



---

## **News release**

*Date* 16 July 2013

*Contact* Jonathan Hicks, PwC  
Tel: 1-441-299-7182/1-441-505-6050  
e-mail: [jonathan.p.hicks@bm.pwc.com](mailto:jonathan.p.hicks@bm.pwc.com)

*Pages* 2

---

### **PwC: REGULATORY PRESSURE TOPS GLOBAL INSURANCE RISKS AGAIN**

#### **Regulation and investment performance are top concerns for Bermuda respondents**

**Hamilton, Bermuda, 16 July 2013** - The greatest risk currently facing the Bermuda and global insurance industries comes from the wave of new regulations which are being introduced at international and local levels, according to a new survey which ranks insurance sector risk.

The Centre for the Study of Financial Innovation's (CSFI) latest Banana Skins Survey, conducted in association with PwC, indicates that new rules governing issues such as solvency and market conduct could swamp the industry with cost and compliance concerns. This could force executives to shift attention away from the urgent matter of running profitable businesses.

This is the second successive Banana Skins survey which has identified regulation as the top risk as it emerged a clear leader in many major markets, including Bermuda, North America, Europe, and the Far East/Pacific. The 2013 findings underline the continuing uncertainty surrounding major regulatory initiatives.

The EU's Solvency II Directive was the strongest focus, particularly since many non-EU countries are awaiting the outcome before they finalise plans of their own.

Arthur Wightman, PwC Bermuda's Insurance Leader commented on the survey results: "Globally, insurers view regulatory risk as unsurpassed by any other which is ironic given the objective of regulation in the first place. It is the unintended consequence of

#### **2013 Key Concerns for Insurers – Bermuda results**

- 1 Regulation
  - 2 Investment performance
  - 3 Natural catastrophes
  - 4 Actuarial assumptions
  - 5 Long tail liabilities
  - 6 Climate change
  - 7 Guaranteed products
  - 8 Political interference
  - 9 Macro-economic environment
  - 10 Quality of management
  - 11 Complex instruments
  - 12 Social media
  - 13 Change management
  - 14 Terrorism
  - 15 Crime
  - 16 Quality of risk management
  - 17 Innovation
  - 18 Pollution/contamination
  - 19 Distribution channels
  - 20 Business practices
  - 21 Capital availability
  - 22 Corporate governance
  - 23 Back office
  - 24 Reputation
  - 25 Human resources
  - 26 Reinsurance
  - 27 Product development
-



compliance that is stressing infrastructures in a period where underwriting and investment conditions are fragile.”

“In Bermuda, a competitive advantage for the jurisdiction does appear to be emerging based on the BMA’s approach to Solvency II equivalence, whether that be for reinsurance groups, life companies or captives,” adds Mr. Wightman.

The Bermuda results of the survey were distinctive. The Islands’ respondents shared the global top concern about the damaging impact of regulation and the difficulty of obtaining satisfactory investment returns. However, some rankings varied from the global results. Concern with underwriting risk was high: natural catastrophes, climate change, terrorism and pollution all came in higher than the global results.

The dominant concern in most of the responses was the excess of capital in the business. “Poignant to the local market is the flood of capital into the reinsurance sector, much of it with lower rate-on-line parameters. As the property cat market evolves, certain structural changes will need to take place to ensure long-term success overall. Participants don’t have the latitude to hunker down and hope the status quo of five years ago will return. The market needs innovators to step forward and capitalise on a world where increasing trade flows, urbanisation and natural catastrophes create an opportunity to grow reinsurance capacity in the aggregate. Without this, existing and new participants will simply scrap over finite share, says Mr. Wightman.”

Insurance Banana Skins is a biennial with over 660 insurers, observers and regulators of the industry across 54 countries participating.

<b>Insurance Banana Skins 2013</b>	
(2011 ranking in brackets)	
1 Regulation (1)	15 Change management (31)
2 Investment performance (4)	16 Capital availability (2)
3 Macro-economic environment (3)	17 Corporate governance (8)
4 Business practices (18)	18 Climate change (20)
5 Natural catastrophes (5)	19 Human resources (6)
6 Guaranteed products (-)	20 Product development (24)
7 Quality of risk management (15)	21 Social media (-)
8 Quality of management (14)	22 Crime (22)
9 Long tail liabilities (7)	23 Complex instruments (19)
10 Political interference (11)	24 Reinsurance (21)
11 Distribution channels (9)	25 Back office (17)
12 Actuarial assumptions (12)	26 Pollution (25)
13 Innovation (-)	27 Terrorism (23)
14 Reputation (16)	



### **About PwC Bermuda**

PwC Bermuda helps organisations and individuals create the value they're looking for. PwC Bermuda is a member of the PwC network of firms with 169,000 people in more than 158 countries. We are committed to delivering quality in assurance, tax and advisory services for both Bermuda and globally. Tell us what matters to you, and find out more by visiting us at [www.pwc.com/bm](http://www.pwc.com/bm).

© 2013 PricewaterhouseCoopers (a Bermuda partnership). All rights reserved. PwC refers to the Bermuda member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.