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World Insurance in 2005 Swiss Re

Executive Summary

In 2005, worldwide insurance premiums amounted to USD 3426bn, USD 1974bn in life and USD 1452bn in non-life insurance. Total premium volume grew by 2.5% in real terms. Life premiums increased by 3.9%, non-life premiums by 0.6%. Profitability in life insurance improved compared to 2004, and non-life business remained very profitable despite the huge hurricane losses in the US. The environment on the macro economic side was determined by high economic growth, moderate inflation, low interest rates and favorable stock markets in Europe, Japan and in the emerging markets.

In the bulk of the countries, life business grew faster than overall economic activity in 2005, while non-life business growth slowed down substantially compared to recent years, with non-life premiums growing in most countries slower than GDP. The main reason for the sluggish development was a decline in premium rates in commercial lines such as aviation or marine, which had experienced sharp rate increases between 2001 and 2004. In addition the trend that premiums in emerging markets outgrew that of the mature insurance markets maintained.

Profitability in non-life business remained very solid with combined ratios remaining substantially below 100%. This reflects favorable insurance premium rates as well as improvements in terms and conditions, which pay out in reduced claims inflation. Even in the US, where disastrous hurricanes caused record high Catastrophe losses, the combined ratio only slightly exceeded 100%. Despite the huge catastrophe losses capital in the industry continued to rise on a world wide basis in line with the higher exposure. This development was supported by new capital flowing into the markets.

The outlook for 2006 remains favorable. Growth may even speed up in life insurance. Non-life insurance will most probably continue to show low growth. Important exceptions are certain lines of businesses affected by the big hurricane losses, where premium rates and premium volumes are expected to rise substantially. Profitability will remain robust, with life insurance making further progress. Non-life insurance will see most probably combined ratios in 2006 below 100%. Business results in non-life will be favorably affected by lower adverse reserve developments from previous underwriting years.

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Global economy: healthy growth despite high oil prices

Macroeconomic indicators

The world economy, measured in terms of GDP, expanded by 3.4% in real terms in 2005 to USD 44 453bn. Compared to 2004, growth slowed down as a result of higher oil prices. Japan continued to recover from its long lasting stagnation. However, real global GDP growth in 2005 was still 0.5 percentage points higher than during the last 10 years. This is true for all regions except for Western Europe and Oceania. South and East Asia grew much faster than the rest of the world and contributed strongly to the emerging markets group growth. The economies of other emerging markets – excluding Latin America and the Caribbean – also expanded by more than 5%.

Capital markets

While the US stock market index stagnated (-0.6% from year-end 2004 to year-end 2005), the Japanese (+40%) and European stock prices (+17% in France, +24% in the UK and +27% in Germany) boomed in 2005. This reflected positive profit developments and lower interest rates in Europe.

World insurance: moderate growth but good profitability

Moderate overall premium growth, emerging markets make ground

In 2005, total world premiums grew by 2.5% in real terms, down from 2.7% in 2004.

In 2005, global premium income totaled USD 3 426bn, of which life insurance contributed 58%, or USD 1 974bn, and non-life 42%, or USD 1 452bn. Regional shares in global premium volume shifted further. The industrialized countries continued to dominate the insurance market with a 88% share. Emerging markets increased their share by 1.1 percentage points to 12% because they grew faster than the world total and because their currencies hardened. The South and East Asia region alone gained 0.8 percentage points and Latin America and Caribbean 0.2 percentage points. Industrialized Japan, however, lost 1.2 percentage points because the lower Yen exchange rate reduced premium volume measured in US dollars.

Life insurance: only moderate growth due to adverse effects

Premiums

In 2005, world life insurance premiums increased by 3.9% in real terms, to USD 1 974bn, after having grown by 2.9% in 2004.

Aggregated growth rates for industrialized countries were on a par with and for developing countries were below the 10-year average. Demand for life insurance was still

strong, but special effects in the US as well as legal and tax changes in a few countries impaired premium growth. While Western Europe, the largest life market region, expanded by 7.5%, premiums stagnated in North America and marginally increased in Japan and Oceania.

In emerging markets, life insurance is mainly driven by the fast-growing incomes of a relatively young population which needs savings as old age protection. However, 2005 growth was below the long-term average in all emerging market regions except the Middle East and Central Asia. Central and Eastern Europe life premiums dropped by 15%, mainly because Russian short-term policies aiming at tax optimization plummeted. In Latin America and the Caribbean, too, life premiums shrank by 2.1%, mainly due to pension fund legislation changes in Chile and Colombia and taxation changes in Mexico.

Life outlook

Life premiums in the industrialized countries are expected to grow in the range of 4% in 2006. Emerging markets are likely to benefit from their booming economies to boost their life premiums by around 7% in 2006, in real terms. Given the willingness of some governments, even in countries with long-established welfare systems, to shift from public to private old age provision, the growth prospects for life insurers in the pension business look very promising. In some countries, governments are cutting social security benefits and individuals are faced with a significant mortality risk protection gap. Against this backdrop, the growth outlook for private risk insurance products is also very positive.

Non-life insurance: stagnating premiums, but healthy profits

Premiums

Global non-life premiums expanded by only 0.6% in real terms in 2005, to USD 1 452bn. This growth is below last year's (+2.4%) and less than the 10-year average of 3.2%. Premiums in the US, the largest non-life market, declined by 0.3%, Canada reported an even sharper decline. Premiums in Western Europe increased by 0.6%, and Japanese non-life premiums stagnated. In the emerging markets, premiums grew by 6%, which is less than 2004 (+9.5%) and less than the 10-year average. Africa recorded double-digit growth, twice that of the past decade.

Catastrophe losses

Insured losses from natural catastrophes, which had been increasing since the late 1980s, reached a new record high in 2005 and markedly underlined the need for risk-adequate pricing, especially in and around the hurricane-prone Gulf of Mexico. The insured property and business interruption losses of USD 83bn stemmed mainly from hurricanes in the US and the Caribbean. Winter storm Erwin and the summer flood in Europe cost insurers almost USD 4bn.³ Because more than half of the losses was borne by reinsurers, the impact on direct insurers' profits was well cushioned.

Profitability and financial strength Overall profitability remained attractive in 2005, with a pre-tax operating result of 12% of net premiums in the largest non-life insurance markets: the US, Canada, the UK, Germany, France and Japan. Net underwriting results remained positive, as tighter terms and conditions limited the size of claims.

Investment results contributed an additional 11% of net premiums, almost 2% of this coming from realised capital gains.

Non-life outlook

After the strong increases between 2000 and 2003, premiums are expected to stagnate in 2006. Stiffening price competition could offset underlying exposure growth. However, insurers are once again expected to deliver positive underwriting results and good overall profits in 2006.

Africa: life insurance on the rise again, continuing growth in non-life insurance

Life insurance

Life insurance premiums in Africa increased by 6% in real terms in 2005, after decreasing by 8% in 2004. South Africa accounted for more than 95% of the regional life premium volume in 2005. In 2005, the market grew by 5.5%, which was mainly the result of strong demand for group (ie employee benefit) business and for equity-linked products against the background of booming stock markets. The low interest rate environment has made longer-term single premium products with return guarantees less attractive. The second biggest market, Morocco, also witnessed a turnaround: premiums increased by 12% in 2005, after declining by 18% in 2004. Egypt continued its strong performance: 2005 was the third consecutive year with real growth rates of around 30% and individual life again outperforming group life business.

Profiting from the positive economic development, regional growth should remain positive in 2006.

Non-life insurance

Non-life business grew by a healthy 11% in 2005, after having already increased by 9% in the previous year. Growth was mainly driven by South Africa, where premiums rose by 12%. The country accounts for more than half of the regional premium volume in this sector. Business was again very profitable in South Africa thanks to positive underwriting and strong investment results. In Morocco, the second regional market, premiums increased by 5%; the strong growth in fire and accident insurance was partly offset by declines in workers' compensation and engineering insurance. In Tunisia, growth of non-life premiums accelerated to 8% in 2005 from 6.5% in the previous year. In absolute terms, the biggest growth was reported in motor insurance, but premiums increased as well in all other lines – the only exception being transport. Algeria reported 15% growth. In Egypt, premiums were 7% up, with growth in most lines of business.

Engineering, where premiums had more than doubled in the previous year, registered a decline of about 20%. In 2006, the African insurance sector will continue to benefit from robust economic growth.

Premium volume by region and organization in 2005

	Premium volume (in millions of USD)		Change (in %) inflation-adjusted		Share of wor Premiums ¹ market (in % in % of GDP)		Premiums ¹ per capita (in USD)
	2005	2004	2005	2004	2005	2005	2005
Total business							
America	1 280 234	1 228 539	-0.1	2.6	37.37	7.95	1 452.8
North America	1 221 635	1 179 226	-0.2	2.3	35.66	8.97	3 735.1
Latin America and Caribbean	58 599	49 313	1.9	10.4	1.71	2.35	105.7
Europe	1 287 920	1 206 191	4.4	3.0	37.60	7.78	1 513.8
Western Europe	1 241 107	1 163 643	4.6	2.9	36.23	8.44	2 482.8
Central and Eastern Europe	46 812	42 548	-2.1	7.8	1.37	2.66	141.8
Asia	759 779	738 918	3.5	2.4	22.18	6.83	197.9
Japan	476 481	494 735	0.7	-0.4	13.91	10.54	3 746.7
South and East Asia	266 968	229 690	9.5	8.9	7.79	4.87	77.9
Middle East and Central Asia	16 330	14 492	5.8	7.6	0.48	1.45	55.1
Africa	40 025	36 422	7.1	-3.4	1.17	4.80	44.2
Oceania	57 756	54 088	0.1	4.4	1.69	6.38	1 789.3
World ²	3 425 714	3 264 158	2.5	2.7	100.00	7.52	518.5
Industrialised countries ³	2 998 694	2 894 193	1.9	2.0	87.53	8.96	3 286.8
Emerging markets	427 020	369 965	6.9	7.9	12.47	3.58	76.5
Central and Eastern Europe	10 491	11 128	-14.9	-11.4	0.53	0.60	31.8
Asia	573 239	558 334	3.7	2.5	29.04	5.16	149.6
Japan	375 958	389 843	0.8	-0.2	19.05	8.32	2 956.3
South and East Asia	192 882	164 464	10.5	9.7	9.77	3.54	56.6
Middle East and Central Asia	4 400	4 027	6.3	5.8	0.22	0.39	14.8
Africa	27 795	25 231	5.8	-7.6	1.41	3.33	30.7
Oceania	28 539	26 543	1.0	6.2	1.45	3.16	885.0
World ²	1 973 703	1 866 636	3.9	2.9	100.00	4.34	299.5
Industrialised countries ³	1 717 378	1 644 010	3.4	2.4	87.01	5.15	1 887.0
Emerging markets	256 325	222 626	7.5	7.0	12.99	2.15	46.1
Non-life business							
America	705 441	677 107	-0.1	2.7	48.58	4.38	800.5
North America	670 105	647 910	-0.3	2.5	46.15	4.92	2 048.8
Latin America and Caribbean	35 336	29 197	4.6	6.5	2.43	1.42	63.8
Europe	518 583	501 095	0.7	1.9	35.71	3.10	601.9
Western Europe	482 261	469 675	0.6	1.0	33.21	3.23	949.4
Central and Eastern Europe	36 322	31 420	2.4	16.7	2.50	2.07	110.0
Asia	186 540	180 584	2.9	2.1	12.85	1.67	48.3
Japan	100 523	104 892	0.2	-1.2	6.92	2.22	790.4
South and East Asia	74 086	65 227	7.0	6.9	5.10	1.34	21.4
Middle East and Central Asia	11 930	10 465	5.4	8.5	0.82	1.06	40.2
Africa	12 230	11 192	10.7	8.7	0.84	1.47	13.5
Oceania	29 217	27 545	-0.7	2.6	2.01	3.22	904.3
World ²	1 452 011	1 397 522	0.6	2.4	100.00	3.18	219.0

Total premium volume in USD in 2005

	Ranking	Country	Premium volume (in millions of USD)		nominal (in USD)	Change (in %) 2005 inflation- adjusted	Share of world market 2005 (in %)
			2005	2004			
North America	1	United States ⁹	1 142 912 *	1 109 291	3.0	-0.3	33.36
	8	Canada ¹⁰	78 723 *	69 935	12.6	2.5	2.30
		Total	1 221 635	1 179 226	3.6	-0.2	35.66
Latin America & Carebean	20	Brazil	23 955 +	18 042	32.8	3.4	0.70
	29	Mexico	12 780 *	12 280	4.1	-3.4	0.37
	39	Argentina	4 619 *	4 109	12.4	1.8	0.13
	40	Chile	4 519 *	4 026	12.2	-0.6	0.13
	43	Venezuela	3 351 +	2 628	27.5	22.6	0.10
	44	Colombia	2 750 *	2 336	17.7	-0.8	0.08
		Other countries	1 341	1 237			0.04
		Total	58 599	49 313	18.8	1.9	1.71
Europe	3	United Kingdom	300 241 +	292 199	2.8	1.3	8.76
	4	France	222 220 *	199 863	11.2	9.3	6.49
	5	Germany	197 251 *	190 811	3.4	1.4	5.76
	6	Italy	139 194 +	128 405	8.4	6.5	4.06
	9	Netherlands ¹¹	61 073 +	59 919	1.9	0.3	1.78
	10	Spain	60 275 +	56 002	7.6	4.2	1.76
	14	Belgium	46 393 *	39 563	17.3	14.1	1.35
	15	Switzerland	41 077 *	42 181	-2.6	-3.6	1.20
	17	Ireland	29 811 **	28 157	5.9	na.	0.87
	18	Sweden	27 710	24 343	13.8	15.3	0.81
	21	Denmark	20 935 +	19 925	5.1	3.3	0.61
	22	Austria	18 897 *	17 378	8.7	6.3	0.55
	23	Finland	17 695 +	16 347	8.2	7.4	0.52
	25	Russia	17 521	16 368	7.0	-7.5	0.51
	26	Portugal	16 692 *	13 114	27.3	24.5	0.49
	27	Norway	16 124	13 906	16.0	9.2	0.47
	28	Luxembourg	13 527 **	11 067	22.2	na.	0.39
	31	Poland	9 443 *	7 444	26.8	10.1	0.28
	35	Turkey	5 713 *	4 619	23.7	7.7	0.17
	37	Czech Republic	4 869 *	4 380	11.2	1.8	0.14
	38	Greece	4 827 **	4 506	7.1	na.	0.14
	42	Hungary	3 363	2 888	16.5	10.7	0.10
	45	Ukraine	2 468 *	3 653	-32.4	-42.7	0.07
	47	Slovenia	1 924 *	1 811	6.2	3.8	0.06
	49	Slovakia	1 700 +	1 487	14.4	7.1	0.05
	50	Romania	1 510 +	1 056	43.0	17.1	0.04
	54	Croatia	1 250 *	1 098	13.9	8.6	0.04
60	Cyprus	702 **	652	7.7	na.	0.02	
61	Bulgaria	679	530	28.2	22.0	0.02	
67	Serbia and Montenegro	521 *	484	7.5	6.9	0.02	
75	Iceland	424 +	375	13.2	-2.5	0.01	
76	Lithuania	376 *	329	14.2	11.0	0.01	
82	Malta	327 **	313	4.6	na.	0.01	
85	Estonia	315 *	252	25.0	20.0	0.01	
		Other countries	873	768			0.03

		Total	1 287 920	1 206 191	6.8	4.4	37.60
Asia	2	Japan ¹²	476 481 +	494 735	-3.7	0.7	13.91
	7	South Korea ¹²	82 933 +	68 806	20.5	8.5	2.42
	11	PR China	60 131	52 172	15.3	12.1	1.76
	13	Taiwan	49 005 *	42 691	14.8	8.2	1.43
	19	India ¹²	25 024 +	21 608	15.8	9.4	0.73
	24	Hong Kong	17 639 *	14 967 **	17.9	16.3	0.51
	30	Singapore	10 234 *	9 859	3.8	1.7	0.30
	32	Israel	7 428 +	7 119	4.3	3.1	0.22
	33	Malaysia ¹²	7 227 +	6 453	12.0	8.3	0.21
	34	Thailand	6 376 *	5 742 *	11.0	6.2	0.19
	41	Indonesia	4 271 +	3 747	14.0	12.0	0.12
	46	Iran ¹³	2 441 **	1 984	23.0	na.	0.07
	48	United Arab Emirates	1 862 **	1 575	18.3	na.	0.05
	52	Philippines	1 443 +	1 235	16.9	6.6	0.04
	53	Saudi Arabia ¹	1 402 **	1 143 **	22.6	na.	0.04
	57	Vietnam	854 *	788	8.5	0.9	0.02
	59	Pakistan	733 **	633 **	15.8	na.	0.02
	62	Lebanon	664	580	14.5	11.1	0.02
	68	Kazakhstan	505 *	294	71.9	56.1	0.01
	70	Kuwait	498 **	441	13.0	na.	0.01
	77	Qatar	360 **	310 **	15.9	na.	0.01
	78	Bangladesh	359 **	344 **	4.5	na.	0.01
	81	Sri Lanka	339 **	292 **	16.0	na.	0.01
	86	Jordan	309	270	14.6	10.4	0.01
	87	Oman	292 **	267	9.1	na.	0.01
		Other countries	969	864			0.03
		Total	759 779	738 918	2.8	3.5	22.18
Africa	16	South Africa ¹⁰	33 186 *	29 700	11.7	6.8	0.97
	51	Morocco	1 478	1 375	7.5	6.4	0.04
	58	Egypt ¹⁵	760	613	24.0	15.4	0.02
	63	Tunisia	593 +	561	5.8	8.0	0.02
	64	Algeria	571	496	15.1	15.1	0.02
	65	Nigeria	560 **	452 **	23.8	na.	0.02
	69	Kenya	501 **	412	21.4	na.	0.01
	71	Namibia	498 **	454	9.7	na.	0.01
	88	Mauritius	282 **	276 *	2.0	na.	0.01
		Other countries	1 596	2 082			0.05
		Total	40 025	36 422	9.9	7.1	1.17
Oceania	12	Australia ¹⁶	51 902 +	48 788 +	6.4	0.0	1.52
	36	New Zealand	5 673	5 133	10.5	1.1	0.17
		Other countries	182	167			0.01
		Total	57 756	54 088	6.8	0.1	1.69
World			3 425 714	3 264 158	4.9	2.5	100.00

Life premium volume in USD in 2005

	Ranking	Country	Premium volume (in millions of USD)		nominal (in USD)	Change (in % 2005 inflation- adjusted)	Share of world market 2005 (in %)	
			2005	2004				
North America	1	United States ⁹	517 074 +	502 303	2.9	-0.4	45.2	26.20
	10	Canada ¹⁰	34 456 *	29 013	18.8	8.1	43.8	1.75
		Total	551 530	531 317	3.8	0.0	45.1	27.94
Latin America & Caribbean	25	Brazil	10 556 +	8 199	28.7	0.3	44.1	0.53
	29	Mexico	5 257 *	5 213	0.8	-6.4	41.1	0.27
	34	Chile	2 807 *	2 617	7.3	-5.0	62.1	0.14
	39	Argentina	1 384 *	1 347	2.8	-6.9	30.0	0.07
	44	Trinidad and Tobago	777 **	640 **	21.5	na.	73.5	0.04
	45	Colombia	764 *	645	18.5	-0.2	27.8	0.04
		Other countries	393	364			29.3	0.02
		Total	23 263	20 116	15.6	-2.1	39.7	1.18
Europe	3	United Kingdom	199 612 +	193 196	3.3	1.9	66.5	10.11
	4	France	154 058 *	133 456	15.4	13.5	69.3	7.81
	5	Italy	91 740 +	82 083	11.8	9.8	65.9	4.65
	6	Germany	90 225 *	84 697	6.5	4.5	45.7	4.57
	11	Netherlands ¹¹	31 914 +	31 061	2.7	1.1	52.3	1.62
	12	Belgium	31 026 *	24 736	25.4	22.1	66.9	1.57
	15	Spain	25 518	23 592	8.2	4.7	42.3	1.29
	16	Switzerland	22 747 *	24 313	-6.4	-7.4	55.4	1.15
	18	Ireland	20 010 +	19 068	4.9	2.5	67.1	1.01
	19	Sweden	18 866	15 850	19.0	20.5	68.1	0.96
	21	Finland	14 138 +	12 823	10.3	9.4	79.9	0.72
	22	Denmark	13 448 +	12 498	7.6	5.8	64.2	0.68
	23	Luxembourg	12 071 *	9 706	24.4	21.4	89.2	0.61
	24	Portugal	11 447 *	7 823	46.3	43.1	68.6	0.58
	26	Norway	9 400	7 869	19.5	12.5	58.3	0.48
	27	Austria	8 833 *	7 667	15.2	12.6	46.7	0.45
	31	Poland	3 925 *	2 832	38.6	20.3	41.6	0.20
	36	Greece	2 302 **	2 150	7.1	na.	47.7	0.12
	37	Czech Republic	1 871 *	1 720	8.8	-0.4	38.4	0.09
	38	Hungary	1 492	1 179	26.6	20.3	44.4	0.08
	40	Turkey	926 *	857	8.1	-5.9	16.2	0.05
	41	Russia	904	3 547	-74.5	-78.0	5.2	0.05
	46	Slovakia	631 +	535	18.0	10.5	37.1	0.03
	47	Slovenia	576 *	533	7.9	5.5	29.9	0.03
	52	Cyprus	345 **	320	7.7	na.	49.1	0.02
	54	Croatia	323 *	260	24.1	18.3	25.8	0.02
	55	Romania	318 +	206	54.1	26.2	21.0	0.02
	61	Malta	175 **	167	4.6	na.	53.5	0.01
	67	Lithuania	104 *	84	23.4	19.9	27.7	0.01
	69	Estonia	101 *	64	57.0	50.8	31.9	0.01
	72	Bulgaria	86	58	47.4	40.2	12.7	0.00
75	Ukraine	63 *	35	78.4	51.4	2.5	0.00	
80	Iceland	45 +	37	24.2	7.0	10.7	0.00	
81	Serbia and Montenegro	45 *	32	38.5	37.6	8.6	0.00	
	Other countries	54	41			6.2	0.00	

		Total	769 337	705 096	9.1	7.1	59.7	38.98
Asia	2	Japan ¹²	375 958 +	389 843	-3.6	0.8	78.9	19.05
	7	South Korea ¹²	58 848 +	48 485	21.4	9.2	71.0	2.98
	8	PR China	39 592	34 449	14.9	11.8	65.8	2.01
	9	Taiwan	38 808 *	33 279	16.6	9.9	79.2	1.97
	17	India ¹²	20 175 +	17 500	15.3	8.9	80.6	1.02
	20	Hong Kong	15 340 *	12 636	21.4	19.8	87.0	0.78
	28	Singapore	7 176 +	6 711	6.9	4.8	70.1	0.36
	30	Malaysia ¹²	4 795 +	4 208	14.0	10.2	66.4	0.24
	32	Thailand	3 516 *	3 164 *	11.1	6.3	55.1	0.18
	33	Israel	3 431 +	3 196	7.4	6.1	46.2	0.17
	35	Indonesia	2 303 +	1 955	17.8	15.8	53.9	0.12
	42	Philippines	885 +	760	16.5	6.3	61.3	0.04
	53	United Arab Emirates	336 **	284	18.3	na.	18.0	0.02
	57	Pakistan	297 **	257 **	15.8	na.	40.5	0.02
	58	Bangladesh	245 **	234 **	4.5	na.	68.1	0.01
	59	Lebanon	202	181	11.4	8.0	30.4	0.01
	65	Iran ¹³	150 **	122	23.0	na.	6.1	0.01
	66	Sri Lanka	144 **	124	16.0	na.	42.4	0.01
	71	Kuwait	96 **	85	13.0	na.	19.2	0.00
	82	Oman	45 **	41	9.1	na.	15.3	0.00
	83	Jordan	32	30	6.5	2.7	10.4	0.00
	86	Qatar	18 **	16 +	15.9	na.	5.0	0.00
	87	Saudi Arabia ¹	17 **	14 **	22.6	na.	1.2	0.00
	88	Kazakhstan	11 *	5	121.5	101.1	2.1	0.00
		Other countries	311	273			32.1	0.02
		Total	573 239	558 334	2.7	3.7	75.4	29.04
Africa	14	South Africa ¹⁰	25 930 *	23 497	10.4	5.5	78.1	1.31
	50	Morocco	368	324	13.4	12.2	24.9	0.02
	51	Namibia	350 **	319	9.7	na.	70.3	0.02
	56	Egypt ¹⁵	300	213	40.9	31.1	39.4	0.02
	62	Mauritius	169 **	166 *	2.0	na.	60.1	0.01
	63	Kenya	153 **	126	21.4	na.	30.5	0.01
	74	Nigeria	69 **	56 **	23.8	na.	12.4	0.00
	79	Tunisia	49 +	47	4.3	6.4	8.2	0.00
	84	Algeria	29	24	19.1	19.2	5.0	0.00
		Other countries	379	459			23.7	0.02
		Total	27 795	25 231	10.2	5.8	69.4	1.41
Oceania	13	Australia ¹⁶	27 602 +	25 719	7.3	0.9	53.2	1.40
	43	New Zealand	885	775	14.2	4.4	15.6	0.04
		Other countries	53	49			29.1	0.00
		Total	28 539	26 543	7.5	1.0	49.4	1.45
World			1 973 703	1 866 636	5.7	3.9	57.6	100.00

Non-life premium volume in USD in 2005

	Ranking	Country	Premium volume (in millions USD)		Change (in % inflation-(in U	Share of total business 2005 (in %)	Share of world market 2005 (in %)	
			2005	2004				
North America	1	United States ⁹	625 838 *	606 988	3.1	-0.3	54.	43.10
	10	Canada ¹⁰	44 267 *	40 922	8.2	-1.5	56.	3.05
		Total	670 105	647 910	3.4	-0.3	54.	46.15
Latin America & Carebean	25	Brazil	13 399	9 843	36.1	6.0	55.	0.92
	29	Mexico	7 524 *	7 067	6.5	-1.1	58.	0.52
	34	Chile	3 254 +	2 550	27.6	22.7	97.	0.22
	39	Argentina	3 235 *	2 763	17.1	6.1	70.	0.22
	45	Colombia	1 711 *	1 410	21.4	7.5	37.	0.12
		Other countries	948	873			70.	0.07
	Total	35 336	29 197	21.0	4.6	60.	2.43	
Europe	3	United Kingdom	107 026 *	106 114	0.9	-1.0	54.	7.37
	4	France	100 629 +	99 003	1.6	0.2	33.	6.93
	5	Italy	68 162 *	66 407	2.6	0.9	30.	4.69
	6	Germany	47 453 +	46 321	2.4	0.7	34.	3.27
	11	Netherlands ¹¹	34 757 +	32 410	7.2	3.8	57.	2.39
	12	Belgium	29 159 +	28 857	1.0	-0.6	47.	2.01
	15	Spain	18 330 *	17 868	2.6	1.5	44.	1.26
	16	Switzerland	16 618	12 820	29.6	12.0	94.	1.14
	18	Ireland	15 367 +	14 827	3.6	0.9	33.	1.06
	19	Sweden	10 064 *	9 710	3.6	1.3	53.	0.69
	21	Finland	9 801 **	9 089	7.8	na.	32.	0.67
	22	Denmark	8 844	8 493	4.1	5.4	31.	0.61
	23	Luxembourg	7 487 +	7 426	0.8	-0.9	35.	0.52
	24	Portugal	6 723	6 036	11.4	4.9	41.	0.46
	26	Norway	5 517 *	4 612	19.6	3.8	58.	0.38
	27	Austria	5 244 *	5 291	-0.9	-3.1	31.	0.36
	31	Poland	4 787 *	3 763	27.2	10.7	83.	0.33
	36	Greece	3 558 +	3 524	0.9	0.2	20.	0.25
	37	Czech Republic	2 998 *	2 660	12.7	3.2	61.	0.21
	38	Hungary	2 524 **	2 357	7.1	na.	52.	0.17
	40	Turkey	2 405 *	3 618	-33.5	-43.6	97.	0.17
	41	Russia	1 871	1 709	9.5	4.1	55.	0.13
	46	Slovakia	1 456 **	1 361	7.0	na.	10.	0.10
	47	Slovenia	1 348 *	1 278	5.5	3.1	70.	0.09
	52	Cyprus	1 192 +	849	40.3	14.9	79.	0.08
	54	Croatia	1 069 +	952	12.3	5.2	62.	0.07
	55	Romania	928 *	838	10.7	5.6	74.	0.06
61	Malta	593	471	25.9	19.8	87.	0.04	
67	Lithuania	476 *	452	5.3	4.7	91.	0.03	
69	Estonia	379 +	338	12.0	-3.5	89.	0.03	
72	Bulgaria	357 **	332	7.7	na.	50.	0.02	
75	Ukraine	272 *	245	11.1	7.9	72.	0.02	
80	Iceland	214 *	188	14.1	9.5	68.	0.01	
81	Serbia and Montene	152 **	145	4.6	na.	46.	0.01	
		Other countries	820	727			93.	0.06
	Total	518 583	501 095	3.5	0.7	40.	35.71	

Asia	2	Japan ¹²	100 523 +	104 892	-4.2	0.2	21.	6.92	
	7	South Korea ¹²	24 085 +	20 321	18.5	6.7	29.	1.66	
	8	PR China	20 539	17 722	15.9	12.7	34.	1.41	
	9	Taiwan	10 197 *	9 412	8.3	2.1	20.	0.70	
	17	India ¹²	4 848 +	4 108	18.0	11.5	19.	0.33	
	20	Hong Kong	3 997 +	3 924	1.9	0.7	53.	0.28	
	28	Singapore	3 059 *	3 148	-2.8	-4.8	29.	0.21	
	30	Malaysia ¹²	2 860 *	2 578 *	10.9	6.1	44.	0.20	
	32	Thailand	2 432 +	2 245	8.3	4.7	33.	0.17	
	33	Israel	2 299 *	2 331 **	-1.4	-2.7	13.	0.16	
	35	Indonesia	2 291 **	1 862	23.0	na.	93.	0.16	
	42	Philippines	1 968 +	1 792	9.8	7.9	46.	0.14	
	49	Vietnam	1 526 **	1 291	18.3	na.	82.	0.11	
	53	United Arab Emirates	1 385 **	1 130 **	22.6	na.	98.	0.10	
	57	Pakistan	558 +	475	17.5	7.2	38.	0.04	
	58	Bangladesh	494 *	289	71.1	55.3	97.	0.03	
	59	Lebanon	462	399	16.0	12.5	69.	0.03	
	65	Iran ¹³	436 **	376 **	15.8	na.	59.	0.03	
	66	Sri Lanka	403 **	356	13.0	na.	80.	0.03	
	71	Kuwait	343 *	303	13.5	5.6	40.	0.02	
	82	Oman	341 **	295 **	15.9	na.	95.	0.02	
	83	Jordan	277	240	15.6	11.4	89.	0.02	
	86	Qatar	247 **	227	9.1	na.	84.	0.02	
	87	Saudi Arabia ¹	195 **	168 **	16.0	na.	57.	0.01	
	88	Kazakhstan	115 **	110 **	4.5	na.	31.	0.01	
			Other countries	658	591			67.	0.05
			Total	186 540	180 584	3.3	2.9	24.	12.85
Africa	14	South Africa ¹⁰	7 256 *	6 203	17.0	11.8	21.	0.50	
	50	Morocco	1 111	1 051	5.7	4.7	75.	0.08	
	51	Namibia	545 +	514	6.0	8.2	91.	0.04	
	56	Egypt ¹⁵	542	472	14.9	14.9	95.	0.04	
	62	Mauritius	490 **	396 **	23.8	na.	87.	0.03	
	63	Kenya	461	400	15.0	7.1	60.	0.03	
	74	Nigeria	348 **	287	21.4	na.	69.	0.02	
	79	Tunisia	148 **	135	9.7	na.	29.	0.01	
	84	Algeria	113 **	110 *	2.0	na.	39.	0.01	
			Other countries	1 217	1 623			76.	0.08
		Total	12 230	11 192	9.3	10.7	30.	0.84	
Oceania	13	Australia ¹⁶	24 300	23 069 +	5.3	-1.0	46.	1.67	
	43	New Zealand	4 788	4 358	9.9	0.5	84.	0.33	
		Other countries	129	118			70.	0.01	
		Total	29 217	27 545	6.1	-0.7	50.	2.01	
World			1452011	1 397 522	3.9	0.6	42.	100.00	

Insurance density: premiums per capita in USD in 2005

	Ranking	Country	Total business	Life business	Non-life business
North America	6	United States ⁹	3 875.2 *	1 753.2 +	2 122.0 *
	16	Canada ¹⁰	2 449.0 *	1 071.9 *	1 377.1 *
		Total	3 735.1	1 686.3	2 048.8
Latin America & Caribbean	31	Trinidad and Tobago	810.2 **	595.4 **	214.8 **
	40	Chile	281.5 *	174.9 *	106.6 *
	48	Jamaica	179.4 **	67.6 **	111.8 **
	49	Panama	133.0	47.2	85.8
	50	Brazil	128.9 +	56.8 +	72.1
	51	Venezuela	125.3 +	3.6 +	121.7 +
	53	Mexico	121.3 *	49.9 *	71.4 *
	54	Argentina	118.0 *	35.4 *	82.7 *
	58	Uruguay	92.3 **	15.5 **	76.8 **
	60	Costa Rica	80.3 **	6.4 **	73.9 **
	63	Colombia	60.3 *	16.8 *	43.6 *
	75	Peru	34.8	18.9	15.9
	77	Guatemala	25.5	4.1	21.3
		Total	105.7	42.0	63.8
Europe	1	Switzerland	5 558.4 *	3 078.1 *	2 480.3 *
	2	United Kingdom ¹	4 599.0 +	3 287.1 +	1 311.9 +
	3	Ireland ¹	4 177.0 **	2 759.7 +	1 417.4 **
	4	Belgium ¹	3 985.6 *	2 988.7 *	996.9 +
	5	Denmark	3 876.2 +	2 489.9 +	1 386.3 +
	8	Netherlands ¹¹	3 739.7 +	1 954.2 +	1 785.5 +
	9	France ¹	3 568.5 *	2 474.6 *	1 093.9 *
	10	Finland	3 389.3 +	2 707.8 +	681.4 +
	11	Norway ¹	3 302.3	2 043.1	1 259.2
	12	Sweden	3 092.1	2 105.2	986.8
	13	Luxembourg ¹	2 756.3 **	1 112.5 *	1 643.8 **
	17	Austria	2 342.8 *	1 095.1 *	1 247.7 *
	18	Germany ¹	2 310.5 *	1 042.1 *	1 268.4 *
	19	Italy ¹	2 263.9 +	1 449.8 +	814.1 +
	23	Portugal	1 628.0 *	1 113.7 *	514.4 *
	24	Spain	1 454.5 +	615.8	838.7 +
	25	Iceland	1 438.1 +	153.9 +	1 284.1 +
	28	Slovenia	978.1 *	292.6 *	685.5 *
	29	Cyprus	840.7 **	412.6 **	428.1 **
	30	Malta	813.8 **	435.4 **	378.5 **
	33	Czech Republic	477.8 *	183.6 *	294.2 *
34	Greece	446.7 **	213.1 **	233.6 **	
37	Hungary	334.1	148.2	185.9	
38	Slovakia	314.7 +	116.8 +	197.9 +	
41	Croatia	274.7 *	70.9 *	203.9 *	
43	Poland	245.1 *	101.9 *	143.2 *	
44	Estonia	236.7 *	75.6 *	161.1 *	
52	Russia	122.8	6.3	116.5	
56	Lithuania	109.6 *	30.4 *	79.3 *	
59	Bulgaria	87.9	11.1	76.8	
61	Turkey	78.6 *	12.7 *	65.9 *	

	62	Romania	69.5 +	14.6 +	54.9 +
	67	Ukraine	53.1 *	1.3 *	51.7 *
	70	Serbia and Montenegro	48.7 *	4.2 *	44.5 *
		Total	1 513.8	911.8	601.9
Asia	7	Japan ¹²	3 746.7 +	2 956.3 +	790.4 +
	15	Hong Kong	2 544.9 *	2 213.2 *	331.7 *
	20	Taiwan	2 145.5 *	1 699.1 *	446.4 *
	21	Singapore ¹	1 983.4 *	1 591.4 +	392.0 *
	22	South Korea ¹²	1 706.1 +	1 210.6 +	495.5 +
	27	Israel	1 104.5 +	510.2 +	594.4 +
	35	Qatar	442.3 **	22.2 **	420.0 **
	36	United Arab Emirates	414.2 **	74.7 **	339.5 **
	39	Malaysia ¹²	283.3 +	188.0 +	95.3 +
	46	Lebanon	185.6	56.3	129.3
	47	Kuwait	185.5 **	35.7 **	149.8 **
	55	Oman	113.7 **	17.3 **	96.3 **
	57	Thailand	99.0 *	54.6 *	44.4 *
	65	Saudi Arabia ¹	57.1 **	0.7 **	56.4 **
	66	Jordan	54.2	5.7	48.6
	72	PR China	46.3	30.5	15.8
	74	Iran ¹³	35.1 **	2.2 **	33.0 **
	76	Kazakhstan	34.1 *	0.7 *	33.3 *
	78	India ¹²	22.7 +	18.3 +	4.4 +
	79	Indonesia	19.4 +	10.5 +	8.9 +
	81	Philippines	17.2 +	10.6 +	6.7 +
	82	Sri Lanka	16.3 **	6.9 **	9.4 **
85	Vietnam	10.1 *	6.1 *	4.1 *	
86	Pakistan	4.6 **	1.9 **	2.8 **	
88	Bangladesh	2.5 **	1.7 **	0.8 **	
		Total	197.9	149.6	48.3
Africa	32	South Africa ¹⁰	714.6 *	558.3 *	156.2 *
	42	Namibia	245.3 **	172.4 **	72.9 **
	45	Mauritius	226.5 **	136.1 **	90.4 **
	64	Tunisia	58.7 +	4.8 +	53.9 +
	71	Morocco	47.0	11.7	35.3
	80	Algeria	17.4	0.9	16.5
	83	Kenya	14.6 **	4.5 **	10.2 **
	84	Egypt ¹⁵	10.3	4.0	6.2
87	Nigeria	4.3 **	0.5 **	3.7 **	
		Total	44.2	30.7	13.5
Oceania	14	Australia ¹⁶	2 569.9 +	1 366.7 +	1 203.2
	26	New Zealand	1 408.5	219.7	1 188.8
		Total	1 789.3	885.0	904.3
World			518.5	299.5	219.0

Insurance penetration: premiums in % of GDP in 2005

	Ranking	Country	Total business	Life business	Non-life busines
North America	12	United States ⁹	9.15 *	4.14 +	5.01 *
	21	Canada ¹⁰	6.97 *	3.05 *	3.92 *
		Total	8.97	4.05	4.92
Latin America & Carebean	18	Trinidad and Tobago	7.63 **	5.61 **	2.02 **
	32	Jamaica	4.82 **	1.82 **	3.01 **
	39	Chile	3.60 *	2.24 *	1.36 *
	46	Brazil	3.01 +	1.33 +	1.68
	49	Panama	2.80	1.00	1.81
	54	Argentina	2.52 *	0.76 *	1.76 *
	55	Venezuela	2.47 +	0.07 +	2.40 +
	59	Colombia	2.23 *	0.62 *	1.61 *
	64	Uruguay	1.86 **	0.31 **	1.55 **
	65	Ecuador	1.70	0.22	1.47
	66	Mexico	1.66 *	0.68 *	0.98 *
	68	Dominican Republic	1.62 +	0.21 +	1.41 +
	76	Peru	1.28	0.70	0.59
	81	Guatemala	1.02	0.17	0.85
		Total	2.35	0.93	1.42
Europe	3	United Kingdom ¹	12.45 +	8.90 +	3.55 +
	4	Switzerland	11.19 *	6.20 *	4.99 *
	5	Belgium ¹	11.15 *	8.36 *	2.79 +
	8	France ¹	10.21 *	7.08 *	3.13 *
	10	Netherlands ¹¹	9.79 +	5.12 +	4.67 +
	11	Finland	9.18 +	7.33 +	1.85 +
	13	Portugal	9.07 *	6.20 *	2.87 **
	14	Ireland ¹	8.56 **	5.65 +	2.90 **
	16	Denmark	8.07 +	5.19 +	2.89 +
	17	Sweden	7.82	5.32	2.50
	19	Italy ¹	7.59 +	4.86 +	2.73 +
	22	Germany ¹	6.79 *	3.06 *	3.73 *
	24	Austria	6.17 *	2.88 *	3.28 *
	26	Malta	5.89 **	3.15 **	2.74 **
	27	Slovenia	5.65 *	1.69 *	3.96 *
	29	Spain	5.36 +	2.27	3.09 +
	30	Norway ¹	5.30	3.28	2.02
	34	Cyprus	4.23 **	2.08 **	2.15 **
	35	Czech Republic	3.98 *	1.53 *	2.45 *
	36	Luxembourg ¹	3.76 **	1.52 *	2.24 **
37	Slovakia	3.66 +	1.36 +	2.30 +	
40	Croatia	3.25 *	0.84 *	2.41 *	
41	Poland	3.16 *	1.31 *	1.84 *	
44	Hungary	3.08	1.37	1.71	
45	Ukraine	3.02 *	0.08 *	2.95 *	
48	Iceland	2.84 +	0.30 +	2.54 +	
53	Bulgaria	2.55	0.32	2.23	
56	Estonia	2.40 *	0.77 *	1.64 *	
57	Russia	2.27	0.12	2.15	
58	Serbia and Montenegro	2.23 *	0.19 *	2.04 *	

	60	Greece	2.17 **	1.03 **	1.13 **
	69	Turkey	1.55 *	0.25 *	1.30 *
	70	Romania	1.53 +	0.32 +	1.21 +
	74	Lithuania	1.47 *	0.41 *	1.07 *
		Total	7.78	4.69	3.10
Asia	1	Taiwan	14.11 *	11.17 *	2.93 *
	6	Japan ¹²	10.54 +	8.32 +	2.22 +
	7	South Korea ¹²	10.25 +	7.27 +	2.98 +
	9	Hong Kong	9.93 *	8.63 *	1.29 *
	20	Singapore ¹	7.47 *	6.00 +	1.48 *
	25	Israel	5.96 +	2.75 +	3.21 +
	28	Malaysia ¹²	5.42 +	3.60 +	1.82 +
	38	Thailand	3.61 *	1.99 *	1.62 *
	42	Lebanon	3.15	0.95	2.19
	43	India ¹²	3.14 +	2.53 +	0.61 +
	50	PR China	2.70	1.78	0.92
	51	Jordan	2.59	0.27	2.32
	67	Vietnam	1.62 *	0.97 *	0.65 *
	71	United Arab Emirates	1.53 **	0.28 **	1.25 **
	72	Indonesia	1.52 +	0.82 +	0.70 +
	73	Philippines	1.48 +	0.91 +	0.57 +
	75	Sri Lanka	1.46 **	0.62 **	0.84 **
	77	Iran ¹³	1.23 **	0.08 **	1.15 **
	78	Oman	1.14 **	0.17 **	0.97 **
	79	Qatar	1.09 **	0.05 **	1.04 **
	80	Kazakhstan	1.03 *	0.02 *	1.01 *
	83	Kuwait	0.79 **	0.15 **	0.64 **
	85	Pakistan	0.67 **	0.27 **	0.40 **
86	Bangladesh	0.61 **	0.42 **	0.20 **	
88	Saudi Arabia ¹	0.46 **	0.01 **	0.45 **	
		Total	6.83	5.16	1.67
Africa	2	South Africa ¹⁰	13.87 *	10.84 *	3.03 *
	15	Namibia	8.27 **	5.81 **	2.46 **
	33	Mauritius	4.36 **	2.62 **	1.74 **
	47	Morocco	2.87	0.71	2.16
	52	Kenya	2.56 **	0.78 **	1.78 **
	62	Tunisia	2.07 +	0.17 +	1.90 +
	82	Egypt ¹⁵	0.85	0.34	0.52
	84	Nigeria	0.70 **	0.09 **	0.62 **
	87	Algeria	0.56	0.03	0.53
		Total	4.80	3.33	1.47
Oceania	23	Australia ¹⁶	6.60 +	3.51 +	3.09
	31	New Zealand	5.20	0.81	4.39
		Total	6.38	3.16	3.22
World			7.52	4.34	3.18

Macroeconomic indicators in 2005

	Rank	Country	Population (GDP	Gross domestic pr change (USD billion 2005 2004		Inflation rate (in %)		Exchange rate local currency per US		Change (ir
North America	1	United States	294.9	12 487	3.5	4.2	3.4	2.7	1.00	1.00	0.0
	8	Canada	32.1	1 130	2.9	2.9	2.2	1.8	1.21	1.30	-6.9
		Total	327.1	13 617	3.5	4.1					
Latin America & Carebean	12	Brazil	185.8	796	2.3	4.9	6.9	6.6	2.43	2.93	-16.8
	15	Mexico	105.3	768	3.0	4.2	4.0	4.7	10.90	11.29	-3.4
	33	Argentina	39.1	183	9.2	9.0	9.6	4.4	2.90	2.92	-0.7
	37	Venezuela	26.7	136	9.4	17.9	16.0	21.7	2 109.75	1 891.33	11.5
	39	Chile	16.1	126	6.4	6.2	3.7	2.4	514.21	559.83	-8.1
	41	Colombia	45.6	123	5.1	4.0	5.0	5.9	2 333.63	2 635.90	-11.5
	54	Peru	28.0	76	5.3	4.8	1.6	3.7	3.30	3.41	-3.4
	65	Ecuador	13.2	32	3.2	7.0	2.5	2.8	1.00	1.00	0.0
	66	Guatemala	12.6	32	3.2	2.7	9.2	7.4	7.63	7.95	-3.9
	67	Dominican Republic	8.9	29	6.5	2.0	4.3	51.6	30.00	41.90	-28.4
	76	Costa Rica	4.3	18	3.1	4.1	13.8	12.2	477.77	438.12	9.1
	77	Uruguay	3.5	17	6.2	12.3	4.7	9.2	24.60	28.72	-14.4
	78	El Salvador	6.9	17	2.1	1.6	4.3	4.4	8.75	8.75	0.0
	80	Panama	3.2	15	4.8	6.2	1.9	2.0	1.00	1.00	0.0
	82	Trinidad and Tobago	1.3	14	6.0	6.2	6.6	3.7	6.28	6.30	-0.2
85	Jamaica	2.7	10	0.7	0.9	15.1	13.6	62.05	61.20	1.4	
		Total	554.2	2 490	4.0	5.4					
Europe	3	Germany	82.6	2 808	0.9	1.6	2.0	1.7	0.80	0.80	0.1
	5	United Kingdom	59.6	2 201	1.8	3.1	2.1	1.3	0.55	0.55	0.6
	6	France	60.1	2 101	1.4	2.0	1.7	2.1	0.80	0.80	0.1
	7	Italy	57.5	1 713	0.2	1.0	1.8	2.1	0.80	0.80	0.1
	9	Spain	41.4	1 124	3.4	3.1	3.4	3.0	0.80	0.80	0.1
	14	Russia	142.6	771	6.4	7.2	12.5	11.0	28.00	28.81	-2.8
	16	Netherlands	16.3	624	1.1	1.7	1.7	1.2	0.80	0.80	0.1
	17	Belgium	10.4	371	1.5	2.4	2.8	2.1	0.80	0.80	0.1
	18	Turkey	72.6	367	7.4	9.0	8.2	8.6	1.35	1.43	-5.8
	19	Switzerland	7.4	367	1.9	2.1	1.2	0.8	1.24	1.24	0.1
	20	Sweden	9.0	354	2.7	3.2	0.5	0.4	7.47	7.35	1.7
	23	Austria	8.1	306	2.0	2.6	2.4	2.1	0.80	0.80	0.1
	24	Poland	38.5	299	3.2	5.3	2.1	3.5	3.24	3.65	-11.4
	25	Norway	4.6	287	2.5	3.1	1.5	0.5	6.44	6.74	-4.4
	27	Denmark	5.4	259	3.4	1.9	1.8	1.2	6.00	5.99	0.1
	29	Greece	10.8	223	3.7	4.7	3.5	2.9	0.80	0.80	0.1
	30	Ireland	4.1	199	4.7	4.5	2.4	2.2	0.80	0.80	0.1
	32	Finland	5.2	193	2.2	3.5	0.8	0.2	0.80	0.80	0.1
	34	Portugal	10.2	183	0.3	1.1	2.3	2.4	0.80	0.80	0.1
	42	Czech Republic	10.2	122	6.0	4.7	1.9	2.8	23.99	25.70	-6.7
	46	Hungary	10.1	109	4.1	4.7	3.6	6.8	199.58	202.75	-1.6
	49	Romania	21.7	99	4.1	8.4	9.0	11.9	2.91	3.26	-10.7
	52	Ukraine	46.5	82	2.6	12.1	13.5	9.0	5.12	5.32	-3.7
60	Slovakia	5.4	46	6.0	5.5	2.7	7.5	31.02	32.26	-3.8	
61	Croatia	4.6	39	4.3	3.8	3.3	2.1	5.95	6.04	-1.5	
62	Luxembourg	0.5	34	4.4	4.5	2.5	2.2	0.80	0.80	0.1	
63	Slovenia	2.0	34	3.9	4.2	2.5	3.6	192.71	192.38	0.2	
69	Bulgaria	7.7	27	5.5	5.7	5.0	6.1	1.57	1.58	-0.1	
71	Lithuania	3.4	26	7.5	7.0	2.7	1.2	2.77	2.78	-0.2	
72	Serbia and Monteneg	10.7	23	4.0	8.3	15.2	10.8	67.21	58.69	14.5	
79	Cyprus	0.8	17	3.8	3.7	2.8	2.3	0.46	0.47	-1.0	
81	Iceland	0.3	15	5.1	5.2	4.2	2.8	62.98	70.19	-10.3	
83	Estonia	1.3	13	9.8	7.8	4.0	3.1	12.58	12.60	-0.1	
88	Malta	0.4	6	2.2	0.4	3.1	2.7	0.35	0.34	0.3	
		Total ¹⁸	797.5	15 510	2.1	2.7					
Asia	2	Japan	127.2	4 521	2.7	1.6	-0.3	0.0	112.01	107.49	4.2
	4	PR China	1 297.8	2 226	9.9	10.1	1.8	3.9	8.19	8.28	-1.0
	10	South Korea	48.6	809	4.0	4.7	2.7	3.6	1 025.14	1 108.60	-7.5
	11	India	1 103.2	798	7.7	8.5	4.3	3.8	44.23	44.93	-1.6
	21	Taiwan	22.8	347	4.1	6.1	2.3	1.6	32.16	33.36	-3.6
	22	Saudi Arabia	24.6	308	6.5	5.2	0.5	0.5	3.74	3.74	0.0
	26	Indonesia	220.2	281	5.6	5.1	10.5	6.2	9 704.74	8 938.85	8.6
	31	Iran	69.5	199	5.0	5.6	13.0	14.8	9 004.80	8 724.58	3.2
35	Hong Kong	6.9	178	7.3	8.6	1.2	0.0	7.78	7.79	-0.1	

	36	Thailand	64.4	176	4.5	6.2	4.5	2.8	40.25	40.26	0.0
	38	Malaysia	25.5	133	5.3	7.1	3.0	1.4	3.78	3.80	-0.5
	40	Israel	6.7	125	5.3	4.4	1.3	-0.4	4.49	4.48	0.1
	43	United Arab Emirates	4.5	122	6.0	7.4	3.1	3.4	3.67	3.67	0.0
	44	Singapore	4.4	117	6.4	8.7	0.5	1.7	1.66	1.69	-1.5
	45	Pakistan	157.9	110	8.4	6.4	9.0	7.4	59.51	58.26	2.2
	50	Philippines	83.8	98	5.1	6.0	7.6	6.0	55.03	56.04	-1.8
	55	Kuwait	2.7	63	3.3	7.3	2.0	1.3	0.29	0.29	-0.9
	56	Bangladesh	141.8	59	5.4	6.3	7.2	4.6	64.33	59.51	8.1
	57	Vietnam	84.2	53	8.4	7.7	8.2	7.8	15 857.9	15 742.12	0.7
	59	Kazakhstan	14.8	49	9.0	9.4	7.6	6.9	132.88	136.04	-2.3
	64	Qatar	0.8	33	8.1	9.3	3.1	6.8	3.64	3.64	0.0
	70	Oman	2.6	26	3.9	4.5	2.0	0.3	0.38	0.38	0.0
	73	Sri Lanka	20.7	23	5.1	5.6	11.9	7.6	100.50	101.19	-0.7
	74	Lebanon	3.6	21		6.0	3.1	1.7	1 507.50	1 507.50	0.0
	84	Jordan	5.7	12	7.1	7.7	3.7	3.4	0.71	0.71	0.0
		Total ¹⁸	3 831.4	11 098	5.1	5.0					
Africa	28	South Africa	46.4	239	4.9	4.5	3.4	1.4	6.37	6.44	-1.2
	48	Algeria	32.9	102	5.8	5.2	1.6	3.6	73.28	72.06	1.7
	51	Egypt	74.0	89	8.8	8.1	4.9	11.3	6.01	6.16	-2.4
	53	Nigeria	131.5	80	3.8	6.1	17.9	15.0	131.32	132.89	-1.2
	58	Morocco	31.5	51	1.8	4.2	1.0	1.5	8.87	8.87	0.0
	68	Tunisia	10.1	29	4.2	6.1	2.1	3.6	1.30	1.25	4.2
	75	Kenya	34.3	20	5.0	4.3	10.3	11.6	75.55	79.17	-4.6
	86	Mauritius	1.2	6	3.2	4.8	6.0	4.7	29.50	27.50	7.3
	87	Namibia	2.0	6	3.8	3.8	5.9	3.9	6.36	6.46	-1.6
		Total ¹⁸	906.4	834	5.2	5.3					
Oceania	13	Australia	20.2	786	2.5	3.6	2.7	2.3	1.31	1.36	-3.5
	47	New Zealand	4.0	109	2.0	4.3	3.0	2.3	1.42	1.51	-5.8
		Total ¹⁸	32.2	904	2.4	3.6					

Aviation Insurance Market Overview 2006

JLT Risk Solutions

Aviation Insurers are currently experiencing their longest sustained period of profitability in memory.

The market was reflat following 9/11 and now all losses have been recouped and the Airline market alone carried a surplus of around \$3 billion into 2006.

This profitability, despite problems with past years, has also spilt over into the Commercial Liability (Products / Airports) sector and of course – with no claims since 9/11 – into the Hull and Liability War markets.

There are several new members to the aviation underwriting community since the beginning of 2006 These include QBE, Starr Aviation (formerly AIAA), Berkley Aviation and Inter Aero from the USA, Qatar and Samsung from the Middle East and Far East and Lancashire Aviation that is offering new capacity in Excess AV52 risks from Bermuda.

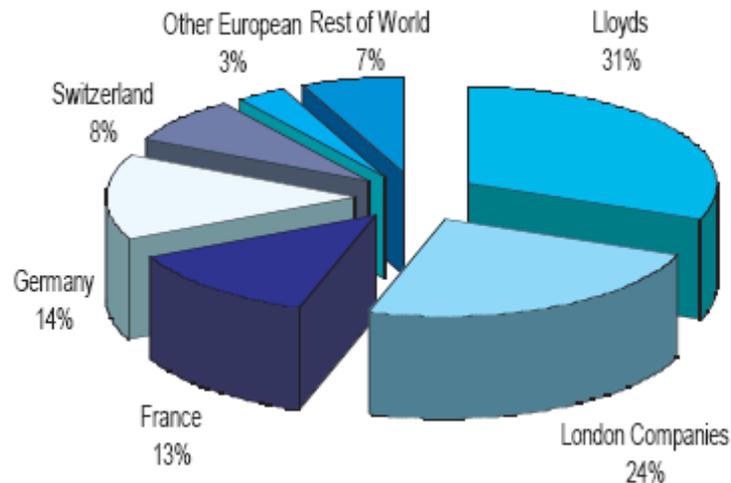
Swiss Re has now completed the acquisition of GE Insurance Solutions.

A potential new market for airline risks has emerged in the form of LIG Insurance Co. Ltd (formerly known as LG Insurance Co. Ltd.) of Korea. The focus at present is on non-U.S. airline business with a maximum underwriting capacity of USD45 million on combined hull and liability.

The security is rated A- (Excellent) by A. M. Best and BBB+ (Stable) by Standard and Poor's.

In addition a number of the larger insurers have indicated their intentions to offer increased capacity, although in reality we will have to see how the year unfolds as to the level of rates and how much the individual insurers will be prepared to offer. This brings maximum worldwide airline capacity to some 175% on the basis of a combined single limit of US\$1.5bn. However it must be noted that insurers will not necessarily offer their maximum line on every piece of business, with a substantial level of discrepancy being applied to each and every individual case. This overall maximum represents an increase of some 20% over last year's capacity and this figure does not include the latest entrants.

The breakdown equates to Lloyd's line of 54%, London Companies 42% and World Companies, 79%.



With almost six months of 2006 behind us we have seen a seemingly unspectacular affair so far.

Airline rates have continued their controlled descent with fleet and traffic growth slowing the decline in premium.

There have been few accidents or claims which have been causes for concern but hull loss frequency seems to have increased recently.

In conclusion we now have further increased capacity seeking a share of diminishing premiums and whilst losses are not catastrophic there has been a increasing frequency of significant, it not catastrophic.

Insurance Renewal Data

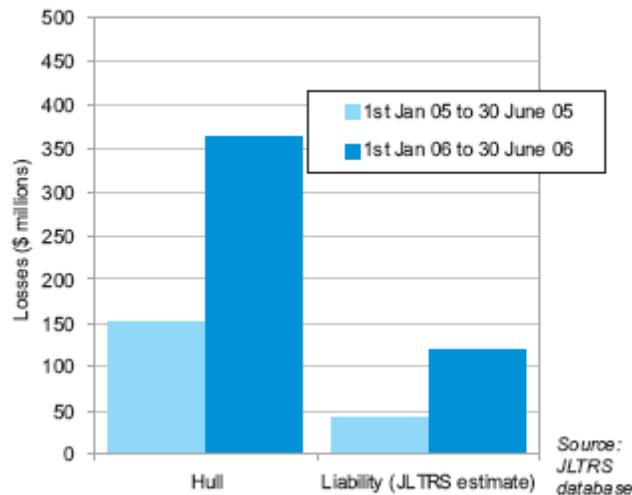
Comparing the First and Second Quarter 2006 with the First and Second Quarter 2005 - % Movement

% Movement	AFV	RPK	Passengers	Hull Rate	Liability Rate	Premium
1st Quarter 2006	+6%	+6%	+8%	-7%	-13%	-5%
2nd Quarter 2006	-1%	+7%	+9%	-9%	-18%	-12%

Major Loss Summary of First & Second Quarter 2006

Period	Number	Hulls	Liabilities	Total
1st Quarter 2006	19	\$64,290,000	\$20,950,000	\$85,240,000
April	4	\$12,500,000	\$1,500,000	\$14,000,000
May	14	\$194,290,000	\$89,350,000	\$283,640,000
June	14	\$93,070,000	\$5,700,000	\$98,770,000
2nd Quarter 2006	20	\$299,860,000	\$96,550,000	\$396,410,000

Major Airline Losses for Year to Date



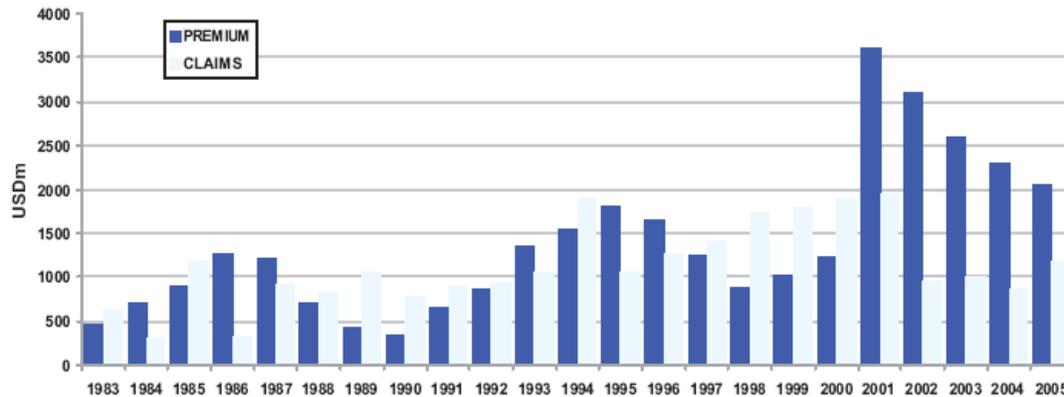
It is little wonder therefore that, with so few serious claims, rates are still being eroded.

New insurers have been set up, others have entered the market and some existing players have indicated that they want higher shares. This in itself is likely to put even greater pressure on the premium base as more players chase their share of a reducing resource.

Whilst it is true that total Airline Hull/Liability insurance premium have fallen steadily since 2001/2 there was still a premium base of over \$2 billion in 2005. Nevertheless this so called "line in the sand" will almost certainly be breached in 2006 with premiums falling by around 8% to date on increased exposures. Add to this the 3%+ reduction in the trade-weighted value of the US Dollar in 2006 to date and the situation is further compounded.

With so much pressure on airlines' finances through massive oil price hikes, at least aviation insurance is a falling cost in nearly all areas. Nevertheless history tells us that this situation can not last indefinitely. Certainly without major losses the status quo will be maintained but with two or three catastrophic losses the line on the premium graph will start rising again.....

Airline Premium and Claims History - Excl. WTC



Hull War Wordings Reform

LSW555B Hull wording is used by non Lloyd's markets – e.g. Aspen, AIG and others. Lloyd's Syndicates do not use it because it does not have a specific exclusion for losses occasioned by Nuclear, Chemical and Biological Weapons of Mass Destruction. The potential claims, should they arise, could be enormous and result in a call on Lloyd's central funds - for example, if an aircraft suffers a loss from WMD and closes an airport such as Heathrow and contaminates the aircraft parked there resulting in a total loss of those aircraft parked there.

Leasing Companies are naturally keen that this wording is utilized wherever possible as they require the broadest possible coverage.

1. LSW555B is generally only used for major airlines and even then split placements arise with part of the coverage placed on LSW555B basis and part on LSW555C basis, which could result in problems regarding claims settlement should a WMD claim arise.
2. LSW555C standard wording is used by Lloyd's Syndicates, as it excludes WMD claims and is used for airline/general aviation business. The wording is approved by Lloyd's.
3. LSW555D is the latest War wording which was officially approved and designated by Lloyd's in April and provides for limited coverage for WMD claims only in specific circumstances.
4. Ace Global Markets which previously had their own wording will now also support LSW555D.
5. Amlin support LSW555D.

The majority of medium sized airlines are either being placed on LSW555C or those that are going through the renewal process will now have the option of LSW555D.

LSW 555B is basically used with the Major Carriers, but throws up a whole load of issues where, due to the shortage of market available to write this coverage (i.e no Lloyd's market placements), placing may have to be on a split basis, which then creates the major headache of how claims involving WMD would be adjusted and whether the leasing Company would be happy to receive a partial settlement.

Natural catastrophes in 2005 Review Munich Re

2005, the year of records

The year 2005 was marked by weather-related natural catastrophes. Roughly half of all the loss events recorded were windstorms, with costs to be borne by the world's economies exceeding US\$ 185bn. The most severe human catastrophe was triggered by an earthquake that occurred in October in the border area between Pakistan and India and, with a death toll of 88,000, was one of the five most destructive quakes of the last 100 years.

Loss figures

Overall losses exceeding US\$ 210bn set a new record (the most expensive year before that was 1995 with US\$ 175bn, in original values), although, with some 650 loss events registered, the number of natural catastrophes was in line with the average of the last ten years.

More than one hundred thousand people were killed as a result of natural catastrophes last year. Such a large number of fatalities has been recorded only twice in the last 25 years: in 1991, following a storm surge in Bangladesh, and 2004, following the tsunami in South Asia.

Consequently, it is not surprising that insured losses also reached unprecedented dimensions. The year's overall balance for the insurance industry was US\$ 94bn, doubling the previous record set in 2004.

Windstorms

As in previous years, windstorms dominated the insurers' loss figures. In January, Winter Storm Erwin crossed Scotland and southern Scandinavia at up to 120 km/h on a path that took it as far as Russia. It was the strongest storm in Norway for over ten years, in Sweden for over thirty years. For the European insurance industry, it was the fifth most expensive storm of the past fifty years.

The hurricanes in the United States, the Caribbean, and Mexico alone destroyed insured values exceeding US\$ 83bn. In the Atlantic, 27 tropical storms and hurricanes broke all meteorological and monetary records.

For the first time since its introduction in 1953, the official list of 21 names was not long enough and had to be supplemented by the first six letters of the Greek alphabet.

Katrina was the sixth strongest hurricane since recordings began in 1851 – and losses amounting to US\$ 60bn (private insurance: US\$ 45bn; National Flood Insurance Program: US\$ 15bn) made it the most expensive natural catastrophe loss in history. Rita, the fourth strongest hurricane ever registered, reached mean wind speeds of up to 280 km/h. Stan progressed at a relatively slow speed but carried enormous amounts of rain into Middle America, causing thousands of landslides, under which more than 800 people were buried. Wilma was the strongest hurricane ever registered in the Atlantic, with overall losses amounting to approx. US\$ 18bn. At the end of November, Delta became the first tropical cyclone ever to be registered in the Canaries.

Geological events

In the past year, 70 damaging earthquakes and 13 volcanic eruptions were registered around the world. The overall loss came to approx. US\$ 6bn.

In February 2005, a 6.5-magnitude earthquake occurred in Iran. Although the region affected is only sparsely populated, more than 600 people were killed. In March, an 8.7-magnitude earthquake occurred off the coast of Sumatra, demolishing thousands of houses on the island of Nias and killing 1,700 inhabitants. The earthquake that hit the border region between Pakistan and India in October 2005 triggered one of the worst human catastrophes of the last one hundred years. It only lasted 50 seconds, but more than 2,000 settlements were almost completely destroyed and 88,000 people were killed. Thousands of landslides blocked the roads to the areas with the greatest devastation and thus prevented international aid organizations from taking prompt and effective action.

Floods

In August 2005, profuse rainfall caused floods in nearly all Alpine countries. You can read more on this occurrence, the largest loss incurred by the Swiss Natural Perils Pool in its 30-year history, in the article beginning on page 34. Mumbai, the megacity on the west coast of India with over 15 million inhabitants, was swamped by extreme rainfalls in July 2005. A precipitation depth of 944 mm was recorded within 24 hours, almost as much as the annual average.

Wildfires, heat waves, and droughts

In August, the scene in the Alps was dominated by floods and flash floods, whereas southern Europe had to contend with wildfires and droughts. Portugal experienced one of the most extreme dry periods of the last 100 years, Spain and France were forced to introduce water rationing, and the agricultural sector was confronted with widespread crop failures. The overall loss is estimated to exceed US\$ 3bn.

Brazil's Amazon Basin went through its worst drought for more than 60 years. Many stretches of river dried up, resulting in losses for the shipping industry, agriculture, and fishery.

Outlook

All loss records were broken in 2005, which finally led to the climate change debate taking on a new quality. The wind of change already made itself felt at the Montreal climate summit in December.

Munich Re has long been warning that increasing global warming will be accompanied by extraordinary weather related natural catastrophes and explaining why there is a likelihood of greater loss potentials. The company's fears were confirmed in 2005. The international insurance industry managed to cope with 2005's record losses, but the ability to provide cover for natural hazards in the future will depend on the development of adequate insurance solutions for catastrophe scenarios that have hitherto been inconceivable.

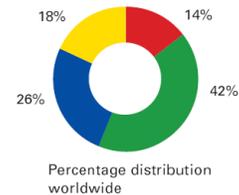
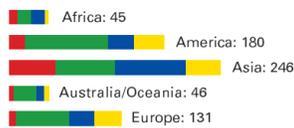
Statistics of natural catastrophes in 2005

Loss events and fatalities

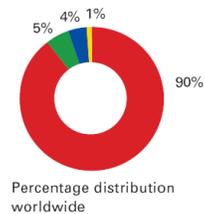
In 2005, approx. 650 natural hazard events were analyzed.

As in previous years, the number of events was dominated by weather-related natural catastrophes. The largest death toll was caused by the Kashmir earthquake in the border region between Pakistan and India, which killed more than 88,000 people and made more than three million homeless.

Number of loss events: 648



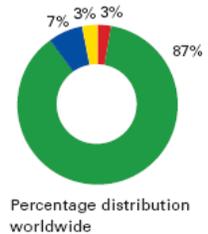
Number of fatalities: 100,995



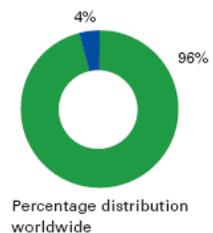
Overall losses and insured losses

2005 was a record year: the most expensive natural catastrophe year in insurance history and for the world's economies as a whole. The hurricane losses in North and Middle America and in the Caribbean caused roughly 80% of the overall economic losses and 88% of the insured losses.

Overall losses: US\$ 212,127m



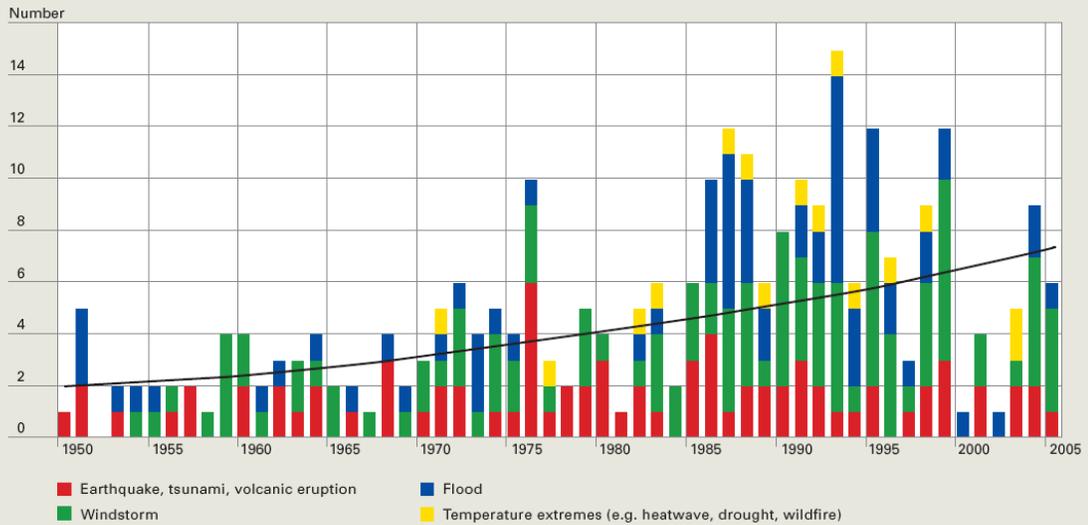
Insured losses: US\$ 94,379m



Great natural catastrophes 1950–2005

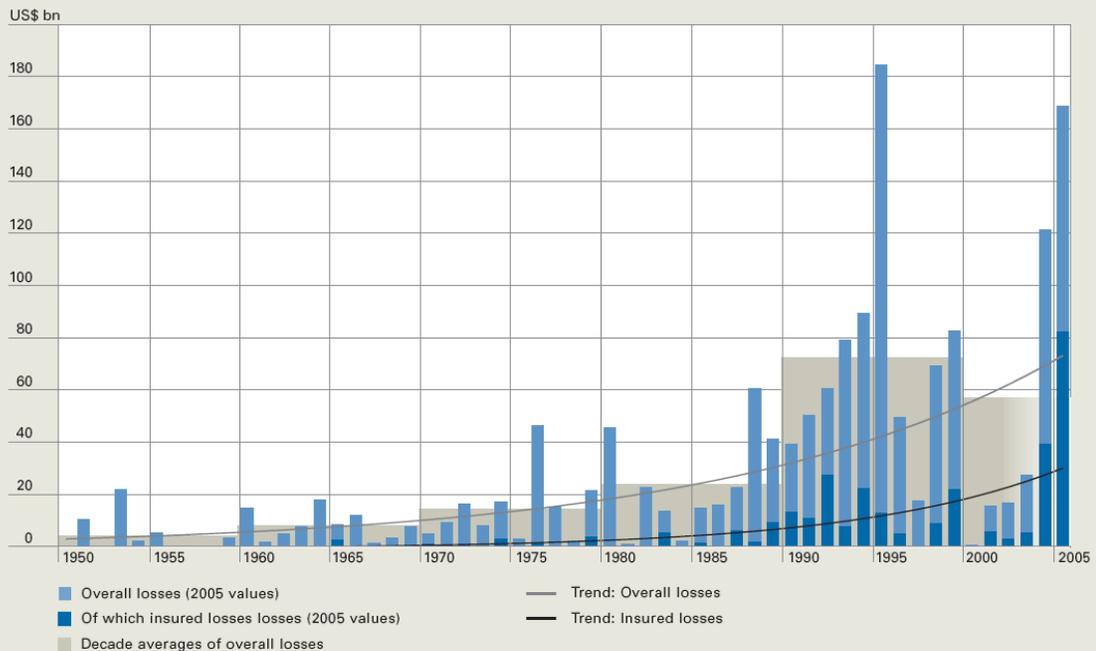
Number of events

The chart shows for each year the number of great natural catastrophes, divided up by type of event.



Overall losses and insured losses – Absolute values and long-term trends

The chart presents the overall losses and insured losses – adjusted to present values. The trend curves verify the increase in catastrophe losses since 1950.



Models require adjusting

The extremely active windstorm years of 2004 and 2005, tropical cyclones in regions where such events were not previously expected, and new scientific findings on natural climate oscillations and the effect of climate change on the hurricane hazard make it absolutely essential to revise the hurricane simulation models.

The central issue is the risk of change and its repercussions with regard to risk measurement (e.g. accumulation exposure and pricing). Because one thing is clear: short term measures will probably be able to contend with the new hazard situation for no more than a few years. The more realistic approach would be for science and the insurance industry to join forces in a longer-term process in order to analyze the new conditions and find adequate solutions.

Modeling systems needs to change its methods and models developed in the past with a view to keeping them in line with current scientific knowledge. However, it has made further adjustments in its frequency and intensity assumptions in the wake of Katrina and other major hurricane events.

Loss-aggravating effects in complex large and extremely large losses have also been accounted for in the risk analysis. The loss distributions with which the hurricane risk is evaluated have therefore changed radically.

These new distributions have an impact on many processes – pricing, the calculation of the required risk capital, and profit-oriented portfolio management. The adjustments that need to be made will vary from insurer to insurer, but they will be substantial in every case.

Climate review 2005

Climate change continues unabated. This is clearly confirmed by the results of research in 2005, a year that is likely to go down as the second warmest year ever recorded.

According to provisional calculations by the World Meteorological Organization (WMO), the mean global temperature in 2005 deviated by +0.47°C from the average of the climate normal period 1961–1990. It is thus one of the warmest years since recordings began in 1861 and currently ranks as the second warmest year worldwide.

The WMO will publish the final figures in February 2006.

Nothing provides more striking evidence of the continual warming of our planet than the fact that the nine warmest years have all occurred between 1995 and 2005. In fact, in the northern hemisphere, 2005 is likely to go down as the warmest year ever recorded, with an anomaly of +0.65°C.

In September 2005, ocean ice in the north covered less than six million square kilometres for the first time since satellite observations began in the 1970s. September is the month in which it typically reaches its minimum. The sea ice cover registered at the end of that month showed a reduction of 8% in the last 25 years.

A major part in this development was played by the North Atlantic, where the surface temperature in 2005 currently ranks as the warmest annual mean figure ever registered.

The exceptionally large anomalies in a belt around 50°N and record values in the Caribbean and the tropical Atlantic were particularly noticeable. One of the effects of this was the extreme drought in the Amazon region. This was due to the higher level of evaporation and precipitation formation over the warm sea surfaces, whilst in the neighboring region of North Brazil the prevailing conditions were a subsidence of air and cloud dispersion.

A study by the Scripps Institute of Oceanography was the first to show that anthropogenic climate change is responsible for the rising temperatures in the upper layers of all the earth's oceans. This influence far outweighs the effects of natural climate variability and external forcings like changes in solar radiation and volcanic activity.

Examples of extreme weather patterns in 2005

– Between October 2004 and June 2005, the total volume of precipitation in western France, Spain, Portugal, and the United Kingdom was only half the long-term average.

As a consequence, Spain and Portugal suffered their worst drought since the 1940s, resulting in many wildfires. And that only two years after the hot and dry hundred-year summer of 2003.

– With an anomaly of +1.75°C in the first five months, 2005 was the hottest year in Australia since recordings began in 1910.

– There was hardly any rain in Brazil, leading to extreme dryness in the south (Rio Grande do Sul) and the Amazon region and producing the worst drought for 60 years.

– In contrast, July presented Mumbai with the greatest 24-hour precipitation volume ever recorded in India.

Energy Insurance Market Review

Willis

Market overview

Not only was 2005 a record for the number of storms: three category 5 hurricanes were recorded for the first time in one year, with two of these, Katrina and Rita, hammering the energy industry particularly hard in the Gulf of Mexico. For the second year running energy underwriters were given a thrashing.

Katrina & Rita

Losses in the energy industry from these two hurricanes continue to develop. Currently we estimate that a total of around US\$15 billion has been incurred, and it will still be many months before all rigs, wells and pipelines have been assessed for damage and the impact of downstream contingent business interruption has been fully determined. When other "non-elemental" (in other words, non-natural catastrophe) losses from the US and around the world are included, the total for all energy losses worldwide rises to over US\$18 billion.

It should be noted that this total includes estimates for both insured and uninsured (or self-insured) losses. But even if we conservatively assume that no more than 50% of the hurricane losses has been insured in the commercial market one glance at the two charts on page 8 shows just what a dreadful year 2005 has been for the energy sector. For with estimated total commercial market premium of somewhat less than US\$3 billion the year was in deficit even without the hurricanes. When Katrina and Rita are added it would appear that the insurance market has lost its shirt on energy underwriting.

Nor is the outlook bright. There have been more storms in the past five years than in the previous ten, and the weather experts tell us that we are in the first phase of a lengthy period of intense cyclonic activity in the Atlantic. We are already being told that "Katrina will be outdone".

Energy Market Response

The response of the upstream sector of the energy market to the hurricane losses has been marked by massive rate increases, incomplete reinsurance programmes, general confusion and a (perhaps understandable) lack of underwriting consistency, as different underwriters develop their own solutions to trading in a new environment. There would appear to be no logical and generally accepted plan as to how to achieve sustained profitability. Indeed, there is doubt in some quarters as to whether upstream energy underwriting can ever again be profitable.

In contrast to the upstream market the response of the various downstream energy sectors very much mirrors the reaction of the general property and casualty market – some general hardening, perhaps, and attention to elemental exposure certainly, but without the significant rate increases and capacity shortages that the upstream market is witnessing.

Overall one could say that in the aftermath of the hurricanes a sense of "calm concern" has prevailed, with rates in the onshore property sector firming for time but more recently beginning to ease.

Upstream & Downstream differentiators

On one level, of course, this is hardly surprising. A cursory glance at the loss statistics below will reveal that out of a total of some US\$16 billion of energy losses arising out of Katrina and Rita not much more than US\$2 billion (although a substantial figure in itself) is applicable to downstream. Upstream underwriters clearly bore the brunt of the storms.

the two sectors is underscored by innate differences in underwriting approach. On the one hand the upstream sector has traditionally been defined by its "trader" mentality – its willingness to take risks without over-reliance on technical appraisal. On the other, downstream insurers have for the most part taken a diagonally opposite line, with underwriting decisions very much dependent on detailed risk surveys and reports conducted and written by an army of professional chemical engineers, whilst unknown or unquantifiable exposures have been subject to exclusionary wording or severely restrictive sub-limits.

Call for risk differentiation

Since the 2005 windstorms there has been a growing clamour from insureds whose risks are neither situated in North America nor elementally exposed to have their risks clearly differentiated, and assets and exposures rated separately, from those that are.

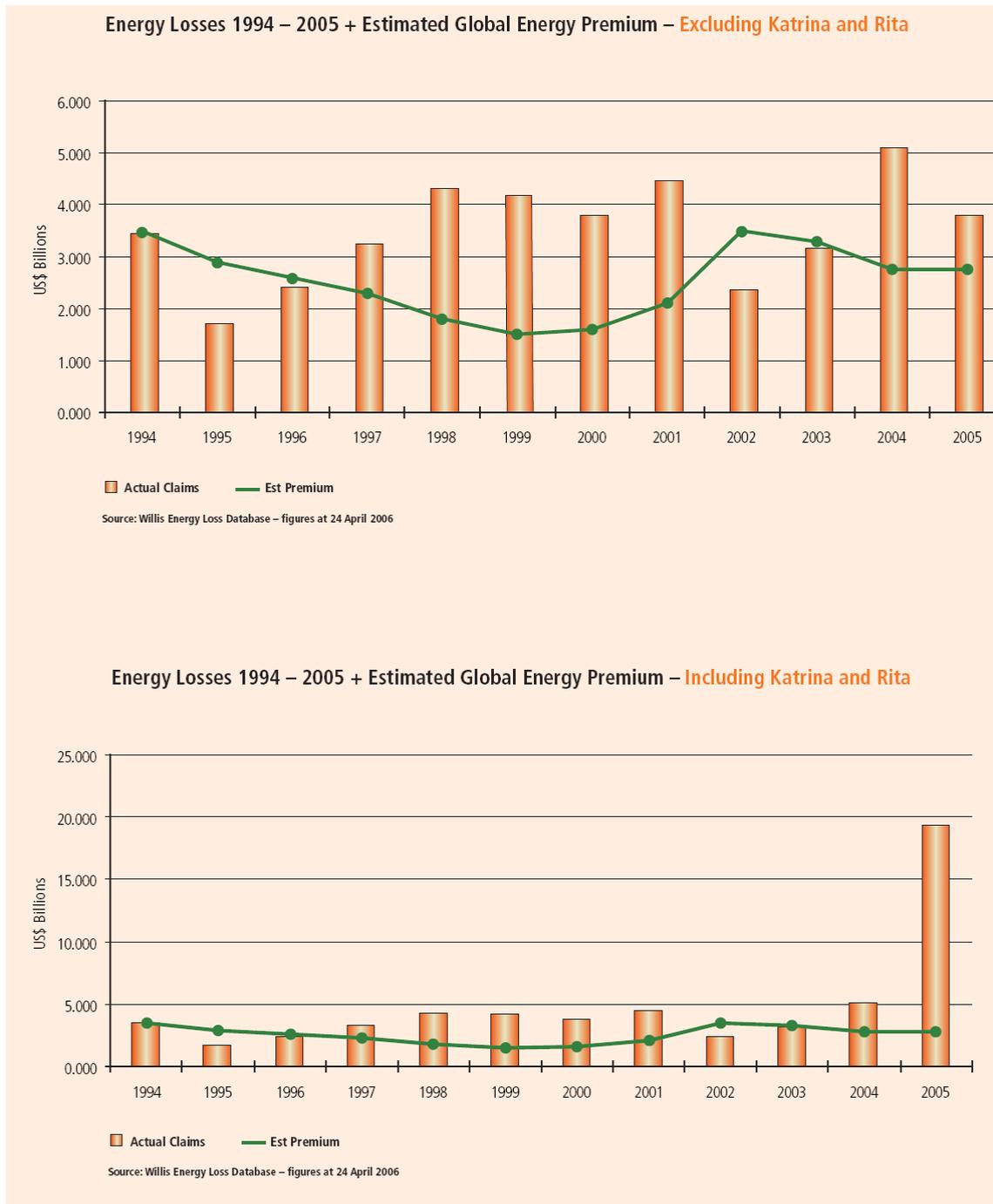
One look at the loss analysis on page 9 starkly explains why: More than US\$15 billion of elemental losses in 2005 has been reported so far for North America against only US\$33 million for the rest of the world, whilst non-elemental losses for North America total US\$2.7 billion against US\$760 million for the rest of the world. And in addition to the hurricanes, no less than five out of the seven nonelemental losses in excess of US\$100 million in 2005 occurred in North America.

The widening gulf

Given the prospect of increasing cyclonic activity in the Atlantic, and the possibility that Gulf of Mexico risks become uneconomic to insure in the commercial market, where does that leave energy underwriters?

As we have seen, this is not a particular problem for the onshore sector. But for upstream underwriters it depends on whether a meaningful book can be written without the Gulf, and to this question these insurers have not yet found an answer. Their reaction to the losses in 2005 has been extreme, and they are in an increasingly difficult situation, with large holes in many of their reinsurance programmes and no idea of how to fill them. In contrast, the onshore sector, both property and liability, is demonstrating stability, having quietly firmed up rates whilst continuing to differentiate risk.

The upstream and downstream sectors of the energy market were always markedly different, but over the last six months or so these differences have been accentuated to the point where a gulf exists between them, and this gulf continues to widen.



Katrina and Rita Energy Loss Estimates

KATRINA	Physical Damage	Operators Extra Expense	Business Interruption	Total
Upstream ex Rigs	4,137,312,000	1,228,125,000	831,686,000	6,197,123,000
Rigs	474,100,000		58,285,000	532,385,000
Downstream	1,791,205,000		628,500,000	2,419,705,000
	6,402,617,000	1,228,125,000	1,518,471,000	9,149,213,000

RITA	Physical Damage	Operators Extra Expense	Business Interruption	Total
Upstream ex Rigs	2,762,756,000	870,478,000	853,260,000	4,486,494,000
Rigs	497,750,000		49,995,000	547,745,000
Downstream	481,635,000		364,565,000	846,200,000
	3,742,141,000	870,478,000	1,267,820,000	5,880,439,000

Notes:

1. These loss estimates are for the energy industry as a whole and are not necessarily insured amounts
2. Where no BI/OEE split is available the BI/OEE has been included in the PD number

2005 Losses Excess of US\$100 Million Excluding Katrina/Rita

DOL	Facility	Location	Country	
04/01/2005	Oil sands	Alberta	Canada	1,325,000,000
30/01/2005	Oil sands	Alberta	Canada	340,000,000
23/03/2005	Refinery	Texas	USA	305,000,000
27/07/2005	Platform	Mumbai	India	370,000,000
10/08/2005	Refinery	Texas	USA	235,000,000
25/11/2005	Refinery	Virginia	USA	100,000,000
11/12/2005	Tank farm	London	UK	not yet available

2005 Losses Split N. America/Rest Of World and Elemental/Non-Elemental

Area	Elemental	Non-Elemental	Total
N. America	15,040,352,000	2,674,698,000	17,715,050,000
Rest of World	32,950,000	723,876,013	756,826,013
	15,073,302,000	3,398,574,013	18,471,876,013

All amounts in US Dollars

Source: Willis Energy Loss Database as at 31 January 2006

Market Update: Upstream Energy

Many underwriters still have holes in their reinsurance programmes and many have yet to purchase any protection against US Named Windstorm. Some are anticipating capacity will be easier to come by later in the year, while others are trying desperately to develop a business plan to determine what to buy.

One thing is certain: The direct energy market looks to be more exposed to a loss of its own capital (as opposed to a loss to the reinsurance market) than at any time in living memory. Whilst there is no such thing as the 'average' underwriter or a 'typical' reinsurance programme it is fair to say that underwriters are retaining more risk at the bottom and the top of their reinsurance programmes, and they will generally have less "sideways" or aggregate protection.

Capacity

Capacity is measured in three ways that are relevant to the client.

- Single risk
- Catastrophe aggregation (notably the GOM)
- Premium income

Single risk capacity is virtually static, scaling back of existing carriers has been offset by new additions being Lancashire US\$75 million, SV Burnhope US\$20 million, and the re-entry of Allianz with US\$50 million. However, significantly more risks are now testing single risk capacity owing to higher steel prices, higher oil prices (fuelling LOPI purchase) and higher Rig/Contractor rates driving insureds to purchase larger OEE limits. Whereas 12 months ago only 1 or 2 risks tested world capacity now (as forecast in our last review) there are 20 or 30, and the number is rising.

For Catastrophic aggregation risk, the focal area worldwide is clearly the Gulf of Mexico (GOM). There is not necessarily any direct correlation, however, between underwriters' individual risk capacity and their total aggregate capacity available for the GOM.

Underwriters will individually calculate their own Realistic Disaster Scenario (RDS) by taking a proportion of the aggregate exposure written by the insurance company or syndicate in the area.

Depending upon the constituent parts of their book their RDS could range from a conservative 66% down to as little as 10% or less of the total applicable exposure in their book. For this and other reasons it is virtually impossible to calculate accurately the total capacity for GOM. Anyway, the single event limit will be radically different to the total amount of aggregate written. Much of the information published to date on available capacity is either plainly wrong or does not address what measure of capacity is being used.

The final measure of capacity, premium income, In the very soft markets of the past the quest to achieve income targets drove rates down further and led to ever broader coverage. Conversely, in a hard market such as today, with the same amount of capital to support their underwriting underwriters put less risk on the books at more restrictive terms.

We believe that there is a strong case to generate sector weightings for premium income by class of business.

Over time this would serve to assist in smoothing the cycle, surely an objective both underwriters and clients would support.

Cost

Since supply and demand drives the cost of most products it should come as no surprise that insurance is no different. Relationships, continuity, loss records, engineering, risk management and other factors are all key ingredients, but inevitably market forces carry huge weight. We can therefore look at the categories of risk referred to above under Capacity and see price movement falling into three distinct bands:

- Subject to the other factors above, single risks that do not challenge market capacity are experiencing rate increases between nil and 25%.
- Risks that involve (or are exclusively) single risks that test market capacity are likely to see rises of 15% to 25%. This could be much higher where capacity is really tight, where the renewal is coming off a very low rate, or where the loss record is a factor.
- Risks that involve (or are exclusively) aggregation risks (primarily GOM) are likely to see increases of hundreds of percent, and in addition there is likely to be a loss load where applicable. The rating of GOM risks may vary hugely. Aside from the pure rating against assets and wells, underwriters are seeking to achieve a rate on line against the applicable windstorm limit on the policy

Market Update: Onshore property

the onshore property market today could best be described as stable.

However, the inherent volatility of the sector should not be underestimated, and this, combined with higher retentions under treaties and generally less reliance on (or availability of) reinsurance, plus the increasing willingness of management to move capital quickly away from underperforming areas, means that the underlying fragility of the market has not diminished.

That said, the onshore energy property market appears to have largely learned the lessons of the late 90s and early years of this century. Any naivety is long gone; the market has matured, and is now managing the cycle with quiet confidence.

The following are some of the current key onshore property market indicators:

Capacity

We estimate that economically viable capacity has remained broadly unchanged over the period June 2005 to April 2006, standing today at around US\$2.2 billion. OIL and sEnergy provide an additional US\$250 million and US\$200 million respectively. Several minor players (Canopus and Alea) dropped out during the period, and some excess players are now writing smaller lines, but this capacity has been replaced by Bermudian start-ups (Lancashire and Ariel Re), and the as yet untried potential of Starr Tech as an entity separate from AIG.

Rating

The severity of rate increases depends on many factors – engineering, loss record, nat cat exposure, and previous market track record in soft and hard markets, for instance. The market has firmed, and increases for clean renewals without natural catastrophe exposure are generally in a broad range of 5% to 20%, very much depending on risk quality.

Deductible & Waiting period

In general there is little movement in deductibles. The market has by and large been satisfied with the levels achieved in recent years, and these have caused a significant reduction in the frequency of claims. For windstorm, however, there is pressure to increase deductibles from 2% to 5%, though this is not as yet mandatory.

Business Interruption

There is a continued focus on BI throughout the market. Specifically, accumulation is often a major factor in restricting available capacity.

Contingent Business Interruption (CBI)

Restrictions of cover are being seen, and where the exposure cannot be identified or quantified underwriters are only prepared to offer very modest sub-limits. Identified exposures can be covered with higher sub-limits, and may be rated accordingly.

Gulf coast windstorm

Capacity is available up to approximately US\$300 million, though more is available at premium prices. Unlike in the upstream market Gulf Coast capacity has not been commoditized to the same extent and pricing very much depends on the individual risk. The market is however tight, and underwriters are under pressure to increase premium volume whilst reducing exposure.

Oil Wraparounds

Most underwriters will not now give occurrence aggregate limit "drop-down" cover.

Engineering

The onshore market continues to place ever greater importance on risk quality. Compliance with risk improvement recommendations is now required, and good reasons must be given where this has not happened. Underwriters are increasingly drilling down into survey reports, and in some instances where a site is judged to be below expected standard specific dates are being required for compliance with risk improvement recommendations.

Onshore Construction

Coverage under property programmes is normally sub-limited at a relatively low level, the intent of property underwriters being to provide minor works and refurbishment coverage only. Projects of significant size therefore require separate construction (CAR) policies, and these are placed in a specific sub-sector of the onshore energy market. A more disciplined approach to underwriting has led to much improved results over the past few years, and the market has remained stable; since the beginning of the year there has been little change, and any increased reinsurance cost at January 1 has yet to be passed on to the buyer.

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