

Press release

From friend-shoring and reshoring to energy and food insecurity – new Swiss Re Institute study examines insurance in a multi-polar world

- **Supply chain restructuring activities set to generate USD 33 billion in commercial Property & Casualty insurance premiums by 2026**
- **Energy sector-related insurance expected to generate additional USD 237 billion in premiums by 2035**
- **Global agricultural insurance premiums forecast to almost double to USD 80 billion by 2030**

Zurich, 9 September 2022 – The COVID-19 pandemic and the war in Ukraine have exacerbated deglobalisation, creating an environment where concerns about supply chain resilience, energy and food security prevail. "Friend-shoring" of supply chains to allied countries and reshoring production capacity domestically, investments in green energy and mitigating a food crisis will shape the risk landscape and likely increase investments into the real economy, finds Swiss Re Institute in its latest *sigma* study, "*Maintaining resilience: the role of P&C insurers in a new world order*".

Jérôme Haegeli, Group Chief Economist at Swiss Re, said: "Six months into the war in Ukraine, our world has changed dramatically. Triggered by the war and the pandemic, we are shifting from an interconnected to a multi-polar world faced with disrupted supply chains, energy and food crises. Insurance is becoming even more vital to the economy, contributing to the financial stability of businesses by covering supply chain risks. The industry can also facilitate the transition to a green economy by insuring and investing in renewable energy infrastructure, and by expanding agricultural insurance, it can contribute to global food security."

Supply chain restructuring is expected to create investments in new infrastructure and production facilities, increasing demand for engineering insurance. Reshoring is forecast to generate an additional USD 30 billion in global commercial insurance premiums over the next five years, mostly from engineering, property and liability covers. Friend-shoring would add USD 3 billion in premiums. Marine and trade credit premiums would decline slightly as global trade is expected to slow.

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Gianfranco Lot, Head Globals Reinsurance at Swiss Re, said: "In the changing risk landscape, commercial property and casualty insurance will remain a mainstay of resilience, for instance by helping businesses maintain financial stability as operating circumstances change, providing solutions to help reduce cash flow volatility and stabilising earnings while supply chains are being realigned."

Insurance can facilitate green transition and enhance food security

The effects of climate change had already highlighted the importance of a green transition, and the Russian invasion of Ukraine has added new urgency to the shift to renewables. Building and operating renewable energy assets involves a complex set of risks that need to be managed to avoid large associated revenue losses. The insurance industry can play a key role in enabling the expansion of renewable energy by providing risk protection covers for the complex risks inherent in constructing and operating renewable energy infrastructure.

Since renewables are just one component of the green transition, more investment in decarbonising all sectors of the economy is needed if the world is to meet the Paris Agreement goals. If countries deliver on building all the renewable energy capacity they have been targeting so far, Swiss Re Institute estimates these investments will generate additional premiums from the energy sector of USD 237 billion by 2035. However, the transition to a green economy requires global efforts and fragmentation based on geopolitical and security concerns could potentially impede the global coordinated action required.

Due to supply chain disruptions from the pandemic and the war in Ukraine, food prices have soared. Droughts and heavy rains in key farming countries have led to crop failures, further increasing prices. With the global population forecast to reach almost 10 billion over the next three decades, global food security has become all the more paramount. Agriculture insurance has emerged to play a key role in helping farmers maintain income levels and continue farming even in case of crop losses. Global agriculture insurance premiums are forecast to reach USD 80 billion by 2030, from USD 46 billion in 2020.

How to order this sigma study:

The English version of the *sigma* 5/2022, "Maintaining resilience: the role of P&C insurers in a new world order", is available in electronic format. You can download it here:

<https://www.swissre.com/institute/research/sigma-research/sigma-2022-05.html>

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