

Market Commentary

The "Positive Vicious Circle" - How Capital Investment Creates Sustainability

From: Holger Beitz, CEO PrismaLife

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In a [guest article in the Handelsblatt](#), the German ex-foreign minister and vice chancellor Joschka Fischer warns against taking a short-term pragmatic perspective in dealing with the Corona crisis. He predicts that the year 2020 could - and should - be the beginning of a major wave of transformation.

Indeed, the pandemic once again shows us that neither individuals, nor companies, states or governments can escape all the restrictions of our environment.

However, the response to the pandemic also shows that our behaviour has an extreme impact on the environment and living conditions. Smog pollution has decreased, with less traffic, clearer water and less noise being examples. Of course, these effects cannot simply be prolonged if our economic and social system should not collapse. But the realisation that we need to deal more consciously and responsibly with the question of what unintended and not immediately noticeable consequences our actions have is becoming clear to us in a new way in the face of the crisis and its likely long-term consequences.

From pull to push strategy

But how do we get away from these old mechanisms of caring primarily for the obvious problems and less for the fundamental ones? Of course, we can try to justify the need for change in an intellectual way. But perception alone is not enough to change our own actions. It is often difficult to change one's behaviour because the contribution of this change in behaviour to achieving the big goal is hardly noticeable.

Measures that are "system-compatible", i.e. that use practical, business management mechanisms that take long-term aspects into account or even monetise them, are more likely to be successful. For the insurance industry, especially life insurance, the long-term perspective is an indispensable part of the business model. Not least in terms of risk aspects, this long-term perspective also requires the consideration of sustainability criteria.

One consequence of this is that sustainability must become an active pillar of corporate strategy. As long as sustainability is "only" a nice add-on to corporate policy,

it will remain weak. But if investors and important business partners make their commitment dependent on the company's sustainability strategy, pressure will arise to change in order to maintain the "licence to operate" in the long term.

Conversely, this means that investments must be evaluated much more than in the past based on their fundamental sustainability. And it stands to reason that there must be differences in returns of investment between sustainably future companies and those whose default risks increase further under ESG aspects.

This change of perspective in the planning of corporate strategies and investments is in full swing. If non-sustainable business models are avoided and sustainable ones are preferred, pressure to innovate and transform arises, driven by simple business management and risk theory considerations. In this case it is a positive "vicious circle".

The same considerations are also relevant for clients when planning and designing their pension provision and asset accumulation. We are convinced that it is not enough to provide "sustainable products", but also that the manufacturers themselves work credibly on a sustainable business model. Only then it is possible to convince customers or investors.

Returning to the Corona crisis, we can - and must – keep on looking for the best way to deal with the pandemic, day by day. But Joschka Fischer is also right: it is a wake-up call at the right time and requires people to stand by their responsibility. We must manage the massive interventions associated with combating the crisis in such a way that we have a long-term advantage. Priority needs to be given to measures which are genuinely innovative and investment oriented, and which create incentives for sustainable behaviour.

About PrismaLife

PrismaLife AG is the leading Liechtenstein life insurance company based in Ruggell. As a specialist for net policies, the company focuses on a clear separation of product and commissions. The company manages client assets of around 1.3 billion euros. The investments in the cover pool are sustainably oriented. PrismaLife also offers customers numerous fund solutions with a sustainable orientation. Further information is available at: www.prismalife.com

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