Overview of economic distortions

Economic challenges	Impact on insurance industry	Impact on business
Supply chain bottlenecks	- Companies are generating fewer sales, resulting in a lower premium volume - Length of interruption for business interruption claims is increasing, resulting in higher claims payments - Loss mitigation is becoming more difficult – especially in the area of business interruption, which is also leading to higher costs	- Pressure on premiums is increasing - Sums insured and indemnity periods, particularly in the area of business interruption, need to be reviewed - Loss mitigation is becoming more difficult because there are fewer alternatives in terms of provisional arrangements or third parties - Inventories must be increased, and sums insured are increasing
Inflation	- Higher claims payments - Uncertain pricing for risks with a long-term impact such as liability and personal insurance - Higher wages, higher premium volume - Adjustment of sums insured (reassessment of inventories)	- Wage and therefore margin pressure - Greater uncertainty in pricing for capital goods with long delivery times
Interest rate hikes	- Less investment, which means less project insurance	- Ditto insurance industry

	- Increased income from investments	
Skills shortages	- Staff shortages, resulting in risk of longer waiting times and declining quality - Prioritisation of enquiries due to limited capacity in underwriting, resulting in less choice for insurance solutions offering good value for money	- Staff shortages, resulting in risk of longer waiting times and declining quality - Increased planning effort - Projects cannot be implemented - Employee market, resulting in pressure for wage increases, improved benefits
Cybercrime	- Need for insurance solutions is increasing while availability is decreasing - Clarification still needed regarding the handling of *ransom payment* claims - Will this risk be insurable in the future?	- Need for greater employee awareness - Need for risk assessments - Investment in IT security - Conclusion of cyber policies
Environment-Sustainability-Governance (ESG)	- ESG is also becoming increasingly important in the submission process - Number of risk carriers could reduce with lack of knowledge in relation to ESG - Investment policy of multi-employer plans is being examined more closely with regard to this criterion - ESG is also becoming increasingly relevant in the area of D&O	- ESG belongs in the corporate strategy - Need for greater awareness - Number of possible insurance partners is (still) falling, further strengthening the sellers' market

Geopolitical power relations	- There is general uncertainty, inhibiting investment - Sanction clauses (country lists) will increase - Consequences of war: Rising energy and raw material prices, disrupted supply chains, poverty in certain countries	- Ditto insurance industry
Pandemic awareness and globalisation	- Lack of clarity regarding handling of future pandemics by the insurance industry	- Residual risk remains, state as protective shield? - Only limited insurable risk – thus business risk
Energy shortage	- Risk if electricity, gas or oil consumption is restricted: Private use => Risk for those working from home Industry/services => IT systems operating at reduced capacity	- Risk of idle factories, depending on where the state prioritises - Energy-intensive production facilities (e.g. glass production or large bakeries) may have to reduce capacities - Investment in redundant, alternative energy supplies could increase