

Mastering the Market Cycle

Rüschlikon, November 2024 – Beat Kramer Mölbert



Beat Kramer Mölbert as an investor

Long Swiss Residential Property

Experienced with pluvial floods

Client of the local monopolist insurer (loss ratio >100%)



Long Alternative Energy

Has seen sun and hail.



'Ambitious' Retail Investor

Has seen a few cycles

For the long term

With a personal SAA

Emotionally Long Nature

Loves to ski and hike and would like to do this with the family for the next 40 years



Long RI & Tech with Human Capital

2020-2023 Treaty Property UW in EMEA region

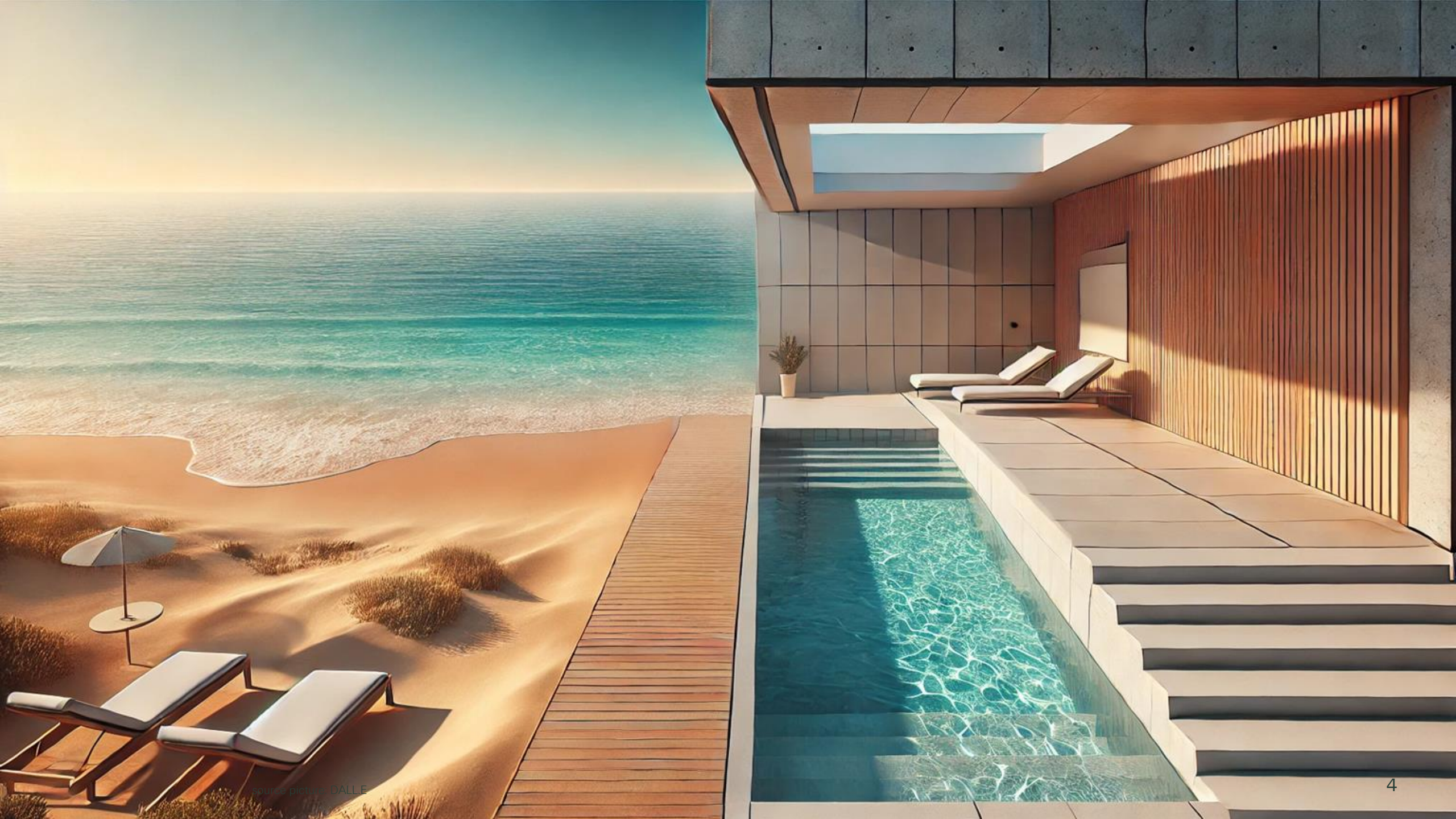
2023+ P&C Re Data Analytics & use of GenAI in UW

19 with Swiss Re

The background features a complex digital visualization of financial data. It includes a world map composed of a grid of blue dots, overlaid with various data series. There are several line graphs in green and red, and a bar chart with red and green bars. Numerical values like '250 (+7)', 'INDEX 12,25', '2.5', '2.4', '334,600', '54,200', '28,400', '3,400', '859,400', and '508,400' are scattered throughout. The overall color palette is dominated by blue, green, and red, with a glowing, futuristic aesthetic.

Mastering the Market Cycle in Investing and Cat Reinsurance

Getting the odds on your side in 5 Pictures



1) The investable financial market is 1000 times bigger than the reinsurance market

Investing:

Asset class	Value
Global Equities	100 trn USD
Fixed Income	120 - 200 trn USD
Real Estate	2 - 200 trn USD
Total	Hundreds of TRILLIONS

source: Ilmanen (AQR); Investing among low expected returns; 2022

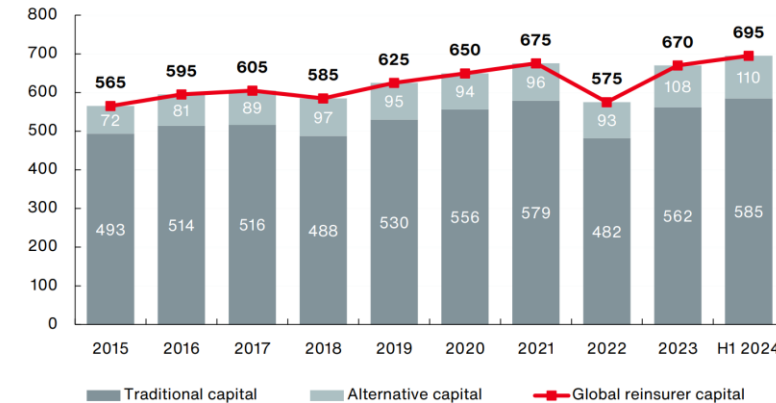
Trading frequency: Daily, market mostly very liquid

Information: Daily, Bloomberg terminal

How often does the market lose 120 bn (0.12% if global equity values?) Every day?

Reinsurance:

Exhibit 1: Global Reinsurer Capital (USD billions)



Sources: Company financial statements / Aon's Reinsurance Solutions / Aon Securities Inc.

Trading frequency: Annual (renewals), very illiquid (to get in)

Information: Quarterly at best, trade press, ask Beat's team

2005 hurricanes Katrina / Rita / Wilma would be 120 bn USD. Corresponds to 20% of Reinsurance capital.



source picture: DALL-E



2) What drives and impacts the cycles?

Investing:



Historic S&P 500 Price / Earnings

Financial market moves to the drumming of Fed Chair?

Losing money on the way down?

Interest rates

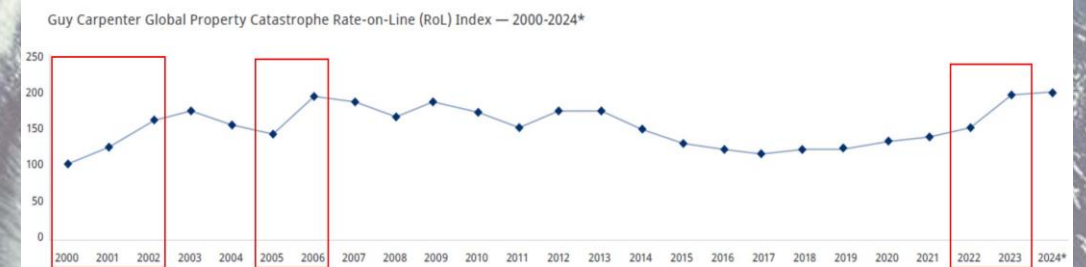
Inflation

Geopolitics

Investor psychology. Greed and Fear.

Bank runs

Reinsurance:



Historic RoL Index: approx: Premium per cover given. High=good.

Big loss events like hurricanes push prices up. Antifragile.

We are earning money on the way down

Interest rates (→ Bond prices → Capital → Supply)

Inflation (→ Demand)

The Capital Market. And psychology for black swan events.

no "insurance runs"



source picture: DAI

3) Managing the upturn

**If there is BLOOD
in the street,
buy property**

Baron Rothschild

**If there is FLOOD
in the street,
write property**



4) Managing the downturn: Flight to quality.

Here is what Investment professionals do:

ACTIVE

- 1) Maintain liquidity: Hold more cash
- 2) Change asset allocation:
move into gold and government bonds
- 3) In equities, move to less cycle dependent industries
- 4) From junior bonds to mezzanine and senior bonds

AND PASSIVE

- 5) Sit it out, have a long-term perspective

Here is what Reinsurance professionals do:

ACTIVE

- 1) Keep the powder dry: reduce market share
- 2) Change portfolio mix:
write more in other lines of business
- 3) Drop the opportunistic clients
- 4) From bottom layer to middle and top layers in CatXLs

AND PASSIVE

- 5) Stay with the best clients across the cycle



An illustration of a person with dark hair, wearing a brown shirt, lying in a striped hammock. Their hands are clasped together in a prayer position. The background shows a tree and foliage. The overall style is a soft, painterly illustration.

5) A bit less scientific:

Sell in May and go **AWAY**,
but remember
to come back in September.

An illustration of a person with dark hair, wearing a brown and white plaid shirt, lying in a striped hammock. Their hands are raised in a prayer position. The background shows a tree and foliage. The overall style is a soft, painterly illustration.

Write in May and go to **PRAY**,
but remember
to check results in November.

The background is a complex digital visualization. It features a world map in the center, overlaid with various financial data elements. There are several line graphs in different colors (yellow, green, red) showing trends. A bar chart with red and green bars is visible on the right. Numerical values like '250', 'INDEX 12,25', '2.5', '334,600', '54,200', '28,400', '3,400', '859,400', and '508,400' are scattered throughout. The overall color palette is dominated by blues, greens, and reds, with a grid-like pattern of dots and lines.

**This time is different?
I don't think so.
Some things never change.**

Any questions?