



## GLOBEX UPDATE PROPERTY & CASUALTY

*Events, developments, and opportunities in the international marketplace.*

### Recent Success Stories

- **Placed Commercial General Liability and Commercial Auto insurance for a contractor undertaking a \$5m building retrofit project in St. Croix, USVI.**
- **Bound Business Package and Directors & Officers policies for a government projects management consultant with an office in Qatar.**
- **Placed a Foreign Liability Package policy including Completed Operations for a service engineer travelling to Antigua and Mexico to commence operation of newly installed commercial water pumps.**
- **Bound a local Employers' Liability policy in China for one of the world's largest manufacturers of commercial wallcoverings.**

### China



The Chinese property insurance industry is forecast to grow at a compound annual growth rate of 12.1% over 2024-28, from CNY271bn (\$40.5bn) in 2024 to CNY428.3bn (\$67.7bn) in 2028. The growth is supported by positive regulatory developments and an increase in demand for fire and home multi-risk property insurance policies. 2023 saw growth of 15.9% in the sector due to higher demand for policies covering Nat CAT events, growing demand for agriculture insurance, and investments in infrastructure projects. That trend is expected to continue. Home and industrial multi-risk policies, fire and natural hazards insurance, will be challenged by escalating Nat CAT losses and are expected to see price increases in 2024. Increasing construction activities in the country will also play a part. Between 2024 and 2027, the government plans to increase infrastructure spending by CNY924.2bn (\$138bn). Economic and geopolitical uncertainties as well as high Nat CAT losses will, however, remain major challenges for property insurers over the next five years.

### Germany

The German non-life insurance sector is set to grapple with a net combined ratio of 99% for both 2023 and 2024. This predicament is primarily attributed to mounting claims inflation and substantial reinsurance expenses, deviating from past peaks influenced by extraordinary natural calamities such as severe floods and hailstorms. Of particular concern is the motor insurance segment with a staggering gross combined ratio of 110% estimated for 2023. This decline in profitability stems from incessant claims inflation since 2022 and a tightening global reinsurance market, exacerbated by the depletion of excess profits accrued during the pandemic-induced lull in driving activity. Premium rate increases across motor and other non-life insurance sectors are anticipated in 2024, aiming to offset



the impact of rising claims inflation and reinsurance costs. This aligns with a neutral sector outlook for 2024, and a projected slight improvement to a 104% net combined ratio for German motor business. Yet, the specter of natural catastrophes looms large, with an adjusted baseline of EUR 5 billion for normal natural catastrophe losses, reflecting a worrisome trend of more frequent and severe events attributed to climate change.

## Japan



Despite losses following the 7.6 magnitude earthquake that struck the Noto Peninsula on 1 January 2024, the property insurance market in Japan will remain stable. The earthquake resulted in over 240 casualties and caused widespread damage to over 4,000 properties. Stability is assured as the majority of residential insured losses are borne by the government. Also, insurers carry minimal net retention on corporate earthquake policies and cede most of the risks to reinsurers. The Noto earthquake is estimated to result in economic losses of around JPY1.1–2.6trn (\$8.6–\$20.3bn) and insured loss of around JPY792bn (\$6bn). However, through the Japan Earthquake Reinsurance Company (JER), the government will bear around 98% of insured residential earthquake claims, with a cap of JPY11.8trn (\$91.7bn) per earthquake. In addition to the support from the JER, property insurers' profitability is expected to remain resilient due to frequent increases in premium rates of fire and natural hazard insurance policies, which accounts for around 85% of the property insurance GWP.

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