

13th Annual Global CEO Survey

Risk and regulation feature high on the insurance industry's agenda

Caution over commercial prospects

According to our 13th Annual Global CEO report which surveyed 1,198 company leaders and government officials from over 50 countries, insurance CEOs are more cautious about the immediate commercial outlook than their peers in other sectors. Only 58 percent believe the industry has already started recovering

or will do so by the end of 2010, compared with the overall average of 72 percent. Similarly, only 13 percent are very confident of being able to increase revenues over the next 12 months, compared with 31 percent of the total survey sample. The recession has put pressure on both volumes and prices, and uncertainty remains over the full impact of the financial crisis.

Regulatory clouds on the horizon

Insurance CEOs are more likely than CEOs in other industries to anticipate that the reporting requirements for quoted companies will become more onerous; 67 percent think the requirements will become 'moderately' or 'significantly' harder, compared with 55% of the total survey population. These concerns are legitimate, given that governments everywhere are scrutinizing regulation of the financial services sector; that companies operating in the European Union will soon have to comply with the Solvency II Directive; OSFI and other regulators around the world are reviewing capital models and the International Accounting Standards Board and Financial Accounting Standards Board are jointly developing a common accounting standard for insurance contracts which is likely to increase uncertainty in the short term, although it should ultimately be good for the industry if greater consistency is achieved.

To what extent are you increasing your focus on the following risk-management activities as a result of the economic crisis? Respondents who answered 'to a large extent' or 'significantly'.

■ Insurance
■ Global

Insurance CEOs are more likely than their peers in other industries to be increasing attention to almost every aspect of risk management



Base: Global (1,198), Insurance (48)

Source: PricewaterhouseCoopers 13th Annual Global CEO Survey 2010

Risk has become a key business issue

Insurance CEOs are now focusing more on almost every aspect of risk management – and doing so to a greater extent than CEOs in other sectors, as the figure above shows. The biggest firms have already allocated more resources to risk-related information gathering and analysis, and second-tier firms may soon follow suit.

Which, if any, of the following activities have you initiated or are you planning to initiate in your own company as a result of the decline in trust?

■ Insurance
■ Global

A systematic approach to measuring and managing reputation



Expansion of your corporate responsibility programme



Media relations programme and advertising



Engagement with NGOs to improve practices that affect your reputation



Proactive dialogue with policy makers and regulators



Revisions to reporting and engagement with investor community



Changing executive compensation practices



Participation in industry initiatives to improve the sector's reputation



How concerned you are, if at all, about climate change?

Base: Global (1,198), Insurance (48)

Source: PricewaterhouseCoopers 13th Annual Global CEO Survey 2010

Not very concerned/Not concerned at all



Somewhat/Extremely concerned



The trust agenda

The banking sector has attracted the lion's share of the blame for the economic crisis, but the public is also looking at insurers with an increasingly critical eye, as insurance CEOs recognize. So it makes sense that many of them are initiating a systematic approach to measuring and managing their companies' reputations, engaging in a proactive dialogue with policy-makers and regulators, and participating in industry initiatives to improve the sector's reputation.

Mixed messages on climate change

Surprisingly, although insurance CEOs are more concerned about climate change than CEOs in other sectors, they are less likely to be preparing for climate-change initiatives in the coming 12 months. This split vision may stem from the fact that most insurers believe climate change is not particularly relevant to their internal business models, although it has huge potential consequences for non-life companies, because it increases the risk of natural disasters. Reinsurers and property casualty firms have taken a leading role in lobbying for coordinated remedies and must stick to their task.

To download the *13th Annual Global CEO Survey*, please visit www.pwc.com/ceosurvey.

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