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Report shows global (re)insurance sector has continued to remain well functioning and stable in midst of an often challenging environment

Basel – The International Association of Insurance Supervisors (IAIS) today released its 2015 Global Insurance Market Report, or GIMAR. The report discusses the global insurance sector from a supervisory perspective, focusing on the sector’s performance as well as key risks faced by it.

“The IAIS is committed to promoting awareness of developments, risks and vulnerabilities in the insurance industry,” said Dr Victoria Saporta, Chair of the IAIS Executive Committee. “GIMAR is part of the IAIS’ macroprudential policy and surveillance framework and our efforts to provide our Members and stakeholders with insight into the global insurance marketplace.”

The report shows that the global (re)insurance sector has proven to remain well functioning and stable in the midst of an often challenging economic and financial environment as evidenced by the high capital levels held by (re)insurers, the overall stable profitability shown by the sector and an ongoing inflow of additional capital. Findings in the report include:

- Investment yields for (re)insurers have declined slightly, but held up reasonably well despite low interest rates. Insurers’ investment income is, however, going to be impacted by a continuation of the low interest rate environment, as the proceeds from maturing assets are reinvested in lower-yielding securities. Investment yields will thus remain under pressure.
- The lagged impact of low interest rates will keep portfolio yields on a weakening trend for the next couple of years. There is also a risk that stock market performance will be less favourable once interest rates recover, meaning that an important pillar of investment returns may fade.
- The insurance industry has experienced a surge of mergers and acquisitions (M&As), with one estimate on the reinsurance side that more than 10 percent of the global reinsurance industry is currently involved in major mergers activity.

GIMAR also includes a chapter focussing on a variety of special topics on regulatory, financial and economic developments and risks. These include the liquidity of corporate bond markets and its relevance for life insurers, insurers’ reach for yield and its implications for supervisors, capacity developments in reinsurance, changes in the insurance-linked securities market, the impact of Solvency II on non-European Economic Area jurisdictions, the use of derivatives by US insurers and the outsourcing of investment management. The IAIS plans to increase GIMAR’s focus on special topics in future editions.

The Global Insurance Market Report can be found at the IAIS website (www.iaisweb.org) or by clicking here.