



News release

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Emerging markets provide real growth opportunities for Insurers and Reinsurers

To be successful long term, companies will need to understand the key drivers of change and respond to them with clear strategies that create sustainable value for stakeholders

Bermuda, November 29, 2011 – In common with the rest of the financial markets, the insurance and reinsurance industry continues to experience a difficult economic environment globally. While this is certainly a pressing issue, there are also longer term challenges and opportunities to ponder. Demographic shifts and the rise in the power of emerging markets are reshaping the future of the sector.

There are a number of drivers of change. Emerging economies are now driving global economic growth. Notably, the BRIC's (Brazil, Russia, India and China) influence on the global economy is growing considerably – from 17% of GDP growth in 2010 to up to 40% in 2012, and this is expected to continue. Demographics are also changing. In the developed world, the old now outnumber the young, whereas in developing economies it's the opposite situation. These changes are affecting consumer behaviour and reshaping the marketplace for insurance.

“The environment in which (re)insurers have spent most, if not all of their careers, is changing, and it's changing faster than ever before, putting pressure on the industry to react,” said Caroline Foulger, Insurance and Reinsurance Leader, PwC Bermuda, at the annual Bermuda Reinsurance Conference in early November. “What this means for insurers, is that they need to really understand key drivers of change, including social, technological, environmental, economic and political issues, in order to grow and sustain their business,” she added.

In addition to grappling with these key drivers of change, and how to react to them, the lack of harmonized global regulation is a significant impediment for growth opportunities in emerging markets. In particular, there are no common standards for products and services, and measures of capital globally, which makes it difficult to apply similar business models around the world. “If regulators are going to harmonize global insurance regulations they need to gain a better understanding of the business. However, the onus is on the industry, particularly its C-suite, to effectively communicate to regulators and build a better understanding of the insurance business and the value that it brings forward,” added David Law, PwC's Global Insurance Leader.

We are in a time of turmoil in the developed markets and there are a number of unknowns in the emerging markets, which means no one can predict exactly what changes will occur over the next few years.



However, the key drivers of change will certainly influence the industry and force them to perform in an unfamiliar landscape.

“The most successful (re)insurers of the future will be those who can anticipate and plan for change, and create a clear strategy that creates sustainable value for stakeholders. Many companies are now revising their strategies, and focusing on transforming their business and operating models, to respond to these new opportunities.”

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