

Note of Session 5

Weathering through Testing Times

9th AIDA Europe Conference in Zurich: 7 October 2022

A note of the contributions of members of the panel:

- **Peter Maurer** (President of the International Committee of the Red Cross - until 30 September 2022 - and Member of Board of Directors of Zurich Insurance Group Ltd - as of 1 October 2022);
- **Joachim Oechslin** (Member, Board of Directors of Swiss Re Ltd; Chair, Finance Committee and member, Investment Committee);
- **Prof. Dr Alexander Wagner** (Professor of Finance, University of Zurich); and
- **Dr Manuela Zweimuller** (IAIS Head of Implementation, formerly EIOPA Head of Regulation/Policy, formerly Munich Re)

>>>>><<<<<<<<<<<

Joachim Oechslin observed:

- On the state of economy: 10 years of bull market is now turning down; increasing interest rates and high inflation stress the market.
- Insurance is currently in a good position, owing to past significant improvement of asset and liability management
 - pandemic had less impact than risk managers anticipated; a CRO report from 2007 was mentioned, outlining in detail the effects of the pandemic, as we have experienced now, except for the measures to protect the most vulnerable.
 - climate change has the lion's share in insurance claims; growth in volume and strength has a tenfold higher effect on losses; NatCat risks can, however, be modelled which can allow capacity to grow.
 - strong need to accelerate financing - and insurance - towards new energy sources including hydrogen, ammoniac, synthetic fuels, carbon capture devices; need to avoid shrinking of risk-bearing capacity; this creates opportunities for the insurance companies.
- Positive side: Increasing interest rates have a positive effect on life insurers and pension funds.
- Challenges through the current mix of above with upward energy cost and diverging reactions of markets on two sides of the Atlantic; asset management difficult.
- Part of the solution: adapt to new market trends, volatility and inflation; draw right conclusions from pandemic; engage heavily in facilitating energy transition.

Prof. Dr. Alexander Wagner:

- Financial markets are forward-looking. His team has researched the question whether the Ukraine war has had a positive or negative effect on the climate by looking at the stocks of heavy pollutants.
 - Lack of consensus between US and Europe
 - In the US, stock prices went up; in Europe, down!

- Social compression and inflation hurt the working class.
 - US survey showed that people from the streets blame the big corporates; social cohesion erodes.
- Proper governance of corporations, integrity and management skills: important as it has a trust-building effect. Trust needs to be regained.

Dr. Manuela Zweimüller:

In her very technical speech, Dr Zweimüller outlined the earlier activities of EIOPA and the current initiatives of the IAIS and the macro-prudential measures needed.

- There is a change in systemic risks;
- Protection gap / new actors must come and be part of the solution;
- Need to reduce the increasing gap between insured and uninsured risks/societies (as observed by Peter Maurer)
- Insurance industry has gone a very substantial way forward in the last decade in terms of endorsing new regulation, capitalisation and governance. New challenges arise in the ESG area, where efforts are being made to create uniform, (if possible universal), metrics in terms of regulatory requirements, as well as in translating these to dedicated software.

The Panel reaffirmed Peter Maurer's appeal that forces should be joined on individual (professional), corporate and the remainder of all stakeholder, levels, to bridge the protection gap and to build stronger ecosystems and to increase trust.