

## Inflationary recession is the key concern, say re/insurance chief economists and chief strategy officers at Geneva Association meeting

**ZURICH, 4 July 2022** – On 24 June 2022, the annual meeting of the Geneva Association Economic Forum (GAEF) took place in Paris, hosted by SCOR. The meeting convened more than 20 members of the GAEF Network, comprised of chief economists and chief strategy officers from the world's leading insurers and reinsurers.

Key messages from the meeting:

- Central banks need to take decisive action to tame rampant inflation, rein in underlying inflation expectations and repair their damaged credibility. This could be achieved by embarking on rate hikes coupled with quantitative tightening.
- Monetary policies are not the only 'game in town': more liberal trade policies, more rigorous competition policies and more flexible labour market policies could make a significant contribution to bringing inflation down.
- The socio-political consequences of the current surge in inflation will be felt for much longer than the inflation episode itself. We should prepare for growing social tensions, challenges to the green transition and geopolitical divisions.
- Given the instability and distortions that come with protracted high inflation, it could have a negative impact on the growth of insurance markets and insurance penetration.
- Insurers have a big tool kit at their disposal to respond to inflation, for example through inflation-linked investments, reserve adjustments, repricing of risk, product innovation, productivity increases and loss prevention.

GAEF Chairman and Munich Re chief economist **Michael Menhart** commented: "The global economy has become much more fragile again, as the Russian war in the Ukraine, very high inflation and still unresolved supply chain problems all impact the economic outlook. Uncertainties are elevated and downside risks dominate – an outright recession in a major economy is a distinct possibility. Inflation remains the key concern. Going forward, I expect inflation to be lower than in 2022, but still at very elevated levels and higher than central bank targets."

Session chair and Swiss Re chief economist **Jérôme Haegeli** said: "Inflationary recessions are coming in a number of advanced economies, meaning GDP growth will contract while inflation will still be high, even if receding. It is cyclical stagflation on steroids, though very far from structural, 1970s-style stagflation. There is also a sunny side: exiting the negative interest rate environment and

higher interest rates are a big positive for our industry. Finally, risk-free rates are not return free anymore."

Session chair and Allianz chief economist **Ludovic Subran** added: "Central banks now have to put the inflation genie back in the bottle by tightening monetary policy fast and purposefully. This will not be without some havoc. In addition, we cannot solve the inflation problem with monetary policy alone: fiscal, trade, sectoral, competition and labour policies also need to be put to work."

Meeting host, session chair and Director of the SCOR Foundation for Science **Philippe Trainar** commented: "Discussions among insurance chief economists and chief strategy officers at the 2022 Geneva Association Economic Forum explored how the industry can prepare for and respond to the 'Spectre of Protracted Inflation'. Strategic choices are important in a context of changing inflation regimes and faster drift of claims' costs compared to inflation commonly measured by consumer prices."

**Jad Ariss**, Managing Director of The Geneva Association, said: "In a time of surging inflation, the insurance industry is well equipped to support its customers while at the same time preserving its own financial strength, through product innovation, increased emphasis on loss prevention and enhanced productivity. In anticipation of rising social tensions, insurers will fully play their proven role in mitigating social inequalities and protecting people and businesses."

*The Geneva Association is the only global association of insurance companies; its members are insurance and reinsurance CEOs. Based on rigorous research conducted in collaboration with its members, academic institutions and multilateral organisations, The Geneva Association investigates key risk areas that are likely to impact the insurance industry, develops recommendations and provides a platform for stakeholders to discuss them. In total, the companies of Geneva Association members are headquartered in 26 countries around the world; manage USD 21 trillion in assets; employ more than 2.5 million people; and protect 2.6 billion people.*

<https://www.genevaassociation.org/news/press-releases/GAEF-2022>

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Contact:

Pamela Corn

Director of Communications

+41 44 200 49 96

[pamela\\_corn@genevaassociation.org](mailto:pamela_corn@genevaassociation.org)