



ECONOMICS & INSURANCE
MAPFRE Economics Magazine

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MAPFRE
Economics

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Introduction

In this new edition of *Economy and Insurance* magazine, we highlight five articles that address key current topics: from the evolution of the insurance markets in Spain and Latin America in 2023, to major demographic trends and changes in the population structure. Then, we delve into the global savings landscape, examining the pivotal role of the insurance industry as a key manager of these assets. We conclude with a comprehensive analysis of geopolitical risks and their implications on the global order.

The summary of the report *The Spanish Insurance Market in 2023*, in the first article, offers an analysis of the performance and future outlook of the insurance sector in Spain. It provides both a short-term and medium-term structural perspective, illustrating a landscape characterized by robust economic growth and controlled inflation, which have collectively driven an increase in the volume of insurance premiums.

Meanwhile, the article *The Latin American Insurance Market in 2023* demonstrates how the strong performance of the insurance industry in 2023 led to a real increase in premiums across nearly all of its markets. It also provides a review of the key metrics of the region's insurance markets, as well as the most significant structural trends, such as penetration, density, insurance depth, and the coverage gap.

The third article, *Savings and Insurance Industry Investments: An Update*, provides an overview of the distribution and risk profile of insurance companies' investment portfolios, exploring their categories and the impact on their management as institutional investors.

The fourth article, *The Impact of Demographics on the Insurance Industry*, highlights key demographic trends currently shaping the landscape, including the ongoing decline in fertility and mortality rates, as well as rising life expectancy. These factors are contributing to a shift toward populations with a growing proportion of individuals in retirement age, presenting both challenges and opportunities for the insurance sector. This is a summary of our study *Demographics: An Analysis of Their Impact on the Insurance Industry*.

Finally, in the fifth article, we have a special collaboration from Julio Burdman, who, in [*Contemporary Geopolitical Order and Risk: A Methodological Reflection from Ibero-America*](#), analyzes the transformations in the global geopolitical order. He highlights how the intensification of geoeconomic competition between powers and the rise of nationalism in major players like the United States and Europe are shaping new models of sovereignty in this context of growing uncertainty.

We hope this latest edition of our magazine captures our readers' interest and provides them with an updated and in-depth perspective on the challenges and opportunities facing the insurance industry in an ever-changing world.

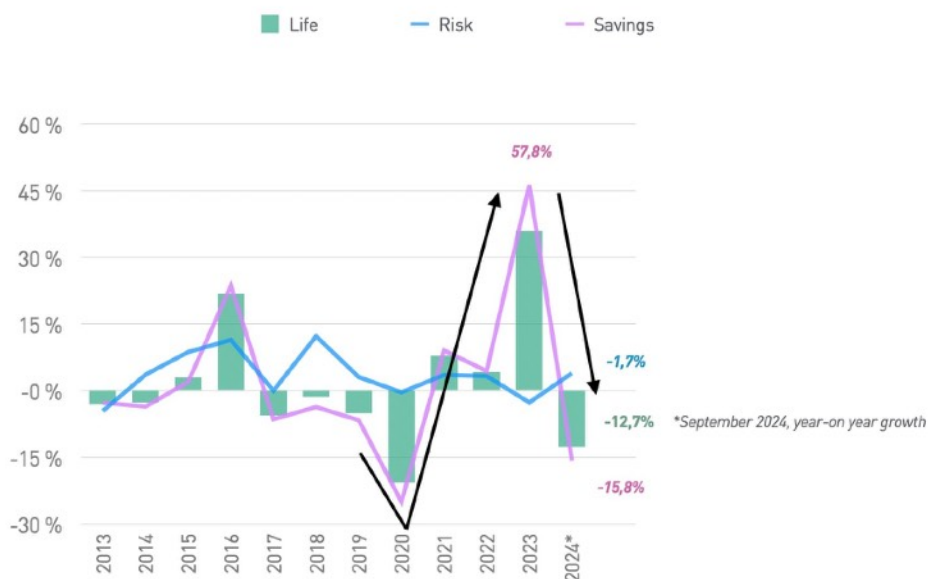
The Spanish insurance market in 2023

Author: MAPFRE Economics

Summary of conclusions from the
 MAPFRE Economics report
[The Spanish insurance market in 2023](#)
 Madrid, Fundación MAPFRE, September 2024

After its vitality in 2023, in the first nine months of 2024, the Spanish insurance industry saw a 1.2% drop in written premiums, influenced by lower income in the Life Savings line (-15.8%) that contrasted with the previous year’s extraordinary double-digit growth (see Chart 1). In terms of managed savings, however, Life technical provisions increased by 4.2%, to 209.2 billion euros in September 2024.

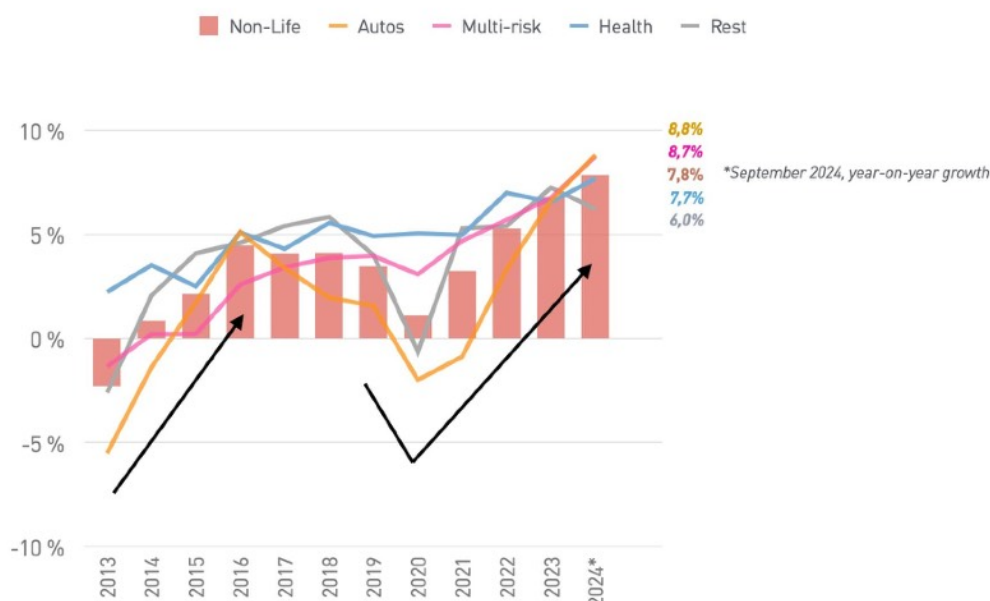
Chart 1. Trends in direct Life insurance
 (annual variation, %)



Source: MAPFRE Economics (based on ICEA data)

Meanwhile, the Non-Life segment has maintained an upward trend throughout 2024, with a 7.8% increase in premium volume compared to September of the previous year and positive performance across all modalities. Two of the largest lines, Automobiles and Multirisk, have outpaced the growth seen for the total segment, at rates of 8.8% and 8.7%, respectively, driven in part by the price increases to adapt premiums to cost inflation (see Chart 2).

Chart 2. Trends in Non-Life insurance
(annual variation, %)



Source: MAPFRE Economics (based on ICEA data)

Spain’s insurance market in 2023 was marked by solid economic growth based on private consumption, an environment of interest rates reaching levels not seen in the last decade, and moderation in price growth, with average inflation for the year closing at 3.5% (8.4% in 2022). This environment greatly favored the growth of insurance activity, with aggregate premium volume of the Spanish insurance industry reaching 76.4 billion euros, a 17.8% increase (4.9% in 2022), significantly higher than inflation, thanks mainly to the momentum of Life insurance.

Life premiums reached 33.4 billion euros in 2023, representing 36.0% growth (4.2% in 2022). Life Savings insurance was the main driver of growth during the year, with a YoY increase of 46.3%. By contrast, Life Protection revenue dropped by 2.7% to 5 billion euros, a result of the negative impact of interest rate hikes on lending. Meanwhile, the Non-Life lines of business earned a premium volume of 43 billion euros, representing a 6.8% increase (5.2% in 2022). Practically all lines in this segment showed increases, notably the contribution of Automobile insurance, with 1.2 percentage points (pp), while Health and Multirisk contributed 1.1 and 0.9 pp, respectively (see Table 1).

Table 1. Contribution to Life and Non-Life insurance market growth
(percentage points, pp)

Year	Contribution of Life to market growth (pp)	Contribution to growth (pp)		Contribution of Non-Life to market growth (pp)	Contribution to growth (pp)			
		Life Protection	Life Savings		Automobiles	Multirisk	Health	Other
2013	-1,4	-0,3	-1,1	-1,2	-1,0	-0,2	0,3	-0,3
2014	-1,2	0,2	-1,4	0,5	-0,2	0,0	0,4	0,3
2015	1,3	0,5	0,8	1,2	0,3	0,0	0,3	0,5
2016	9,8	0,8	9,0	2,5	0,9	0,3	0,7	0,6
2017	-2,7	0,0	-2,7	2,1	0,6	0,4	0,5	0,6
2018	-0,6	0,8	-1,5	2,2	0,3	0,4	0,7	0,7
2019	-2,3	0,2	-2,5	1,9	0,3	0,4	0,7	0,5
2020	-8,9	0,0	-8,8	0,6	-0,4	0,4	0,7	-0,1
2021	2,9	0,3	2,6	2,0	-0,2	0,6	0,8	0,8
2022	1,6	0,3	1,3	3,3	0,6	0,7	1,1	0,8
2023	13,6	-0,2	13,8	4,2	1,2	0,9	1,1	1,1

Source: MAPFRE Economics (based on ICEA data)

Growth of **Automobile insurance** gradually increased throughout 2023, ending December with a premium volume of 12.1 billion euros, up 6.6% on the previous year (3.3% in 2022). This performance was influenced by a rise in the average premium, which stood at 362.60 euros, 5.1% more than in 2022, as well as an increase in insured vehicles, which, at 33.4 million vehicles, was up 1.5%. However, the line's technical result continued to deteriorate in 2023. The Automobile insurance combined ratio exceeded 100% in Q1 2023 and ended the year at 101.6%, due to more severe loss ratios and higher provider costs due to inflation. During the first nine months of **2024**, the industry's business volume continued to perform well, with an 8.8% increase in premiums compared to September 2023.

This line of insurance will be affected in the near future by a regulatory change that is in the final stages of its parliamentary process: the bill that modifies the consolidated text of the Motor Vehicles Third-Party Liability and Insurance Act. One of the act's objectives is to transpose Directive 2021/2118 relating to third-party liability insurance for the circulation of motor vehicles, and to supervise the obligation to insure this liability. Transposition of the directive will also improve the authorities' oversight of the existence of insurance. The act also seeks to incorporate improvements proposed by the Commission for Valuation System Monitoring into the valuation of indemnifications for personal injury caused by traffic accidents.

Health insurance grew again in 2023, with a 6.6% rise in written premiums (7% in 2022) to 11.2 billion euros, while the number of insured parties increased to 14.2 million, 2.9% more than in 2022. In terms of profitability, the combined ratio for the line stood at 94.1% in 2023, down slightly from 94.2% the previous year, with an improvement in the loss ratio partially offset by an

increase in the expense ratio. During the first nine months of **2024**, revenue generated by this line followed the upward trend seen in previous years, with a 7.7% increase in premiums compared to September 2023.

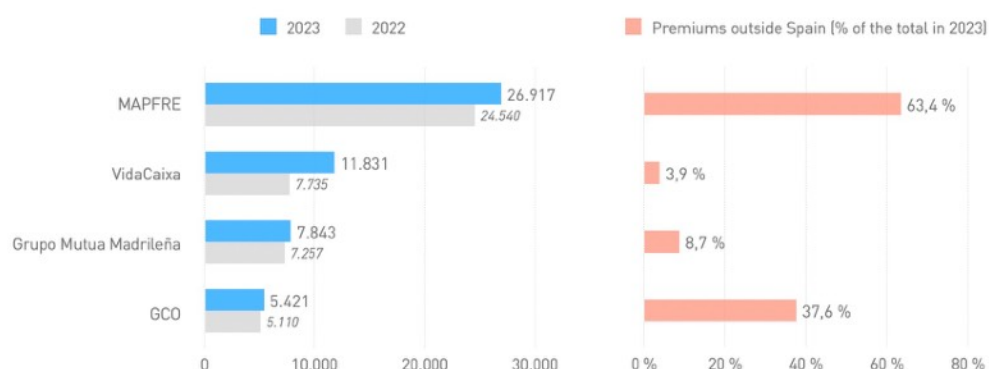
Multirisk insurance, in turn, remained the third line of business in the Non-Life segment by premium volume, maintaining a share of 21.3% in 2023. Industrial Multirisk insurance has sustained an uninterrupted growth trend over the last six years and increased by 9.3% in 2023. The Home, Condominium, and Commercial lines also saw greater growth than the year before and exceeded 2022 premiums by 6.3%, 6.4%, and 4.9%, respectively. It should be noted that Home and Condominium insurance policies have been affected by severe weather phenomena, which have had a negative effect on the loss ratio and increased the combined ratio. Premiums are expected to continue to be adjusted upwards for all modalities in 2024, until a satisfactory result is achieved. The data published for September **2024** show an 8.7% increase, with rises of around 10% across all modalities, with the exception of Industrial Multirisk, which grew by 6.3%.

Finally, the **Life insurance business** in 2023 achieved a total premium volume of 33.4 billion euros, up 36.0% (4.2% in 2022). Life Savings insurance was the main driver of growth in Spanish insurance in the year, with a YoY increase of 46.3%. By contrast, Life Protection revenues dropped by 2.7% to 5 billion euros, impacted by the negative impact of interest rate hikes on lending. Savings products with the highest premium volume registered significant increases: Life annuities grew by 67.5%, deferred capital by 57.6%, and Individual Systematic Savings Plans (ISSP) by 67.4%. Unit-linked insurance also had a good year, although with more modest premium growth of 6.1%.

The slight downward trend in interest rates could result in some improvement in the pace of consumption and lending, which may generate some improvement in Life Protection insurance, since this type of insurance is largely linked to loans. The data published for the third quarter of **2024** show a 12.7% drop in Life written premiums, with 3.9% growth in Life Protection and a 15.8% decrease in Life Savings, which contrasts with its 48.1% increase in September 2023.

The number of **insurance companies** in the Spanish market in 2023 continued to decrease, as a result, amongst other factors, of the reorganization of bancassurance agreements. Thus, at the end of June 2023, the Administrative Register of Insurance Companies (RAEA - Registro Administrativo de Entidades Aseguradoras) reported the existence of 192 insurance companies, three fewer than at the end of 2022. MAPFRE Group remains the top Spanish insurance group worldwide, with premiums of 26.9 billion euros in 2023, 9.7% more than the year before and 63.4% of which were generated outside of Spain (see Chart 3).

Chart 3. Ranking of the leading Spanish insurance groups active internationally by premium volume
(millions of euros)



Source: MAPFRE Economics (based on data from the Solvency and Financial Condition Reports on a consolidated level for the companies and ICEA)

In terms of the **technical profitability** of the entire insurance market in 2023, the combined ratio for the Non-Life insurance segment was 94.8%, up 1.0 pp on the figure recorded in 2022 (93.8%), due to increases of 0.8 pp in the loss ratio, to 71.4%, and 0.1 pp in both the administration and acquisition expense ratios (see Chart 4).

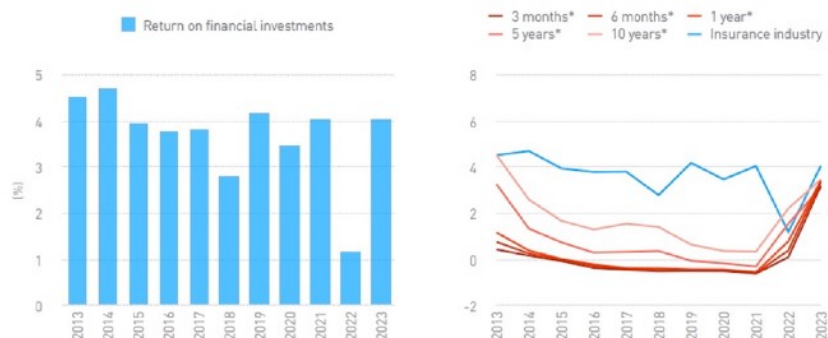
Chart 4. Trends in the Non-Life combined ratio
(total combined ratio, %; annual change in combined ratio, pp)



Source: MAPFRE Economics (based on ICEA data)

The **return on financial investments** in the insurance industry stood at 4.1% in 2023 (2.9 pp higher than a year earlier), driven by the rise in interest rates under the new monetary policy environment, which the European Central Bank has been implementing as part of the monetary tightening strategy to address inflationary pressures (see Chart 5). The **total volume of insurance companies' investments** in the Spanish market in 2023 increased to 305.1 billion euros, up 9.0% YoY, partially overcoming the significant decline of 15.0% in 2022. This took place in a year in which the valuation of the main asset categories for insurance company investments saw downward corrections due to accelerated interest rate hikes by the main central banks.

Chart 5. Return on the insurance industry's financial investments
(financial income / average investment, %; risk-free interest rate, %)

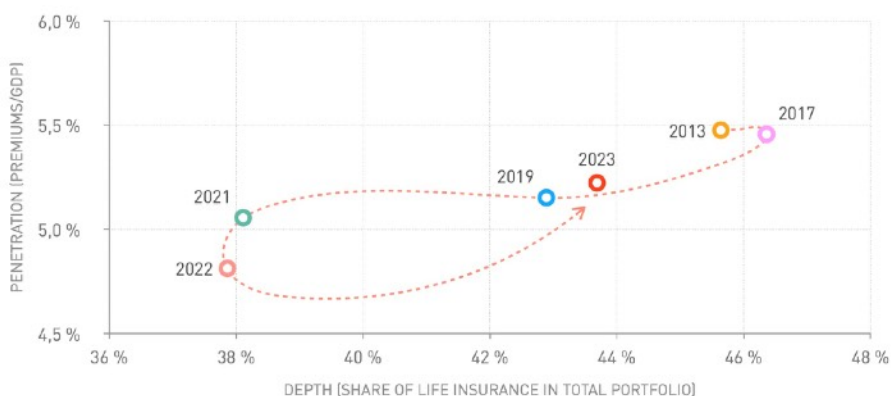


Source: MAPFRE Economics (with DGSFP data)
*Average annual Spanish Government bond yield of specified tenor.

Aggregate profitability indicators show that the **Spanish insurance industry achieved a profit** of 5.5 billion euros in 2023, a slight drop of 1.3% compared to the previous year's growth of 9.0%. However, in relative terms, the industry's profitability improved, registering a return on equity (ROE) of 13.2%, a 0.6 pp increase from 2022. Meanwhile, the sector's profitability, measured as the ratio of the year's results to average total assets (ROA), barely changed in 2023, at 1.7%, with a slight increase of 0.05 pp compared to the previous year.

The strong performance of the Spanish insurance industry in 2023 fostered increased insurance penetration in the economy (ratio of premiums to GDP), which rose to 5.22%, compared to 4.81% in 2022. This increased **penetration** of insurance in the Spanish economy was due, in particular, to the penetration rate of Life insurance, up 0.5 pp to 2.28%, while the penetration rate of Non-Life insurance stood at 2.94%, nearly unchanged from the previous year. Conversely, insurance **density** in Spain (premiums per capita) stood at 1,571.50 euros in 2023, an increase of 223.80 euros compared to the previous year. Finally, the **depth** index stood at 43.69% in 2023, significantly above the 37.9% seen the previous year, but still far short of the 48.8% achieved in 2016, its historic high, and below the levels seen over the past decade (see Chart 6).

Chart 6. Trends in the Spanish insurance market
(penetration vs. depth)



Source: MAPFRE Economics

A detailed analysis of the different business lines and structural trends in the last decade can be found in the report [*The Spanish insurance market in 2023*](#), prepared by MAPFRE Economics.

The Latin American insurance market in 2023

Author: MAPFRE Economics

Summary of conclusions from the
MAPFRE Economics report
The Latin American insurance market in 2023
Madrid, Fundación MAPFRE, October 2024

The Latin American region experienced a significant economic downturn in 2023, with 2.2% growth compared to 4.0% in 2022. This happened against a backdrop of high inflation that kept monetary policy in restrictive territory across most of the region's economies, affecting purchasing power and access to credit for governments, households, and companies, with a slowdown in domestic demand. Private consumption, while stalling, remained the main driver of regional GDP, boosting the development of insurance activity, which also benefited from a favorable interest rate environment.

Thus, in a scenario of economic downturn, the Latin American insurance market continued to demonstrate resilience, growing by 17.1% in 2023, up from 15.9% the previous year, with **total premiums** amounting to 203.4 billion dollars and balanced increases in both the Life and Non-Life insurance segments (see Chart 1). This strong performance boosted the Latin American insurance industry's share in the worldwide insurance industry by 0.27 percentage points (pp) in 2023 compared to 2022, standing at 2.8% and improving in both the Life and Non-Life segments (3.0% and 2.7% respectively). However, this percentage remains low considering the size of the region's economy, which represented 7.3% of global GDP in 2023.

Chart 1. Latin America: growth developments in the insurance market
(premiums, billions of USD; annual nominal growth rates in USD, %)

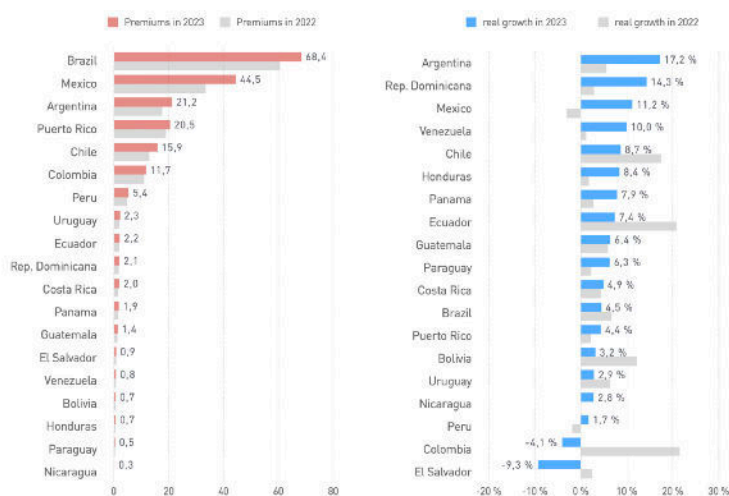


Source: MAPFRE Economics (based on data from supervisory bodies in the region)

Premiums in the **Life insurance** segment showed significant growth of 17.1% measured in dollars (15.3% in 2022), as did Non-Life premiums, which also grew by 17.1% (compared to 16.4% in 2022). In the Life business, high interest rates provided a favorable environment for the performance of Life savings and annuity products. Meanwhile, the **Non-Life insurance** segment was driven particularly by Automobile and Fire insurance, which experienced a notable increase in demand, as well as Health insurance, the stability of which also underpinned the regional insurance sector’s growth.

The strong performance of Latin America’s insurance industry in 2023, combined with easing inflation in most countries, resulted in **real growth** in premiums across nearly all markets. Colombia and El Salvador were the only countries that saw decreases in premium income of 4.1% and 9.3%, respectively (see Chart 2).

Chart 2. Latin America: insurance market premiums and real growth
(billions of USD; real growth in local currency, %)



Source: MAPFRE Economics (based on data from supervisory bodies in the region)

The insurance industry's **profitability** improved markedly in 2023, with positive net results in most markets. The aggregate net result came to 15.6 billion dollars, an increase of 56.4% on the previous year, highlighting, once again, the significant growth in the results of the two largest markets, Brazil and Mexico, as well as other markets with significant weight in terms of business volume, such as Argentina, Colombia, and Peru. Insurance premium revisions made it possible to pass on, to differing extents, increases in the cost of claims and other operating expenses to the price of insurance, while interest rate hikes helped improve the financial profitability of insurance companies' investment portfolios in some markets.

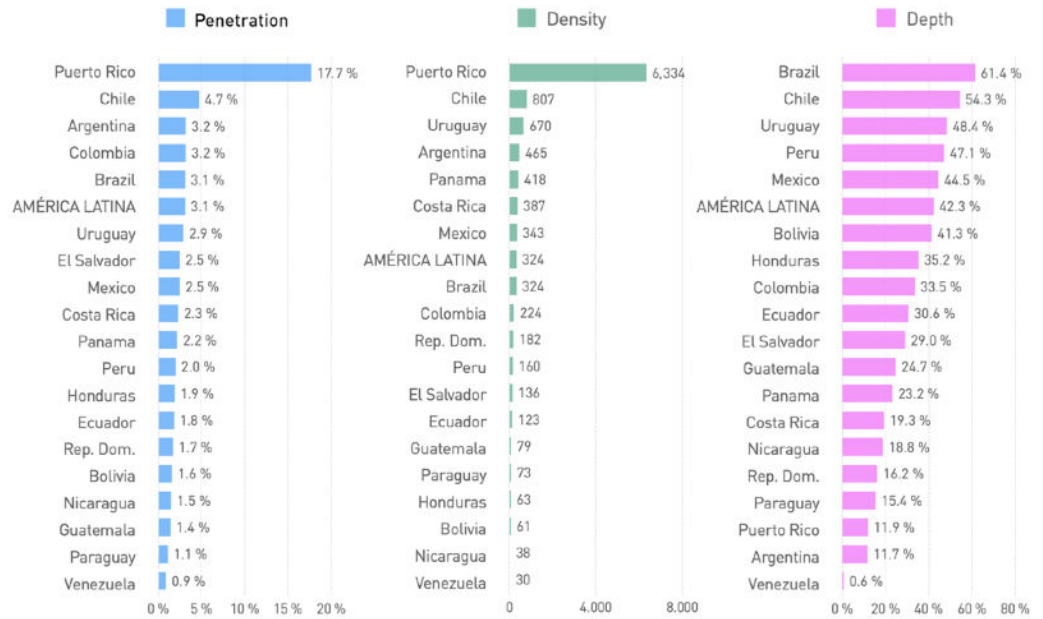
As regards **structural trends**, Chart 3 shows a comparison of different countries in the region based on penetration, density, and depth, which measure the level of development of the respective insurance markets.

The insurance **penetration** rate in Latin America (premiums/GDP) reached 3.1%, increasing by 0.13 percentage points on the previous year. This improvement was observed in both the Non-Life segment, at 1.79% (versus 1.71% the previous year), and the Life segment, which stood at 1.31%, compared to 1.26% the previous year. Puerto Rico was worth particular note for having the highest penetration rate in the region (17.7%), followed by Chile (4.7%), and Argentina and Colombia (3.2%). From a medium-term perspective (2013-2023), penetration in the region grew 0.4 pp, with accumulated growth over the decade of 0.2 pp in both the Life and Non-Life segments.

The **density** indicator (premiums per capita) stood at 324.30 dollars, up 16.3% on the previous year. The increase was most significant in the Non-Life segment, which saw a density of 187.10 dollars, while in Life insurance it stood at 137.20 dollars. Between 2013 and 2023, density (measured in dollars) increased by 14.5%, thanks largely to the growth seen in the past three years.

The insurance **depth** index (the ratio of Life insurance premiums to total premiums) stood at 42.3% in 2023, the same figure registered in 2022, as a result of the balanced growth of both segments during the year. Country by country, it can be seen that, between 2022 and 2023, Colombia, Mexico, Brazil, Argentina, Panama, Paraguay, Peru, Uruguay, and El Salvador experienced drops in the indicator. From a medium-term perspective (2013-2023), the indicator slightly improved over the last decade, with a cumulative increase of 0.2 pp in that period.

Chart 3. Latin America: penetration, density and depth indexes, 2023
(premiums/GDP, %; premiums per capita, USD; Life premiums/total premiums, %)



Source: MAPFRE Economics (based on data from supervisory bodies in the region)

With regard to the **Insurance Protection Gap**, or **IPG** (the difference between insurance coverage that is economically necessary and beneficial to society, and the amount of that coverage effectively acquired), the estimate of this indicator for the Latin American insurance market in 2023 is 301.3 billion dollars, some 11.5% more than the estimate in 2022. As a structural measurement, the composition of the IPG does not show significant changes with respect to our previous report, confirming the predominance of Life insurance in its makeup. The potential insurance market in Latin America in 2023 (measured as the sum of the actual insurance market and the insurance gap in that year) was 504.7 billion dollars, meaning 2.5 times the current market in the region (see Chart 4).

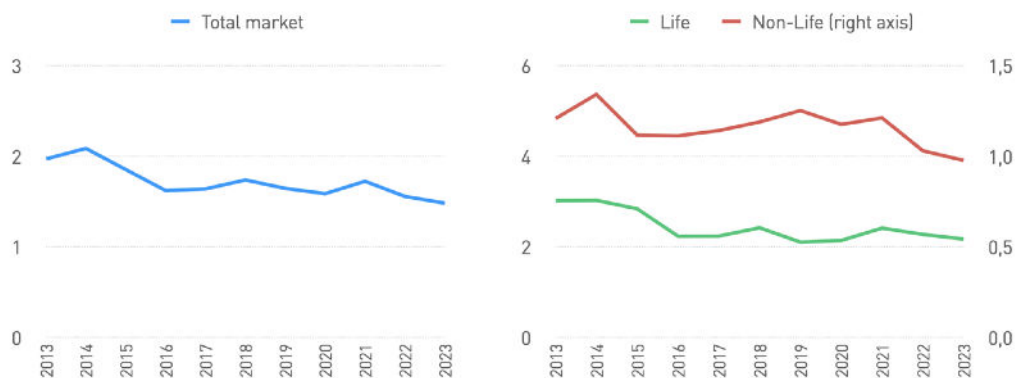
Chart 4. Latin America: Insurance Protection Gap and potential market
(billions of USD)



Source: MAPFRE Economics

Chart 5 presents the IPG in relative terms, i.e., as a multiple of the actual insurance market. According to this analysis, the region’s insurance gap between 2013 and 2023 showed a decreasing trend in terms of both the total market (falling from 2.0 to 1.5 times the actual market during that period) as well as the Life segment (from 3.0 to 2.2 times the market) and the Non-Life category (from 1.2 to 1.0 times). This is indicative of the medium-term trend of the Latin American region starting to match the insurance performance of developed insurance markets.

Chart 5. Latin America: IPG as a multiple of the actual market
(number of times the size of the actual insurance market)



Source: MAPFRE Economics

A full analysis of the structural trends and behaviors of the region’s insurance industry can be found in the report [The Latin American insurance market in 2023](#), prepared by MAPFRE Economics.

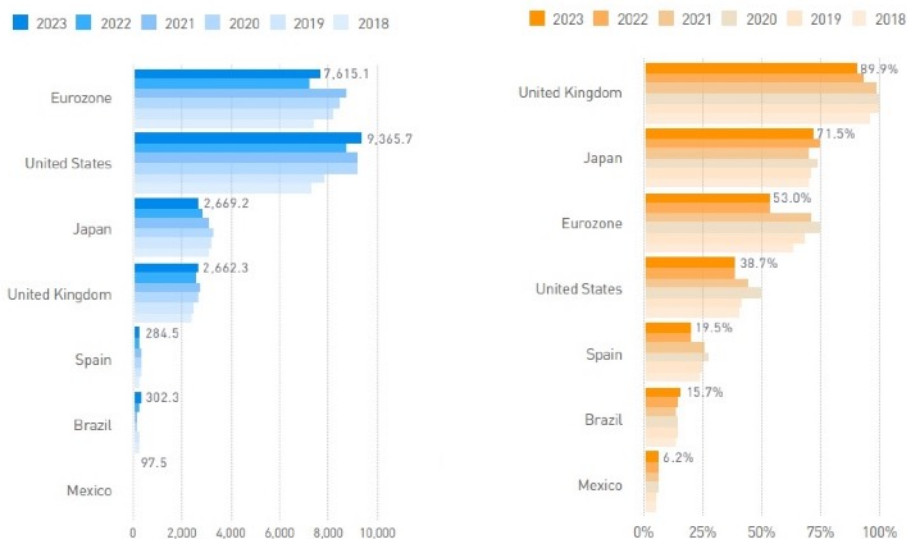
Savings and insurance industry investments: an update

Author: MAPFRE Economics

Summary of conclusions from the MAPFRE Economics report: [*Savings and insurance industry investments: an update*](#)
 Madrid, Fundación MAPFRE, November 2024

The insurance industry is one of the world’s largest savings managers and institutional investors. In 2023, the volume of savings managed by insurance companies in the main global markets once again increased in absolute value to 23 trillion euros, remaining stable when measured relatively in proportion to GDP after the anomaly seen in 2020 as a result of the COVID-19 pandemic. However, at an aggregate level, this performance was not a homogeneous, as can be seen in the insurance markets of the United Kingdom, Japan, and, to a lesser extent, the Eurozone, which saw contractions compared to the previous year.

Chart 1. Selected markets: investments managed by the insurance industry, 2018-2023
 (billions of euros; % of GDP)



Source: MAPFRE Economics (with data from EIOPA, ICEA, BoE, NAIC, LIAJ, SUSEP and CNSF)

Source: MAPFRE Economics (with data from EIOPA, ICEA, BoE, NAIC, LIAJ, SUSEP, CNSF, and IMF)

At a macroeconomic level, 2023 was dominated by high inflation that started to ease and an economic slowdown in response to a restrictive monetary policy and a less influential fiscal policy than in previous years, with a view to returning to normality and achieving a so-called soft landing for the economy. Such was the success of these measures that some central banks have already started cutting interest rates, with the consequent impact on the reweighting of fixed income portfolios that started to totally or partially reverse the significant inversion of interest rate curves.

Against this backdrop, a comparative analysis of the major global insurance markets reveals the different dynamics within investment portfolios for the different economies considered during a period of high uncertainty, on account of fears of both a rebound in inflation and a potential recession. In general, adjustments in insurance company' portfolios are usually marginal, given the need to match terms, interest rates, and currencies with their liabilities and given the consumption of capital. Therefore, as can be seen in the 2023 reweightings (see Table 1), changes in the weight of fixed income were modest during the year, with moderate changes in the composition of corporate and sovereign fixed income, while maintaining its prominent position in investment portfolios seen in previous years. Equities, in turn, did not experience relevant changes either, with a slight increase in terms of exposure in the United States and Japan, no change in the Eurozone, and slight decreases in Spain and the United Kingdom. In relation to cash and deposits, slight increases were seen, propped up by more attractive interest rates for liquidity to the detriment of investments in real estate and mutual funds, which contracted somewhat, and to a lesser extent, other investments, the outlook for which remains mixed.

Table 1. Structural breakdown of traditional business investment portfolios, 2016-2023
(%)

Asset type	2016	2017	2018	2019	2020	2021	2022	2023
Fixed income	60.9%	59.2%	58.7%	57.4%	56.6%	53.6%	49.1%	49.2%
<i>Corporate fixed income</i>	29.8%	28.5%	27.8%	26.7%	25.9%	24.7%	23.5%	23.5%
<i>Sovereign fixed income</i>	31.2%	30.8%	30.9%	30.6%	30.7%	28.9%	25.6%	25.7%
Equities	17.3%	12.2%	12.7%	13.1%	13.0%	14.9%	18.6%	18.6%
Loans	4.3%	4.4%	4.6%	4.5%	4.8%	4.9%	5.1%	5.3%
Cash and deposits	2.3%	2.1%	2.1%	2.0%	1.9%	1.9%	1.9%	2.0%
Real estate	1.6%	1.6%	1.7%	1.6%	1.5%	1.6%	1.7%	1.5%
Mutual funds	11.2%	18.2%	18.1%	18.8%	19.4%	20.5%	20.5%	20.5%
Other investments	2.4%	2.2%	2.3%	2.7%	2.9%	2.6%	3.1%	2.8%

Source: MAPFRE Economics (with data from EIOPA)

Notwithstanding the foregoing, in the medium-term analysis, it can be seen that there were some significant reweightings in both the Eurozone and United States between 2019 and 2023, with fixed income losing relative weight in the Eurozone (still majority) by 8.2 percentage points (pp) and an increase in variable fixed income of 5.5 pp during that period. The United States has also seen a drop in the weight of fixed income of 4.3 pp, with a 1.6-pp increase in cash and deposits (seeing significant increases in their profitability with the Fed’s aggressive rate hikes in 2022 and 2023) and, to a lesser extent, the 1.2-pp increase in equities (see Table 2).

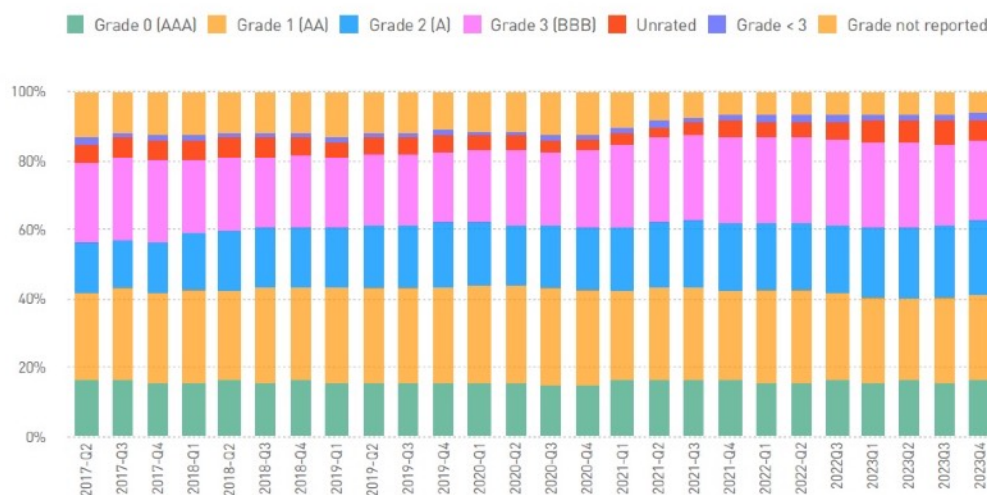
Table 2. Selected markets: asset reassignment, 2019-2023
(percentage point change)

Asset type	United Kingdom	Japan	Eurozone	United States	Spain	Brazil	Mexico
Fixed income	1.1	-0.9	-8.2	-4.3	-2.6	0.4	-0.3
Equities	-4.5	2.1	5.5	1.2	1.6	1.0	1.4
Loans	0.9	-1.3	0.8	0.1	0.4	-	-0.7
Cash and deposits	1.3	0.2	0.0	1.6	-1.3	0.0	-0.3
Real estate	-1.5	-0.1	0.0	-0.1	0.1	0.0	-0.1
Mutual funds	-1.3	0.7	1.7	-	3.0	-1.4	-
Other investments	4.2	-0.8	0.1	1.4	-1.1	0.0	0.0

Source: MAPFRE Economics (with data from EIOPA, ICEA, BoE, LIAJ, NAIC, SUSEP, and CNSF)

Looking ahead, as the economic expansion cycle continues and inflation settles within the target ranges defined by the central banks, it is expected that the foundations will be laid for them to obtain greater neutrality and put the cycle of monetary tightening behind us once and for all. Faced with this foreseeable context, nominal rates may return to the positive yield curve and the risk appetite may once again offer a perspective of greater normality. These factors will allow portfolio investment flows to be channeled on a more stable basis in terms of both duration and ratings, as reflected in the reweighting of the European investment portfolio by rating (see Chart 2).

Chart 2. Eurozone: credit quality of the bond portfolio



Source: MAPFRE Economics (with data from EIOPA)

A full analysis can be found in the report [*Savings and insurance industry investments: an update*](#), prepared by MAPFRE Economics.

Demographics: an analysis of their impact on insurance activity

Author: MAPFRE Economics

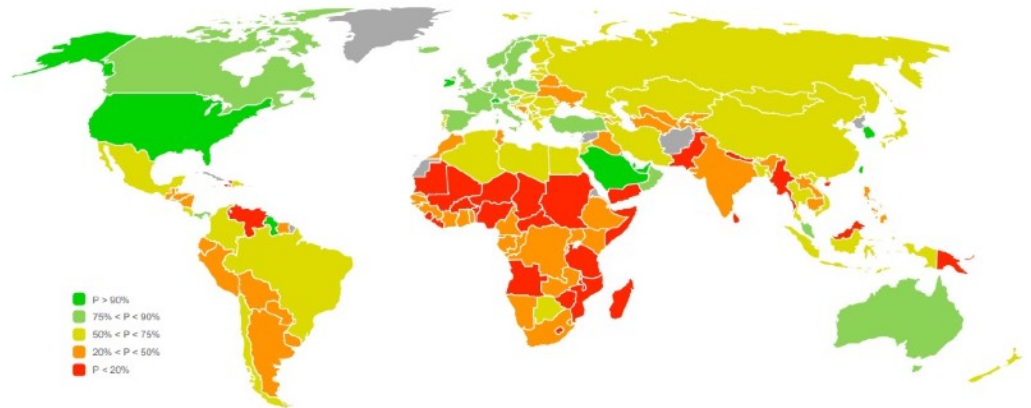
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[*Demographics: an analysis of their impact on insurance activity*](#)
Madrid, Fundación MAPFRE, July 2024

The distribution of the population across various age groups directly influences factors such as retirement savings in pension systems, healthcare spending, the real estate market, the automotive sector, demand for loans, and the need for coverage against risks like death and disability, among other aspects. All of these factors are of great importance to the insurance industry.

The main demographic trends observed today include an ongoing decline in fertility and mortality rates and an increase in life expectancy, leading to a shift towards populations with a larger proportion of individuals of retirement age. This change has caused the ratio between working-age individuals and retirees to decrease for more than four decades, especially in developed economies. Projections indicate that this trend will continue as the baby-boom generation approaches retirement, further intensifying this decline. In Western Europe, for instance, the ratio has fallen from 4.8 working-age individuals for every person over 65 in 1964 to 2.6 in 2024. Forecasts predict a further decline to 1.5 by the end of the century.

This demographic transition towards older societies directly affects the **need to strengthen retirement savings** in each country or region, which increases as more people approach retirement age. This will reduce their purchasing power and increase pressure on public pension systems, which will have to support higher benefits with fewer contributions, generating potential for growth in private savings (see Chart 1).

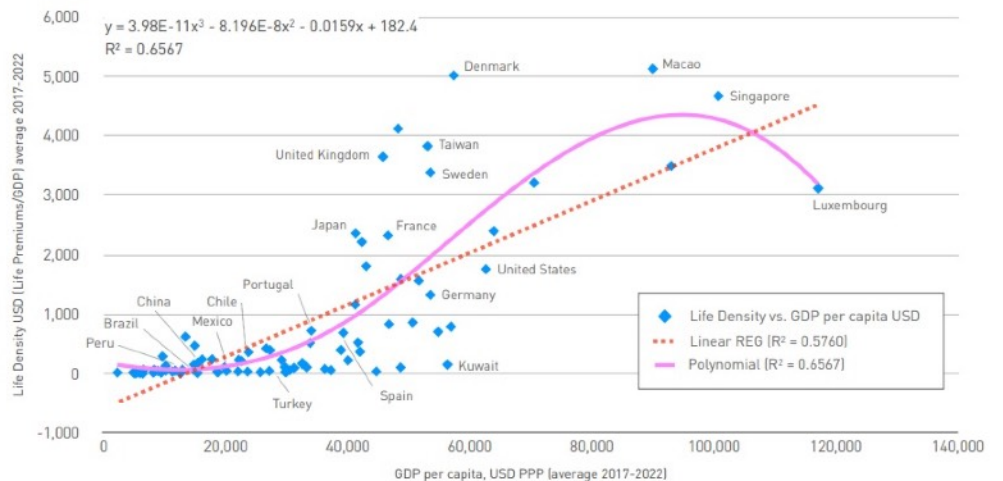
Chart 1: Geography of the potential for growth in private savings



Source: MAPFRE Economics

This potential for growth in private savings is influenced by not only the demographic transition towards older populations but also economic and demographic factors, such as per capita income level in different countries. As a result, Life insurance activity, characterized by savings-oriented insurance products, shows a strong correlation with the variability of GDP per capita adjusted for purchasing power parity (PPP) in each country. Based on the correlation analysis presented in this study, this factor accounts for **65.7%** of differences in **per capita Life insurance** premiums across different markets (see Chart 2).

Chart 2: Fitted regression line: GDP per capita (USD PPP) vs Life premiums per capita (USD)

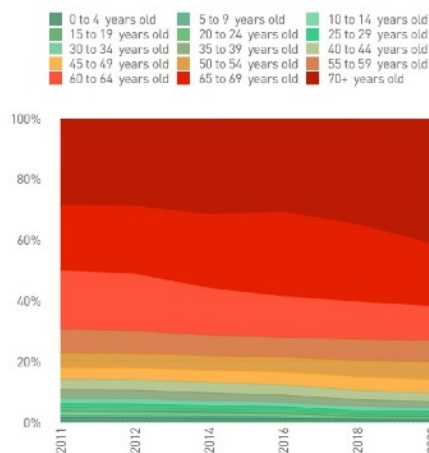


Source: MAPFRE Economics

On the other hand, older age groups and longer life expectancy significantly increase **healthcare** spending, as older individuals usually require more intensive healthcare. This healthcare spending is closely linked to the per capita income level of countries. In this way, a higher proportion of people aged 65 or older, combined with a higher GDP per capita, increases the potential for growth in healthcare spending, which encourages the development of private health insurance as a supplement to each country's public healthcare coverage, resulting in higher healthcare benefits as contributions from those reaching retirement age decrease.

Japan, one of the countries with the oldest populations, is an example of this trend: in 2020, those aged 65 and over represented 61.6% of the public healthcare system's spending, a figure that is expected to continue increasing in the coming decades (see Chart 3).

Chart 3: Japan: healthcare spending in municipalities by age group (%)

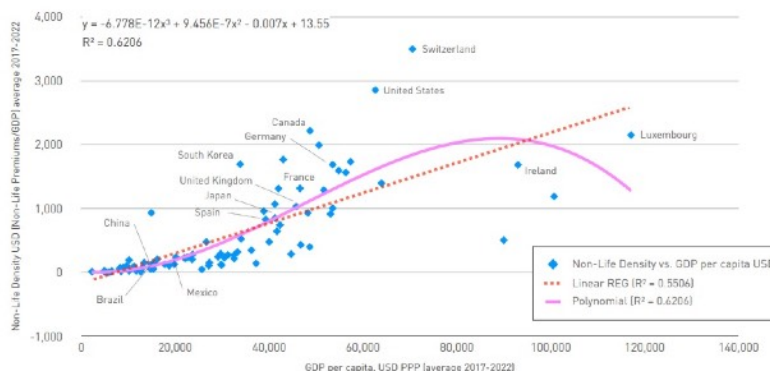


Source: MAPFRE Economics (with data from the Japanese Health Ministry related to the payment of invoices by municipalities for national health insurance)

Other important factors for the insurance industry influenced by the demographic transition process include the housing market and the automotive sector. The long-term trend analysis in this report demonstrates how population cohorts aged 25 and older are closely linked to a country's **housing market** and how their evolution is vital for the development of home insurance and loans associated with this sector. As long as the population in that age group continues to grow, the real estate market is expected to grow, and vice versa.

Regarding the **automotive sector**, a country's GDP per capita is a key factor. This indicator is closely linked to the size of its vehicle fleet, increasing the number of vehicles per capita. This link (which also impacts the real estate market) increases the potential for automobile insurance and, overall, the density of **Non-Life** insurance (average annual Non-Life insurance premium per person). It is estimated that around **62.1%** of the variation in this density is explained by the variability of GDP per capita across different countries (see Chart 4).

Chart 4: Fitted regression line: GDP per capita (USD PPP) vs Non-Life premiums per capita (USD)



Source: MAPFRE Economics

Finally, a country’s **population size** is another critical factor in assessing its insurance potential, as it allows market players to achieve the appropriate size to benefit from potential economies of scale. This includes advantages such as operating with a common currency and language, expanding the reach of distribution networks, having a more consistent regulatory framework, and justifying investments in technological solutions that support operations, all backed by a sufficiently high business volume, among other factors.

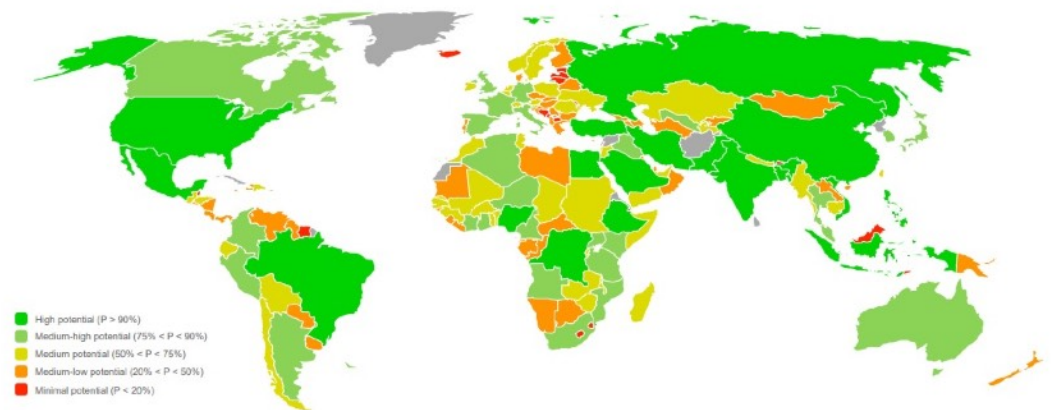
To analyze the impact of demographics on the insurance sector, MAPFRE Economics has developed the **IPDFI (Insurance Potential due to Demographic Forces Indicator)**, which measures the insurance potential of 179 countries based on their demographic and economic traits. This indicator, covering 98.2% of the global population, summarizes the ability of insurance markets to leverage opportunities resulting from demographic transition and per capita income growth (see Table 1 and Chart 5).

Table 1. Global ranking of the insurance potential due to demographic forces indicator (IPDFI)

Country	Potential by population weight (a)	Potential for demographic growth (over 24 years old) (b)	Purchasing power parity and its growth (PPP) (c)	Motors and property insurance potential index (MPPI) $(d = \sqrt[3]{a \cdot b \cdot c})$	Potential for healthcare expenditure growth (e)	Health insurance potential index (HPI) $(f = \sqrt{a \cdot e})$	Potential for growth in private savings (g)	Savings insurance potential index (SIP) $(h = \sqrt{a \cdot g})$	Insurance potential due to demographic forces indicator (IPDFI)
1 China	68.9	97.2	29.0	57.9	59.1	63.8	37.3	50.7	100.0
2 India	100.0	100.0	19.5	57.9	30.6	55.3	29.5	54.3	99.4
3 United States	21.7	42.2	63.1	38.7	60.9	36.4	52.2	33.7	63.7
4 Indonesia	18.8	43.4	21.7	26.1	32.8	24.8	32.2	26.6	44.8
5 Pakistan	24.1	63.5	12.5	26.7	14.2	18.5	19.4	21.7	39.6
6 Brazil	13.2	37.5	21.5	22.0	41.3	23.4	31.5	20.4	38.5
7 Nigeria	25.4	66.4	10.2	25.8	10.7	16.5	18.8	21.9	38.5
8 Bangladesh	12.3	45.8	20.4	22.5	32.4	19.9	32.4	19.9	36.8
9 Ethiopia	14.4	67.5	16.2	25.1	16.1	15.2	25.7	19.3	35.2
10 Egypt	10.3	50.5	21.4	22.3	24.4	15.8	30.3	17.6	32.8
11 Mexico	8.5	39.5	23.5	19.9	39.2	18.2	33.0	16.7	31.9
12 Philippines	10.0	47.8	18.7	20.8	24.8	15.7	28.3	16.8	31.3
13 Turkey	5.6	34.5	39.0	19.6	51.2	16.9	44.8	15.8	30.4
14 Dem. Rep. of Congo	15.2	72.8	10.1	22.3	9.1	11.8	16.3	15.7	29.3
15 Russia	6.8	19.3	33.8	16.5	46.0	17.7	33.9	15.2	28.9
16 Saudi Arabia	3.0	42.2	52.2	18.8	63.4	13.9	73.4	14.9	27.9
17 Vietnam	6.1	31.1	23.1	16.4	39.8	15.7	32.2	14.1	26.9
18 Iran	5.7	34.7	22.2	16.4	41.6	15.4	34.5	14.1	26.8
19 Japan	5.0	12.2	41.9	13.7	64.1	17.9	38.2	13.8	26.4
20 Germany	4.2	16.6	49.6	15.1	62.4	16.1	44.2	13.6	26.0

Countries such as China, India, and the United States lead the IPDFI, reflecting their large populations, high income levels, and growth potential within the insurance industry. In the United States, its high GDP per capita, increased healthcare spending, and growing population due to immigration strengthen its insurance potential. In the cases of India and China, their large populations compensate for their lower per capita income levels. Other countries with high potential include Brazil and Mexico in Latin America; Turkey and Russia in Europe; Indonesia, Pakistan, and Bangladesh in Asia; and Nigeria, Ethiopia, and Egypt in Africa.

Chart 5: IPDFI geography



Source: MAPFRE Economics

The largest economies in Europe would be classified as having medium-high insurance potential based on demographic factors, including countries such as Germany, the United Kingdom, France, Italy, and Spain. These countries all have high relative values of potential for growth in private savings and healthcare spending, as well as in the level of GDP per capita when adjusted for purchasing power parity, which compensate for their lower potential due to slower population growth among individuals over 24 years of age and their smaller population sizes. This group also includes countries like Canada and Japan, as well as Colombia, Argentina, and Peru in Latin America.

At the following [link](#), you can find the study *Demographics: an analysis of their impact on insurance activity*, prepared by MAPFRE Economics, which explores in greater detail how birth rates, mortality rates, life expectancy, and migration trends, along with their impact on the workforce, play a significant role in the growth of economic sectors related to the insurance industry.

Contemporary Geopolitical Order and Risk: A Methodological Reflection from Ibero-America

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In the second half of the 20th century, analyzing political environments became an increasingly crucial component of risk assessments for financial, commercial, and operational activities by banks, insurance firms, multilateral organizations, and other lending institutions. The objective was to evaluate the *political context* of financial assets, direct investment projects, and virtually all types of operations requiring the calculation of payment guarantees and default probabilities. This approach applied to both government-issued debt and commitments as well as private companies, based on similar principles: every organization must manage uncertainties.

Overall, risk analysis must assess both an organization's capacity and willingness to meet its payment obligations. Estimating payment capacity is typically the responsibility of the economic analyst, while assessing willingness falls primarily to the political analyst. For instance, when analyzing sovereign debt, the economic analyst evaluates whether the issuing state has the capacity to meet its obligations—considering factors such as available reserves, projected revenues, growth outlook, and other macroeconomic indicators. In contrast, the political analyst focuses on identifying factors that might interfere with such capacity to do so in a timely and proper manner. Assessing capacity is often viewed as quantitative, universalizable, and dependent on high-quality data, while evaluating willingness is qualitative, inclined toward particularism, and frequently reliant on confidential information.

This divergence in focus and approach has traditionally created a sort of tension between economists and political scientists in the “kitchen” when a composite risk index is concocted. Macroeconomic indicators are

internationally standardized, typically public, and backed by time series with verifiable data. In contrast, political analyses rely on a wide range of variables, studied through diverse methods and models, which are highly dynamic, context-dependent, and evolve with time and place. To make matters worse, in addition to suffering from “incoherence” (Janbaz et al., 2022), these factors would often become decisive in the final outcome of the estimation. Along with this disciplinary and task-based division between the economic analysis of payment capacity and the political analysis of willingness to pay, another controversial concept arose, one we will revisit later: the notion that economic risk is *endogenous* to the contract, while political risk is an *exogenous* factor. This created an artificial separation between politics and economics within the same decision-making process.

To these 20th-century challenges—arising from the incorporation of political variables into the comprehensive analysis of credit and investment risk by banks and insurers—a new layer has been added in recent years: the shift toward the notion of geopolitical risk. This concept is being advanced both in academic and public policy research (e.g., Caldara & Iacoviello, 2022; Engle & Campos-Martins, 2020) and by private banking and corporate consultancy (e.g., Haider et al., 2023). According to Caldara & Iacoviello (2022, 1194), the notion of geopolitical risk has been adopted by institutions such as the Bank of England, the European Central Bank, the World Bank, and the International Monetary Fund. It is primarily based on estimating the adverse effects of high-impact “geopolitical events” on international economic relations, including wars, terrorist attacks, and tensions between states and political actors. Along the same lines, Engle & Campos-Martins (2020, 2) describe “volatility shocks” in financial markets triggered by events they categorize as geopolitical. They expand this definition to encompass natural disasters driven by climate change, pandemics, trade wars, cyberattacks, and any other events with the potential to disrupt global financial stability. Notably, they highlight the Brexit vote in 2016 as a pertinent example. Geopolitics is defined here as a scale: an event occurring at the global level that impacts other levels.

In this context, the “new” geopolitical risk does not replace traditional political risk, which is rooted in national political economy, but rather complements and amplifies it. The observation of global financial volatility events introduces new variables into the analytical framework. That said, we must ask: Is the focus on emerging risks an incremental shift, or does it reflect a broader historical transformation? In the context of the analyst’s toolkit: Are we simply adding new risks, or is our understanding and perception of them evolving in response to transformations in the global order?

Geopolitical order and sovereign risk analysis

At the outset of the Cold War, the most feared risk event in Ibero-America was the possibility of a political revolution, similar to Cuba's, that could trigger a widespread suspension of payments amid a radical shift in the economic regime. Consequently, the approach was to closely examine the subject at hand in order to effectively address this pivotal question.

Decades later, in the 1990s, risk analysis no longer focused on increasingly improbable scenarios of regime change. Instead, it refined its focus on institutional dynamics, economic governance, social conflict, and power struggles within the new democracies. Undoubtedly, a political risk analyst in 1996 who only focused on the likelihood of a communist revolution was outdated. In the post-Cold War era, while the possibility of a revolution or regime change could not be entirely ruled out, we were facing something substantially different. The focus of political risk analysis had shifted from concerns about radical regime instability, typical of the Cold War, to the issue of *governance* within relatively consolidated political regimes operating as part of a global political economy characterized by the stabilizing leadership of the United States. For this reason, the political risk analysis adopted by major banks and international organizations was more oriented toward a detailed understanding of the institutional environments of the new democracies in Latin America, Africa, and Eurasia—emerging markets that had recently undergone transitions and displayed diversity in terms of legality, statehood, and political culture.

Therefore, it was not merely a matter of expanding the matrix of risk indicators and observations. The relative weight of the variables to be analyzed had shifted as a result of a transformation in the global geopolitical order. We are likely facing a similar scenario today.

Epistemologically and ontologically, the models of political risk analysis that explore the institutional (i.e., national) environments of markets are rooted in an International Political Economy (IPE) characterized by competition and conflict, driven by geoeconomic rivalries among powers, yet underpinned by shared trade rules, the regulatory ambitions of international and regional organizations, and the commitment of major global governments to maintaining these frameworks. Post-Cold War political risk analysis models largely focused on assessing how sovereign states and major corporations navigated and adapted to this rule-based framework.

However, the world of 2025 looks increasingly different from that era. The intensification of geoeconomic competition among powers and the rise of nationalism in the United States, Europe, and other major players are shaping new models of sovereignty within the global geopolitical order.

In my view, as was the case in the post-Cold War period, the emergence of these initial analytical models of geopolitical risk is not merely an expansion of the matrix of variables. Rather, it seems to represent the first conceptual attempts to acknowledge that we are witnessing yet another transformation of the global geopolitical order—one that will require analytical models designed to match its complexity. The very notion that geopolitical events (those on a global scale) drive international financial volatility underscores that the most pressing sources of risk are not rooted in the political-institutional frameworks of emerging economies but in the shift of the global order itself. We can no longer view political risk factors as simply governments changing regulatory frameworks, imposing tariff or non-tariff barriers, or disregarding OECD recommendations, especially when these actions are taken by global powers within the context of a shifting geopolitical order. Similarly, events like Brexit, the Russia-Ukraine conflict, or the technological and trade war between the United States and China should not be considered as external shocks to the international political economy. Rather, they are geopolitical decisions made by the leaders of major powers, driven by ongoing transformations in the global order. Therefore, risk analysis must draw more from the old models; in a more politicized and polarized world, it is crucial to assess politics and power struggles as a more substantial source of risk.

A more classic approach to analyzing contemporary geopolitical risks

Building on the premise that revisiting geopolitical risk as an impactful factor is a valuable insight, the suggestion is to explore its meaning in greater depth. Geopolitics is not merely an event with global impact; it is both a field of study and a framework for understanding the construction of the political arena. It is particularly useful in contexts of change, such as the current one.

Sovereign, commercial, and operational risk studies must learn from the methods of contemporary geopolitics, as its approach differs from the deterministic models of the first half of the 20th century, focusing instead on the social dimension of international politics (Burdman & Cabrera, 2021). The innovation of the contemporary geopolitical approach lies in the study of codes (Flint), geopolitical orientations (O’Loughlin & Total, 2022), world models and representations (Agnew, 2005), and the analysis of territorial power conflicts (Lacoste, 2009). Moreover, it is a particularly valuable approach for studying the behavior of great powers and disputes over natural resources, markets, and technologies.

The various approaches and methods of 21st-century geopolitics seek to restore what has been lost in political risk analysis over recent decades: an overemphasis on detailed institutional and econometric analysis of a limited set of variables, which led to the sidelining of a more holistic and qualitative assessment of a broader range of factors. Precisely, in a world of change,

where new sources of political risk emerge for financial assets and investment projects due to transformational decisions that governments may make in a context of global polarization, banks and insurers must study societies and cultures in depth, the social dynamics of populist leadership, and the shifting strategic alliances between states and regions. This is essential in order to answer questions such as the following: What would be the consequences if Turkey or Indonesia joined BRICS+, or if nationalistic presidents were elected in South Korea or France who sought to withdraw from their respective regional integration processes? What does Donald Trump plan to do to fulfill his promise of strengthening the dollar in the global economy? What impacts would a rapprochement between Trump and Putin have for Europe? To estimate geopolitical risk in a world that presents these types of uncertainties –and cannot guarantee the stability of risk calculations derived from the post-Cold War IPE–risk analysts must possess the expertise to address such questions. These questions require a qualitative, comprehensive, and multiscalar understanding of the policies of states and other actors with global power.

Similarly, new political risk analysts with a classical approach must master advanced qualitative research techniques, as they are tasked with addressing increasingly complex questions, yet have fewer resources than their predecessors 50 years ago. Therefore, in addition to having a deep understanding of their areas of study, they must be skilled in open-source intelligence methods, expert surveys, and AI-assisted document analysis, while continuously honing their analytical capabilities. In this context, expert and investor surveys become particularly important for estimating risks, impacts, and forward-looking projections, as they are highly effective methods for consolidating dispersed knowledge from multiple actors, including organizations' own client networks. This approach helps produce assessments or estimates of complex issues within a network-based model.

Conclusion

The 21st-century world is witnessing a resurgence of the notion of *geopolitics*, both in its foreign strategies and in theoretical and public debates. This shift has also reached the field of financial, commercial, and operational risk studies, where various authors and leading institutions are proposing, or calling for, geopolitical risk models to assess global financial volatility. In general, geopolitical risk has been defined as the set of global-scale events that impact international financial assets. However, in this article, we propose going beyond this characterization. Rather than focusing solely on geopolitical events, what truly defines our international politics are the geopolitical practices of major states and powerful actors, who are the ones driving transformations on the global scale. Therefore, instead of continuously developing more refined techniques to estimate the impacts of

geopolitical (global) events, the proposal outlined in this text is for banks, consulting firms, multilateral organizations, and insurers to return to the classical tradition of political risk analysis, with a focus on the qualitative and comprehensive study of the powerful actors who shape international financial values. In this context, the suggestion is to delve further into the methods of contemporary geopolitics, particularly regarding the analysis of conflicts and geopolitical coding, as well as the use of expert surveys to establish composite investment risk indicators. The world of 2025, with its polarizations, bloc alignments, intense geoeconomic competition, and binding strategic alliances, bears little resemblance to the late 20th century, when the current models of political risk analysis were conceived. Along with the world itself, our ways of understanding it must also evolve.

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