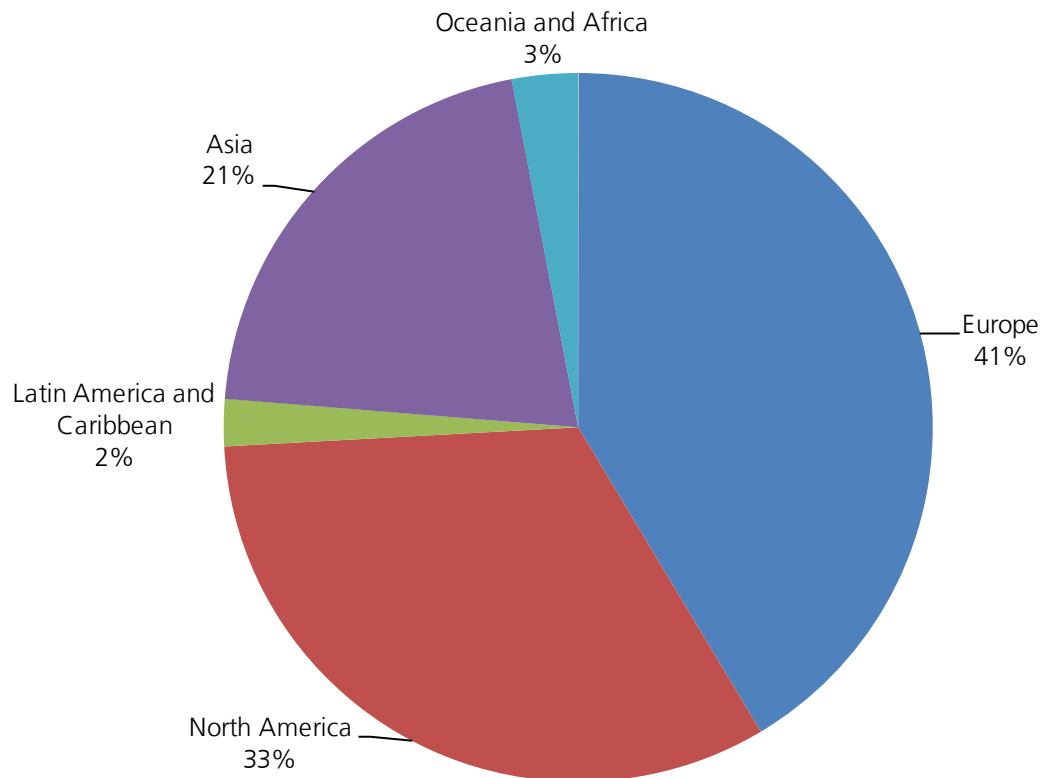


## European insurance – Key facts

### I. European insurance in the world

With a market share of more than 40%, the European insurance industry is the largest in the world.

Worldwide distribution of insurance premiums, 2007



Source: Swiss Re Sigma No 3/2008: "World insurance in 2007: emerging markets leading the way"

Note: It should be stressed that in the Swiss Re publication, Europe is the combination of western Europe and central & eastern Europe, ie including notably Russia and Ukraine

### II. Insurance in the economy

The insurance industry provides households and corporations the means to live and operate in a stable environment.

The insurance activity does not only facilitate economic transactions through risk transfer and indemnification but can also promote financial stability, mobilize savings, enable risks to be managed more efficiently, encourage loss mitigation, and foster efficient capital allocation.

The European insurance industry employs directly almost 1 million people<sup>1</sup>.

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<sup>1</sup> This figure focuses on employees working in insurance companies and therefore does not take into account the additional roughly 1 million outsourced employees and independent intermediaries

In 2007,

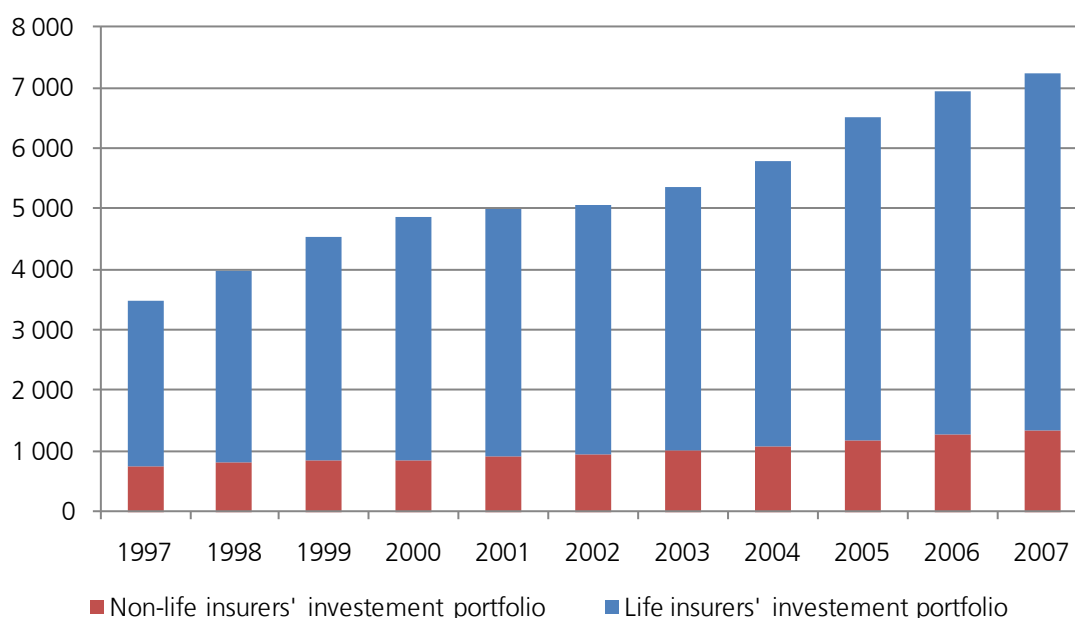
- life insurers paid out more than €610bn in benefits to insureds providing them with capital, annuities, pension revenue and protection against death;
- non-life insurers paid out more than €200bn in claims to insureds;
- European insurers invested more than €7 200bn in the economy.

### III. Insurers' investment portfolio

As at 31 December 2007, the European insurance industry had invested €7 237bn in company shares, bonds and other assets on behalf of millions of savers and non-life insurance customers.

With a volume of around €5 900bn, the investment holdings of the life insurance industry account for more than 80% of the total. The UK and France are the major market players as they jointly represent over 50% of all European life insurers' investments.

Life and non-life insurers' investment portfolio in Europe - 1997-2007 (€bn)

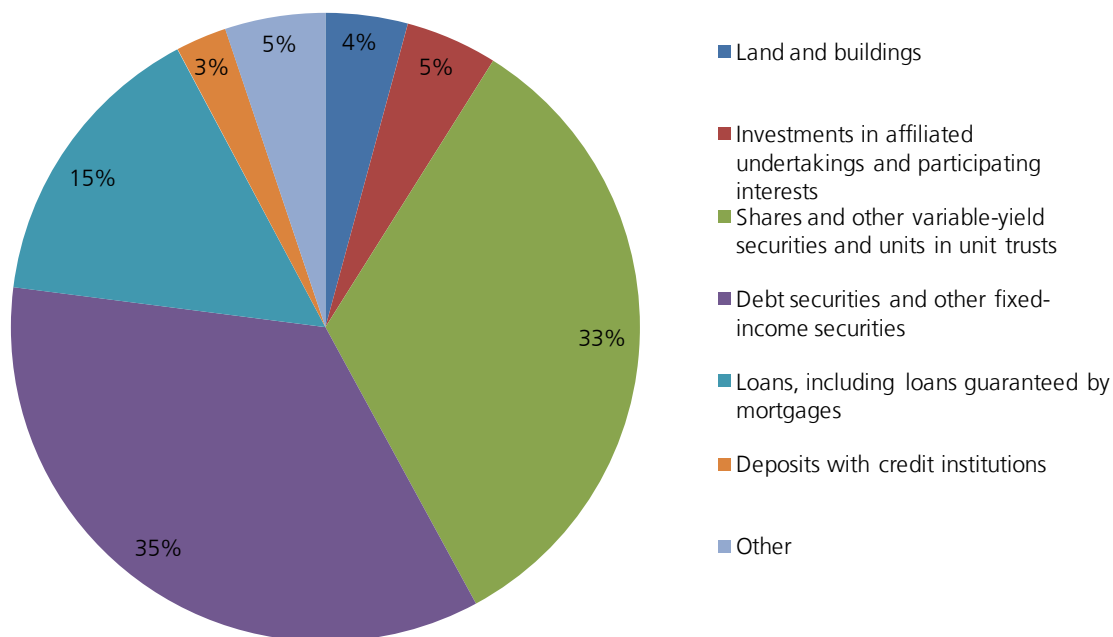


*Note: Health & accident business is included in the non-life business*

The largest components of European insurers' investment portfolio are debt securities and other fixed income assets (35%), followed closely by shares and other variable-yield securities (33%).

Loans represent 15% of the total investment portfolio while the remaining types of assets represent each 3% to 5% of the total investment portfolio.

## Structure of the investment portfolio in Europe - 2007



## IV. Premiums

Total premiums for the overall European market have almost doubled over the last ten years, amounting to €1 183bn in 2007.

Total premiums break down as follows:

- Life: 62%
- Property and Casualty (P&C): 26%
- Health & accidents: 11%

However, this breakdown varies widely across countries, the life insurance market being much more developed in high-income countries.

In 2007, the average premium per inhabitant amounted to €1 916 compared to €1 106 ten years ago.

The 2007 average premium per capita breaks down as follows:

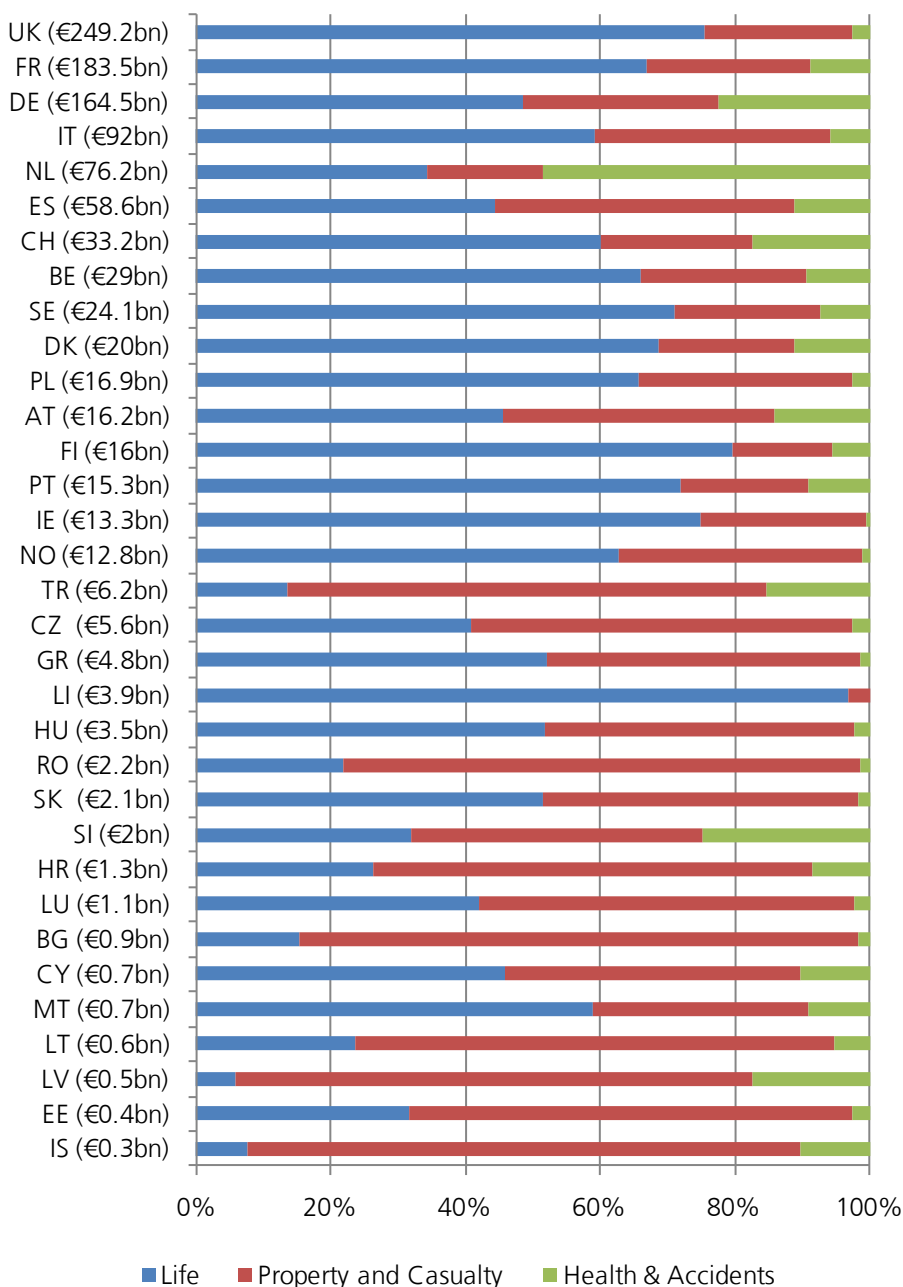
- Life: €1 194
- Property & Casualty (P&C): €505
- Health & accidents: €218

In 2007, the average penetration rate reached 8.2%, compared to 7% ten years ago<sup>2</sup>. This ratio displays great disparities from country to country since it ranges from 1.3% in Turkey to 14.4% in the United Kingdom.

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<sup>2</sup> The penetration rate measures insurance activity in terms of premiums volume as a share of GDP. It should be stressed that it does not indicate the contribution of the insurance industry to the economy but rather allow comparisons between countries and over time.

## Breakdown of European insurance premiums by country, 2008



### Notes:

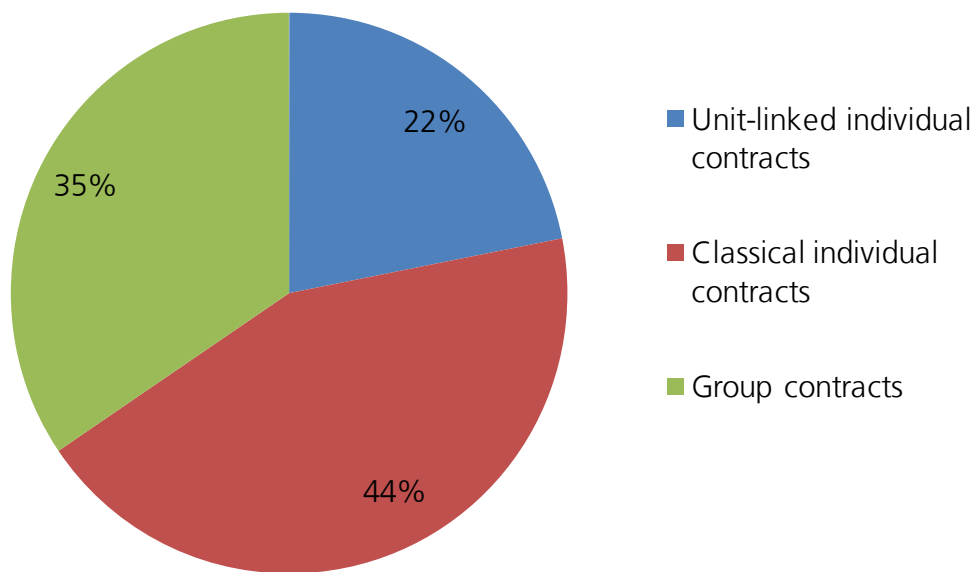
1. The amounts indicated into brackets correspond to the total premiums per country
2. For Greece, a large part of the health business is included in life insurance

### IV.1 Life insurance products

The main advantage of a life insurance policy is that it is both a “pure insurance” and savings product. Life insurance policies can be purchased either by individuals or in the form of group policies, mostly by employers.

In Europe, two thirds of individual premiums relate to classical life products, which offer capital and/or return guarantee, while the remaining individual life premium income stems from unit-linked products, for which the risk is borne by the policyholder.

Breakdown of European life premiums by type of contract, 2007

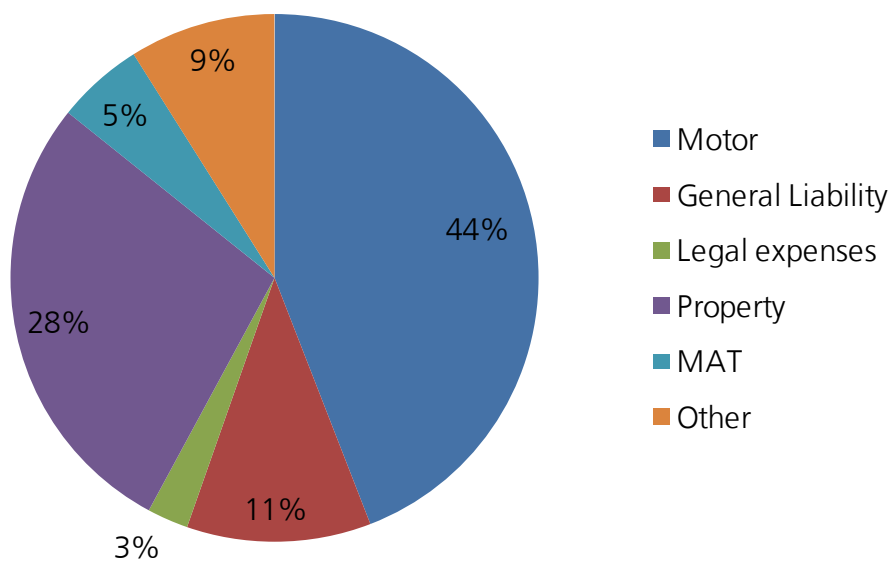


#### IV.2 Property & Casualty insurance products

Property/casualty insurance provides a wide range of covers on homes, cars, and businesses.

- With €130bn of premium income, motor insurance is the biggest class of P&C business, accounting for 45% of premiums.
- The second largest biggest class of P&C insurance is property with a 28% market share.
- General liability and Marine Aviation and Transport (MAT) account each for around 10% of P&C premiums.

Breakdown of European P&C premiums by product, 2008



## V. Distribution channels

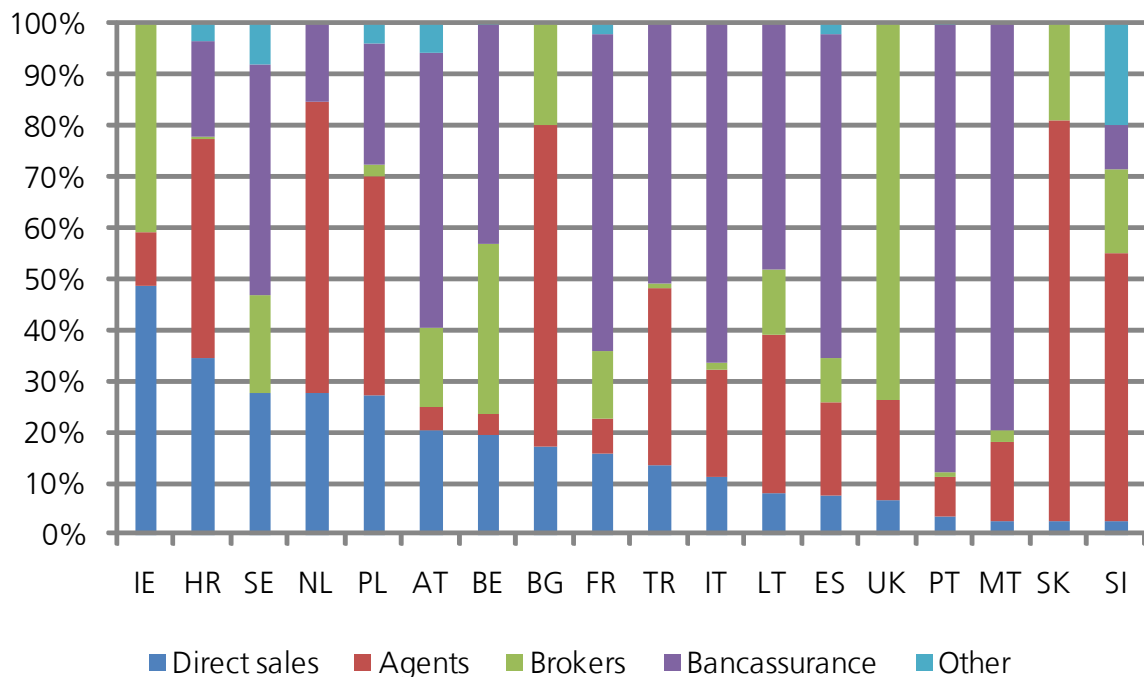
Insurers market insurance covers either directly or through a variety of distribution channels, out of which the most familiar are brokers, agents, and bancassurance

The distribution of insurance products has evolved over time. On the one hand, the development of information technology means, eg the Internet, mobile phones, has opened the field for new channels. On the other hand, insurers embark more and more on a multi-channel strategy.

### V.1 Life insurance

- Bancassurance has developed over the last decade with the rise in the life insurance business and is today the main distribution channel in many western European countries.
- Agents and brokers play also an important role in the distribution of life policies.
- Direct sales through employees or distant selling appear to be less developed in life than in non-life insurance

Life insurance distribution channels, 2007



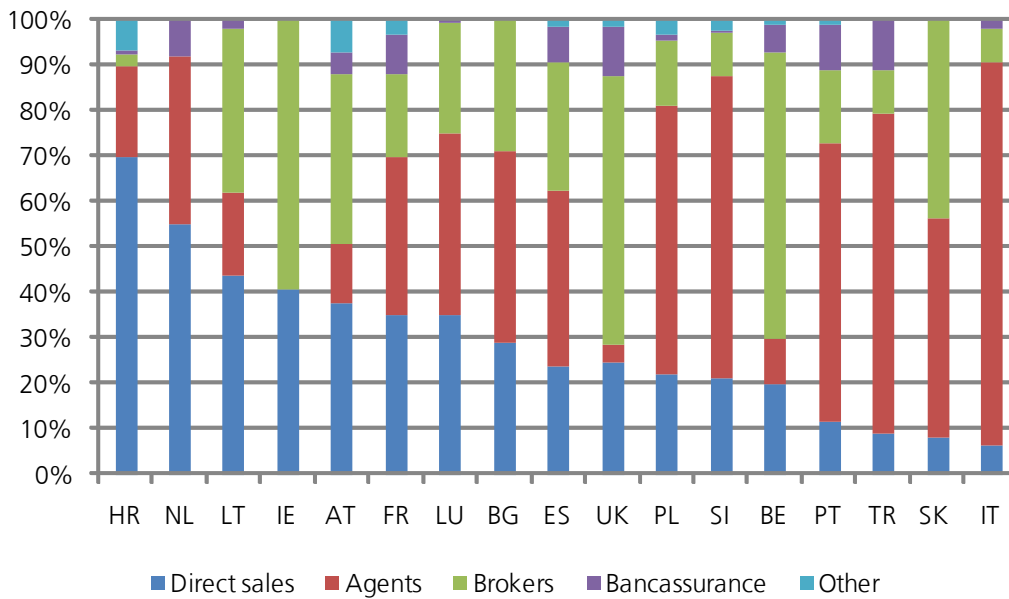
Note: This graph illustrates how gross written premiums in life insurance are distributed among the different distribution channels

### V.2 Non-life insurance

The distribution of non-life policies in Europe relies mainly on intermediaries (agents and to a lesser extent brokers) and on direct sales through employees and distant selling.



### Non-life insurance distribution channels, 2007

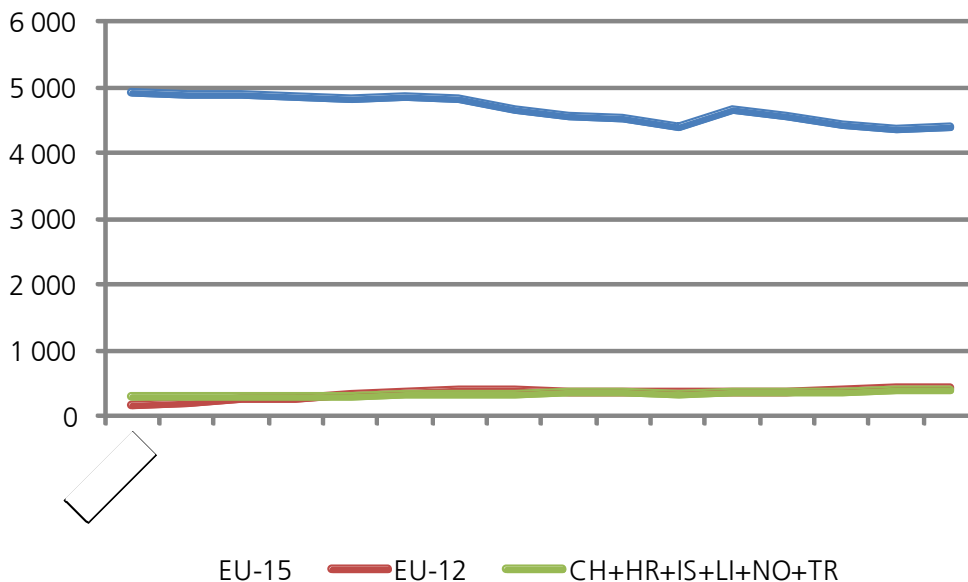


Note: This graph illustrates how gross written premiums in non-life insurance are distributed among the different distribution channels

### VI. Companies

- Around 5 200 insurance companies operate in Europe in 2008. The two main legal forms are joint stock companies and mutual insurance associations. Insurance companies can also be structured as public institutions, cooperatives, etc.

### Number of insurance companies in Europe, 1993-2008

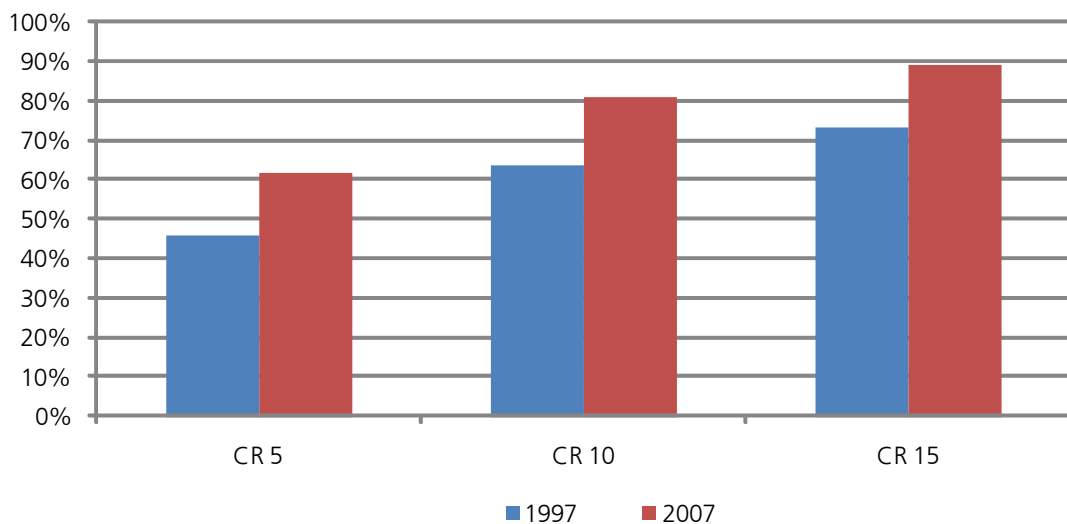


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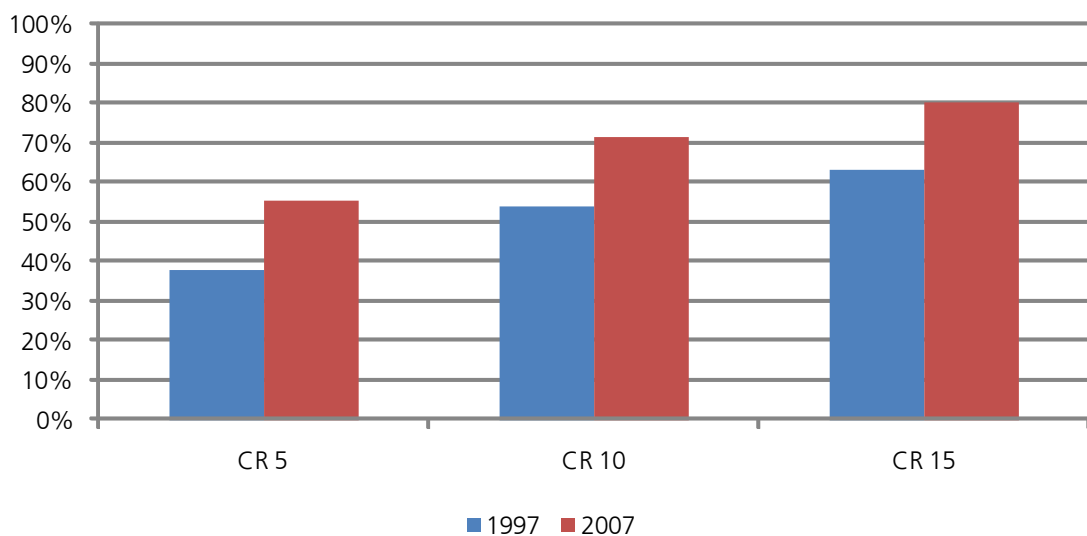
- The break in the series in 2004 is due to a change in statistical methodology in the UK
- The figures do not include the small mutual insurance associations under Land supervision in Germany, the "Mutuelles 45" in France nor the companies under regional supervision in Spain

- This number has been decreasing over the last 10 years reflecting the wave of mergers and acquisitions that took place at the end of the 1990s following the liberalisation and deregulation processes carried out in the EU.
- One commonly used indicator of concentration is the five-group concentration ratio – the so-called CR 5-, which consists of the market share, as a percentage of the five largest groups in the industry in a specified country<sup>3</sup>.

Average concentration ratios in the life sector – 1997 & 2007



Average concentration ratios in the non-life sector – 1997 & 2007



*Note: The European figures presented in the two graphs above correspond to the average of the national concentration ratios weighted by premiums.*

With a CR 10 amounting to 73% in 2007, the European non-life sector is slightly less concentrated than that of life.

<sup>3</sup> More generally, the N-firm concentration ratio is the percentage of market output generated by the N largest firms in the industry