



## GLOBAL MACRO OUTLOOK

### Political risk and weak GDP growth lowering economic expectations for rest of 2019

- Global Q2 GDP growth data confirms downward trend for 2019 with nearly every large economy in the world slowing down
- Ongoing political risks -Brexit, trade wars, Iran- not abating with new ones -Hong Kong- adding to volatility
- Lower interest rates not boosting growth and reducing options to fight recessionary headwinds over next quarters



### TOP GLOBAL MACROECONOMIC DRIVERS



The IMF is [forecasting](#) global GDP growth for 2019 to be 3.2%, lower than 2018's 3.6%. Global inflation is expected to remain unchanged year-over-year at 4.9%. The key issue for the global economy for the rest of 2019 is whether the weak growth of the last 3 quarters turns around, slow growth continues, or the global economy slips in a recession.

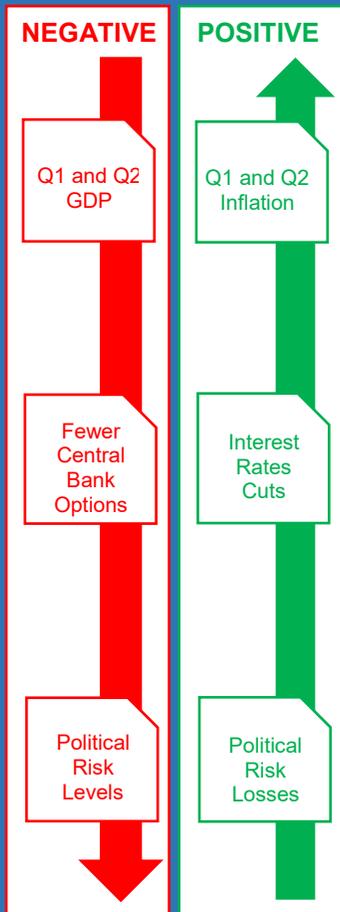


Global monetary policy is now fully accommodative. So far this year, the average central bank rate for the G20 decreased by -0.44% from 4.59% in January to 4.15% in August. With ECB and Bank of Japan rates already at or below 0%, the U.K., Canada, and China are the only countries yet to start loosening, though China engaged in other forms of monetary expansion.



Underlining the difference between overall risk levels and business impact, an informal survey by I.I.I. of political risk underwriters reported that year-over-year insured business losses are stable. This supports some central bankers' view that political risk remains transient and that its impact on growth may be overstated - for now.

### BALANCE OF RISKS



Risks to upside and downside evenly balanced



## OECD Releases Final 2017 and Preliminary 2018-2019 Global Insurance Data

Across all lines, gross global premium are expected to grow 5.1% in 2019, up from estimated 4.7% in 2018 and confirmed 4.1% in 2017. For 2017, life accounted for 47%, P&C 30% and health, the fastest growing segment, 23%. More than 75% of global growth came from the US, Canada and Western Europe. While premium grew year-over-year, increases in natural disasters claims ranging from 10% to 20% dragged down overall performance in 12 of the 36 countries covered in the OECD report.

Insurers achieved an average return on investment of 5% in 15 out of 39 countries. The best performers were Estonia's life (+57%) and Malaysia's non-life (+14.2%) sectors. Given low global interest rates, a key performance driver has been investment allocation, and carriers with greater exposure to equity outperformed those focused on fixed income. At 25%, equity exposure was highest amongst non-life insurers in France, Japan, Sweden, and the United States, versus 15% for most life and non-life insurers around the world ([Full Report](#)).

### INDUSTRY TREND: INSURTECH

Technology replacing demographics as key driver of global premium growth with investments in insurtech at an all time high.

#### Global Insurtech Deal Volume:

- ▲ Record \$1.42B in Q1 2019
- ▲ Up from \$734M Q1 2018
- ▲ 1<sup>st</sup> time \$1B+ 3 quarters in a row

#### Deal Share by Target Countries (Q1'19):

- ▲ US falls below 50% but remains largest target country
- ▲ UK up 50% year-over-year from 8% to 13%, catching up on China
- ▲ China decreases 38% year-over-year from 20% to 13%

#### Investment Subsector Focus:

- ▲ 60% of investments focus on P&C and 40% on in Life and Health
- ▲ P&C investments focus on commercial applications and Life & Health on consumer ones
- ▲ Disruption well alive with 40% of deals going to start-ups

Source: [Quarterly InsurTech Briefing](#), [WillisTowersWatson](#)

### COUNTRY WATCH: KENYA

#### Growth Drivers:

- ▲ Insurtech hub for Eastern Africa
- ▲ Parametric car, supplemental health
- ▲ Dumb and smart phone servicing

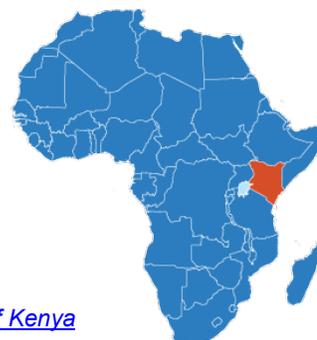
#### Domestic Market Metrics

	Life	P&C
Carriers	26	37
Gross Premium	US \$210M	US \$1.26B
Premium Growth	13.2% p.a.	6.7% p.a.
Claims Ratio	39%	56%

#### Premium Growth by Line (2017-2018):

- ▲ Cars: 35.8% p.a.
- ▲ Health: 30.7% p.a.
- ▲ Fire: 8.9% p.a.

Kenyan carriers expanding to neighboring countries to take advantage of improving stability across the region



Source: [Insurance Regulatory Authority of Kenya](#)