



Press release

Statistics Netherlands

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Last-minute boom in annuity life insurance

Life insurance companies sold substantial numbers of annuity life insurance policies towards the end of 2000. In the last quarter of 2000 such policies accounted for a turnover of nearly 0.8 billion euros, of which just over 0.6 billion euros for single-premium policies. In both cases this number rocketed up by more than 80% compared with the last quarter of 1999. The most probable reason for this increase is the introduction of the new tax system on 1 January 2001.

Statistics Netherlands' figures further show that companies selling life insurance booked a new record turnover of over 7 billion euros. Investment-based insurance policies were less popular because of the disappointing developments on the stock market in 2000.

Record turnover in 2000

Life insurers sold nearly 1.6 million new policies in 2000, fewer than in 1999, when consumers bought 1.8 million new life insurance policies. In spite of this fall, life insurance companies realised a record turnover of 7.1 billion euros on sales of new policies (including re-adjustments of existing policies). This is 16% up on the 6.1 billion euros turnover realised in 1999.

Generally, most of the turnover generated by new life policies is for payments on single-premium policies, for which the premium is paid as a lump sum. These single premium policies accounted for over 5 billion euros of the 7.1 billion euros paid for life insurance in 2000, more than 70% of the total turnover. The remaining 2 billion euros were for policies for which premiums are paid on a regular basis.

Investment based insurance less popular

Statistics Netherlands' figures show that new life insurance policies based on investment accounted for over 3 billion euros. For these policies the risks on the investment are borne by the insured parties, but they also profit from any higher returns on the investment of their premiums. In another form of investment insurance, the so-called 'guilder insurance', both the risk and the yields are borne by the insurance company.

With the boom on the stock market in recent years investment insurance has become increasingly popular. While such policies accounted

Statistics Netherlands
Press Office

P.O. Box 4000
2270 JM Voorburg
The Netherlands
tel. +31 70 337 58 16
fax +31 70 337 59 71
e-mail:
persdienst@cbs.nl

Statistics Netherlands
is a department of
the Ministry of
Economic Affairs

for 17% of the 3.4 billion euros of new premiums in 1995, this had risen to nearly 48% in 2000: 3.4 billion euros of the total turnover of just over 7 billion euros.

However, the popularity of investment insurance in 2000 was less than in the preceding years. Although premiums were up 15% on 1999, this was smaller than the increase in premiums for 'guilder' insurance policies, which rose by 17%. The latter accounted for a turnover of 3.7 billion euros in 2000. The tarnished popularity of investment insurance is a reflection of the moderate developments in share prices in 2000.

Boom in annuity life insurance

The introduction of the new tax system in 2001 restricts the tax deductible part of payments for annuity life insurance policies. However, the old tax rules still apply for premiums paid before 1 January 2001. The introduction of the new system is probably the main cause of the dramatic increase in sales of annuity life insurance last year. The development in the fourth quarter of 2000 is particularly noticeable in this respect. Life insurance companies received 0.8 billion euros of premiums for annuity life insurance policies, nearly 80% more than in the last quarter of 1999. Single-premium annuity policies accounted for over 0.6 billion euros of this, 85% more than in the last quarter of 1999.

For further information, please contact R. Michel, tel. +31 70 337 46 04; e-mail: amcl@cbs.nl.