Hello,

Thank you very much for your reply!

My current research is on inter-cohort wealth transfers taking place in French life insurers' euro contracts. In a nutshell, these transfers arise because of the way euro contract returns are smoothed over time. We estimate inter-cohort transfers at around 17 bn euro/year on average over 1999-2015. Link to the working paper: <https://johanhombert.github.io/Hombert_FrenchLI.pdf>

I am now starting to work on the German market and am trying to learn as much as I can about it. I am particularly interested in the contracts with return guarantees sold by German life insurers. German insurers sold contracts with generous return guarantees even after interest rates started to drop. In 2011 they were still offering long-term guarantees above 2%, and in 2019 barely below 1%. In comparison, return guarantees issued by French insurers were at 0% during the same period. I still don't have data on pricing, but there is a suspicion that German insurers underpriced the contracts with returns guarantees. Do you have a view on why German life insurers issued such high return guarantees?

Another topic I am interested in is the impact of Solvency 2. There seems to be a folk wisdom that Solvency 2 prevents insurers from investing in risky assets. However, this is not visible in the data: for instance, French insurers' equity holdings did not decrease before or after the implementation of Solvency 2. Do you have a view on the impact of Solvency 2 on insurers' investment strategies, and how this impact would show up in the data?

Any informed feedback is very welcome!

I understand you want your Twitter to remain anonymous. I would be delighted to continue the discussion over the phone if you have time for this and if you feel this preserves your anonymity.

Best regards,

Johan Hombert  
Associate Professor of finance, HEC Paris  
<https://johanhombert.github.io/>