

Asset management meets brand management

How alternative assets can sharpen your brand profile

The insurance industry is under pressure from multiple angles: on the one hand online comparison portals are reducing competitive differentiation to a matter of price – and price alone. Brand loyalty has eroded to an extent that many consumers may not even consciously register which insurers they choose.

On the other hand, the current ultralow interest environment makes healthy returns on assets a huge challenge. Fixed-interest securities may retain their triple-A ratings, but even the modest interest they once offered has become a distant and wistful memory.

Unfortunately, both trends are far beyond the control of insurers – companies have no choice but to somehow deal with the unfavorable situation and wait for the tides to turn.

But maybe there's more to the story: perhaps there are options that most insurers are currently overlooking. Alternative assets that deliver higher returns while at the same time improving your company's image. For example, sustainable investments.

This last point is not insignificant. The insurance industry has been talking about sustainability for decades. A [recent report](#) from the German insurance industry organization Gesamtverband der Deutschen Versicherungswirtschaft (GDV) says the industry wants to transition to 100% (!) climate-friendly investments by 2050. As early as 2025, all infrastructure and commercial properties holdings are to be CO2-neutral.

Despite the advances: media reports paint a modest picture. The online insurance news portal [Versicherungsmonitor](#) writes that more and more life insurers are toying with policies that specifically take environmental and social aspects into account, but that the range of genuinely green policies is limited.

Know your alternatives

Alternative assets open up opportunities to take asset management a step further and make it part of brand management. Real estate, which is currently well represented in portfolios, is just the beginning. Asset managers willing to invest some time and effort can find alternative investments that demonstrate more resourcefulness and character – and sharpen their brand profile. In terms of which assets might be interesting, the rule is “substance over form.” And it may be worthwhile to engage in discussions with financial supervisory authorities – BaFin, FinMa & Co. don't bite!

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Remaining with sustainability as a potential differentiator, attractive assets can be found related to energy efficiency, renewables, social responsibility, development in emerging markets or gender parity. For example, the government of Vietnam – a country enjoying dynamic GDP growth even during the pandemic – is encouraging public-private partnerships in the realm of renewable energy. As such projects are government-backed, they offer a high level of security. In addition, investors benefit from business guarantees under the [EU-Vietnam Free Trade Agreement \(EVFTA\)](#), the [EU-Vietnam Investment Protection Agreement \(EVIPA\)](#). Solar, wind and hydro projects offer annual returns well over 5% – a figure that should make every asset manager’s heart leap.

There are also many attractive assets that may not have AAA ratings (yet!), but qualify for a <5% share of capital investments for insurers. In the fast-growing digital asset space, for example, vehicles like the [Green Ship Token](#) can be found. Launched by German-based Vogemann Group in July 2020, it allows exposure to growth in fuel-efficient and low-emissions cargo shipping. The vessels, termed “handysize bulkers,” are designed to call at almost any port worldwide and use up to 40% less fuel than their conventional counterparts. Vogemann offers a fixed return of 8% p.a. plus variable participation in profits.

To sum up, the daunting challenges of capital allocation can be turned into a competitive and financial advantage. As an interview with financial market regulation expert Carl-Philipp Eberlein in the German publication [VersicherungswirtschaftHEUTE](#) highlights, alternative assets demand work and in-depth expertise. But the opportunities they offer for credible and meaningful competitive differentiation as well as virtually unheard-of returns more than compensate for the required effort. Isn’t it time to put the full potential of your asset management to work for your brand?

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