



Media release

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PwC Bermuda: Insurance is facing more disruption than any other industry

56% of insurance CEOs – more than in any other financial services sector – see new market entrants as threat to their growth prospects

Hamilton, Bermuda – The pace of change in the global insurance & reinsurance industry is occurring more rapidly than could have been envisaged, concludes a report just published by PwC.

The report, **Insurance 2020 and Beyond: Necessity is the mother of reinvention**, concludes that the industry is at a pivotal juncture as it grapples with changing customer behaviour, new technologies and new distribution and business models.

“The changing market will require considerable product and business model redesign. This won’t be easy, but it’s the new reality,” **Arthur Wightman, PwC Bermuda Territory Leader and Insurance Leader**.

Insurance 2020’s central message is that whatever organisations are doing in the short-term – whether dealing with market movements or just going about day-to-day business – they need to be looking at how to keep pace with the sweeping social, technological, environmental, economic and political (STEEP) developments ahead.

“The implications of these trends are altering the way insurers compete,” Mr Wightman said. “For example, moves to mitigate traditionally un- or under-insured catastrophe risks and control losses are increasing.”

The world is facing an increasingly complex, uncertain and, in some important areas, under-insured risk environment as climatic instability makes once unthinkable disasters seem almost commonplace, the report states.

“Reinsurers have an important role to play in the recently announced G7 climate risk insurance initiative, which aims to help developing countries manage climate change-related disaster risk.” Mr Wightman said. “Industry support of the development and introduction of climate insurance solutions is critical.”

Catastrophe losses have soared since the 1970s. In 2014, there were 980 catastrophe loss events, \$110 billion in losses and an insured loss of over \$30 billion worldwide, the report notes.

Group of Seven leaders agreed this month they will aim to increase by up to 400 million the number of people in the most vulnerable developing countries who have access to direct or indirect insurance coverage against the negative impact of climate change related hazards by 2020 and support the development of early warning systems in the most vulnerable countries.



Globally, the report says, the use of technology, availability of data and ability to locate and respond to disaster in near real-time is helping to manage losses and save lives, though there are predictions that potential economic losses will be 160% higher in 2030 than they were in 1980.

In turn, shifts in global production and supply are leading to a sharp rise in value at risk (VaR) in under-insured territories; the \$12 billion of losses from the Thai floods of 2011 exemplify this.

The report notes that a new generation of catastrophe models is ushering in a transformational expansion in both geographical breadth and underwriting applications, the report states.

“Until recently, cat models primarily concentrated on developed market peak zones (such as Florida windstorm),” the report says. “As the unexpectedly high insurance losses from the 2010 Chilean earthquake and the 2011 Thai floods highlight, this narrow focus has failed to take account of the surge in production and asset values in fast growth SAAAME markets to allow for effective underwriting.”

In 2010, PwC began carrying out scenario analysis of the trends reshaping insurance and what the industry would look like by 2020, drawing on interviews with more than a thousand executives worldwide. The report, [‘Insurance 2020 and Beyond: Necessity is the mother of reinvention’](#), findings of which were unveiled at the **IIS Global Insurance Forum** in New York, reviews ongoing developments against PwC’s initial projections.

It looks ahead to the major trends that will develop in the global insurance industry over the next five years and beyond, and how businesses can design their strategy to face the future and capitalise on them. They include:

- **Customer revolution**
- **Digitisation**
- **Analytics: The emerging game changer**
- **New business models**

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