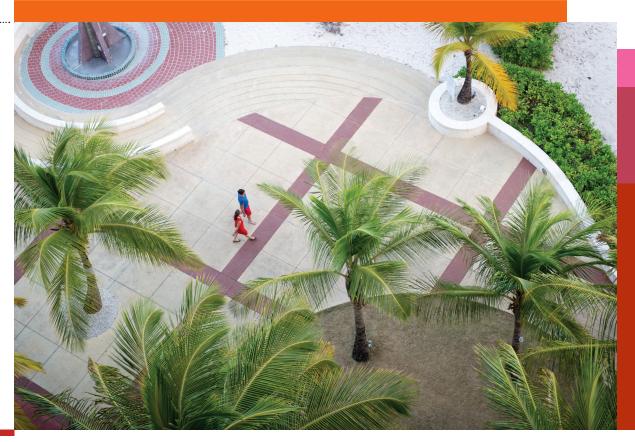
## CSFI/PwC Insurance Banana Skins 2017

Barbados report May, 2017





# Insurance Banana Skins 2017

#### Competition:

"Competition among insurance players within mature insurance markets in the Caribbean, the challenges faced in marketing traditional insurance products to the millennial generation, and the ever increasing march of regulation are also risks to note."

#### - Survey participant

World		Ba	Barbados		
1	Change management	1	Macro-economy		
2	Cyber risk	2	Investment performance		
3	Technology	3	Cyber risk		
4	Interest rates	4	Quality of risk management		
5	Investment performance	5	Competition		
6	Regulation	6	Technology		
7	Macro-economy	7	Corporate governance		
8	Competition	8	Guaranteed products		
9	Human talent	9	Quality of management		
10	Guaranteed products	10	Interest rates		
11	Political interference	11	Reputation		
12	Business practices	12	Cost reduction		
13	Cost reduction	13	Product development		
14	Quality of management	14	Complex instruments		
15	Quality of risk management	15	Regulation		
16	Social change	16	Business practices		
17	Reputation	17	Change management		
18	Product development	18	Human talent		
19	Corporate governance	19	Social change		
20	Capital availability	20	Capital availability		
21	Complex instruments	21	Brexit		
22	Brexit	22	Political interference		

### **Product development:**

"The inability of insurance companies to develop and properly administer new types of products going forward."

- Survey participant

**Investment performance:** "Low interest rates and lack of investment opportunities will hamper delivery of expected value to customers in life insurance and also pension funding."

- Survey participant

6

22

There were 22 responses from *Barbados*, as follows

Broking 1
Life 6
Non-life 3
Composite 2
Reinsurance 3
Other 7

## Barbados

The response from Barbados reflected two sets of interests: those of the Caribbean insurance market, and those of the offshore insurance business located there. The state of the world economy was the top concern, along with the associated risks to investment performance in insurance company portfolios (including sovereign debt in the Caribbean).

As in the rest of the world, the growing threat from cyber crime ranked near the top of the list, as did the problems of excess capacity in the market. Barbados' specific worries centred on institutional issues of the quality of corporate governance and risk management in insurance companies, all of which featured higher than elsewhere.

Barbados was also more relaxed about the challenge to the insurance industry from technological change, and about its ability to manage it. Striking was the low score given to political risk at a time when other jurisdictions are showing concern about growing government interference and protectionism.



Regulation:

"Increased regulatory requirements in many markets within the Caribbean increase cost and distract senior management away from other business imperatives."

- Survey participant

Main points of difference (places higher or lower than the world):

Risk	Position
Quality of risk management	11
Product development	8
Reputation	7
Macro-economy	6
Quality of management	6
Interest rates	-6
Regulation	-9
Political interference	-11
Change management	-16

## The Banana Skins Indices

Barbados produced a higher than average score on the Banana Skins Index, implying a higher level of risk anxiety.

It produced an above average score on the Preparedness Index, implying a higher level of preparedness.

Banana Skins Ind	lex	Preparedness Index		
Taiwan	3.66	Spain	3.56	
India	3.61	Switzerland	3.36	
Portugal	3.61	Sweden	3.36	
Mexico	3.59	Brazil	3.29	
Indonesia	3.58	Denmark	3.27	
Thailand	3.57	Indonesia	3.26	
Philippines	3.56	Thailand	3.22	
Malaysia	3.52	Italy	3.20	
Turkey	3.50	Malaysia	3.19	
Greece	3.50	Colombia	3.18	
Japan	3.45	Cayman Islands	3.18	
Barbados	3.40	Austria	3.14	
Luxembourg	3.40	Netherlands	3.13	
Brazil	3.38	Belgium	3.12	
Argentina	3.37	Bermuda	••••••	
Italy	3.37	Barbados	3.09	
Jamaica	3.36	Portugal	3.07	
Singapore	3.35	Japan	3.03	
Switzerland	3.33	GLOBAL	3.02	
GLOBAL	3.31	Ireland	3.00	
Australia	3.31	Luxembourg	3.00	
Colombia	3.31	China	3.00	
UK	3.26	Philippines	3.00	
Canada	3.25	Mexico	3.00	
Netherlands	3.25	Australia	2.98	
Sweden	3.24	Taiwan	2.90	
Spain	3.23	South Africa	2.90	
USA	3.18	Greece	2.88	
Cayman Islands	3.18	Canada	2.86	
Ireland	3.17	New Zealand	2.86	
China	3.16	India	2.86	
New Zealand	3.14	USA	2.85	
Austria	3.14	Czech Republic	2.80	
Belgium	3.13	Singapore	2.77	
Germany	3.13	Turkey	2.75	
South Africa	3.11	Hong Kong	2.75	
Denmark	3.10	UK	2.71	
Bermuda	3.09	Germany	2.70	
Hong Kong	3.04	Argentina	2.60	
Czech Republic	2.95	Jamaica	2.50	

The Banana Skins Index measures the average score given by each country to the 22 risks listed in the questionnaire. The higher the score, the greater is the implied "anxiety level". The Preparedness Index measures the average response given to the question: "How well prepared do you think the insurance industry is to handle the risks you identified?" where 1=Poorly and 5=Well. The higher the score, the greater is the implied level of preparedness. Note that both indices are "self-scored".

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