

CSFI/PwC Insurance Banana Skins – Bermuda 2019



CSFI
Centre for the Study of
Financial Innovation

Insurance Banana Skins 2019

Bermuda

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

There were 32 responses from Bermuda, as follows

Life	2
Non-life	9
Composite	1
Reinsurance	14
Other	6

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

Political risk	5
Brexit	5
Social change	5
Capital availability	5
Climate change	3
Technology risk	-4
Investment performance	-6
Interest rates	-10

Climate change:

“[Concern about] the ability of the industry to deal with the liability, physical and transitional risks associated with a changing climate.”

Capital availability:

“Surplus capital will continue to erode margins and result in adverse economics in the short to medium term.”

The response from Bermuda was heavily weighted towards the reinsurance sector and showed a number of striking differences from the world ranking. **Most notable was the positioning of technology risk – No. 1 in the world – down in fifth position.** Although respondents recognised the scale of the risk, there was less urgency in their comments; one said for example that high - and rising - entry barriers would hold back pressures for change. However they did place cyber risk at No. 2, the same as the world ranking.

Bermuda also gave a higher score to political risk because of the centre’s vulnerability to political actions in the US (tax), the EU (blacklisting) and the UK (Brexit). Climate change was another higher than average scorer: the reinsurance sector bears the brunt of catastrophe events.

Bermuda’s highest risk was regulation, mainly because of the volume of change and associated cost. One respondent said: “[Regulation is] strangling of our ability to operate effectively across jurisdictions and leverage our capital. [This] is a huge and expensive problem”. The low position given to interest rate risk was due to the small representation of the life insurance sector in the response.

The Banana Skins Index measures the average score given by each country with 10 or more respondents to the 21 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”.

The Banana Skins Indices

Bermuda produced the second lowest score on the Banana Skins Index, implying a low level of risk anxiety. It produced an above average score on the Preparedness Index, implying a higher level of preparedness.

Banana Skins Index		Preparedness Index	
Turkey	3.64	Spain	3.47
Malaysia	3.59	South Africa	3.46
Philippines	3.55	Switzerland	3.40
Spain	3.51	Turkey	3.35
Indonesia	3.48	Portugal	3.33
Singapore	3.44	South Korea	3.33
South Africa	3.44	Germany	3.31
Portugal	3.44	Malaysia	3.29
Thailand	3.44	Bermuda	3.28
Brazil	3.41	Denmark	3.20
India	3.37	Singapore	3.14
Taiwan	3.35	USA	3.13
Australia	3.33	New Zealand	3.12
GLOBAL	3.33	Hong Kong	3.12
South Korea	3.32	GLOBAL	3.11
UK	3.31	Canada	3.10
Japan	3.31	Greece	3.09
Hong Kong	3.3	Luxembourg	3.08
Austria	3.28	Taiwan	3.08
Argentina	3.28	Netherlands	3.07
Canada	3.26	Belgium	3.06
Luxembourg	3.26	Australia	3.03
Netherlands	3.25	UK	3.00
New Zealand	3.24	Philippines	3.00
USA	3.23	Brazil	3.00
Belgium	3.23	Thailand	3.00
China	3.22	China	2.95
Switzerland	3.21	Austria	2.93
Germany	3.2	Indonesia	2.89
Greece	3.2	India	2.82
Bermuda	3.19	Japan	2.68
Denmark	3.15	Argentina	2.50

Contact us



Arthur Wightman
Insurance leader
Mobile: +1 441 505 6644
arthur.wightman@pwc.com



David Gibbons
**Talk to me about
Captives & ILS**
Mobile: +1 441 505 6596
david.gibbons@pwc.com



Scott Slater
**Talk to me about
US tax**
Mobile: +1 441 537 7178
scott.slater@pwc.com



Colm Homan
**Talk to me about
Life insurance**
Mobile: +1 441 505 0843
colm.homan@pwc.com



Matthew Britten
**Talk to me about
Risk assurance**
Mobile: +1 441 299 7265
matthew.britten@pwc.com



Damian Cooper
**Talk to me about
IFRS & insurance regulation**
Mobile: +1 441 505 0295
damian.cooper@pwc.com



George Thomas
**Talk to me about
Cyber & GDPR**
Mobile: +1 441 535 7140
george.thomas@pwc.com



Michael E. Mielzynski
**Talk to me about
Actuarial services**
Mobile: +1 441 505 7149
michael.mielzynski@pwc.com



Marisa Savage
**Talk to me about
Personal lines insurance**
Mobile: +1 441 299 7138
marisa.savage@pwc.com



Scott Watson-Brown
**Talk to me about
Alternative investments**
Mobile: +1 441 505 0989
scott.watson-brown@pwc.com



Paul Byrne
**Talk to me about
Reinsurance**
Mobile: +1 441 505 2695
paul.byrne@pwc.com



James Ferris
**Talk to me about
Deals**
Mobile: +1 441 599 7267
james.ferris@pwc.com

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with over 250,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

© 2019 PricewaterhouseCoopers Ltd. (a Bermuda limited company). All rights reserved.