilitate risk diversification across geographies. However, fragmentation impedes cross-border risk pooling, leading to higher costs and potentially affecting affordability and insurability. For example, there has been progress in establishing level-playing fields and mutual recognition of foreign regulators' standards, such as the 2017 US–EU bilateral agreement. This envisages that "reinsurers from both sides will no longer have to post collateral, or be required to have a physical presence, in the other jurisdiction".¹⁶ Fragmentation could undermine this, leading to additional cost and inefficiency for reinsurers on both sides of the Atlantic.

Fragmentation may restrict natural catastrophe coverage.

Fragmentation weighs on absorption of peak natural catastrophe risks/losses

One of the key risks that requires global diversification is the insurance against natural catastrophes as smaller economies cannot cover the associated large loss burdens alone. For example, the 2010 earthquake in Chile caused USD 6 billion of insured losses, in a non-life market with annual premiums of USD 3 billion. With global reinsurance, local insurers could offer earthquake covers, bringing foreign capital into the country at a time of high economic need. This also helps re-build the impacted areas quicker and supports economic growth in those regions.¹⁷ Fragmentation would reduce the transfer of risk assessment, underwriting and risk mitigation know-how to smaller and less developed economies, limiting their capability to manage risk.

Globalised natural catastrophe coverage also benefits advanced economies.

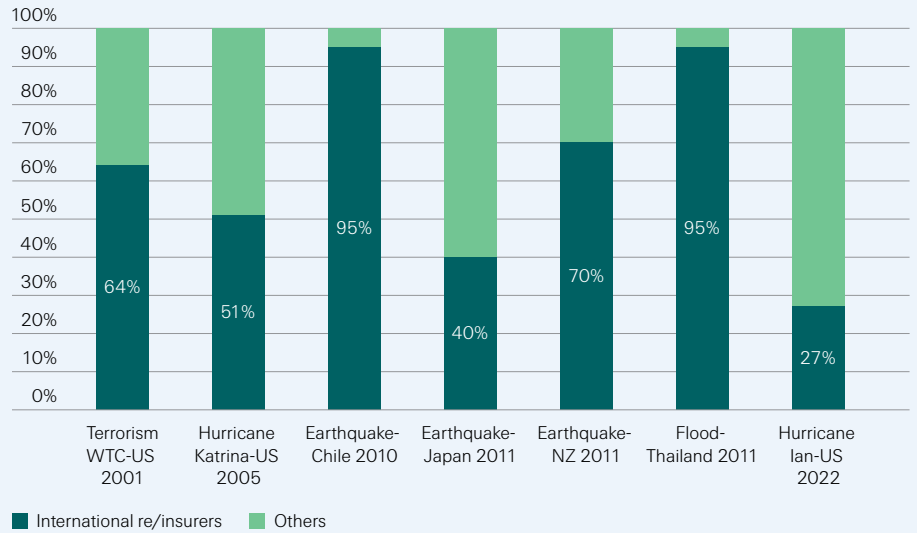
Global risk diversification has enabled coverage, on average, of more than 60% of large loss events since 2000 (see Figure 13). This has been made possible by global mobility of premiums and capital. After the exceptional US 2005 hurricane season, 12% of US insurers received reinsurance payments equal to 100% of their equity, and 23% received payments exceeding one-third of equity.¹⁸ Fragmentation would likely lead to limited underwriting capacity, which in turn would raise insurance prices.

¹⁶ *Non-Life insurance market report: United States*, Axco.

¹⁷ The OECD estimates the GDP for countries with high reinsurance coverage had grown by 2.15 percentage points in four years post-disaster, whereas countries with low coverage still faced a net GDP loss in the same time period. See *The Contribution of Reinsurance Markets to Managing Catastrophe Risk*, OECD, 2018

¹⁸ *The benefit of global diversification: how reinsurers create value and manage risk*, Swiss Re, 2016.

Figure 13
Claims payments by international re/insurers



Source: Swiss Re Institute

Fragmentation will likely further widen protection gaps.

Emerging markets have higher protection gaps and greater vulnerability.

Global non-life insurance premium growth will moderate to around 2.6% in 2025.

Emerging Asia led by China and India should be the fastest growing region in 2025 and 2026.

Societal costs of fragmentation and protection gaps

Ultimately, society will bear the cost of geopolitical and economic fragmentation. The impact would be felt both in insurance affordability and availability. Companies and individuals could have less coverage and as a result be less resilient. This may further widen existing protection gaps from already high levels.

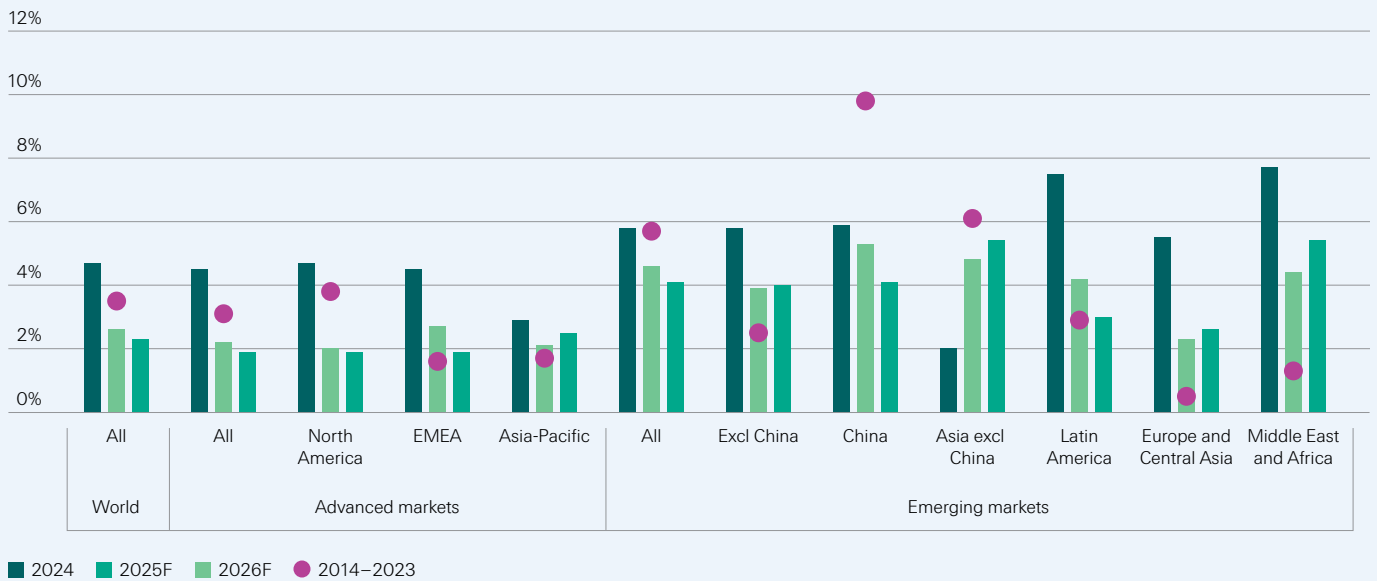
Emerging markets suffer from higher protection gaps (around 60% of the global protection gap) given their lower income levels. Geo-political/economic fragmentation could affect these regions even further. We estimate that global protection gap across all perils reached USD 1.83 trillion (in premium equivalent terms) in 2023 as more than 40% of all crop, health, mortality and natural catastrophe exposures were unprotected or uninsured. The global total protection gap has grown by a cumulative 43% since 2013.

Non-life insurance: growth dips but profits hold

A weaker global economy, high policy uncertainty, and softer insurance pricing will negatively impact global primary non-life insurance premium growth this year and next. We forecast 2.6% growth in real terms in 2025 and 2.3% in 2026, down from 4.7% growth in 2024 (see Figure 14). The key exceptions to this broad-based rate softening are US casualty and personal lines of business, which are exposed to tariff-led import costs and social inflation.

In nominal volume terms, we expect global non-life premiums to grow to USD 4.8 trillion in 2025 (2024: USD 4.6 trillion), with an 85%:15% split between advanced and emerging markets. We project that emerging Asia excluding China will have the highest real premium growth rate, at 4.8% in 2025 and 5.5% in 2026. We forecast premium growth in China to slow to 5.3% from near 6% in 2024, reflecting reduced local government support, softening demand for commercial covers and tariff impacts on consumer sentiment.

Figure 14
Non-life insurance premium, real growth, by region



Source: Swiss Re Institute

Demand for commercial and personal lines to soften, but not collapse.

Pricing outlook: risk of higher claims severity may slow current price softening

We expect a soft market in personal and commercial lines over 2025 and 2026, underpinned by strong industry return on equity (ROE). Combined with an uncertain economic outlook, this may cause greater competition for insurance market share, putting further pressure on rates. Stronger investment income could further drive price competition. However, certain trends may put a floor under rate softening, for example tariff-driven claims uncertainty (see *Tariff implications for underwriting and profitability*) and above-trend natural catastrophe losses (see Table 5).

Table 5
Drivers of the underwriting cycle

Cycle dynamics	Current trend	Trend outlook (next 2–3 years)
Underwriting profitability of new business	Declining	Lower bound of rates set by cost of capital and claims trends
Claims uncertainty	Elevated model and parameter uncertainties, social inflation, tariffs	Social inflation trend continues, new uncertainties due to US tariffs and possible retaliations
Cat losses	Recalibration to higher trends: significant US losses	Continued inflation-adjusted exposure growth at 5–7% CAGR
Investment income	Should continue to improve due to higher reinvestment yields compared to maturing liabilities	Structurally higher long-term yields
Overall balance of pricing	↘	↘

Source: Swiss Re Institute

We expect growth in personal lines to slow significantly in 2025 due to competition.

Personal lines coming off 2024 peaks, commercial lines still softening

We forecast global personal lines premium growth to slow significantly to 2.6% in 2025 and 2.0% in 2026 (2024: 6.9%) with intensifying competition after a recent restoration of underwriting profits. US motor insurance pricing is decelerating but that trend may slow later in 2025 due to tariff uncertainties.¹⁹ Homeowner premium growth is also

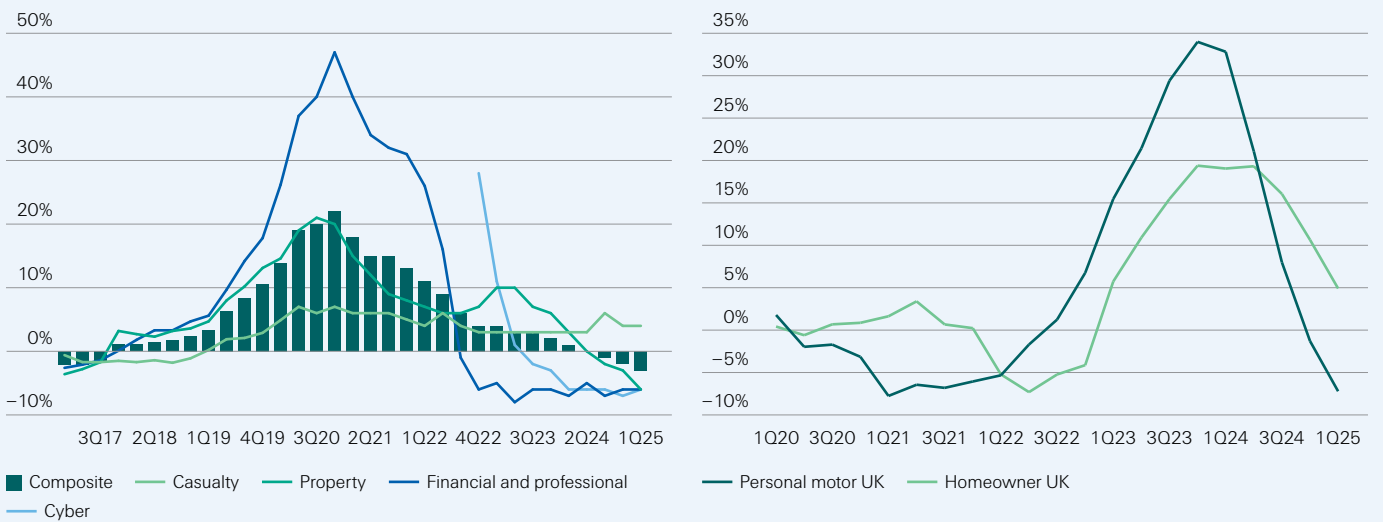
¹⁹ US property & casualty outlook: the past weighs on the present, Swiss Re Institute, 22 April 2025

moderating in the key UK and US markets, but at a much slower pace due to strong exposure growth and tariff-led construction cost inflation.

Commercial lines growth to slow marginally in 2025 as rate softening continues

Softening prices are set to slow commercial insurance premium growth after a long period of hard market conditions. Negative price moves in commercial property rates include the US (down 9% in the first quarter of 2025 against average 1.2% growth in 2024); continental Europe (down 1% in the first quarter against 2% growth in 2024); and the UK and Asia Pacific (both falling since the second quarter of 2024).²⁰ Casualty rate increases have been largely consistent since 2023, with the Marsh global liability price index up by 4% in Q125. Social inflation drove US casualty rates up by 8% in the first quarter of this year, as well as impacting other regions. Rates in financial & professional lines, and also cyber, were down 6–7%, with declines seen in every region.

Figure 15
Rate developments in commercial lines (left chart) and personal lines insurance (right chart)



Source: Marsh Global Insurance Market index, ABI, Swiss Re Institute

Health premium growth should slow on account of changes in public funded healthcare programmes in the US.

Premium growth outlook, by line of business

Private health insurance: global private health insurance is driven by the US (80% share of global market). Global health premium growth should decelerate to 2.5% in real terms in both 2025 and 2026 (2024: 4.7%). This deceleration is the result of strong base effects and policy changes in the US Medicaid and Medicare programmes, with lower enrollment and reduced federal funding. However, health insurance pricing remains strong due to slow disinflation in wages and healthcare expenses.

Growth in personal auto to moderate as competition pressures intensify.

Motor insurance: we expect global premium growth to dip to 3% this year and to 1.3% in 2026 (2024: 6.9%). The recent restoration of profitability for US and UK motor insurers is driving renewed price competition in personal auto. For example, US car insurance advertising expenditure doubled in 2024.¹⁹ However, tariff impacts on claims severity may inhibit price competition.

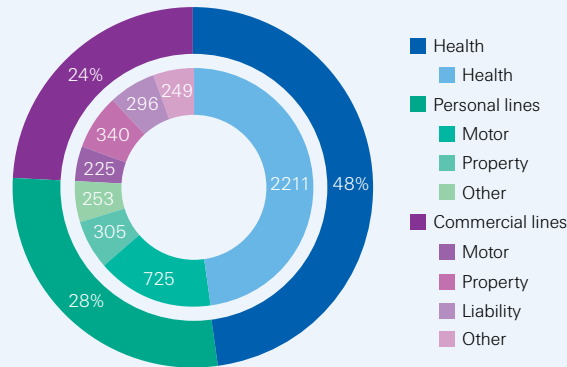
Property segment premiums soften but policy reforms support exposure growth.

Property insurance: premium growth should moderate to 2.4% in 2025 (2024: 5.4%), largely due to the softening of commercial property rates. The homeowners’ segment is a prominent exception, due to persistent cost inflation and US natural disaster losses. Reforms in some European countries to make natural catastrophe covers mandatory, and changes in US infrastructure and industrial policy will likely add additional demand for commercial property in 2025 and 2026.

²⁰ See *US Insurance Market Rates*, Marsh, first quarter 2025.

Figure 16

Global non-life premiums market share and volumes in 2024, by lines of business (USD billion)



Note: The allocation of lines of business is harmonised, to allow regional comparisons. Accident & health business is allocated to non-life insurance, independent of whether it is written by life, non-life or composite insurers.
 Source: Swiss Re Institute

We see stable growth in liability premiums due to rising frequency of outsized court verdicts in advanced markets.

Among other lines of business, credit & surety, and marine could be impacted most by tariffs

In the near-term, advanced markets will likely see steep slowdown in premium growth due to fading price strength.

Emerging market premium growth to moderate.

Liability insurance: we expect global premium growth of 3.6% in 2025 and 2.6% in 2026 in real terms (2024: 2.9%), supported by firm pricing as a result of social inflation-driven reserve uncertainty in several advanced markets. We predict growth in the US to be highest in 2025 (4.7%), stemming from profitability pressures due to large jury verdicts. Western Europe markets should see muted growth (1.3%) as price competition returns to liability risks with non-US exposure. We see robust premium growth in China and emerging Asia this year (6.5%), driven by expanded commercial activity and legal reforms in corporate governance, data privacy and consumer protection.

Other lines of business: mainly constituting specialty insurance, we see global premium growth in this line decelerating to 1.5% in 2025 from 2.2% in 2024, followed by recovery to 2.7% growth in 2026. Trade credit and marine cargo insurance are sensitive to tariff-led trade disruptions (see *Tariff implications for underwriting and profitability*). Reduced trade volumes are expected to offset increased risk levels and higher prices. Agriculture insurance growth will normalise at 4% in China, but decline by 1.2% in India as insurers there adjust to government reforms.²¹

Regional premium growth

Advanced markets: premium growth is set to dip to 2.2% in 2025 after a decade-high gain of 4.5% in 2024. Growth should slow to 1.9% in 2026 as price strength weakens further, while policy uncertainty and tariff-driven GDP growth slowdown add headwinds. We expect North American premium growth to decelerate to 2% this year (2024: 4.7%). Advanced EMEA growth will slow to an estimated 2.7% (2024: 4.5%), mainly due to the UK where a surge in motor insurance rates in 2024 is now receding. France, Germany and Italy will likely see robust growth as natural catastrophe reforms boost demand for property insurance. Premium growth in advanced Asia Pacific is set to moderate to 2.1% (2024: 2.9%) as rate increases abate in Australia. Japan's premium growth trend remains weak despite still hardening P&C rates, as its auto sector (half of total premiums) struggles with unfavourable demographics.

Emerging markets: we forecast premium growth to moderate to 4.6% this year from 5.8% in 2024, below the 5.7% average of the 2014–2023 decade. A driving factor will be slowdown in China, which accounts for half of all emerging market premiums. The tariff shock will have limited direct impact on Chinese premiums as the commercial lines impacted account for just a small share in the non-life sector. Fiscal-reliant, statutory and personal lines should be more resilient. As the Chinese insurance industry matures, it cannot sustain the average annual growth rate of 9.8% between 2014–2023. India is expected to regain growth momentum this year after regulatory drag on premiums in 2024. Subdued motor performance will be offset by robust growth in private health business. In Brazil and Mexico, premium growth will slow this year and beyond as tariffs weigh down on export dependent sectors and fragile economic structures.

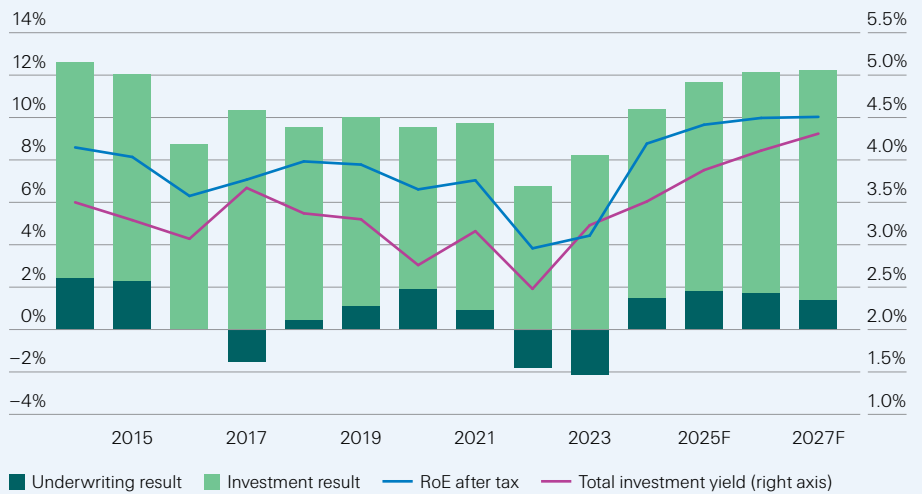
²¹ In India, several measures to address profitability issues for insurers' side and the subsidy burden for the state government have been introduced since 2023. These will likely increase penetration but there may be a period where stakeholders adjust business operations to the new provisions. See *India's economy and insurance market: growing rapidly, but mind the risk hot spots*, Swiss Re Institute, January 2025.

P&C ROE to stabilise at around 10% over 2025–2027 despite global uncertainties.

Profitability outlook: robust despite global uncertainties

Despite an anticipated tariff-led growth slowdown and financial market volatility, we believe the insurance industry should remain profitable. Primary P&C sector profitability will continue to trend favourably over 2025–2027, although at a much slower rate than in the previous three years (see Figure 17).²² We forecast 9.7% industry ROE in 2025, up 0.9 ppt from last year, and to remain steady at near 10% through 2027. Underwriting results will likely improve slightly in 2025 and stay at about 1.5–2% of net premiums earned (NPE) over the next three years, with some marginal easing from 2026 as softening in insurance rates accelerates. Offsetting this, investment results still have room to improve with the rollover of older, lower-yielding maturing bonds.

Figure 17
Profitability of seven major non-life markets, %, 2015–2027



Note: Aggregate of seven major advanced markets (Australia, France, Germany, Italy, Japan, the UK and US). Underwriting and investment results are in % of net premiums earned; ROE and total investment yields are in %. Source: Swiss Re Institute

Profitability will improve most in European markets this year.

We expect divergence among key markets:

- **Europe:** will likely see strong ROE growth (eg, in France, Germany, Italy and the UK) to an aggregate 11.6% in 2025, up from 9.1% in 2024. Easing loss-cost pressures should outweigh price softening. We expect underwriting results will outperform in 2025 before margins tighten in 2026.
- **Australia:** profitability growth should be driven by further improvements in underwriting results.
- **US:** we estimate ROE to increase moderately (0.6 ppt) to 9.2% in 2025, driven by improving investment yields. An increase in claims severity driven by trade tariffs could weigh on underwriting performance.
- **Japan:** rates are still hardening, but so too are claims pressures from structurally higher wages, inflation expectations and natural catastrophe losses. Insurers with large foreign asset holdings are exposed to foreign exchange volatility. Higher hedging costs could lower profitability.
- **China:** low inflation and competition are keeping P&C pricing weak. Underwriting profitability is benefiting from the efficiency gains that digitalisation and AI investments have yielded. High fixed income exposure is driving capital gains as interest rates decline, enhancing insurers’ investment returns.

²² This is based on a sample of seven large, advanced economies (Australia, France, Germany, Italy, Japan, UK and US). Realized investment results are considered in the modelled income statement, but unrealised ones only appear in the balance sheet.

Underwriting results continue to improve, but tailwinds beyond 2025 will fade.

Tariffs could drive up US claims but the net impact will likely be moderate.

Social inflation remains a key challenge for liability businesses.

Unfavourable reserve development remains a headwind for insurers in the US.

Social inflation adds another layer of complexity.

Underwriting results improving this year, then broadly stable

We expect global underwriting results to improve this year largely on the back of stable claims inflation as wage price inflation moderates. Softer pricing and economic slowdown will weigh on premiums growth, which in turn should cap improvement in underwriting results. We see the latter at about 1.5–2% of net premiums earned (NPE) after 2025.

US import tariffs create some downside risk to underwriting profitability. An uptick in claims inflation, for example in US property and motor lines, could reduce short-term profitability and cause medium-term rate increases. Still, weaker economic activity would reduce premium and claims growth by similar magnitudes, suggesting a low net impact on underwriting profitability.

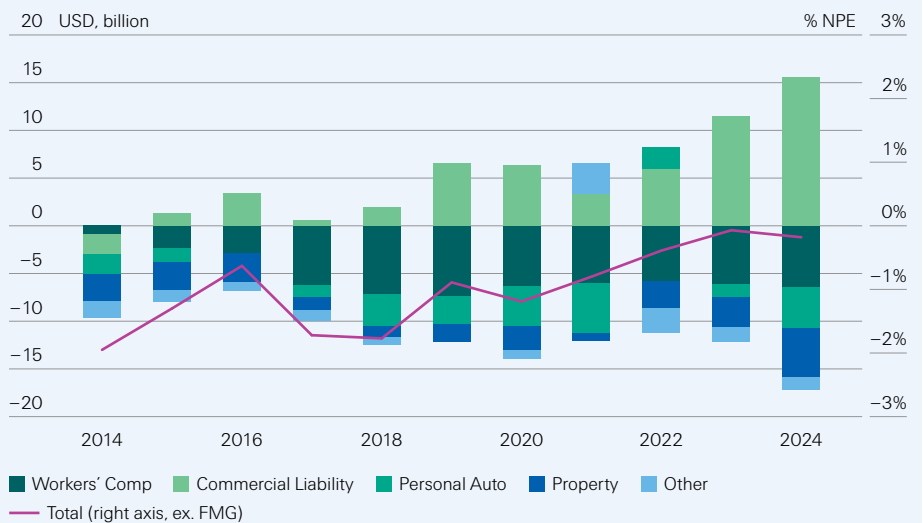
Liability profitability remains under pressure and uncertain, but recent reserving and repricing actions present opportunities to re-balance portfolios. Judicial reforms may accentuate pressures in continental Europe in the medium term.

US P&C reserve development still grappling with social inflation challenge

Reserve adequacy remains a key challenge for US liability lines, with adverse development amounting to a record USD 16 billion in 2024. For the industry overall, reserve development has been favourable for 19 consecutive years, benefiting significantly from material releases from workers’ compensation reserves. But in recent years, total US industry reserve development has been nearly flat. Excluding workers’ compensation, reserve development has been unfavourable since 2021.

Social (or litigation) inflation adds another layer of complexity to the assessment of reserve adequacy. We define social inflation as encapsulating those factors leading to increased insurance claims severity beyond that explained by economic drivers. Social inflation has overtaken economic factors and become the main driver for strong liability claims growth in the US (and to a lesser degree in Australia, Canada and the UK). Outsized jury verdicts can be particularly damaging for lines such as general liability and commercial motor. These lines tend to have longer-tailed claims settlement patterns due to the complexity of legal proceedings, adding to assessment uncertainty. We estimate that social inflation concerns have contributed over USD 40 billion to reserve additions in the US over the past decade.

Figure 18
Changes in US P&C reserves (left axis; positive implies strengthening); total reserves development (right axis)



Higher interest rates continue to feed into insurers' portfolios, and we expect upward trending investment yields.

Market volatility could increase insurers' cost of capital.

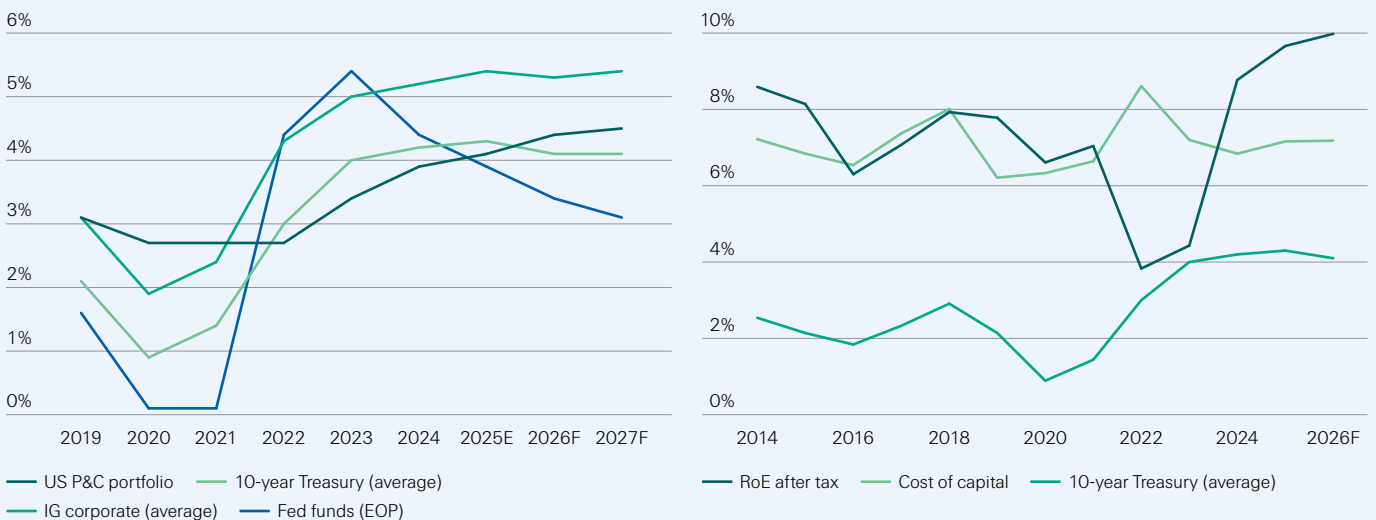
Investment returns uptrend to continue

The investment profitability outlook for P&C is positive, despite interest rates having peaked globally. We estimate that aggregate investment results in seven major non-life markets in 2025 should improve by 0.9 ppt to around 9.8% of NPE, followed by smaller incremental gains in 2026 and 2027. The roll-over of bond portfolios is the key driver of the positive momentum. Non-life insurers' bond portfolios have an average maturity of about six years, so portfolio yields should only fully close the gap with market rates in the next 2–3 years (see Figure 19, left). We see non-life insurers' investment yields rising to 3.9% in 2025 and 4.1% in 2026 (vs 2024: 3.5%) for the seven countries in our sample. Uncertainties around US policy are unlikely to alter this upward trend. We maintain a structurally high 10-year Treasury yield forecast for the coming years even in the case of a significant US growth shock and further Fed interest rate cuts, as we expect higher inflation and mounting fiscal pressure to offset any yield downside from softer growth.

We expect non-life insurance sector cost of capital (CoC) of about 7–7.5% in 2025 and 2026, as risk-free rates remain range-bound (see Figure 19, right). Insurers' CoC fell in 2023 and 2024, led by the US. Investors accepted a lower price for investing in the sector as insurers generated returns superior to and more stable than the wider markets. This should continue in the near term, but we note that CoC is more volatile than investment yields and market volatility could push equity risk premia higher. This implies upside risk to our CoC estimate. In addition, investment expenses could rise, especially for insurers exposed to market volatility or foreign currency assets, and the associated hedging costs.

Figure 19

Yield on US non-life insurer portfolios vs market yields for cash, corporate and 10-year Treasuries (figure on left); global non-life industry after-tax RoE and CoC in % of shareholders' equity (right)



Note right chart: RoE sample comprises the US, UK, Germany, France, Italy, Japan, Australia, based on statutory accounting. Since CoC estimates are based on data from listed companies, in our chart we adjust the initial CoC in line with RoE estimates that cover all insurers including mutuals. The CoC for listed companies alone would be higher.

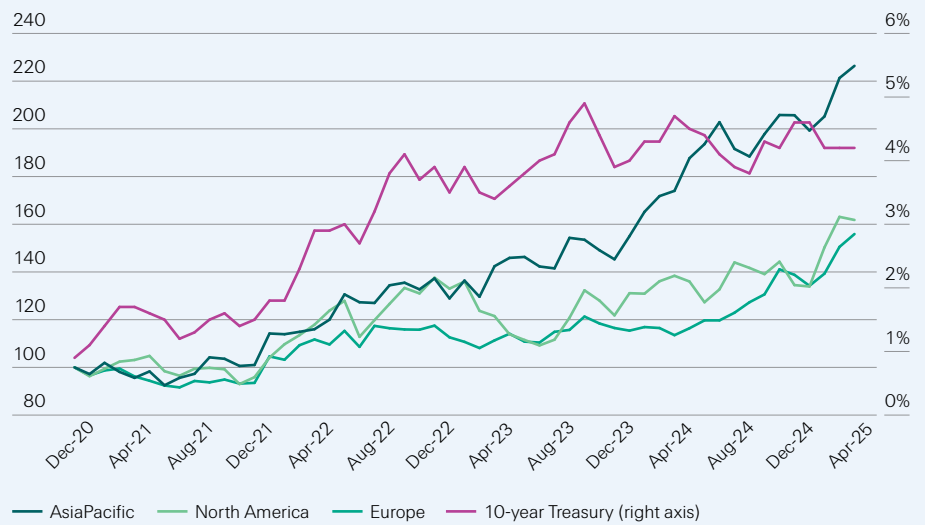
Source: AM Best, Barclays, Swiss Re Institute

Investors see the Asia P&C sector as an attractive investment.

Stock market investors continue to see non-life insurance as an attractive value proposition. The ratio of insurance sector to overall stock market returns rose again in early 2025 amid heightened stock market volatility (see Figure 20). Asian insurance market ratios outperformed other regions, but this is partly because its wider stock markets fared worse than Europe and the US.

Figure 20

Non-life insurance total shareholder returns relative to market index (Dec 2020 = 100), and US 10-year Treasury yield (end of period)



Note: Total return indices based on weighted average of the reporting companies by market.
Source: Bloomberg, Swiss Re Institute

Life insurance: volatility prompts hunt for certainty

Life insurance growth to slow as consumers become more cautious.

We forecast global life premiums to grow by 1.0% in real terms in 2025, a significant slowdown from 6.1% in 2024. The slowdown will be caused by a high base effect and a rising sense of caution among policyholders on account of US policy uncertainty. We expect premium growth to rebound to 2.4% in 2026, above long-term trend (2014–23 CAGR: 1.4%). Financial market volatility could shift consumer demand away from market risk exposures and towards low-risk savings products that offer store of value. Protection lines (mortality, critical illness, disability) should be more resilient due to inelastic consumer demand, unless softer economic growth persists for a prolonged time.

Demographics and a higher yield backdrop to shape the long-term outlook.

Consumers will likely remain cautious if markets stay volatile in the near term. In the medium to long term, we see demographic shifts opening new opportunities for life insurers. We anticipate this creating new optimism and competition in the life sector.

Global life premium growth will moderate with economic slowdown, financial market volatility and easing interest rates.

Premium growth outlook

We expect advanced market premium growth to be almost flat (0.2%) in 2025, due mostly to easing in North America and Europe from 2024's strong base effects. We then see growth picking up to 1.6% in 2026. Premiums in emerging markets should grow by 3.4% in 2025, below-trend (2014–23 CAGR: 5.8%), primarily driven by reduced demand in China. We see premium growth in China rise again in 2026, to 4.9%.

Life premiums to decline in North America, as annuity sales in the US slow.

Life premium volumes in North America will contract by an estimated 1.4% this year, after 6% growth in 2024. This reflects a high base in 2024, driven by unprecedented annuity sales. Protection product sales will likely remain stable at low levels, despite 2024 growth modestly exceeding expectations. Growth should pick up to 1.7% in 2026.

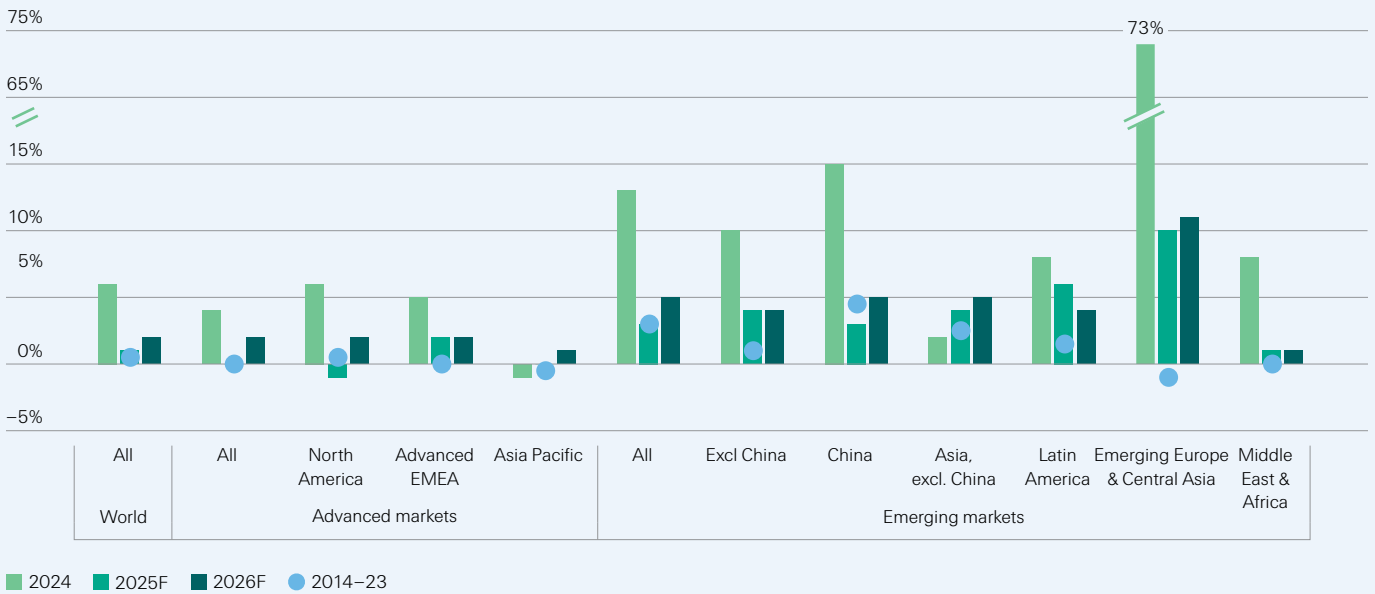
Premium growth in advanced EMEA to slow but remain resilient on the back of product innovation and rising yields.

We see slower premium growth in advanced EMEA in 2025 (1.6% vs 4.9% in 2024) but still above the historical average (2014–23 CAGR: 0.5%). Newly-launched hybrid products in 2024, particularly in Italy and France, continue to drive savings premiums. Heightened financial market uncertainty is incentivising sales of guarantee products. Individual life protection sales should benefit from a mortgage credit rebound in France. The UK's multi-billion bulk annuity market continues to drive industry asset accumulation. We expect 0.9% growth in 2025, stronger than the previous year, as transactions that had been deferred in 2024 on expectations of higher gilt yields and surpluses, resume. We anticipate over GBP 250 billion of transactions over the next five years. Protection business should benefit from a higher volume of mortgage renewals, expected reductions in state support to individuals, and a rise in sums assured due to inflation.

Life premium growth in advanced APAC to improve marginally after 2024 contraction.

Premium growth in advanced APAC should increase to 0.4% in 2025 after a 0.9% contraction in 2024, and to 1.1% in 2026. In Australia, easing cost-of-living constraints and repricing of disability income policies post underwriting losses should underpin 1.7% real growth in 2025. Premiums in Japan will likely fall 0.5% after exceptional growth in 2022–23 from sales of high single-premium savings products (first foreign currency then JPY-denominated) and strong reverse base effects in 2024.

Figure 21
Life insurance real premium growth, by region



Source: Swiss Re Institute

Life premium growth in emerging markets to slow mainly due to a fall sales in China.

We expect premium growth in China to slow to 2.8% in 2025. Regulatory rate cuts to mitigate interest rate spread compression risks led to demand front-loading in 2023–24, with premiums up around 15% in 2024. Excluding China, emerging market premium growth will grow by an estimated 4.2% in 2025 and 4.4% in 2026, higher than the historical average (2014–23 CAGR: 2.5%). The main drivers will be still low levels of insurance penetration, regulatory support and more demand from the expanding middle class in many countries. In India, we forecast that life premiums will grow below trend by 3.5% in 2025 (2014–23 CAGR: 4.9%) as the market adjusts to regulatory changes on taxation, expenses and surrender norms. We see growth recover to 5.7% in 2026.²³ Life premiums in emerging Europe and Central Asia surged 73.3% in 2024, driven by a reported 157% growth in Russia.²⁴ Growth should normalise in 2025 to around 9.5%.

Savings and risk premiums both face a growth slowdown

Savings-risk premium distribution to remain stable in the medium-term.

We expect global savings premium growth to moderate to 1.1% in 2025 before rising to 2.9% in 2026, over the average historical growth rate (2014–23 CAGR: 1.2%). The trend is similar in advanced and emerging markets. In advanced markets, saving premiums should grow by 0.4% in 2025 and improve to 2.1% in 2026. Medium-term, we expect emerging markets to achieve stronger and more stable growth (CAGR: 2025–29: ~5.0%), driven by emerging regions excluding China.

Risk premiums growth to slow in advanced markets on downside risk to the US labour market.

We forecast the share of global risk protection premiums in the global life insurance market to stay stable at around 20% through to 2028. Global risk premium growth should slow to an average of 1.4% over 2025–26, below the historical growth average (CAGR 2014–23: 3.9%) as a result of muted growth projections in advanced markets and China, and

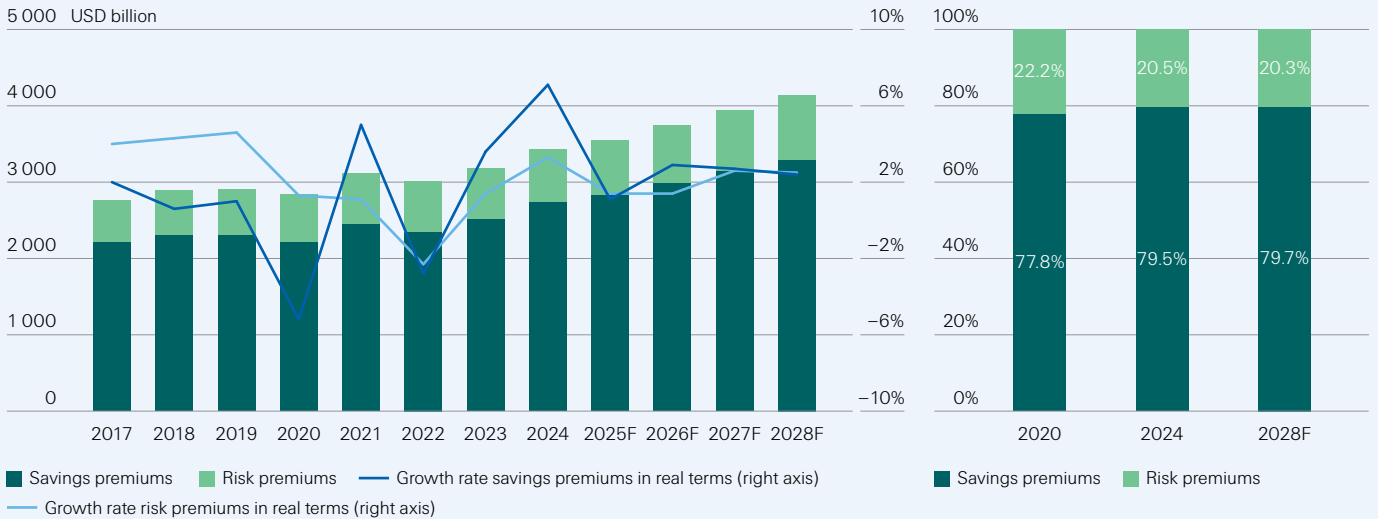
²³ India's economy and insurance market: growing rapidly, but mind the risk hot spots. Swiss Re Institute, January 2025.

²⁴ Based on number officially reported by Russian authorities.

downside risks to US labour markets. However, pockets of growth should remain in Europe. Emerging markets excluding China should drive risk premiums expansion in the medium-term (CAGR: 2025–29: ~3.6%). China’s contribution should rise again in the longer-term due to increased risk awareness and favourable regulatory developments.

Figure 22

Global L&H market by risk and savings products’ premiums and growth (left), and shares of savings and risk premiums (right)



Source: Swiss Re Institute

Demographic shifts to add growth to advanced and emerging markets in the next decade.

Ten-year outlook: demographics create a promising growth prospect

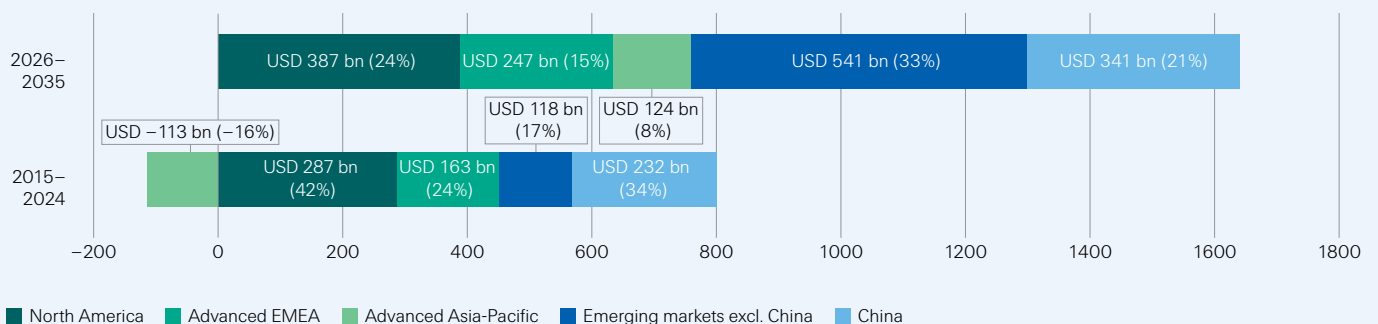
We expect average annual global real life premium growth to be a full percentage point (100bps) higher in the next decade (2.5% CAGR 2026–35 vs 1.5% in 2015–24). Demographic shifts (see *Demographics signal opportunities for innovation*), higher interest rates and product innovation are set to be the major drivers of this growth. China’s rapidly ageing demographics will likely weigh on emerging market growth. Excluding China, we expect the other, younger emerging markets, still mostly in the accumulation phase, to grow faster in the next decade (7.2% CAGR 2026–25 vs 3.4% in 2015–24), aided by digitalisation and regulatory drives.

Global life premiums to reach USD 5.1 trillion by 2035.

We project global life premiums to reach USD 5.1 trillion by 2035, up from USD 3.5 trillion in 2026. Additional premiums in the coming decade (2026–35) should rise by 124% in advanced markets and by 171% in emerging markets, over the previous decade (2015–24).

Figure 23

Life insurance business: forecast additional premiums 2026–2035F compared to previous decade 2015–24 (USD billion)



Source: Swiss Re Institute

The emergence of a mass silver market creates new opportunities and risks for life insurers.

Demand for decumulation solutions is rising but tapping the market requires value creation beyond generating investment yields.

Risk products supporting longer quality of life are gaining relevance as the super-old cohort widens.

Demographics signal opportunities for innovation

The world is ageing and shaping a new silver economy that will require innovation from life insurers. By 2050, about a quarter of the global population will be over 65 years old – one billion more than today. In the US alone, four million “Baby boomers” born in the decades after World War II are expected to retire per year over the current decade, shaping the needs and development of a mass silver economy.

Silver citizens’ wealth concentration creates demand for decumulation solutions. In Europe – where we expect the population to peak between 2025–2030 – western European citizens over 55 have an average net wealth of EUR 240 000 per person. Life insurers face fierce competition from the asset management industry for the business of both accumulating and retaining assets upon retirement. However, sustainably tapping the mass decumulation market requires creating value for customers beyond generating investment yields. Retaining assets into the decumulation phase could hinge on life insurers building strong customer relationships and staying customer-relevant throughout life phases. For instance, saving products that offer life/morbidity protection riders in the accumulation phase, then convert to a decumulation solution, could become a key growth opportunity. Successful products to date also rely on factors such as clear separation of public and private coverage areas, a supportive tax environment and well trained sales agents.

Demand for risk products supporting longer *quality of life* will likely also grow as the super-old (80+) cohort expands. Not only are individuals set to live longer, but more people could suffer from neuro-degenerative and ageing diseases. Prevention, embedding long-term care (LTC) protection services (such as nursing, access to care facilities) in policy coverage and raising LTC awareness during healthy retirement years may help insurers to unlock this market and differentiate themselves

Resilient life insurance profitability in 2025–26 to be supported by higher reinvestment yields.

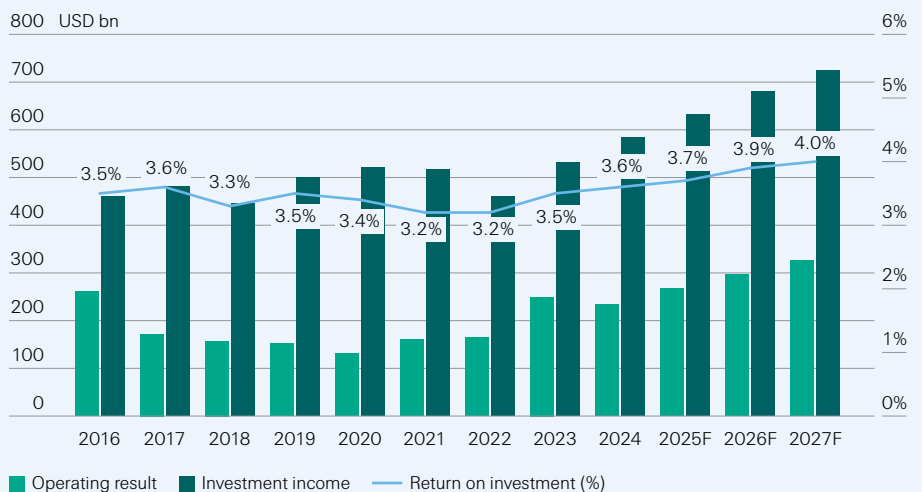
We estimate higher operating results and investment income.

Profitability outlook: strong with temporary bumps

Our profitability outlook for life insurers is positive over the medium-term. The sector’s resilience is underpinned by steady demand for spread-based business, rising investment returns and a reversion of mortality rates to pre-pandemic norms. Fixed-income market yields are still higher than maturing yields in life portfolios, so average portfolio yields will rise further. Life insurers are generally well-capitalised, less liquidity constrained than banks, and better able to absorb shocks.

We estimate a 14.8% rise in the global operating result in 2025 and an 8.2% rise in global investment income. In addition, we project aggregate ROI to reach 4% by 2027 (2024: 3.6%), supported by rising long-term government bond yields, which strengthen investment profitability and reduce lapse pressure.

Figure 24
Key eight markets’ aggregate life insurance operating result and investment income, (both in USD bn) and return on investment (in %)



Source: Swiss Re Institute

Bond market movements risk near-term balance sheet pressures.

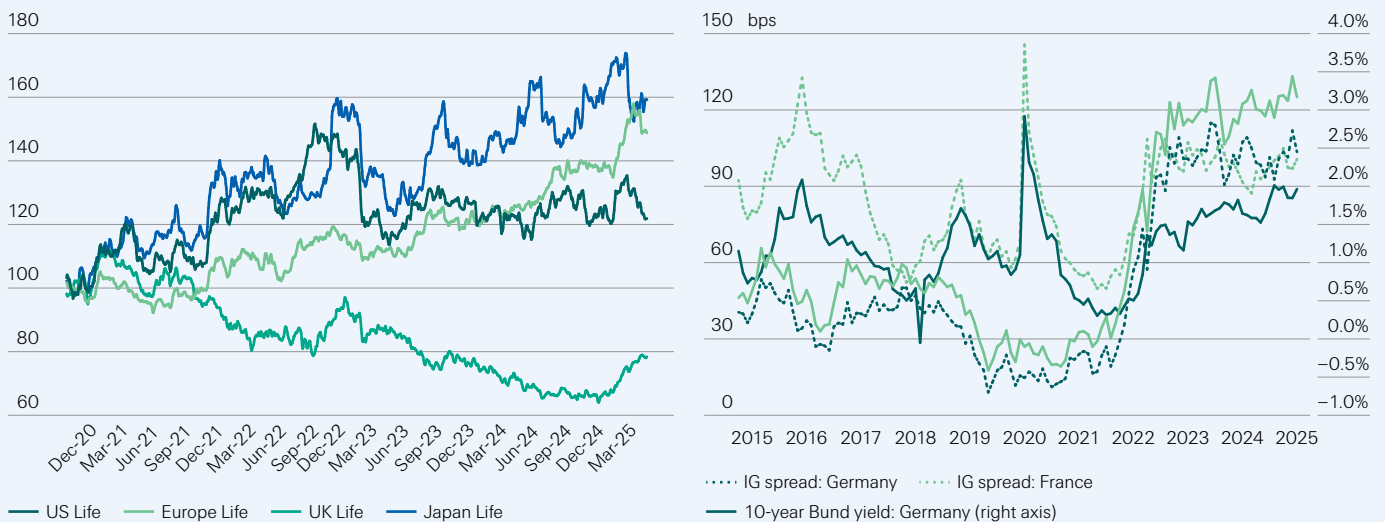
The key risk is that asset losses could pressure balance sheets in the near-term. We see a rising risk of realising mark-to-market losses on US Treasury-exposed bond portfolios, particularly if US fiscal sustainability concerns grow or trust in USD assets erodes further. For operating results, asset value volatility could temporarily dampen growth in new contractual service margin (CSM) charges and dent fee-based income.

Life investors' sentiment is positive, especially for Europe, benefiting from a structural lift in fixed income returns.

Investor sentiment confirms our view of robust profitability. Since early 2022, European public life insurers' total shareholder returns have regularly outperformed regional benchmark indices (see Figure 25, left) This is primarily due to the structural lift from euro area sovereign bond yields, with spillover to investment grade bond spreads. This shift has altered the yield environment in which life insurers can operate and compete. The defensive nature of EUR-denominated life insurance stocks in times of heightened market volatility also drove some of their relative surge over the first half of 2025.

Figure 25

Life insurance total shareholder returns relative to market index (Dec 2020 = 100, left); Europe IG spreads and 10-year bond yields (right)



Note left: The regional indices are based on free-float and capitalization weighted series. Note right: Monthly average option-adjusted spread between IG bonds yields and 10Y government bonds. Bonds' origin defined in terms of country of risk. Source: Bloomberg, Swiss Re Institute

The Taiwan dollar surged against the dollar as life insurers sought to hedge US bond holdings.

Hedging in volatile FX markets: lessons from Taiwan

The new Taiwan dollar (TWD) surged by an unprecedented 8% against the US dollar over a 2-day period in early May 2025 due to speculation that authorities might allow more TWD strengthening as part of a trade deal with the US. The situation was worsened by life insurers rushing to hedge their US bond holdings as their reserves depleted. The episode could be a warning sign of asset-liability mismatch risks facing insurers with overweight allocations to the "global safe asset", should USD weakness becomes more structural.

Asset-liability mismatch exposed Taiwan life insurers' balance sheet to FX movements.

Taiwan's trade surplus is mainly invested into USD-denominated equity and debt holdings totalling 99% of Taiwan's GDP (see Figure 26, left). Life insurers hold nearly 70% of their portfolio in foreign assets (mostly US debt) with only around 30% naturally hedged by foreign exchange policy sales.²⁵ The surge in hedging costs reduced average hedging ratios (from about 68% pre-2022 to 63% by the end of 2024).²⁶ HSBC estimates that every 1 ppt change in USD/TWD could result in an unrealised foreign exchange loss of USD 1.9 billion. Life insurers' foreign exchange volatility reserves could only absorb losses from about 5–10% of this currency movement.²⁷

²⁵ Estimated by SRI with data from Taiwan Insurance Institute and Insurance Bureau. Cathay Life, Shin Kong Life, KGI Life and Taiwan Life reported the share to be 31%, 29%, 33% and 41% for 2024Q4, respectively.
²⁶ SRI calculated weighted average hedging ratio of Cathay Life, Fubon Life, Shin Kong Life, KGI Life and Taiwan Life. Together they account for 63% of total TW life sector assets (% of assets used as weights).
²⁷ Asian FX Focus: TWD Time to hedge, HSBC, 19 May 2025.

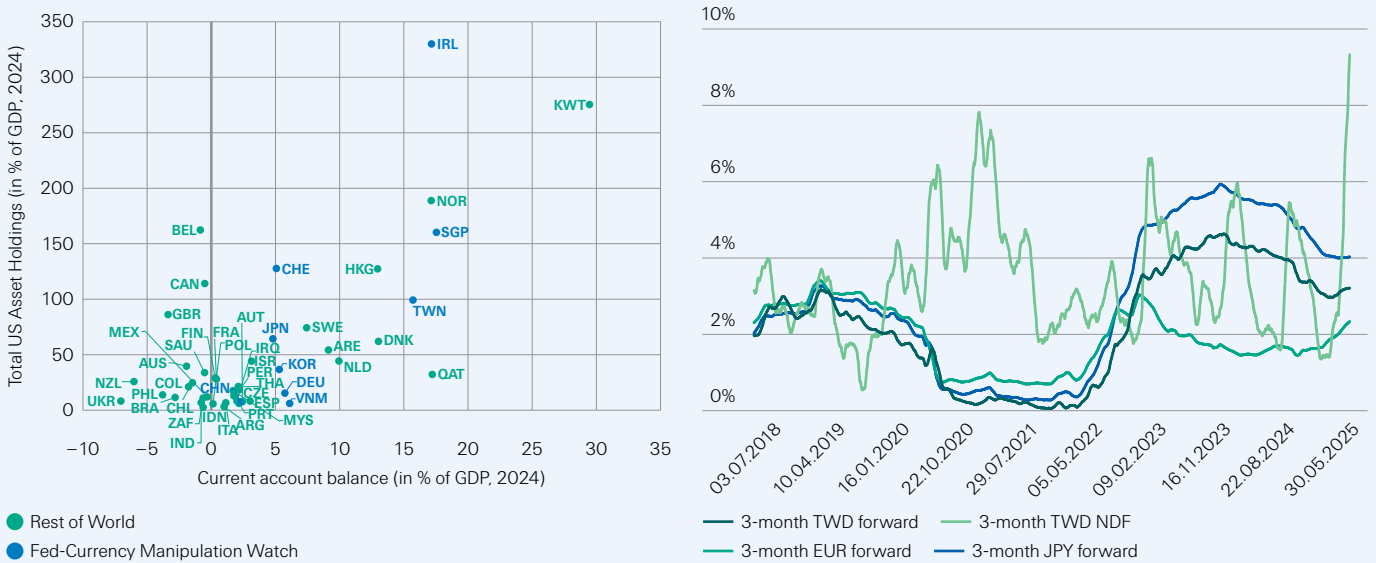
Insurers with large USD asset holdings and currency mismatches should be prepared for future politic-driven FX volatilities.

Fitch Ratings recently placed five Taiwanese life insurers under review for potential downgrades due to their perceived elevated balance sheet risk.²⁸

What happened to Taiwan life insurers is not systemic of the wider region. For example by comparison, Japanese life insurers hold 30% of investment assets in foreign securities.²⁹ However, it could be a sign of things to come. Foreign ownership of USD portfolio assets has more than doubled over the past decade to reach USD 31 trillion as of April 2025.³⁰ Economies with a large trade surplus typically hold sizeable USD assets and many are on the US Treasury’s monitoring list for “unfair currency practices.”³¹ This leaves insurers with large USD asset holdings and substantial currency mismatches on their books vulnerable to volatile exchange rates driven by geopolitics.

Figure 26

USD asset holdings vs current account balance (figure on left); and annualized currency hedging costs monthly moving average (right)



Sources: left chart – IMF World Economic Outlook, US Department of the Treasury, Treasury International Capital (TIC) System database. Swiss Re Institute; right chart – Bloomberg, Swiss Re Institute.

Elevated yields support North American life insurer profitability, but market volatility and rising default rate could present downside risks.

With regulatory reform, UK bulk annuities remain a key profitability and asset growth driver.

The structural lift in bond yields and lower surrenders strengthen life profitability outlook in the euro area.

Major life markets profitability overview: 2025–26³²

Life insurers in the US and Canada continue to benefit from elevated reinvestment yields, though rising default rates pose some downside risk for those heavily exposed to private credit. Market volatility, annuity spread compression and elevated surrender activity may offset gains, potentially dampening operating income growth.

In the UK, bulk annuities continue to generate attractive new business CSM. Annuity business margins are benefiting from solvency reforms (fully implemented since end-2024) to allow greater investment flexibility, but tighter regulation in other areas (eg, funded reinsurance) risks slowing pension risk transfers temporarily from 2025. Solvency ratios are solid at around 180%.

Profitability in major European markets should improve in 2025–26, supported by higher reinvestment rates. Market volatility may temporarily dent fee-based income but does not constitute a major profitability drag. We expect market-specific differences.

²⁸ Fitch Puts 5 Taiwanese Life Insurers on Rating Watch Negative; 1 on Rating Watch Evolving; Affirms 1. Fitch ratings, 15 May 2025.

²⁹ The Life Insurance Association of Japan, *Monthly Statistics*, February 2025.

³⁰ Treasury International Capital (TIC) System database, US Department of the Treasury.

³¹ Treasury Releases Report on Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States, US Department of the Treasury, 5 June 2025.

³² Based on the life profitability model developed by the Swiss Re Institute to forecast operating investment profitability trends. The eight major life insurance markets covered (the US, Canada, UK, Germany, Italy, France, Japan and Australia) are referred to as “major life markets” in this report. Life insurance premiums written in these eight represents close to three-fifths of the global life premiums and around three quarters of the life premiums in advanced markets. Investment income projections are net of unrealized gains/losses.

In France, our positive outlook is supported by capital-efficient product innovations and fee income on large legacy unit-linked portfolios. In Germany, ongoing excess reserve releases free up capital and reduce reserving strain, ultimately benefiting policyholders' crediting rate and new asset inflows.³³ In Italy, low excess mortality and moderating net outflows due to lower surrender values support favourable profitability trends. Overall, Europe's life insurers are well capitalised and able to absorb financial market shocks (Solvency 2 ratio of 220%).³⁴

Asia-Pacific life profitability outlook remains stable, though foreign exchange hedging costs may weigh on margins in Japan.

Life insurers in Japan are struggling with negative underwriting margins and rising investment expenses (such as foreign exchange hedging costs, see *Hedging in volatile foreign exchange markets: lessons from Taiwan life insurers*). We expect near-term marginal improvements from flattening claims and lower surrenders. Stable investment income on rising reinvestment yields domestically and abroad should offset some of the underwriting underperformance. In South Korea, we expect stable underwriting profits on resilient protection-type premiums growth, driven by an ageing population. In Australia, incurred claims should remain stable in 2025–26, though one-off gains from post-COVID reserve releases in 2024 are unlikely to be repeated. Investment returns are expected to stay above pre-pandemic levels on elevated bond yields.

Lower policy rates in emerging markets undermine profitability, driving saving products innovation.

We project new business value (NBV) growth among Chinese life insurers to remain resilient in 2025, supported by product optimization, improved distribution strategies and operational efficiency gains. Insurers are offering floating-rate product innovations in response to spread risks resulting from prolonged low rates. In India, near-term profitability should come under pressure from policy rate cuts and declining investment yields. We expect unit linked investment plan (ULIP) in-force portfolios to be supported by resilient product design (5-year lock in period without surrenders) and upside risks for new business growth once equity markets start to recover.

Structural shifts in the life insurance operation model introduced new risks.

Risks to the outlook

Cyclical macro-financial dynamics and structural shifts in life insurance operating models both pose risks to our life insurance outlook. In the medium term, we see increased risks of systemic stress potential and surrenders.

- **Large, rising and leveraged life industry exposures to alternative asset classes** create potential for financial losses and system-wide stresses under deteriorating credit conditions. The acquisition of life insurance liabilities and their transfer offshore has typically fueled this exposure growth, which remains to be tested through a credit cycle. Cascading effects may result in mass asset recapture by cedents, discount sales of hard to value illiquid assets and negative hits to regulatory capital and solvency. The International Association of Insurance Supervisors has flagged that the growing interconnectedness of the life insurance industry with other financial institutions through alternative asset markets create the potential for contagion and systemic stresses.³⁵
- Industry-level **lapse risks** are contained at present but could rise. If policyholders surrender their life insurance policies at times of deteriorating credit conditions, it can result in liquidity shortages. PE-owned insurers are starting to directly source liabilities through retail channels in the US, selling annuities with shorter durations than on traditional life policies. With lower policy durations, the life insurance funding model is becoming increasingly bank-like and more vulnerable to runs. This risk is particularly elevated in the US in the medium term, especially as annuity policies will exit their surrender charge periods by 2030.

³³ Effective from January 2025, rose from 0.25% to 1.0%, the first such increase in over 30 years

³⁴ As of 1Q 2025, *European Insurance 1Q25 solvencies fine, but QTD solvencies down*, UBS, 7 April 2025

³⁵ *International Association of Insurance Supervisors Consults on Structural Shifts in the Life Insurance Sector*, Skadden, 21 March 2025.

Appendix

Global insurance market rankings

The US and China remain, respectively, the first and second largest insurance markets in the world. With total premiums of USD 3.5 trillion in 2024, the US market is almost 4.4 times bigger than the Chinese, according to *sigma* data (see Table 6). Its global market share rose to 45% last year driven by strong premium growth (8.1% in nominal terms). With total premiums of USD 792 billion, China has a 10% market share. The UK retained its ranking at third place (premiums of USD 485 billion) in 2024, followed by Japan and France. Among other top 10 markets, Canada and Italy climbed one place higher in their ranking, overtaking South Korea.

Table 6
The world's 20 largest insurance markets
by nominal premium volumes, 2024 vs 2023

Rank	Country	Total premium volume (USD bn)			Global market share	
		2024	2023	% change	2024	2023
1	United States	3 497	3 233	8.1%	44.8%	44.4%
2	China	792	724	9.4%	10.2%	9.9%
3	United Kingdom	485	454	6.8%	6.2%	6.2%
4	Japan	339	363	-6.6%	4.4%	5.0%
5	France	292	264	10.8%	3.8%	3.6%
6	Germany	266	254	5.0%	3.4%	3.5%
7	Canada	181	172	4.7%	2.3%	2.4%
8	Italy	180	157	14.6%	2.3%	2.2%
9	South Korea	176	177	-0.8%	2.3%	2.4%
10	India	141	136	4.0%	1.8%	1.9%
11	Netherlands	99	92	7.0%	1.3%	1.3%
12	Brazil	89	86	3.8%	1.1%	1.2%
13	Taiwan	84	78	8.2%	1.1%	1.1%
14	Spain	81	83	-1.4%	1.0%	1.1%
15	Australia	75	75	0.3%	1.0%	1.0%
16	Hong Kong	74	67	11.3%	1.0%	0.9%
17	Switzerland	63	61	3.2%	0.8%	0.8%
18	Sweden	53	44	18.9%	0.7%	0.6%
19	Mexico	51	45	13.5%	0.7%	0.6%
20	Belgium	50	47	5.0%	0.6%	0.7%
	Top 20 markets	7 068	6 612	6.9%	90.8%	90.9%
	World	7 799	7 276	7.2%		

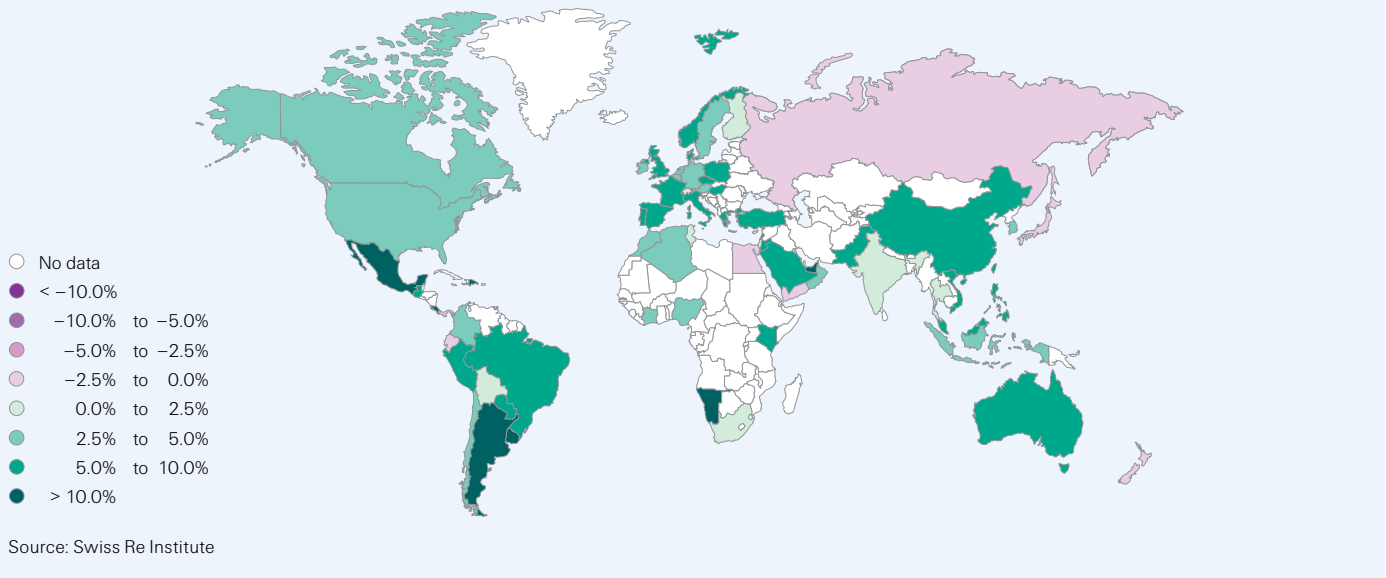
Source: Swiss Re Institute

Non-life insurance sector growth in 2024

Real premium growth in advanced markets reached 4.5% in 2024, higher than 2023 (3.8%) and previous 10-year average (3.5%). The decade-high growth in 2024 was driven by rate hardening, with insurers increasing prices to cover rising claims severity. Markets in North America and western Europe outperformed other advanced markets and their own historical trends with 4.7% and 4.5% growth in 2024, respectively. Momentum was underpinned by continuing rate hardening in personal lines. In advanced Asia, non-life premiums grew more modestly by 2.9% in 2024, partly due to less severe inflation and more muted insurance pricing dynamics. This performance was nevertheless stronger than the region’s previous decade average of 1.7%.

Non-life premiums from emerging economies grew by 5.8% in 2024, on par with the 5.7% average of the previous decade. Growth slowdown in China is a main drag as the country accounts for half of total emerging market premiums. In 2024, China non-life premiums grew by 5.9%, well below the 9.8% average level between 2014–2023. In India, premiums grew by just 0.2% in 2024 due to regulatory changes, dragging growth in emerging Asia excluding China to only 2%. Other emerging markets (including Latin America, emerging Europe and Central Asia and Middle East and Africa) all exhibited above-trend growth in 2024, with robust demand seen across Mexico, Poland, Turkey and the UAE.

Figure 27
Non-life real premium growth, 2024

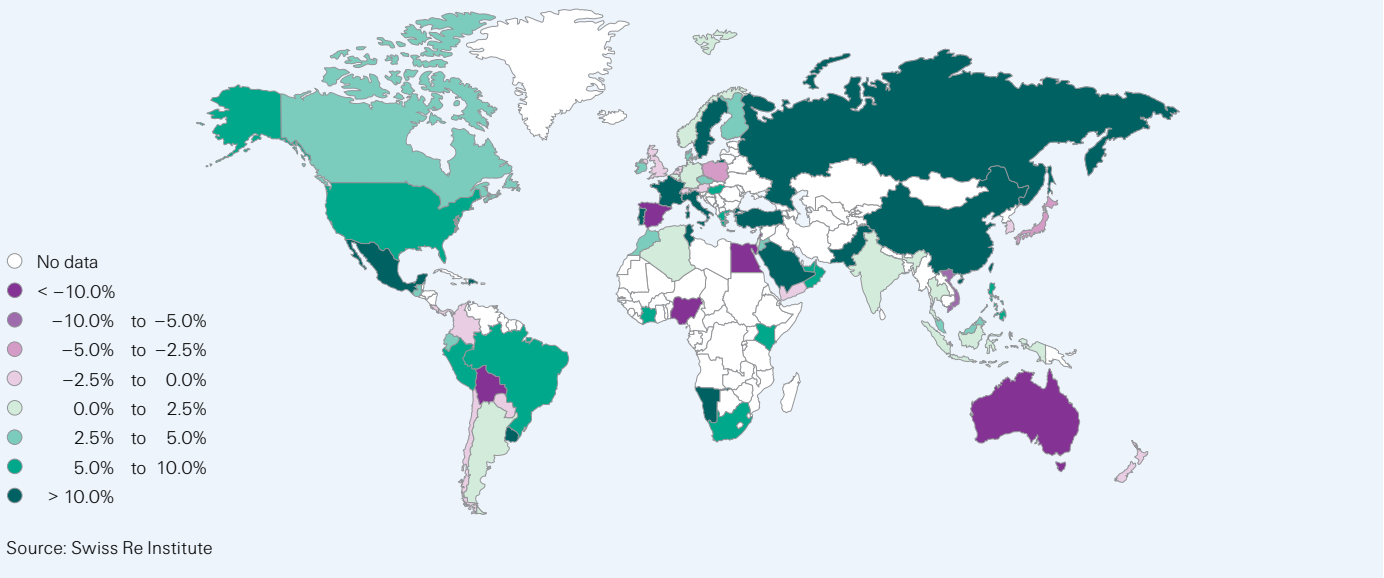


Life insurance sector growth in 2024

Real life premium growth in the advanced markets continued to rise and peaked at 3.9% in 2024, primarily due to higher-for-longer interest rates. The markets in North America and western Europe in particular contributed to this uptick. There were very strong individual annuity sales in the US and in the UK, bulk annuity sales remained elevated. In Italy and France, premiums grew in double-digits (16.2% and 10.2%, respectively) in 2024, after a previous year of contraction of 9.7% in Italy, and subdued 0.6% growth in France. In advanced APAC, growth remained negative but at a lower rate (0.9% contraction in 2024 vs 2.9% contraction in 2023). In Japan, demand for yen denominated products strengthened as a result a rise in domestic interest rates. This contrasted with many years of strong demand for foreign exchange policies.

Emerging markets premiums registered strong 13.1% growth in real terms in 2024. This was mainly due to elevated interest rates, solid economic growth, buoyant equity markets and regulatory developments. In China, premiums grew in the double-digits (15.2%) for a second consecutive year in 2024 due to regulatory changes and robust savings products sales as consumers rushed to secure high returns before interest rate reductions.³⁶ Excluding China, life premiums in the other emerging markets grew by 10.5%, a considerable improvement from 1.7% in 2023. Life premiums in emerging Europe and central Asia were up 73.3% in 2024, driven by (reported) 157% growth in Russia. Labour market constraints and persistent double-digit inflation in many countries led to robust wage growth, while elevated bond yields channelled domestic asset flows into life insurance products. In Latin America, premium volumes increased by 8.4% last year, primarily with higher demand for savings products.

Figure 28
Life real premium growth, 2024



³⁶ The main regulatory change that drove premium growth was successive cuts in the guaranteed interest rates for life insurance products, which released market demand and boosted premium growth.

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Swiss Re Management Ltd
Swiss Re Institute
P.O. Box
8022 Zurich
Switzerland

Telephone +41 43 285 3095
Email institute@swissre.com

Authors

Roopali Aggarwal
Ashish Dave
James Finucane
Erik Gogola
Loïc Lanci
Roman Lechner
Mahesh H Puttaiah
Mahir Rasheed
Arnaud Vanolli
Weijia Yao
John Zhu

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***sigma* editor**

Alison Browning

Deputy managing editor

Dr Thomas Holzheu

Managing editor

Dr Jerome Jean Haegeli
Group Chief Economist
and Head of Swiss Re Institute

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Swiss Re Management Ltd.
Swiss Re Institute
Mythenquai 50/60
P.O. Box
8022 Zurich
Switzerland

Telephone +41 43 285 3095
swissre.com/institute