

# Emerging Risks

## Christian Thimann

---

**In December 2013, AXA launched an online questionnaire asking its 200 internal experts to list the top emerging risks over the next 5 to 10 years.**

Hélène Chauveau, Head of Emerging Risks, spoke to Christian Thimann, AXA Group Head of Strategy & Public Affairs, for his reaction to the results.

### **Hélène CHAUVEAU**

Hello, Christian. Thank you for answering our questions. According to our emerging risk study, social and political risks are seen as one of the main risks for society at large. What is your reaction to that?

### **Christian Thimann**

I am not surprised by these results. There are a number of drivers in the global economy that give rise to social and political risks, potentially, both at a global and regional level.

One important driver is rising discrepancies —not just in terms of income and wealth, but also inequality of access to education, basic goods and health. The question is: how much inequality can an integrated global economy absorb?

That's one big issue, that has been much studied in the United States, but it's very relevant for emerging market economies. For example, with regards to China, Deng Xiaoping is quoted as having said on inequality: someone has to get rich first. Surely he did not imagine that one day China would have 1 million millionaires at the same time as having 100 million people below the national poverty line. That shows that it is really a big issue for many parts of the global economy.

### **Hélène CHAUVEAU**

Do you see any other drivers?

### **Christian Thimann**

I would say another very important driver is population ageing and the possible mismanagement of that process. Population ageing is one of the most predictable risks. Every year, life expectancy rises by 1-2 months. This will change our society very profoundly. The median voter in many European countries, who has 50 percent of voter older and 50 percent being younger, in 10 or 15 years will be 55 years old. So you can imagine how the political debate

will be focused towards the elderly, and how tensions may arise from the redistribution of resources between old and young.

One other issue which will complicate matters very much is the fact that we will see populations shrinking in absolute terms. For example in Europe, the populations of Italy, Spain and Germany will shrink over the next 15 years to an extent not seen before. Germany will lose the equivalent of the inhabitants of Munich and Hamburg combined. Italy will lose the equivalent of inhabitants of the cities of Milan, Genova, Turin and Florence. One can easily imagine the profound impact on societies and economies concerned.

**Hélène CHAUVEAU**

In front of these new risks can you see any role for AXA?

**Christian Thimann**

Any insurance company works at in the intersection of three circles.

One is the economy, because managing risks is an economic task. Second is finance, because an insurance company uses financial means to manage risks. And third is society because an insurance company ultimately insures people, so it has to be close to the situation of societies.

So what an insurance company can do and needs to do is understand the developments along all these three circles – understand economic, financial and societal developments.

The second thing an insurance company can and should do is to try and educate on risk and risk awareness: to study risk to make people aware.

The third thing is to propose solutions. This will possibly require new products, new ideas, because people will have new needs for insurance.

**Hélène CHAUVEAU**

Thank you very much Christian for your insight.

**Christian Thimann**

You're welcome, and thank you.