Industry Analysis

Insurance: Multi-Line

Q1 2012

Industry Overview

The events in recent years such as the global financial and economic crisis and the large-scale natural and man-made disasters put unprecedented risks on one’s life, health, and property that being insured is no longer an option but has become a necessity, and multi-line insurance provides the coverage for such risks.

Multi-line Insurance Defined. Multi-line insurance is a complex industry that links together several insurance risks such as life, health, property, and casualty under one roof. These are the giant insurance carriers involved in all areas of insurance. Purchasing insurance from these insurers is helpful for most customers, especially for those firms who are exposed to a wide range of risks. Managing risks in such manner is cost efficient, as well as a more effective way of handling a multitude of overlapping risks. However, customers will often purchase single-line policies. More importantly, insurers benefit from having multiple lines because it spreads risks around without solely relying on the whims of the reinsurance market, controlled by behemoths.

Latest Activities. After a worldwide insurance premium volume of $4.06 trillion and $22.6 trillion of assets under management in 2009, some insurers have announced strong growth for 2010 while other multinational insurers have struggled to create income growth in markets. In 2010, insurance companies overall have seen a resurgence of profitability, led by investment gains, as combined ratios has been hovering over 100. The increase in policyholders' surplus, due to investment gains, has increased the funds available for insurance policies, which in turn has keep premiums low, extending the soft premium market. Despite low premiums, a rebound in business activities by insurance buyers has increased the need for insurance, and investment gains have contributed to high profitability for insurers.

In recent years, multinational insurance companies have been undertaking substantial restructuring. Mergers and acquisitions are being progressed to optimize opportunities in the expanding markets in the Asia-Pacific and Latin American regions, in addition organizational structures are being streamlined as part of cost cutting actions. The expectation is that 2011 will see major insurers looking to bolster global augment premium growth and the strengthening of market positions, partnership with local operators. Low interest rates and other aftershocks of the financial crisis pose a challenge to the insurance industry. Insurers face a dilemma with investment yields low, if they continue, to invest substantially in risk free assets. Thus, the best strategy to boost profitability is to strive for higher underwriting standards, which implicitly means a rise in rates and tightening of terms and conditions.

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