

Insurance and the financial centre

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Insurance contributes to a financial centre in several ways. Insurers are among the largest institutional investors, holding large portfolios of bonds, shares, real estate and mortgages to cover their obligations to policyholders. They provide the protection that companies and individuals need to undertake risky activities, from the construction of a chemical plant to the shipment of goods across the world. They develop expertise in the assessment and pricing of risk, which is valuable to the whole financial system. And they offer products, such as life insurance with investment components, that compete with and complement the products of banks and asset managers.

In Basel, insurance has been part of the financial centre since the 1860s, alongside the banks and the chemical industry. The three sectors have been connected by ownership, by personal relationships and by business: the banks financed the insurers and managed their investments, the insurers covered the risks of the chemical industry and invested in its shares, and the chemical companies created pension funds that became major investors. This interconnection, which the previous chapter described for the banks and industry, extended to insurance and gave the Basel financial centre its particular character.

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