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News release

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Contacts	Marina Mello Mobile: +441 505 3127 Email: marina.mello@pwc.com
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## **2019 Reinsurance Banana Skins - Technology, Cyber and Climate Change are top 3 risks for reinsurers**

- **The industry is better prepared to handle risks than it was last year**
- **Reinsurers are operating better across national borders**
- **Consolidation expected to continue**

**Monte Carlo, 9th September 2019** - PwC's Reinsurance Banana Skins 2019 survey identifies the most urgent risks facing reinsurers around the world. With the external environment constantly changing, the insurance industry has continued to work and develop to respond to the changing needs of its customers, shareholders and regulators.

Despite the changes and risks highlighted in the survey, the industry's response to preparedness as a whole has suggested greater confidence in their ability to manage and address these risks.

The reinsurance industry shared a number of top risks with the broader insurance response in PwC's Insurance Banana Skins survey (see chart 1). Most notably, this was dominated by a cluster of three Banana Skins about the industry's ability to deploy new technologies and confront structural change. Technology (No. 1) is rooted in concern that reinsurers are grappling with legacy IT systems as new data sources proliferate.

Cyber risk (No. 2) is a particular worry for reinsurers because of the largely unknown liabilities of underwriting cyber policies, as well as the threat of direct cyber-attacks against insurance companies that hold valuable data.

"Tech and cyber dominate reinsurers' risk agenda. How they manage these risks is critical to the long-term credibility, profitability and capacity for innovation within the industry," said **Stephen O'Hearn, PwC Global Insurance Leader**. The third top risk was climate change, which received its highest ever score.

The reinsurance industry expressed anxiety about the costs of mounting claims from more frequent and severe natural disasters, and the prospect that some risks could become uninsurable.



“Reinsurers have a key role to play in efforts to address the risks of climate change, and increase understanding, protection and resilience worldwide.” said **Arthur Wightman, PwC Bermuda Insurance Leader**.

At (No. 4), change management reflects ongoing concerns about insurance markets being upended by new technologies, and radical shifts in customer expectations.

Rounding off the top five was regulation risk, up from No. 8 two years ago, largely due to concerns about an influx of new rules such as GDPR and IFRS 17.

The remainder of the top 10 was comprised mostly of operating risks.

“If we look at the top five risks as a whole, what’s striking is the extent to which they feed into each other – technology is driving change management risks, for example, just as data regulation and cyber threats are heightening technology risks,” Wightman added. This underlines the importance of looking holistically at today’s fast-evolving risk landscape.”

In addition, a number of broad industry themes emerged from the reinsurance market responses. These included: consolidation, capacity, and globalisation. To learn more about these themes, please read the full report: **[pwc.com/bm](https://www.pwc.com/bm)**

*Notes to editors: 1. Reinsurance Banana Skins 2019, a unique survey of the risks facing the industry, has been produced by the Centre for the Study of Financial Innovation in association with PwC. It examines responses submitted to Insurance Banana Skins 2019, which was published in June 2019 and examined the global insurance industry – including the life, non-life, composite, reinsurance and broking sectors. 2. In this survey we consider the reinsurance industry to be broadly represented by respondents that self-selected into the ‘Reinsurance’ and ‘P&C/Non-life’ sectors. It is therefore based on surveys completed by 320 respondents from 42 territories.*

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