The London Foundation for Banking & Finance | CSFI Centre for the Study of Financial Innovation

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Insurance Banana Skins 2025

A survey of risks faced by insurers

Preface

About The London Foundation for Banking & Finance (LFBF)

We are The London Foundation for Banking & Finance (LFBF), a registered charity incorporated by Royal Charter. Our charitable purpose is the advancement of knowledge of, and awareness in, financial services and to carry out research for the benefit of the public. We also recognise the highest level of professional competence by awarding Chartered status to individuals to recognise their commitment to continued education and professional excellence in financial services.

In August 2024, the LFBF acquired the assets of the Centre for the Study of Financial Innovation (CSFI), which is a think tank established in 1993 that seeks to engage in and promote free and progressive discussion about the challenges and opportunities facing the modern financial services sector. The aim of our research is to open thought-provoking debate, with a view to making the industry more transparent, inclusive and sustainable.

Insurance Banana Skins 2025

This is the 10th survey of the risks facing the global insurance sector that the CSFI has carried out - and the first report published by the Centre since joining the LFBF. I would like to thank PwC for their financial and logistical support, for which we are very grateful.

In this year's edition of the report, cyber-crime remains the industry's leading risk, once again topping the rankings. It is interesting to note that it has not ranked lower than second place in over a decade. One notable change from the previous report is the rise in the concerns associated with artificial intelligence. With the recent explosive growth in the use of generative AI, it has risen to second position whereas in the previous edition, it ranked seventh.

The high ranking of technology risk underscores the industry's struggle to modernise legacy IT systems, and the risks associated with the macro-economy are ranked at their highest level in a decade. Climate change continues to dominate concerns and represents both an immediate and long-term threat.

Taken together, the results of this report paint a picture of an industry under pressure from persistent external shocks – cyber threats, technological disruption, climate change, and geopolitical instability – while also facing internal challenges of modernisation, regulation and talent. It is a reminder that the risks insurers face are both interconnected and fast evolving.

An enormous thank you to my colleague Keyur Patel for his excellent work in collating and analysing the survey data and preparing this fascinating report, and to PwC for making it possible.

Harry Weber-Brown
Director of Partnerships
London Foundation of Banking and Finance

Keyur Patel
Report Author

Sponsor's foreword

PwC is delighted to to sponsor Insurance Banana Skins, once again partnering with the London Foundation for Banking and Finance.

This is the 10th edition of this truly exceptional report, continuing to capture the most important risks faced by the global insurance sector in the coming years. It is one of the most sought-after publications by our insurance clients as it provides a broad and rich view of risk.

It is always interesting to look back at previous editions of Insurance Banana Skins and analyse the developments in the insurance risk landscape over time. In 2023, we saw a subtle evolution of how the view of risk had developed, with the key factor being the interconnectedness of the risks. In 2025, there has been a greater shift, brought about by real change in the world, from technology through economics and politics.

We have seen a real paradigm shift in the shape of artificial intelligence (AI). The acceleration of AI and the uncertainty of where it will go next; the risk of enabling crime; and the opportunity risk of not keeping up with its growth has catapulted this risk significantly. Insurers face a delicate balance: on one side of the scale is caution, control and governance; the other requires embracing the reality of AI and not being left behind.

Cyber crime is again the highest rated risk for the industry, with the industry facing consistent and challenging attacks on a daily basis. Whilst the risk remains high, the industry is realistic and is focussed on resilience and response. Given the importance of insurance in supporting other industries who are victims of cyber crime, this is perhaps not unexpected.

It will be of little surprise that the geopolitical landscape and economic environment are important drivers of risk, as volatility is at a recent high. The risk of uncertain economic conditions is at its highest ranking in a decade – and political risk has entered the top 10 for the first time in over a decade.

The risks from climate change continue to be an incredibly important area of focus, particularly in the P&C and reinsurance sectors. What is starker and more sobering is the way that this risk is no longer a long, or even medium-term risk – as the physical impacts and financial consequences of climate change are hitting firms now. Board discussions are no longer about the theoretical, but the practical responses required.

We would like to thank our industry colleagues and clients across the globe for participating in this survey – it is your valuable contributions which give this report such a rich depth. We would also like to thank Keyur Patel and the LFBF for their analysis, insight and skilful reporting.

Please do not hesitate to contact me for further information or discussions on any of the risks identified in this year's Insurance Banana Skins.

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About this survey

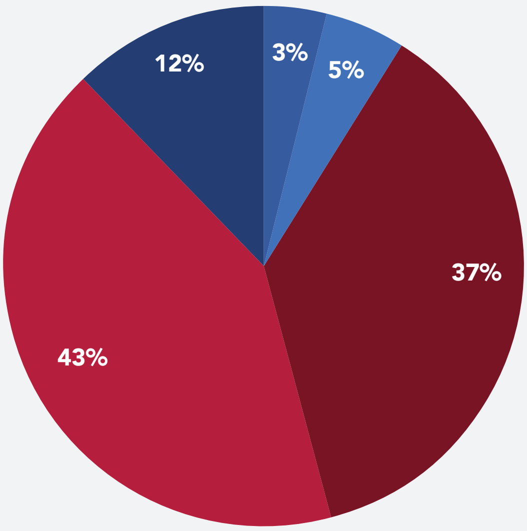
Insurance Banana Skins 2025 identifies the risks that appear most urgent to practitioners and close observers of the insurance industry around the world.

The report, which is the 10th edition of a biennial series that goes back to 2011, was conducted from June-August 2025, and is based on 698 responses from 42 territories.

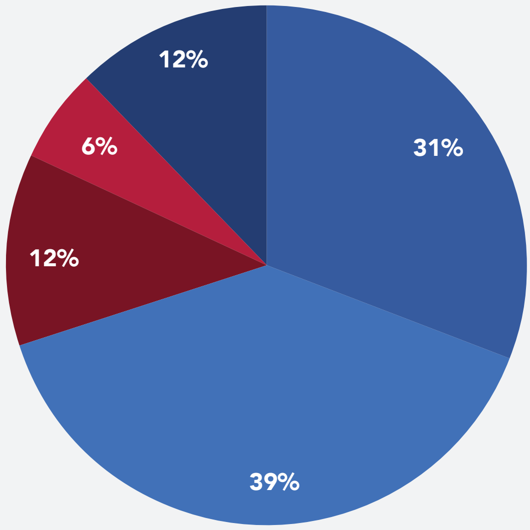
In the questionnaire, respondents were asked to describe, in their own words, their main concerns about the insurance sector over the next 2-3 years. They were then asked to score a list of 23 potential "Banana Skins" or risks from 1 (least severe) to 5 (most severe), and to provide comments where they wished. This report ranks and analyses each Banana Skin individually.

Replies were confidential, but respondents could choose to be identified.

Regional Breakdown



Sector Breakdown



Key

Asia Pacific, Europe, North America, Latin America, Africa

Composite, Reinsurance, Life, P&C/Non-life, Other

Europe provided the most responses (301), followed closely by the Asia Pacific region (260). The rest of the responses came from North America (84), Africa (31), and Latin America (22).

We received more responses from the P&C side of the industry (271) than the life side (213). The remainder were from a composite (87), the reinsurance and broking sectors (57), and non-practitioners (70).

*In this report we sometimes use the term non-life to describe what some markets call the Property & Casualty (P&C) sector.

The breakdown of responses by territory was (ordered by number of responses):

UK	74	China	10
Singapore	70	Ireland	8
Canada	45	Ghana	8
Spain	43	Bermuda	7
Germany	43	Hong Kong	7
Australia	37	Sweden	7
Denmark	33	Switzerland	5
India	31	Uganda	4
USA	29	Caymen Islands	3
Japan	28	Kenya	3
Italy	27	Poland	2
Brazil	22	Liechtenstein	2
New Zealand	21	Nigeria	2
Netherlands	20	South Korea	2
Luxembourg	19	Portugul	1
Taiwan	17	Greenland	1
Türkiye	15	Austria	1
South Africa	13	Malta	1
Malaysia	12	Cambodia	1
Vietnam	12	Myanmar	1
Indonesia	10	Morocco	1

How has the questionnaire changed since 2023?

One of the strengths of this biennial survey is the ability to compare results over time. We aim to maintain consistency in the risks we assess, enabling us to track how their perceived urgency changes from year to year.

At the same time, we adapt questions to reflect shifts in the risk landscape – refining the way we describe some risks, removing those that are no longer relevant, and introducing new ones as they emerge.

This year we redefined "regulation" risk, which may have been interpreted too broadly in the past, to "suitability of regulation" – described as "the risk that existing regulations are inappropriate, insufficient, or poorly implemented." We added another Banana Skin to the survey which focused specifically on "regulatory change" – that regulatory priorities fail to address changing insurance market needs.

We also determined that "the risk to cross border trade within the insurance market as a result of growing conflict, protectionism, and a general deterioration in the geo-political environment", was better reflected by the label: "barriers to trade", changing from "deglobalisation" in 2023. And we reworded "social change" to "social change modelling", i.e., the risk that insurers will fail to account for changes in social trends and pressures influencing longevity, etc. All the other Banana Skin titles have remained the same, with any changes in description adding context but not altering their core meaning.

This year we removed two Banana Skins that had been in the 2023 survey. The risk that insurance products may cause losses through inadequate design ("products", No. 17 in 2023), overlapped with other risks. And the risk that the industry will be damaged by long-term Covid effects ("post-Covid effects") was bottom of the 2023 rankings by a distance, and no longer seems relevant.

In total, we ranked 23 Banana Skins this year, compared to 24 in 2023.

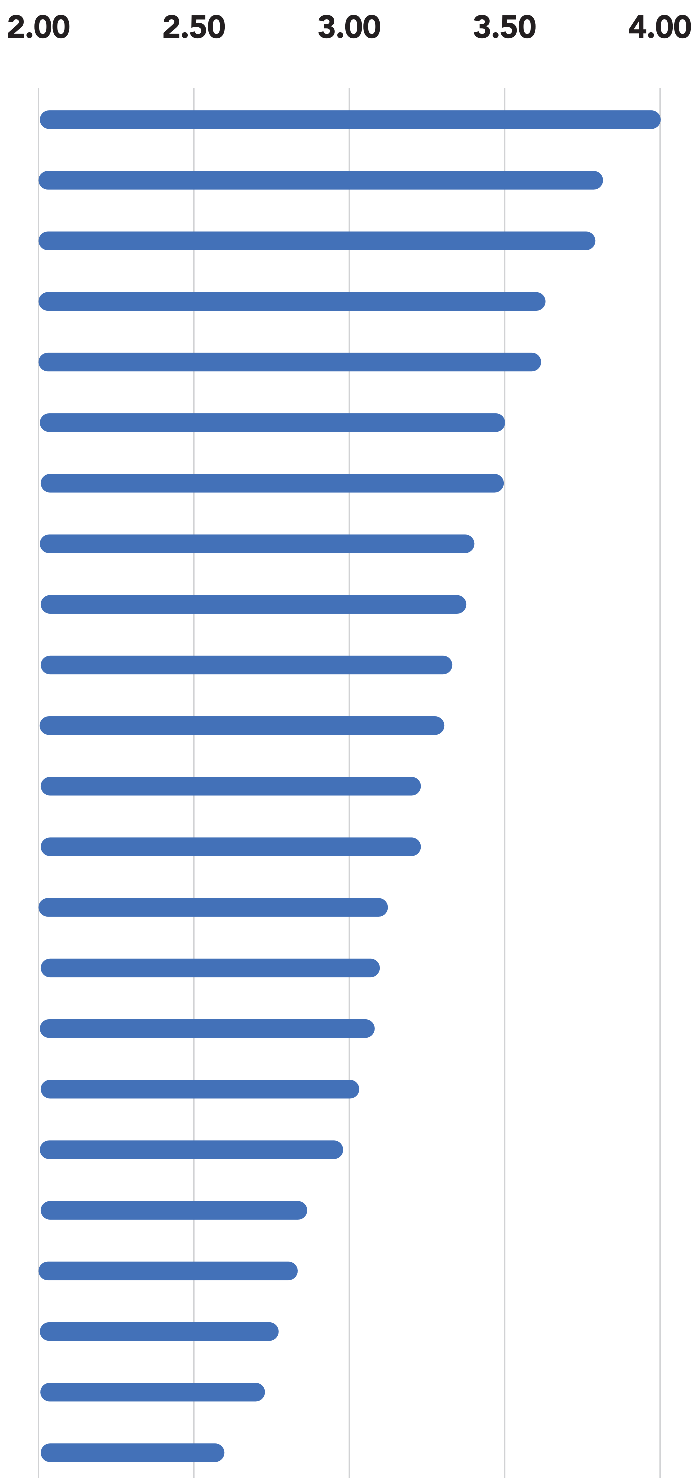
Summary

This survey describes the most urgent risks, or "Banana Skins", facing the global insurance industry in mid-2025 as seen by a sample of 698 practitioners and close observers in 42 territories. It is the latest survey in a series going back to 2007.

Insurance Banana Skins 2025
(2023 rankings in brackets)

Average risk score from 1-5

1	Cyber Crime (1)
2	Artificial Intelligence (7)
3	Technology (4)
4	Macro-Economy (6)
5	Climate Change (3)
6	Regulatory Change (-)
7	Human Talent (5)
8	Change Management (10)
9	Political Risk (11)
10	Suitability of Regulation (2)
11	Interest Rates (8)
12	Cost Reduction (9)
13	Barriers to trade (19)
14	Investment Performance (14)
15	Social Change Modelling (15)
16	Reputation (13)
17	Competition (16)
18	Credit Risk (18)
19	Quality of Management (21)
20	Business Conduct (22)
21	Capital Availability (20)
22	Security Risk (12)
23	Corporate Governance (23)



The headline finding is that cyber crime finishes top of the rankings for the third edition in a row, reflecting a widespread feeling that the industry is a constant target for attacks that could have devastating consequences, material and reputational.

It received one of the highest severity scores we have ever seen in this survey, and it is now a decade since it has come in lower than second position.

The 'headline behind the headline', though, is the No. 2 ranking of **artificial intelligence**, which has climbed from No. 7 when we introduced it to this survey two years ago. The potential for misuse or poor governance of Generative AI is seen as a very serious threat to the industry in its own right. Beyond that, AI was persistently cited as a key amplifier of cyber crime risk as well as several of the other leading Banana Skins.

The No. 3 ranking of **technology risk** reflects the view that while AI and other technologies are rapidly evolving, the insurance industry is being hampered by legacy IT systems that are in urgent need of modernisation. This is likely to be both costly and fraught with uncertainty.

At No. 4, **macro-economy** comes in at its highest position in a decade, largely because the unpredictability of the global economic environment is undermining planning, investment, and growth. The affordability of insurance is an acute concern as customers grapple with rising living costs.

Climate change is once again a dominant concern on the P&C side of the industry, a serious threat today as well as a longer term one, as more risks become difficult or impossible to insure. It was ranked No. 5 overall but would have been second excluding life insurance, and is top by a big distance for the reinsurance sector.

Of the two regulation risks we surveyed, **regulatory change** (No. 6) is seen as the more pressing, reflecting a view that many regulatory bodies are not keeping pace with fast-changing market developments, including AI, or could stifle genuine innovation. At No. 10, concerns about the **suitability of regulation** focus on complex and overlapping rules with high compliance costs, as well as gaps in regulatory frameworks.

The risk that insurers will have difficulty attracting and retaining **human talent** (No. 7), is judged to have dropped but is still relatively high up the table, amid perceptions of an aging workforce and a shortage of technical skills. Though the imperative for the industry to change to face new challenges is seen as a big opportunity for those who seize it, **change management** rose to No. 8 in our rankings.

This year's survey saw **political risk** climb to No. 9 which, much like macroeconomic risk, was attributed to the uncertainty of the current landscape. It was also closely linked to the fastest rising Banana Skin this year, **barriers to trade** (up six positions to No. 13), the risk being driven by US tariffs and retaliatory measures by other countries.

In spite of the general macroeconomic unease, the risk around **interest rates** dropped three positions to No. 11. Concerns about unpredictable interest rate movements were somewhat tempered by the perceived resilience of insurers' hedging strategies. **Investment performance** (No. 14) remains a lower half Banana Skin overall, though market volatility is seen as much more of a threat to the life side of the industry, with its greater reliance on investment income, than P&C.

Cost reduction (No. 12) is once again mid-table. Making improvements to efficiency is an opportunity but can do more harm than good if implemented poorly, potentially costing more than it saves or negatively affecting customers. **Social change modelling** ranked No. 15, but there is the feeling that it is a much more serious risk beyond the next 2-3 years, as aging populations and technological advances challenge long-standing actuarial assumptions.

Reputation (No. 16) and **competition** (No. 17) receive attention in the comments but relatively low scores – the latter largely because the Insurtech sector is not seen to have made the disruptive impact that might have been expected a few years ago. The biggest faller from 2023 in this year's rankings is **security risk** (down 10 places to No. 22), suggesting the industry is adapting to remote working norms.

A persistent theme towards the bottom end of the rankings is the clustering of governance risks. **Quality of management** (No. 19), **business conduct** (No. 20) and **corporate governance** (No. 23), were much higher up our table in the aftermath of the 2008/09 financial crisis, but the risk level since then is seen to have receded considerably, largely due to regulatory scrutiny.

Big Movers

Artificial Intelligence

Rising five positions to No. 2, a major risk in its own right and as a driver of other risks.

Barriers to Trade

Rising six positions to No. 13, amid increasing tariffs and protectionism.

Suitability of Regulation.

Falling eight positions to No. 10, partly due to redefinition; regulatory change is higher on the agenda than existing rules.

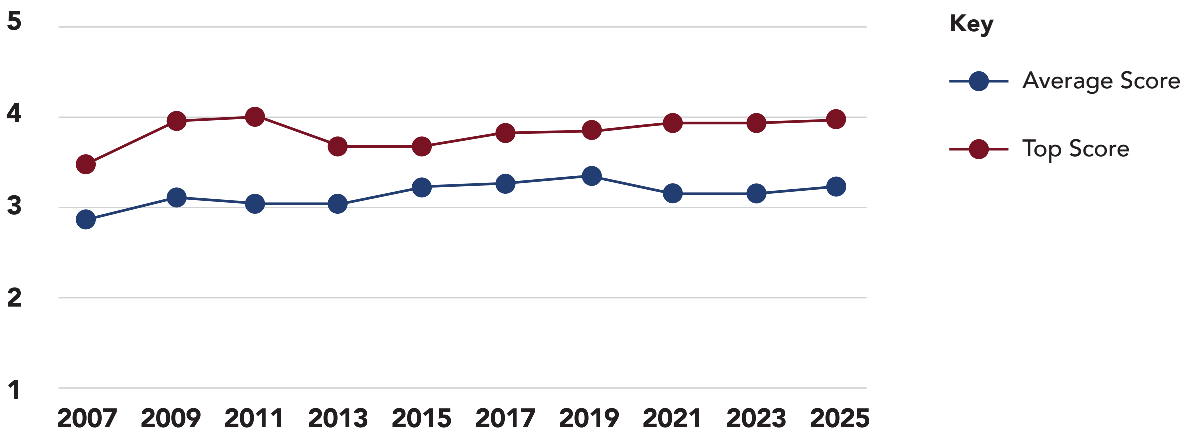
Security Risk

Falling twelve positions to No. 22, as insurers have largely adapted to remote working.

The Anxiety Index

One way to judge the overall mood of the industry is to take an average of the scores assigned to all the risks.

This year, at 3.22, it was virtually unchanged from 2023 (3.21), and remains notably lower that when it as at its highest level, in 2019 (3.33). However, the score assigned to the highest-ranking Banana Skin has climbed steadily over the past seven editions, suggesting increased anxiety at the top end, if not overall.



Respondents were asked to score each of the 23 topical risks in this survey from 1 to 5, where 5 is the most severe. This chart shows the average score of the top-rated risk in each edition of Insurance Banana Skins, and the average score of all the risks.

Looking at scores by categories of risks, we see that anxiety around the economic environment has jumped, while scores assigned to operating risks and the public environment have eased a little. Governance risks are still seen as much less serious than the other categories, though their overall score has risen this year.

Major categories of risk* (2023 position in brackets)

		2025 Score	2023 Score	+/-
1	Operating risks (1)	3.33	3.37	-0.04
2	Economic environment (3)	3.26	3.01	+0.25
3	Public environment (2)	3.25	3.32	-0.06
4	Governance (4)	2.93	2.75	+0.18

*The components of each category are listed in the survey questionnaire in the Appendix.

Who said what

The top ten by sector

	P&C Insurance	Life Insurance	Composite	Reinsurance
1	Cyber Crime	Cyber Crime	Cyber Crime	Climate Change
2	Climate Change	Macro-Economy	Technology	Cyber Crime
3	Artificial Intelligence	Technology	Artificial Intelligence	Artificial Intelligence
4	Technology	Artificial Intelligence	Macro-Economy	Barriers to Trade
5	Human Talent	Regulatory Change	Climate Change	Political Risk
6	Macro-Economy	Interest Rates	Interest Rates	Technology
7	Change Management	Human Talent	Political Risk	Human Talent
8	Regulatory Change	Investment Performance	Regulatory Change	Macro-Economy
9	Political Risk	Change Management	Change Management	Regulatory Change
10	Suitability of Regulation	Suitability of Regulation	Human Talent	Change Management

Cyber crime ranks first or second in every sector we surveyed, illustrating the ubiquity of the threat.

More broadly, confronting the pace of technological change is top of the agenda everywhere: artificial intelligence is top four across the board, and technology risk is top six. However, there are also key differences in emphasis, underlining the fact that the insurance industry is far from homogeneous — with sectors shaped by distinct business models, priorities, and exposures to risk.

The **P&C** side of the industry is particularly concerned about climate change, including the soaring cost of claims and the growing risks that may be uninsurable. It has a higher-than-average level of anxiety about operating risks, including the industry's ability to attract and retain talent and to manage change. On the other hand, economic risks are ranked lower than they are overall, though protectionism is a concern.

The **Life insurance** industry is significantly more concerned about economic risks — not just the wider macro-economy, but also interest rates. This is the only sector in which a regulation-focused risk (regulatory change) makes the top five, and in which investment performance finishes in the top ten. Social change modelling (at No. 12) is also on life insurers' radar, as changing age demographics challenge the validity of traditional assumptions.

The **Composite** sector is a mix between life and P&C, sharing the former's concern about economic risks and the latter's about operating risks. It gave the highest severity ratings of any sector to both cyber crime and AI, as well as the greatest score overall across the 23 Banana Skins. Interest rate volatility and political risks were more urgent concerns, though talent acquisition was seen as slightly less of a challenge.

The **Reinsurance** sector ranked climate change as its most urgent risk by a large distance. It also raised particular concern about protectionism, with barriers to trade and political risk in the top five — though risks related to the broader economic environment and regulation were ranked relatively low.

The top ten by region

	Europe	Asia Pacific	North America	Africa
1	Cyber Crime	Cyber Crime	Artificial Intelligence	Cyber Crime
2	Technology	Artificial Intelligence	Technology	Artificial Intelligence
3	Artificial Intelligence	Technology	Cyber Crime	Macro-Economy
4	Climate Change	Macro-Economy	Climate Change	Technology
5	Macro-Economy	Human Talent	Macro-Economy	Climate Change
6	Regulatory Change	Interest Rates	Political Risk	Reputation
7	Change Management	Regulatory Change	Human Talent	Cost Reduction
8	Suitability of Regulation	Change Management	Regulatory Change	Human Talent
9	Political Risk	Climate Change	Change Management	Investment Performance
10	Human Talent	Investment Performance	Barriers to Trade	Regulatory Change

Similarly, cyber crime and technological risks dominate in every region and each of the regions have seven out of their top 10 Banana Skins in common — but there also are differences:

Europe, comprising the largest segment of respondents, has a ranking which is most similar to the global average, led by technology and climate risks. There is about an equal amount of attention being paid to the public environment and economic conditions. By score, European respondents ranked cyber crime well out in front, with the next five Banana Skins closely clustered together.

The **Asia Pacific** region is more concerned than average about the economic environment and interest rate fluctuations, including the impact on investment performance. It also ranks human talent risk in the top five, and assigns a notably higher overall score to the 23 Banana Skins than the European response does. That is partly because governance risks are seen as more severe, though they are still near the foot of the region's table.

North America ranked AI at the top of its rankings, closely followed by technology and cyber risk. Political risk and barriers to trade both make its top ten, amid the imposition of US tariffs and retaliatory policies. Respondents in North America gave a lower-than-average ranking to the risks from poor investment performance (No. 18), and showed an especially low level of concern about governance risks.

In **Africa**, macro-economic risk was seen as particularly acute, ranking just behind cyber crime and AI. While its top five was in line with the global response, Africa was the only region in which reputation risk, cost reduction, and investment performance made the top 10. On the other hand, there was relatively lower concern about the suitability of regulation and the industry's ability to manage change.

Preparedness

We asked respondents how well prepared they thought the industry was to handle the risks they identified.

On a scale of 1 (poorly) to 5 (well), they gave an average response of 3.24, increasing from 3.20 in 2023.

Preparedness by region

North America	3.29
Europe	3.27
Africa	3.27
Asia Pacific	3.18

Preparedness by sector

Composite	3.29
Life	3.29
P&C/Non-life	3.25
Reinsurance	3.12

Views on preparedness

"The global insurance industry is not well prepared for fast-moving, amorphous risks such as AI or non-linear climate events. It is a data driven industry; it rarely looks to the tea leaves — instead it waits until it sees the clear trend in the tea leaves to act. This asset of prudent conservatism risks becoming a liability." **New Zealand**, P&C

"[The industry is] well prepared for traditional analogue risks, [but] I am less sure about the agility of insurers to deal with a fast-changing world brought on by techno-revolution." **UK**, P&C

"In a fast-changing and challenging, competitive environment, there is a risk that management prioritise earnings growth over good risk management." **Canada**, Life

"Insurers are generally well prepared, but many challenges are largely outside of their control." **South Africa**, Life

"Insurers generally have large slow organisations, with a lot of legacy technology and traditional ways of doing things. The biggest risk is the inability or unwillingness to adapt these to respond to the changing speed of technology, customer expectations, climate change, etc." **Australia**, Composite

"While many insurers have made meaningful progress in strengthening risk management frameworks and digital capabilities, overall preparedness remains uneven. Larger firms tend to be more advanced, but industry-wide gaps persist in areas like AI governance, climate adaptation, and real-time cyber resilience." **USA**, Reinsurance

"Insurers are better positioned in some risks but others, such as cyber security and talent drain, will need constant work to manage." **India**, Life

#1 Cyber crime

3.99
2025 Score

#1 3.97
2023 Ranking and Score

For the third straight edition of this survey, respondents rank cyber crime as the greatest risk facing the global insurance industry.

This is true virtually across the board – by sector, it is No. 1 for life, P&C, and composite respondents; by region, it tops the table in Europe, Asia Pacific, and Africa. The average score it received out of five is the highest of any Banana Skin in this survey in almost 15 years.

There is a sense of inevitability about cyber-attacks that are increasing in frequency, sophistication and impact, coming from both private and state-sponsored actors. The tone of responses suggests that organisations must assume breaches will happen, and focus on esilience. "Cyber threats are definitely a When, not an If, for Insurers, and we're battling globally active 24x7 threats", warned The chief risk officer of an insurer in New Zealand. "Cyber-attacks will happen to all businesses. That needs to be the working assumption", said the head of compliance at a life insurer in Ireland.

We have heard many of these concerns before – but the responses were not merely more of the same. If artificial intelligence is the standout theme in this year's survey, it is also dominating respondents' perception of the cyber threat. AI – specifically including Generative AI capabilities – and 'ransomware-as-a-service' are lowering the barrier to entry for cybercriminals while amplifying the damage they can do. "Ransomware is the most prevalent cybercrime. It can disrupt insurers' operations, damage reputation and cause significant financial losses", said the deputy chief executive of a P&C insurer in Singapore.

Several respondents focused on how the pace of technological change makes the nature of the cyber threat extremely difficult to anticipate, let alone mitigate. In New Zealand, Aaron Dickinson, Head of Strategy and Transformation at Provident, said: "AI will

> Rapidly evolving cyber-attack capabilities, including advancements in phishing techniques, make this risk very hard to fully mitigate. It's a continual arms race. There are huge reputational and operational resilience implications from a cyber-attack."
>
> **Jenny Kane**, Group Chief Risk Officer, Aspen Insurance Limited, UK

be used in ways we cannot see yet to create losses to institutions through data breaches and financial loss." A respondent in Canada said: "Criminals are always one step ahead, and they attack an organization's weakest link – which makes a cyber-attack impacting most companies just a matter of time." An actuary in Japan pointed out that: "As encryption becomes more advanced, crime prevention will also become more difficult."

Insurers are perceived as particularly attractive targets due to the sensitive and valuable data they store, and breaches can have devastating financial and reputational consequences. Respondents emphasised the need for stronger planning and faster response capabilities – especially when it comes to managing risks from third-party vendors and cloud-based systems. A chief actuary in the UK identified a "large concentration risk through the limited number of service providers."

Yet this all comes at a significant cost – and there is the question of what is prudent and proportional. The chief executive of a New Zealand-based life insurer said: "The fact that most insurers are increasing reliance on third-party vendors, cloud-based systems, and real-time data exchange as they modernise their technology will place a significant focus on cybersecurity and operational resilience – with a possible resultant opportunity cost in underinvestment in customer capabilities."

"AI is dramatically changing the nature of cybercrime and the cost of keeping up is becoming prohibitive.

Chief Risk Officer,
Life Insurance, Canada

#2 Artificial Intelligence (AI)

3.79
2025 Score

#7 3.44
2023 Ranking and Score

The fastest-rising risk in this survey is also, in many ways, the most pervasive. We defined this Banana Skin as the misuse or poor governance of Generative AI within firms, and the rise of AI-driven fraud. That definition took it to No. 2 in the global rankings, and no lower than top four in every sector and region we surveyed.

But the impact of AI is viewed more broadly as a defining force for the future of insurance, influencing most of the top risks in this survey. It is not just about which technologies firms adopt (or don't), but the wider challenge about how the industry approaches regulation, develops human talent, stays relevant to its customers' expectations, and ensures its business models are fit for purpose. AI is ultimately a double-edged sword, and any accounting of risk versus opportunity needs to include the risk of not using AI when, for example, cybercriminals embrace its offensive capabilities.

> "The speed of adoption, especially of generative AI, is outpacing internal controls in many firms. Risks range from biased or opaque decision-making to exposure to deepfake-driven fraud. Clear governance, traceability, and ethical use frameworks are urgently needed."
>
> **Abdelkarim Ajroud**, Chief Financial Officer, Generali Brasil, Brazil

> "The industrialisation and commoditisation of GenAI and Agentic AI capabilities will present both risk and opportunity to the insurance industry over the coming horizon. Knowing where to invest, what use cases to prioritise, what tech architecture approach to follow and how to effectively deploy into underwriting and operations processes, will be a challenge for insurers to get right. This adoption strategy question will make or break businesses in the coming years.
>
> **Chief Investment Officer,** P&C insurer, UK

Reflecting the tone of many comments we received, a respondent from the P&C industry in Japan said: "I believe AI poses one of the greatest risks to insurers, not only due to known issues such as hallucinations, privacy concerns, and amplified cyber risks – which are deeply intertwined with the insurance business – but also because of the significant uncertainty stemming from its rapid development and advancement. Furthermore, failing to seize the opportunities AI offers may itself become a critical risk."

A recurring theme was about the difficulty of developing robust internal controls and regulatory frameworks to guide AI deployment. Arianna Raimondi, Head of Risk Management at Gruppo ITAS in Italy, said: "In the coming years, we will confront a new regulatory dilemma: How can second-line risk control functions effectively monitor, validate, and govern generative AI models, particularly when these are applied in sensitive domains such as regulatory reporting."

A vice president at a reinsurer in the US commented: "Without robust governance, insurers could face reputational, regulatory, and operational harm", while others worried about "huge fines" from regulatory breaches, including inadvertent ones. On the other side of the coin, respondents pointed out that governance "needs to support innovation rather than stifle it", or otherwise risk the "higher cost of delay and missed opportunities."

Finding the right balance is crucial but without any real precedent for the impact of AI, insurers are in uncharted territory. As a respondent put it in New Zealand, "we just don't know what we don't know."

The chief operating officer of an underwriter in South Africa said: "The risks are at the ends of the 'do nothing' or 'try too much' continuum. Finding the innovation and appetite for AI to solve real business problems is a differentiator." A reinsurer commented that: "AI is a huge opportunity, and as such, errors in the manner or timing of its implementation in the industry can be major risks." Sheldon Lacy, Group Chief Risk Officer at Canopius, said: "The early adoption of AI may lead to several false dawns before the true value is found."

Several respondents focused on the threat from AI-enabled fraud, for example, through 'deepfake' image or video generation. "It's so much easier to commit fraud now, and investment in AI fraud detection tools is still expensive, and with an unproven business case for change", noted The chief risk officer of an insurer in New Zealand. Jeffrey Chew, Chief Risk Officer of The Pacific Insurance Berhad in Malaysia, said: "AI driven fraud such as deepfakes is a wakeup call for insurers to review the effectiveness of their fraud red flag checklist."

#3 Technology

3.77
2025 Score

#4 3.79
2023 Ranking and Score

The risk that insurers will fail to keep up with technological change rises one position in our rankings, reflecting high concern on both the life and P&C sides of the industry. It has not been lower than No. 4 since we first added it to the survey in 2017, and was the top Banana Skin in 2019.

We have heard for many years that the insurance industry is being hampered by legacy IT systems that are in urgent need of modernisation. That is once again a dominant concern: outdated systems inhibit integration of new technologies, delay innovation, and increase operational inefficiencies.

In the UK, Matthew Grant, CEO of InsTech, said a main risk facing the industry is that: "Insurers fail to wholeheartedly embrace what are now clearly major shifts and opportunity in technology. Legacy tech and mindset prevail, and the industry continues to lose money through frictional costs and inefficiency."

But while the industry's inherent conservatism probably plays a role here, perhaps the bigger impediment is economic. Overhauling systems can be an expensive drain on resources, at least-up front – and with no guarantee that new systems will not soon be superseded, the cost-benefit equation often skews towards 'wait and see'. A respondent in the Netherlands said that "Changes are going so fast, a best practice today may not be relevant tomorrow."

> "Changes are going so fast, a best practice today may not be relevant tomorrow.
>
> **Respondent**
> in the Netherlands

An executive from the Brazilian life insurer sector said: "Major insurers in the Brazilian market have core systems built with very old technology. This is a serious risk but the cost of replacing these old systems with new ones is high. Brazilian companies have no long-term plans to renew their systems. I believe the regulatory body needs to focus on this issue or it will become a major problem in the Brazilian market in the future."

There is also the strategic question around which technological upgrades to prioritise. Respondents warned that focusing only on customer-facing improvements (such as digital sales portals) without updating core systems or data integration is insufficient. An actuary in the UK pondered "confusion in buy versus build of new tech – is it a distraction, and is it better to wait and buy something?"

And all this is complicated by the looming AI factor. A vice president of underwriting operations in the US said the main risk to the industry over the next 2-3 years is "Insurance technology keeping pace with the ever-changing AI ecosystem. With so many legacy platforms still in play, staying current or staying ahead of technology is a huge challenge. The idea of an insurance agent is also changing, with so much more automation and instant access to insurance products by the consumer."

Some respondents who gave this Banana Skin a lower score saw it as firm-level threat rather than an industry-level one, a competitive differentiator for more nimble companies at the expense of laggards. The chief risk officer at a P&C underwriter in the UK said this is: "A large and real risk for individual insurers; these factors will drive winners in the market and consolidation of general insurance providers. But it is not a systemic risk to the market."

#4 Macro-economy

3.61
2025 Score

#6 3.49
2023 Ranking and Score

The risk that poor economic conditions will damage the insurance sector is ranked in its highest position since it came in at No.2 a decade ago.

The key concern is not necessarily the likelihood of a full-blown global recession – though this isn't ruled out – but the persistent macroeconomic uncertainty that is undermining planning, investment, and growth. Insurers face unpredictability driven by lingering inflation, unclear interest rate paths, and broader geopolitical tensions, particularly trade tariffs and rising protectionism.

The UK chief executive of a P&C insurer observed that: "Planning in current conditions is increasingly difficult with the tariff era, supply chain challenges and forex volatility." The chief risk officer of a life insurer in Italy said: "At the forefront of immediate concerns is the volatile macroeconomic environment. Stubbornly high inflation, while having moderated in some regions, continues to drive up the cost of claims across all lines of business."

Much of the commentary we received focused specifically on US tariffs (and, indeed, 'Barriers to trade' is the fastest rising Banana Skin by score this year). Respondents pointed out that these policies are prompting other countries to adopt similar stances, which complicates underwriting and pricing of risk, for example, due to unpredictable shifts in supply chains.

Ronnie Tan, Group Chief Financial Officer of Great Eastern in Singapore, warned of "Risk of stagflation as a result of tariff wars [and] divergent long-term interest rates between USD and other currencies."

A respondent in New Zealand said that "the threat to international free trade has rendered economic uncertainty a significant factor."

Respondents from several countries expressed specific macroeconomic concerns, trade-related and otherwise. The chief risk officer of a mortgage insurer in Canada said: "The US is causing an earthquake of change in terms of trade and foreign policy. The implications for open economies like Canada are profound with very significant downside possibilities for employment, housing prices, and growth."

In Brazil, a respondent said that inflation is "volatile and uneven across categories", while high interest rates are "impacting both the cost of capital and customer demand for long-term products." Australia is seeing "inflation, recession and high unemployment, placing stress on claims and balance sheets", said The chief risk officer at a P&C insurer.

> "My main concern is the risk of resurgence in inflation that could come from deglobalization, trade wars, unsustainable public finances, etc."
>
> **Vice President**, P&C insurer, Canada

There were, however, also localised notes of optimism. The vice president of a life insurer in Taiwan said: "Taiwan has global competitiveness in the semiconductor and high-tech industries, and the resilience of these sectors helps withstand external shocks. Therefore, although the risk of economic recession has increased, overall, the risk remains moderate to low."

Some respondents made the point that insurance can navigate macroeconomic headwinds better than many other industries. "Insurance generally proves fairly resilient to poor economic conditions", said the chief executive of a New Zealand-based P&C insurer, "although for those insurers with less conservative investment strategies, it may pose some risk to investment valuations/income."

Is insurance affordable?

While it's true that poor macroeconomic conditions put pressure, for example, on investment income, the core of the insurance proposition hinges on a more fundamental question: can customers afford insurance?

In times of economic stress – such as when inflation outpaces wage growth – insurance often slips down the list of household priorities. This can lead to policy lapses and reduced cover, or people opting out of insurance entirely, especially in markets where it is seen as discretionary. Under-insurance increases customers' vulnerability to losses and undermines the industry's risk-pooling function. There are also reputational risks to the industry if customers feel priced out of essential protection.

"Inflation and recession will lead to a shift of the spends for society away from insurance, which is not an immediate need", said Satyanandan Atyam, Chief Risk Officer at TATA AIG General Insurance in India.

The chief compliance officer of an Italian insurer said: "In some countries insurance is still considered optional and cut in case of economic restraint", while the chief operating officer of a life insurer in Ghana warned: "Poor economic conditions are likely to reduce the purchasing power of consumers of insurance, leading to inability to pay premiums."

"The affordability issue is not going to abate, and that is going to result in ongoing calls for greater regulatory oversight and scrutiny over coming years. If we have another very bad catastrophe year, this will add additional pressure to consideration of the ways insurers engage with consumers, and particularly vulnerable consumers. The costs and challenges these issues build into insurers' systems will only add to mounting affordability challenges."

Regulatory Policy, Insurance Representative Body, Australia

#5 Climate Change

3.60
2025 Score

#3 3.80
2023 Ranking and Score

Climate change is seen as one of the most urgent threats facing the P&C side of the insurance industry: it was ranked the No.2 Banana Skin for non-life respondents and top for reinsurers. Its overall score out of five has come down this year, but that is almost entirely due to a low score by life insurers, where climate risk is considered less relevant over the next 2-3 years.

One of the main shifts in tone in recent surveys has been the perception that climate change is not just a severe medium to long term risk – its effects are being felt today. This year, respondents made this point with specific examples. Kenneth Kyamanaywa, Chief Financial Officer of Liberty Insurance Uganda, said: "With the recent extreme weather changes leading to severe events such as floods in the western part of Uganda, risk assessment has become complex leading to high claim costs."

In Brazil, a respondent said that the industry had until recently underestimated the impact of climate change – but a recent wave of floods in the south of the country led to significant catastrophic losses, prompting many insurers to "reflect on this new reality and change their operational strategies."

Traditional risk models are struggling to keep up. Climate change is making risks more unpredictable and harder to quantify – especially unexpected or secondary events that current models don't capture well. "Even in businesses not directly at risk from climate change, the 2nd and 3rd order impacts are affecting all insurers", worried one respondent. The chief financial officer of a composite insurer in Poland said: "[Prevailing] models could be proven very wrong sooner than we think."

With risk-based pricing rising as claims mount, the concern is that some areas are not just unaffordable but increasingly impossible to insure, leading to coverage gaps and growing public scrutiny. "Risk based pricing protects our profits, but if areas are uninsurable society will hold insurance companies accountable, not the state", said the chairman of a general insurance company in New Zealand. The chief financial officer of a P&C insurer in Türkiye said: "The industry has not come up with a viable solution to this risk yet, and possibly will

> "The increasing frequency and severity of extreme weather events are directly impacting insurers' loss costs and claims payouts. This trend is exposing previously low-risk areas to new dangers, challenging traditional risk models, and making it harder for insurers to accurately price policies and manage their exposure."
>
> **Managing Director**, P&C insurer, Ghana

"The dynamics of climate change introduce highly volatile and complex risk patterns, with many secondary and cascading effects. For example, societal challenges and economic consequences, such as potential loss of wealth or social instability due to climate adaptation measures, are difficult to anticipate and measure. These second-round effects add further uncertainty, making comprehensive risk assessment much more challenging for insurers.

Risk Manager, Composite insurer, Germany

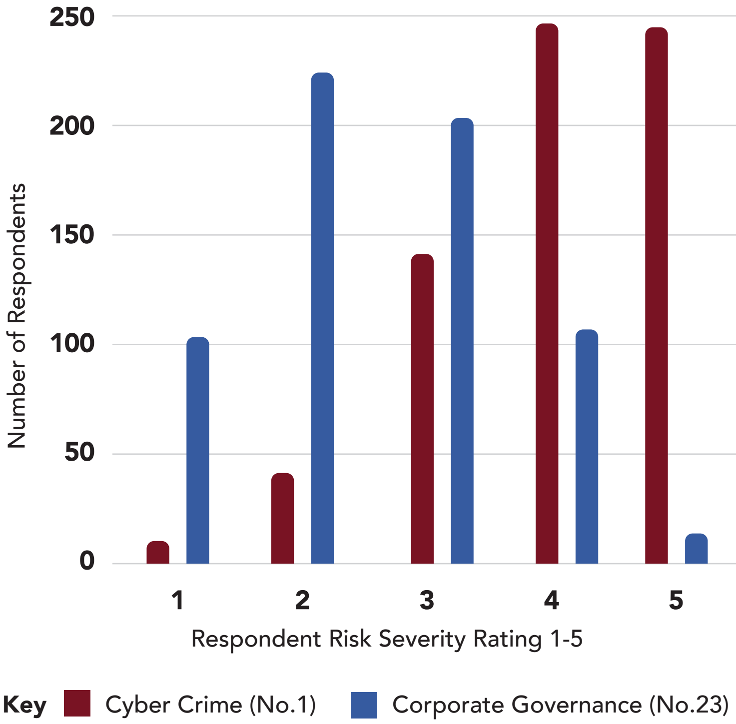
not be able to do. Climate change is getting worse and may become uninsurable in the near future."

This strikes at the heart of the credibility of the insurance industry – the "dilemmas in balancing collective and individual costs", as a respondent in Denmark put it. David Whyte, Managing Director of DCW Management Ltd in New Zealand, said: Annual climate-related damage is regular, expensive, and random. The current approach needs to be reviewed by Government and the industry to create a more sustainable, long-term solution."

Life insurers gave climate change risk a notably lower score than two years ago though it's not clear why, since the tone of comments has not changed much. The chief risk officer of a life insurer in Canada said: "Exposure on the P&C side is very high and difficult to avoid. On the Life side, exposure is on the asset management side and little easier to manage."

Behind the scores

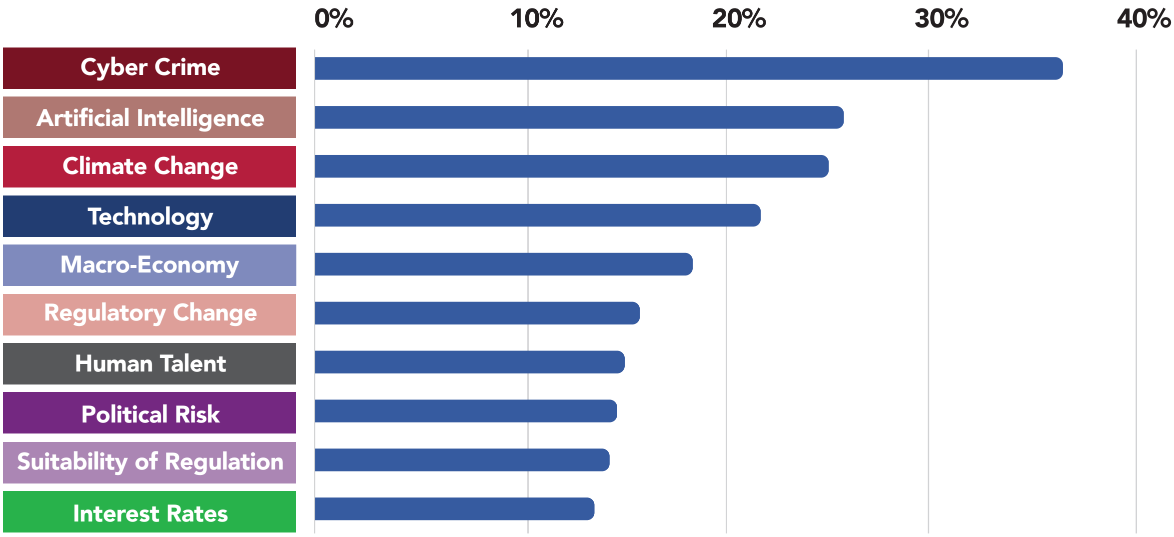
In our questionnaire, respondents are asked to score the Banana Skins on a severity scale of 1 (lowest) to 5 (highest). We average the scores given to each Banana Skin, and then tabulate them in descending order to compile our rankings.



We are cautious about reading too much into these numbers, because respondents can interpret the level of risk associated with a particular score differently. But broadly, we expect that a 3/5 implies a moderate level of risk. A 4/5 or a 2/5 implies the risk level is either higher or lower than moderate. And a 5/5 or a 1/5 implies that the risk is considered especially severe or low/manageable.

This year, the average scores ranged from 3.99 (cyber crime) to 2.56 (corporate governance). The chart (left) illustrates the stark difference in individual scoring that these averages represent.

Top 10 Banana Skins by % of 5/5 Scores



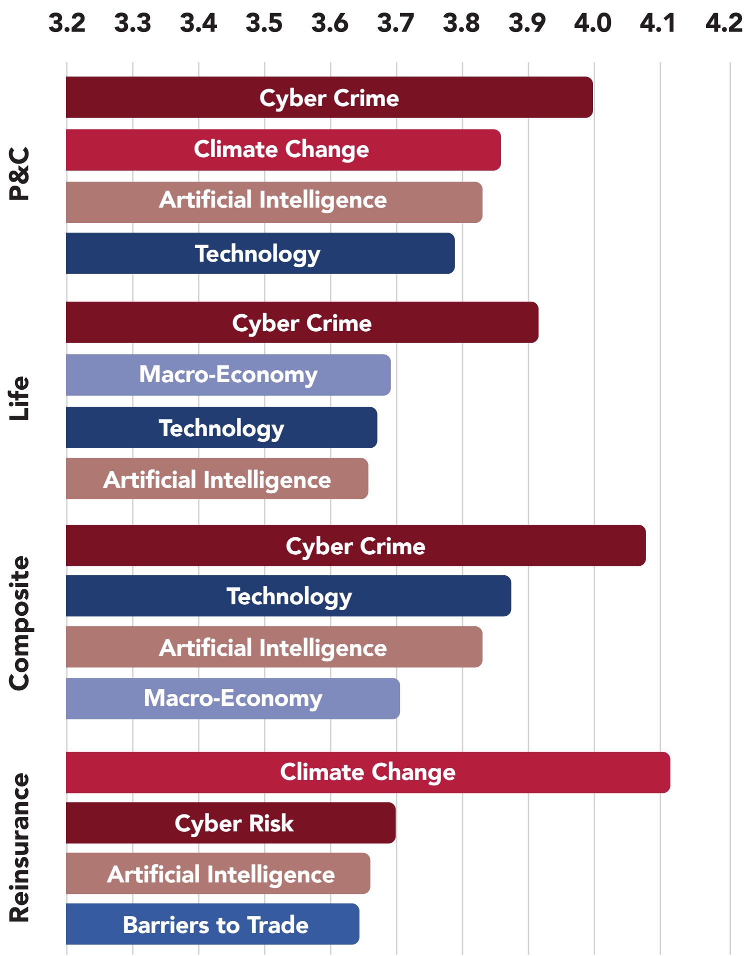
One way to assess what respondents are most concerned about is to look at how many gave each Banana Skin the maximum 5/5 score. We see, for example, that the top score was given by more than a third of respondents to cyber crime, and by more than a quarter to AI and climate change. After the top few risks there is a steep drop off, and the percentage of 5/5 scores are clustered more closely together. This can be a useful way of visualising the degree of extra scrutiny that these top risks are receiving.

Most variation in scoring		**Least variation in scoring**	
Banana Skin	**SD**	**Banana Skin**	**SD**
Climate change	1.18 (Mean 3.60)	Credit Risk	0.94 (Mean 2.95)
Barriers to Trade	1.13 (Mean 3.20)	Macro-Economy	0.95 (Mean 3.61)
Security Risk	1.10 (Mean 3.20)	Technology	0.96 (Mean 3.61)
Suitability of Regulation	1.08 (Mean 3.30)	Cyber Crime	0.97 (Mean 3.99)
Social Change Modelling	1.07 (Mean 3.07)	Change Management	0.98 (Mean 3.07)

We can also tabulate the standard deviation of the scores assigned to risks to see the degree of consensus there is between respondents.

A lower standard deviation means respondents cluster more tightly around the mean score; a higher standard deviation means there is more disagreement about perceptions of risk severity (which might reflect sector or regional differences in scoring). Our results showed that standard deviations ranged from 0.94 to 1.18, indicating only moderate variation overall. While some risks have clear differences in perception which appear in segment breakdowns (e.g. climate change is scored much lower on the life side of the industry), we see that three of the top four Banana Skins this year – macro economy, cyber crime, technology) were also among the most consistently scored.

Top 4 Banana Skins by Sector

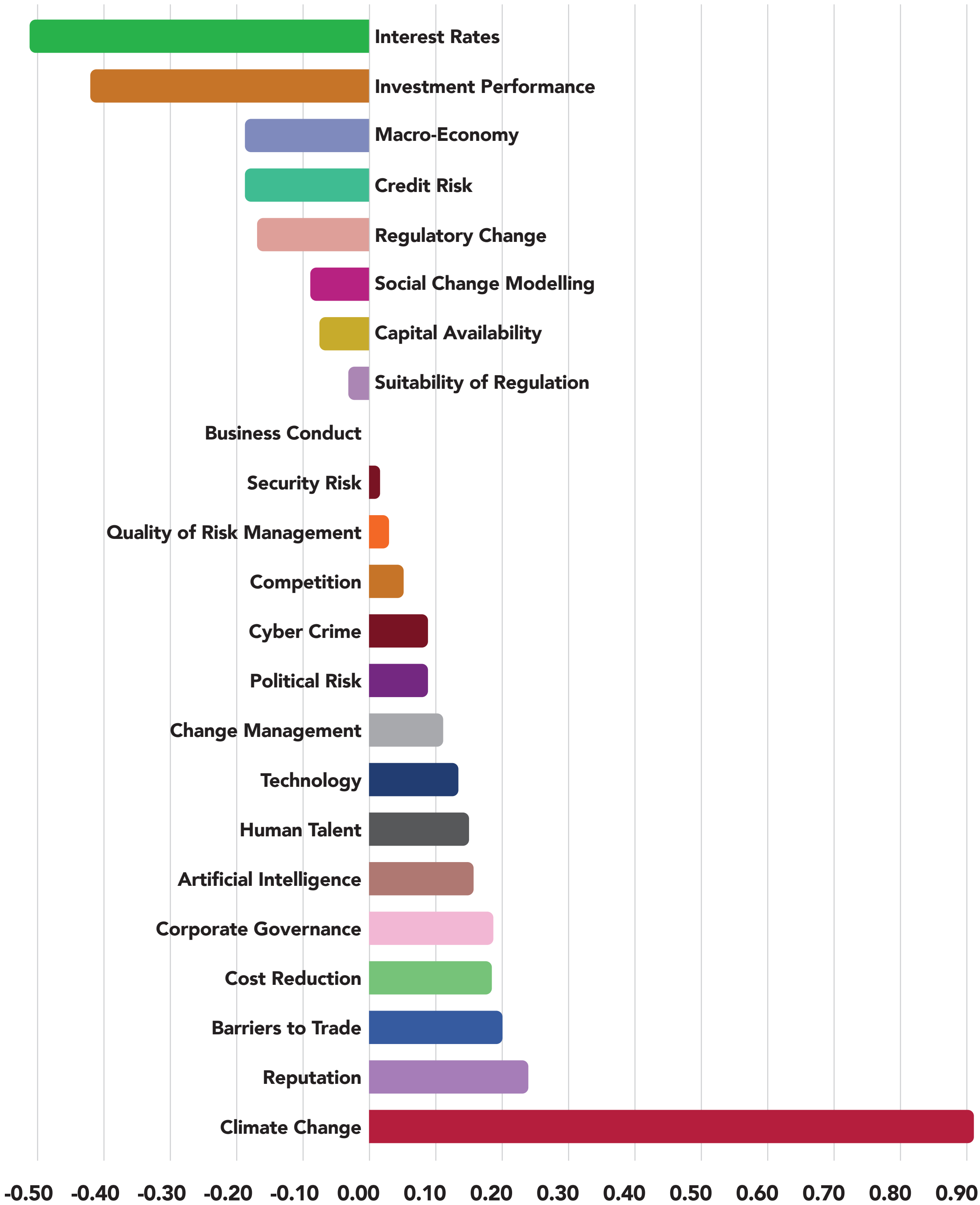


We can also see how different sectors within the insurance industry score their top risks differently. For example, respondents from the life side rated their top four as less severe than respondents from the P&C and composite sectors.

The scores assigned to the top four P&C risks are the most clustered together of any sector we surveyed. Meanwhile, the other sectors all have a leader very clearly out in front (cyber crime for life and composite; climate change for reinsurance).

More than two-thirds of our respondents together self-identify as coming from the P&C (271) or Life (213) sectors. The chart to the right depicts how divergently they scored each risk. It illustrates how though both sectors are in the fundamental business of insurance, they often have starkly different priorities.

Life versus P&C: Difference in average scores



#6 Regulatory Change

3.48

2025 Score

- -

2023 Ranking and Score

This year we surveyed regulatory risk through two lenses. The more pressing of these Banana Skins is the risk that regulatory priorities in domestic and global markets fail to address changing insurance market needs, such as technological change, social change, and consumer protection. It finished higher in Europe (No. 6) than in the Asia Pacific region (No. 7) and North America (No. 8).

The overarching concern is that regulatory bodies are not keeping pace with the fast-changing risks – and opportunities – confronting the industry, held back by a lack of understanding, agility, and resources (including human talent). The result can be regulation that arrives too late, takes the wrong form, or targets the wrong priorities.

The chief risk officer of a life insurer in Cananda said: “The political and economic landscape is changing dramatically, and regulators are notoriously slow in putting out fit for purpose regulation and very reluctant to provide practical guidance.” In the UK, the chief financial officer of a P&C insurer said:

“Regulatory change is far too slow to deal with the volatility we are seeing. And there is a risk it misses the point and causes distraction from managing the bigger risks.”

Respondents warned of unintended consequences from a failure to get regulation right, from growing uncertainty for incumbents and regulatory arbitrage by unregulated players, to consumer protection lapses when rules fail to reflect market behaviours and needs. “Weak regulatory coordination is creating loopholes, putting policyholder protection at risk”, said The chief risk officer of a reinsurer in Singapore.

> "There is a disconnect between regulatory policy intent and reality on the ground - creating uncertainty and stifling innovation.
>
> **Chief Financial Officer**, Life insurer, UK

The cost of compliance – and the potential for non-compliance – were also concerns. The chief financial officer of a life insurer in Malaysia warned: "For the medium sized players continuous regulatory requirements incur cost, and some are not practical to implement and could hinder growth."

The difficulty – not least when it comes to regulating AI, with all its unknowns – is in mitigating risks that could cause harm to customers without stifling genuine opportunities. The chief executive of a P&C insurer in Luxembourg commented: "The risk is of regulation becoming a deterrent to innovation. Regulators should adopt a more pragmatic approach e.g., explore, then regulate, and not set too many boundaries at the beginning." The head of financial reporting at a life insurer in Indonesia said: "Regulatory changes that do not keep pace with market needs can hinder innovation and adaptation, making this a high-risk factor," while a respondent in Japan worried that "strict regulatory oversight is hindering AI and Digital Transformation adoption in the life insurance industry."

On the other hand, a respondent in Australia said: "The lack of regulation about AI may mean it is used inconsistently in the industry." A chief financial officer in the UK warned that "AI could have a detrimental effect on all types of insurance if the regulators don't keep up."

#7 Human Talent

3.47
2025 Score

#5 3.75
2023 Ranking and Score

The risk that insurers will have difficulty attracting and retaining talent is a top 10 Banana Skin for the fifth consecutive survey, though this year its score out of five has dropped somewhat. It's seen as more of a concern in the Asia Pacific region (at No. 5) than in Europe (No. 10).

Respondents focused in particular on an aging workforce and lack of younger replacements. "There are not enough young talented people joining our industry, with the skills needed to succeed in the future, to replace the very experienced people retiring," said Daniel Singer, Chief Financial and Risk Officer at Tokio Marine Canada. A respondent in the UK said: "We are an aging industry and don't have the same profile and appeal to grads as banking."

There was some debate over whether the insurance industry is an attractive destination for graduates, particularly with the perception that many coming into the workforce value flexibility over more traditional and hierarchical career advancement. "As a business that is seen as being old fashioned and behind the curve in technology as compared to other tech-led business, we may struggle to attract the best talent", said the chief executive of a life insurer in India. The chief financial officer of a US underwriter put it more bluntly: "Insurance is not exactly the career one wakes up to get into after college."

But others argued that the industry has improved its image in recent years – and as many young people prioritise job security, especially in times of economic uncertainty, insurance could get the balance right. "The transformation of the insurance industry plus its stability will allow it to attract more talent," said the chief financial officer of a Singaporean life insurer. "I actually see more qualified people being drawn into this field," observed a respondent in Canada. "But I think that sometimes the industry doesn't know how to apply their skills well or keep them interested."

One of the biggest challenges is that those individuals with the most sought-after skills – particularly technical expertise – also have the most career options. The chief risk officer of a P&C insurer in the UK pointed to: "An increased need for people willing to manage change, be flexible, and who have data and analytics skills that are also sought by other industries." From the reinsurance sector, a respondent observed there is: "a race to incorporate AI but a smaller talent base to properly deploy it."

Perhaps a notable absence from the responses we received was the idea that AI would curtail the need for talent by replacing work historically done by humans. One chief risk officer from the life insurance industry in Luxembourg did note that "AI could adversely impact the content of the job of many highly skilled people, reducing the overall need for them", but this was an isolated comment. Many more respondents underlined the continued importance of human talent, such as a reinsurer who said: "Talent is the most differentiating element and it is in this area where the industry has the most at stake."

"Talent is the most differentiating element and it is in this area where the industry has the most at stake.

Reinsurer

#8 Change Management

3.38
2025 Score

#10 3.28
2023 Ranking and Score

When technological risks first came to dominate the top positions in this survey in 2017, Change Management was No. 1. It has since steadily dropped down the top 10, but this year sees an up-tick in concern. There were no notable regional or sectoral differences in the ranking of Banana Skin, suggesting it is consistently considered important across the insurance industry, if not a top tier threat.

There is near-universal agreement that the pace of change is accelerating. AI is seen as both a transformative opportunity and a major risk, particularly for those slow to adapt.

Is the industry up to the task? Mark Cummings, Chief Financial Officer, UK & Lloyd's Market, at AXA XL, said: "Insurers are extremely bad at change management and insurance systems are archaic which will have an impact on any change." A respondent in Brazil said: "Those who fail to integrate AI into underwriting, claims, and service models risk falling behind more agile players. Legacy systems and cultural inertia remain major barriers to execution."

Others mentioned "internal resistance to change" and "resource strain." The chief financial officer of a life insurer in Sweden said: "Conservative businesses need to find ways to be more adaptable or neo insurers will take over the business."

A respondent from the life side of the industry in South Africa saw "too much 'sunk cost' mentality from incumbents who cannot or will not move fast enough."

Whether insurers are in a position to manage change effectively hinges largely on the effectiveness of their IT infrastructure.

> Geopolitical unrest [is] adding volatility and uncertainty to overall supply and demand with associated spikes in interest, inflation and sustainability risk. This adds complexity, extra cost & development effort at a time when we are moving into cloud and AI and trying to cope with a growing regulatory burden, while customers expect more from us. It's a rapidly evolving new landscape that we need to navigate with lagging governance/regulatory processes."
>
> **Jürgen Elsnitz**, Head of Protection Business, Swedbank Försäkring, Sweden

"Under-investment in systems and process modernisation increases the cost and complexity of change", said the chief operating officer of a mutual in New Zealand. On the other hand, there are concerns about unrealistic expectations. Nirav Morjaria, Chief Financial Officer at HSBC Life Singapore, said: "There is significant pressure on costs in an environment where economic growth is slowing but shareholder expectations are not necessarily moderating to the same extent, which may ultimately result in relative under-investment and failures in operational controls."

Why, then, is this risk not higher in our rankings? Perhaps one reason is the feeling that while change management could be a huge problem for individual firms that do it poorly, it is an opportunity that more adaptable players will seize. A Canadian respondent said: "I think there will be risk and opportunities and I think there will be winners and losers from this", while a respondent in Brazil saw this Banana Skin as: "more pervasive in traditionally structured, large insurers." A UK-based chief actuary said: ultimately [change management] could prove an existential risk through inability to adapt. But I feel this would emerge slowly, over a longer horizon than next three years."

#9 Political Risk

3.35
2025 Score

#11 3.27
2023 Ranking and Score

Political risk has risen into the top 10 for the first time in more than a decade. Responses included a mix of comments, some on domestic issues, others on the wider global picture. Perhaps as a result of this, we didn't see any conspicuous trends by region or sector aside from a higher ranking in North America, where it was No. 6.

Reflecting the tone of many responses, Ulf Lange, Chief Financial Officer of Allianz UK, said: "We are living in a highly volatile geopolitical environment, with potential impacts ranging from sudden interest rate movements, supply chain disruptions impacting claims costs, recessionary tendencies and FX fluctuations."

This instability is driving a range of interconnected risks – direct losses from ongoing conflicts, interruptions to international trade and logistics, and volatility in investment markets and capital flows, all of which make long-term planning and risk pricing more complex and uncertain. "Uncertainty in the global political arena will dampen short term results and hinder longer term planning/budgeting," said the chief financial officer of one North American reinsurer. The chief executive of a Japanese life insurance company said: "A conflict between China and US always entails tremendous risk."

While global insurers are likely to bear the brunt of these risks, capital could shift toward local providers that may be better insulated from international fallout. One respondent said: "This is a risk to the big global carriers and brokers but the capital can move to local carriers easily"; another that: "This could potentially positively impact domestic players and adversely impact global players."

> "A conflict between China and US always entails tremendous risk
>
> **CEO of Japanese**
> Life Insurance Company

Concerns about political pressure on the management of insurance companies focused mainly on uncertainty rather than the degree of intervention. The chief executive of a New Zealand based life insurer said: "The contrasting perspectives of centre left and centre right make it an uncertain time for insurers. Having some bipartisan agreement on the role of the state and the private sector would help." From Singapore, a respondent from the P&C side said: "Political pressure can lead to sudden changes in regulations and compliance requirements. In addition, there may be imposition of tariffs which leads to inflationary pressure affecting premium rate and claims costs."

But quite a few responses played down the effects of political risk, or at least the effects specifically on the industry. The chief risk officer of a P&C company in the UK said: "The insurance industry is rarely at the centre of government focus so I would see this as limited." Another respondent said it is: "Difficult to isolate this risk to insurance – if it happens it will be more systemic."

#10 Suitability of Regulation

3.30
2025 Score

#2 3.88
2023 Ranking and Score

The second of our Banana Skins on regulation this year focuses on the risk that existing rules are inappropriate, insufficient, or poorly implemented, and rounds off the top 10. There was a marked difference between its ranking in Europe (No. 8) compared to Asia Pacific (No. 13), North America (both No. 15), and Africa (No. 17).

Those who ranked this risk higher complained about the proliferation of complex and overlapping regulation, insufficient transition periods when the rules change, and the costs of compliance – in terms of time, talent and capital. Several respondents made the argument that rules were well-intentioned but badly executed, and led to unintended consequences.

The head of actuary at a life insurer in Denmark said: "Some important EU-regulation seems to be implemented differently in different countries, which can lead to differences in competitiveness and over-regulation." The chief executive of a European mutual insurer said: "While it is necessary to level the playing field, over regulation can become a deterrent to innovation."

> "Regulatory burden on insurers is high, though generally well intentioned. It forms a high barrier to entry and encourages some players to work outside the regulatory environment. Regulators do not adequately address such players."
>
> **Chief Risk Officer**,
> Composite Insurer, Australia

Some respondents expressed a degree of sympathy for regulators, noting the difficulty in getting the right balance between under- and over-regulation, and conflicts between different priorities. A risk director at a P&C insurer in the UK said: "Regulators, particularly the FCA, are caught somewhat 'between a rock and a hard place' – with government pressure to dial up on growth as a secondary objective [alongside] continued pressure to intervene in various consumer advocacy matters. This makes predicting exactly which way regulatory pressures will go difficult." The chief financial officer of a reinsurer said: "Relaxing regulations in the US could help insurance companies move faster, but could remove some useful controls that protect the industry and consumers."

We also received a number of comments on gaps in regulatory frameworks. Particularly in emerging areas such as cyber insurance, climate risk, and digital platforms, poorly calibrated or inconsistently applied rules can create inefficiencies or fail to protect policyholders adequately. Esra Öge, CEO of MediSA in Türkiye, said: "Not only today's but tomorrow's requirements need to be addressed in regulation. Digital health, AI and data initiatives bring new regulatory necessities to optimize benefits for all stakeholders." The vice president of a US underwriter said: "It's more of a risk that controls and regulations are deemed unnecessary by the current US administration, causing chaos."

#11 Interest Rates

3.28
2025 Score

#8 3.38
2023 Ranking and Score

Even as macroeconomic risk has jumped into the top four, the risk to insurance companies from movements in interest rates is seen to have fallen, both in terms of relative position and score. But it did attract a lot of comment. The risk is seen as much higher on the life side of the industry (No. 6) than P&C (no. 16) and by region, is most acute in Asia Pacific (No. 6).

Respondents widely recognise that interest rate movements – especially rapid or unexpected ones – create instability for insurers. These fluctuations directly affect the valuation of assets and liabilities, with life insurance and long-duration products particularly vulnerable. A reinsurer in the US said that: "Rapid increases can lead to asset-liability mismatches and unrealized losses, while prolonged low rates compress investment yields and strain profitability."

But line of business matters here. The general feeling is that life insurers and those with long-tail liabilities feel the effects more acutely, while P&C insurers, with shorter-term liabilities, are less exposed.

Geographic differences also matter – with local regulations, currency mismatches, and economic conditions playing a role. For example, Sunghoon Moon, Head of the Life Department at KoreanRe, said: "The Korean life insurance industry is currently exposed to the risk of declining interest rates.
This situation is expected to worsen over the next five years. The duration of liabilities for many insurers is increasing significantly relative to the duration of their assets. Executive management at insurers are aware of this growing imbalance and are actively seeking solutions to address it."

Several respondents suggested the industry is well prepared to manage interest rate risk, for example, via hedged positions and Asset-Liability Management (ALM) strategies. "Interest rate risk should be minimized through proper ALM matching or hedging strategies", said a chief actuary in Canada. A department head at a Spanish life insurer said interest rates posed a "moderate risk thanks to risk mitigation techniques such as cash flow matching immunization in Spain."

Respondents pointed out that one of the main impacts of interest rate changes is on the investment income that insurers depend on, especially in markets where underwriting profits are weak. After years of very low interest rates, many see the return to a more typical rate environment to be favourable. There is also a sense that the industry would not be unprepared if the direction turns. "Insurers have weathered low interest rates before. It would be a headwind but not insurmountable", said the president of Life Solutions at a US insurer.

"The development of interest rates and credit spreads – particularly in relation to sovereign bonds – will play a crucial role. Shifts in these areas can have a direct impact on insurers' solvency.

Head of Qualitative Risk Management, Life Insurer, Germany

#12 Cost Reduction

3.20
2025 Score

#9 3.28
2023 Ranking and Score

The risk that insurers will fail to achieve the necessary cost reductions to remain competitive finishes mid-table, having dropped a few positions since 2023.

Several respondents acknowledged the promise of AI, automation, and digital platforms in improving efficiency, but expressed a growing concern: that these investments may not yield the expected savings, or may even increase costs. A risk manager at a composite insurer in Germany said: "[Cost reduction] is a very high risk, as it is particularly closely linked to digitalization. If insurance companies fail to make their processes more efficient and customer-focused, they will lose out to the competition."

The chief risk officer of a Canadian P&C insurance company said: "Balancing technology spend and reducing expenses via productivity is a risk", and a chief risk officer in the Netherlands pointed out that "maintenance cost should not be overlooked."

Larger insurers are seen as more capable of absorbing these costs, though they are also more likely to be burdened with legacy systems. "Those with the benefits of scale will win out," said a UK-based respondent. An actuary in Japan put it bluntly by saying: "Major companies will adapt. Those that cannot will simply be eliminated."

On the other hand, there were also concerns that aggressive cost-cutting may negatively affect customers, potentially undermining business value in the long term. The chief operating officer of a New Zealand-based mutual insurer said: "In the New Zealand market, a greater risk to insurers is that overly ambitious cost reduction programmes deliver a poor service experience for customers and advisers." The chief financial officer of a Swedish life insurer said: "Cost reduction can be achieved but it needs to be managed to safeguard customer value."

The head of strategic portfolio management office at a composite insurer in Singapore said: "Competition to leverage AI technology to reduce operation cost and improve servicing efficiency will only get stronger in the coming years. Companies that can properly implement these capabilities and achieve real impact in their operation metrics will substantially outrun their competitors. However, there are big risks from huge investment requirements, misaligned purpose, and 'checklist' execution."

> "Rising operational expenses due to adoption of new technologies may not give commensurate benefits"
>
> **Lalit Vermani**, Executive Vice President and Chief risk officer, Aditya Birla Health Insurance Company Limited, India

#13 Barriers to Trade

3.20
2025 Score

#19 2.92
2023 Ranking and Score

The risk to cross border trade within the insurance market is the fastest-rising Banana Skin this year both by position and score, reinforcing the idea that Macro-economy (No. 4) and Political Risk (No. 9) are being driven up by tariff policies. That being said, it remains in the bottom half of the table and is no higher than No. 10 in any region we surveyed.

Most respondents noted that protectionism and trade barriers are on the rise, driven largely by US policy and retaliatory measures by other countries. However, it remains unclear whether this marks a lasting structural shift in global trade or a temporary negotiating tactic.

"The US president's real intentions are not clear and predictable," said The chief risk officer of a European life insurer. In Japan, a respondent predicted that although the US has been raising tariffs, the negative impact is likely to be short-term since other countries

> Difficult to see through the US Tariff 'noise' as to actual underlying risks"
>
> **Chief Financial Officer**, P&C insurer, Australia

will seek alternative trading partners – and the US is unlikely to maintain an isolated trade policy in the long run. But whether short term or not, the impact of protectionism is a concern. Trade restrictions destabilise global supply chains, while business uncertainty could undermine investment and slow innovation in the sector. Trade barriers can stoke inflation by raising the cost of goods, increasing claims costs and reducing affordability of coverage for consumers.

Kapil Jain, Chief Risk Officer at Tokio Marine Life Insurance Singapore, said: "A main risk facing the insurance industry is a tariff war, to the extent that it could suppress economic growth, particularly in Asia. This will lead to lower global GDP growth, which in turn can lead to lower interest rates, making it a tougher environment, particularly for life insurers." The chief risk officer of an Australian composite insurer worried that: "Trade and war cycles escalate, impacting on supply chains, consumer behaviour and business confidence."

Respondents did, however, differentiate between the impact on global and domestic-only insurers. Global players are more vulnerable to trade disruptions, capital flow restrictions, and regulatory fragmentation. Domestic insurers are more insulated though they face indirect exposure, for example through macroeconomic effects. A respondent in Canada said: "A lot of insurance costs are labour (local). I don't think it's a huge concern although it can definitely drive inflation of materials." The chief financial officer of a composite insurer in Poland downplayed this risk because the company is "a local player – 90% of revenue and profits derived from one country / one currency."

The chief risk officer of a life insurer in Canada said: "We have little cross border exposure. The main impact is expected to be via changing customer behaviour caused by impact on households."

#14 Investment Performance

3.10
2025 Score

#14 3.09
2023 Ranking and Score

No change in position for the risk that insurers will be harmed by poor investment performance, which ranks very differently on the life side of the industry (No. 8) compared to P&C (No. 17).

The key concern here is persistent market volatility, driven by inflation and geopolitics. "Volatile investment markets [are] eroding confidence to invest in investment and savings products", said the chief financial officer of a South African life insurer.

A director at an insurer in the Netherlands worried about: "Increased market risk/ volatility, partly stemming from investments in illiquid assets with untested performances (and market valuations) and geopolitical instability."

The life side of insurance is seen as more at risk due to its longer-duration liabilities and dependence on investment income. A director of risk at a P&C insurer in the UK said: "Most general insurers portfolios are relatively risk averse. This is more material for life insurers. There's a risk to overall profits as markets soften and interest rates fall simultaneously."

However, the overall ranking suggests the threat level has dropped considerably since 2015-2019, when investment performance was a top five Banana Skin. "Insurers have become used to low-interest rate environments and are equipped to handle them", said a respondent in Canada, while another in Luxembourg commented: "Would not rely much on equity return in next 2 to 3 years, but interest rate levels are supportive for future return."

A chief risk officer of a P&C insurer in the UK said: "It's fairly business-as-usual and I don't think existential to many strategies in general insurance." There was also a feeling that well-diversified portfolios help buffer insurers against market volatility.

Ultimately, perceptions of this risk vary widely by institution, based on business models and income structures. The managing executive of a Japanese life insurer said: "As interest rates continue to rise, the success or failure of investment practices will have a major impact on earnings and corporate growth." The chief risk officer of an insurer in the UK noted that the risk severity: "depends how reliant insurers are on thus income stream to effectively subsidise other lines of business."

#15 Social Change Modelling

3.07
2025 score

#15 3.02
2023 ranking and score

The risk that insurers will fail to account for changes in societal trends that influence factors such as longevity remains a mid-table risk, a little higher on the life side (No. 12) than P&C (No. 16).

However, we got the sense that beyond the short term, it could be much more serious than its ranking suggests. In the words of a compliance head at a life insurer in Ireland: "This is a significant and large silent risk which requires more focus."

A key concern is that aging populations challenge the validity of traditional actuarial assumptions, making them less predictive and potentially obsolete. The problem is not just the pace of change but its unpredictability, especially given rapid advances in technology and medicine. Aging populations increase the need for long-term care, and respondents worried about whether insurers could provide affordable and economically viable coverage, particularly if governments do not step up.

Pedro Herrera, CEO of Nacional Re in Spain, said: "The industry has to adapt to rapidly evolving technologies, social changes and new scientific and medical knowledge. Otherwise, it will not be possible to successfully fulfil the

"The risk is that the insurance industry, which relies on the law of large numbers and the stability of historical trends, is operating in an era where those trends are fracturing. The past is no longer a reliable guide to the future. Insurers that fail to invest in dynamic, forward-looking models that incorporate medical research, behavioural science, and real-time data will find their balance sheets exposed to slow-building but potentially massive losses."

Chief Risk Officer, Life Insurer, Italy

main industry role of providing security to society in its main needs and demands."

But are insurers able to move with the times? "History shows that re/insurers are not particularly good at anticipating long-term trends correctly," said a non-executive director from the Swiss reinsurance sector. An actuary at an Australian life insurer said: "With AI, biosynthetics, development in genetics etc, things are moving fast and life insurers have not shown themselves to be adaptable to these changes quickly."

A lot hinges on the extent to which insurers are able to obtain good data, and their agility in updating their models. A risk director at a UK-based life insurer said: "Insurers will not be able to take account of trends until adequate and reliable data becomes available."

The chief technology officer of a composite insurer in Australia observed that: "The speed of change in many of these areas is much greater [than before], and traditional insurance processes rely on lag data which might negatively impact companies."

Reasons for scoring this Banana Skin lower included the feeling that it is a longer-term risk. The chief risk officer at a mutual insurer in Denmark said: "Not [significant] within the next 2-3 years. I see the insurance industry as fairly adaptable, especially considering product oversight and governance regulations. A respondent from the health insurance sector thought that social change modelling: "Is more a long-term trend – e.g., post 3 years – but personalisation of cover via greater data threatens the pooling concept."

#16 Reputation

3.06
2025 Score

#13 3.11
2023 Ranking and Score

Reputation risk rose to its highest ranking in this survey in 2023. This year its position and score has dropped a little, though there was little indication in the comments that this is because public trust in the industry is improving. One respondent asked: "The public already has a low opinion of insurers – can it go lower?"

As was widely noted, reputation risk is not immaterial: loss of reputation can lead to financial consequences, loss of market share, loss of customer trust, and regulatory scrutiny. Concerns about the affordability of insurance and companies withdrawing from high-risk or low-margin areas were linked to the industry's public image. The chief risk officer at a P&C insurer in the UK said: "Increasing wealth disparity increasing the proportion of the population struggling to access affordable insurance and withdrawal of insurers from areas due to climate change will likely increase negative perception of insurers, but the impact in the next 2-3 years is limited."

The industry's technological upheaval creates emerging reputational risks. An independent director at a P&C insurer in New Zealand said the risk was high "especially as insurers push risk-based pricing and move away from pooling risk across communities." A respondent from the Japanese life insurance sector warned of: "Unforeseen risks from using AI, and reputational risks from information leaks (hackers)."

At the same time, more traditional drivers of distrust also persist – mis-selling, poor transparency, and profit-driven behaviour. A department head at a Singaporean insurer said reputation risk is: "Prominent in emerging markets where insurance-literacy is still growing and regulator controls are not strong enough. Insurance mis-selling is the common enemy in the industry."

Jennifer Rody, an actuarial analyst in the US, said "Changes to health insurance coverage have recently become a major topic in U.S. media, with particular focus on decisions made by large providers. These developments have sparked widespread public concern and criticism, highlighting the growing tension between insurer policy changes and consumer expectations for accessible and comprehensive healthcare."

#17 Competition

2.99
2025 Score

#17 3.02
2023 Ranking and Score

The risk that insurers will fail to meet the challenge from disruptive competitors such as Insurtech companies is bottom half in every region and sector we surveyed. It was in the top eight of these rankings between 2017 and 2021, but has fallen substantially since.

Does this finding not clash with the technological themes that dominate this survey? The likely explanation is that most respondents do not see the main threat to incumbents coming from the Insuretech sector. Established firms also have the resources and adaptability to absorb disruption, often through acquisitions or partnerships. "These risks have long been warned about, and so far established insurers have always been able to keep pace", noted a risk manager in Germany.

A chief risk officer in Canada said: "So far, these disruptor's have failed to make meaningful inroads on the Life side. It's not clear if they will manage to develop a model that is both embraced by clients and supported by insurers." The chair of a P&C insurer predicted that: "Most tech start-ups will fail as the 'innovation' has no widespread public appeal. Any effective start-up is likely to be absorbed by bigger players."

Several respondents welcomed the prospect of more competition and suggested that a bigger risk to the industry might be a shortage of innovation from new players. "Unfortunately, we have not seen the disruptive competitors so far, that is the problem in this industry", said the chief executive of a Japanese life insurer. The chief financial officer of a P&C Company in Türkiye said: "Competition is going to happen, but this is not a risk, rather a natural outcome of evolution. Those who cannot keep up will be replaced by those who can."

Some respondents ranked this risk low because of significant barriers to entry to the industry. The head of internal audit at an Irish life insurer said: "In Ireland, there is a serious cost and investment to get a license", while a respondent at a Dutch insurer spoke of "high entry barriers in a saturated market in the Netherlands." In New Zealand, a P&C respondent said: "At present the risk does not seem significant, due to regulatory and capital barriers for start-ups – however that could change if regulatory requirements were loosened."

> "Key risk here to my mind is that insurers continue with a 'red ocean' mindset* and don't collectively embrace/drive change."
>
> **Greg Martin**, Appointed Actuary, Resolution Life Australasia, Australia

*Outperforming rivals within existing, well-established markets rather than creating new demand or redefining the market.

#18 Credit Risk

2.95
2025 Score

#18 2.95
2023 Ranking and Score

No change in position (or score) for the risk that counterparties will fail to perform. While there is a sense that economic pressures could increase the threat, we did not hear much cause for immediate alarm.

The chief actuary of a Singaporean life insurer said: "Higher interest rates and ongoing trade wars will lead to an increase in credit spreads, due to the higher risk of default. This will then lead to a reduction in the assets values that insurance companies are holding to back up the liabilities." A head of risk management in Italy said: "In a deteriorating macroeconomic scenario, counterparties are more likely to default or be downgraded, leading to an increased probability of default across the exposure portfolio."

But in general, insurers were seen as fairly resilient. A vice president of risk at an Indian life insurer noted that: "Any credit event will have moderate impact as insurers largely invest in sovereign and AAA rated Corporate Bonds." In the UK, a chief risk officer said credit risk is a "business as usual risk to manage. Systemic increases in losses will impact balance sheets 'on the day', but will drive higher spread components of investment return going forwards – which should improve the strategic economic prospects for the industry."

Reinsurers were seen as most impacted by this risk, though our reinsurance segment of respondents did not rank it any higher than average. The head of compliance at a life insurer in Ireland warned: "There is a risk that a lot of reinsurers do not understand their climate and cyber risk and come under pressure. In a broader sense the global addiction to sovereign debt may case issues with sovereign issuers." On the other hand, a chief risk officer at a P&C insurer commented: "Reinsurance counterparties are large, robust and the risk can be diversified in all but the most extreme scenarios. This feels like a well understood risk that can be measured and managed."

Private debt markets and non-traditional investment strategies could emerge as new risk frontiers, here, as yet untested in a downturn. "Exposure to private credit in insurance has grown and many strategies are not yet fully tested by crisis", said the head of risk at a German composite insurer. "Increasing transfer of credit exposure to less transparent / regulated private funding vehicles and increasing use of alternative methods to transfer credit risk makes the system less resilient," another respondent warned.

> Many non-life insurance companies rely on reinsurance in order to be solvent. Should a counterparty fail to perform it can have big consequences."
>
> **Chief Risk Officer**, Denmark

#19 Quality of Management

2.82
2025 Score

#21 2.86
2023 Ranking and Score

No governance-related Banana Skins has made the top 10 of this survey in a decade – and this year, they are again clustered near the foot of the table. The highest of them is the risk that insurance companies will be harmed by poor business practices and risk management.

Concerns about this risk mainly centred around whether management is capable of navigating the industry's technological upheaval. "Business models are changing, and traditional management talent alone will not be enough", said the managing director of Japanese life insurer. Keith Davies, Group Chief Risk Officer at Admiral in the UK, saw: "Increased need to have people who are able to respond quickly to the growing range, complexity, speed and interconnectivity of risks."

But overall, the threat is seen to be moderated by experienced leadership teams and mature governance structures at many insurers, supported by regulatory frameworks like 'Fit & Proper' requirements. A chief risk officer in the Netherlands said "[The industry is] highly regulated which should create sufficient safeguards."

A respondent in Brazil said: "While most insurers have experienced leadership and mature risk frameworks, there are still pockets where poor strategic decisions, slow adaptation, or weak accountability can create performance or compliance issues, especially under stress."

"Significant investments are being made to improve the IT infrastructure and adopt new technologies, while operating models and processes are being reviewed to enhance efficiency across the organization. These transformation efforts are increasing demands on management and team capacity, while ongoing challenges with legacy IT systems continue. The increased pressure to achieve business and financial targets raises the risk of excessive risk-taking or potential overriding of established controls. Effective management oversight will be vital to support sustainable profit growth and ensure continued compliance.

Head of Group Internal Audit, P&C insurer, Germany

#20 Business Conduct

2.80
2025 Score

#22 2.74
2023 Ranking and Score

The risk that insurers will incur losses as a result of poor sales and other business practices has not received much attention over recent surveys, and that has not changed this year. More than a decade ago, in 2013, it ranked as high as No. 4 – amid economic stress and intense pressure to generate sales.

We still see some of those themes in the comments. A respondent in Australia said one of the main risks facing insurers is: that "the industry does not grow or grows less than GDP which then encourages bad behaviours as everyone competes in a small market." A consultant from the Singaporean broking sector warned of: "aggressive sales tactics due to a saturated sales force."

Mis-selling, aggressive tactics, and poor treatment of claimants are seen as reputational risks, where "the bad behaviour of a few can have an out-sized impact." A respondent in Ireland said: "This risk will increase as rules are rolled back if firms don't have the correct culture in place."

In general, though, the feeling in many countries is that this has been an area that has faced tough scrutiny by regulators – and while the potential for specific transgressions is ever present, the threat is not systemic. A respondent from the Brazilian life sector said: "Rising expectations around transparency, inclusion, and fair treatment require continuous adaptation", while another from an Australian composite insurer commented: "My concern is that poor sales may be experienced more by exposure to unregulated players and products, and excessive costs from regulation."

> "The bad behaviour of a few can have an out-sized impact."
>
> **Responent**, Ireland

#21 Capital Availability

2.73
2025 Score

#20 2.92
2023 Ranking and Score

The availability of capital is not widely seen as a concern, and its score has dropped from two years ago. Many respondents expressed confidence in the current capital adequacy of the insurance industry, citing the recent hard market cycle, strong solvency margins, and historical resilience.

Some comments pointed out that excess capital may lead to increased investor pressure for higher returns, which may push insurers into unsustainable strategies or erode pricing discipline. A respondent from a composite insurer in the Netherlands observed that: "The risk of excess capital is the growing need by investors for additional capital returns – which can be difficult to stop." On the other hand, insufficient capital could be a risk for smaller players or in specific markets, and "may lead to market exits or potential consolidations," said the chief executive of a Turkish insurer.

But there is nothing especially unexpected about this. "The market cycle will prevail. Some insurers will be more or less impacted, but most will weather the cycle", said a chief risk officer in the UK. While a sustained soft market will likely erode capital, that is not necessarily seen as detrimental to the industry.

Regulatory developments play a role in this area, bringing benefits but also risks. A respondent from the life insurance sector in Luxembourg said: "The Solvency II 2020 Review is expected to improve the regulatory solvency ratios of most European Insurers." In India, the chief risk officer of a life insurer said: "Risk-Based Capital may create a new operating paradigm, and with only a handful of companies being listed, raising capital could become challenging in the years to come."

#22 Security Risk

2.69
2025 Score

#12 3.13
2023 Ranking and Score

The risk that physical security risks are induced by remote working or insufficient office security is by far the biggest faller this year, dropping ten positions. We introduced it to this survey in 2021 to reflects the trend of work away from offices post-Covid, and it has ranked mid-table in the last two editions. This time it is finishes just one spot from the bottom.

A few respondents who raised concerns linked it to the top risk in this year's survey, cybercrime. Jordi Montalbo, non-executive director at Medvida Partners in Spain, said: "The industry is working hard to increase its level of security, and DORA [the Digital Operational Resilience Act] is a new checkpoint to align insurers and address vulnerabilities.

Nevertheless, the operational capacity of cybercriminals is growing dramatically and will constitute an exponential risk." In Japan, respondents from the life side of the industry warned that: "The connection with external counterparts such as vendors might bring vulnerabilities" and: "Even if measures such as protecting confidential information are taken, risks remain."

But the general feeling is that physical security has received a lot of attention, with adequate systems and tools in place to mitigate serious risks. Pierre Nicolas Dahm, Chief Financial Officer at Generali Luxembourg, said: "The Remote working environment has become standard since the Covid pandemic and insurance companies reinforced their IT security in order to cope with this new way of working."

#23 Corporate Governance

2.56
2025 Score

#23 2.68
2023 Ranking and Score

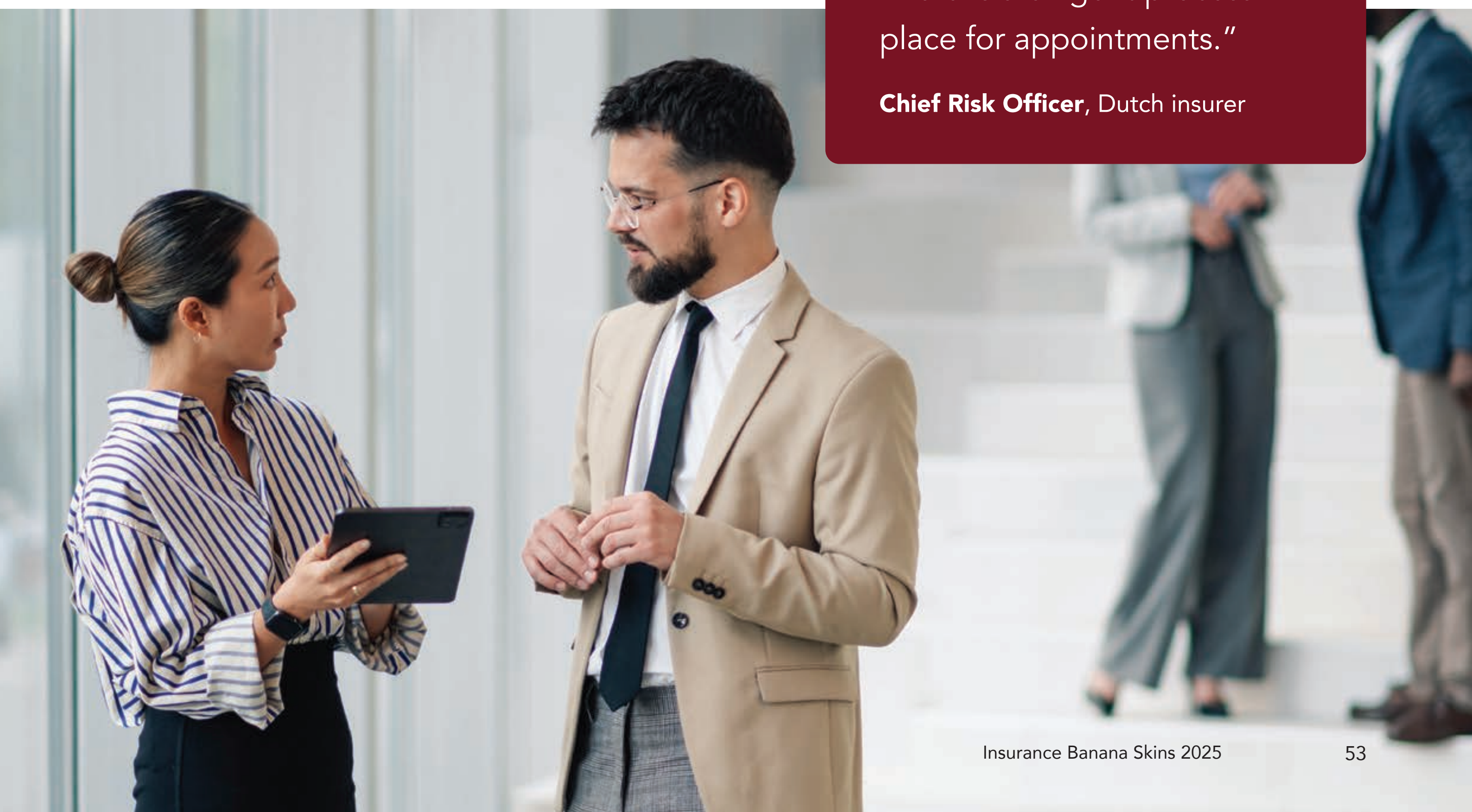
Corporate governance is at the foot of the table in almost every sector and region we surveyed. Whether that reflects the quality of boards or a degree of complacency is open to interpretation, but this has been ranked among the bottom cluster of Banana Skins in survey for at least a decade.

As in previous years, a repeated theme is that regulation has helped reduce corporate governance risk by setting clear rules and ensuring strong oversight, such as 'Fit and Proper' requirements. Respondents said: "Most insurers operate under strong regulatory frameworks with established board structures and audit mechanisms" and "The regulator has been clear on the importance of proper corporate governance prevailing in the industry." The chief risk officer of a Dutch insurer said: "There is a diligent process in place for appointments."

Where concerns were expressed, they were largely that boards may respond too slowly to emerging risks and become disconnected from fast-changing industry dynamics. The importance of striking the right mix of directors with specialist skills and diverse perspectives was also noted, with a respondent in New Zealand pointing to a "constant balance between familiarity with our insurance context, and the fresh perspective that comes from those from diverse backgrounds."

A non-executive director in the Swiss insurance industry said the degree of corporate governance risk "depends on the quality of regulator and continuous supervision, but is low where the regulator does its job (including approval of skilled board members)."

> "There is a diligent process in place for appointments."
>
> **Chief Risk Officer**, Dutch insurer



Broader insights

Before respondents to our questionnaire are asked to score the Banana Skins, they are first asked to describe what they see as the main risks facing the insurance industry over the next 2-3 years – in their own words, without prompting.

Many of these comments have been incorporated into the analysis above. However, we also received insightful comments which do not fit neatly into any category, a selection of which are listed below:

"What do you see as the main risks facing the insurance industry over the next 2-3 years?"

"For carriers the likely extreme volatility of cost of claims caused by geopolitical factors e.g. war, global supply chains, tariffs, etc. For intermediaries the impact of "AI" [really robotic process automation] reducing the universe of risks that need specialist, personal broking/pricing. For the industry, as well as the above the 'arms race' to reduce friction in processes e.g. the development of truly digital customer journeys/propositions."

Broker, UK

"Post-pandemic rebound effect in competition: the high margins obtained in the periods following the end of the pandemic, particularly from Life Protection insurance, led to an over aggressive competition in this market, which may lead to a value destruction cycle over the next decade."

Composite, Brazil

"The soft pricing markets demanded by clients and acceded to by many insurers. This may result in premium inadequacy to cover claims costs and other insurance related expenses."

P&C, Singapore

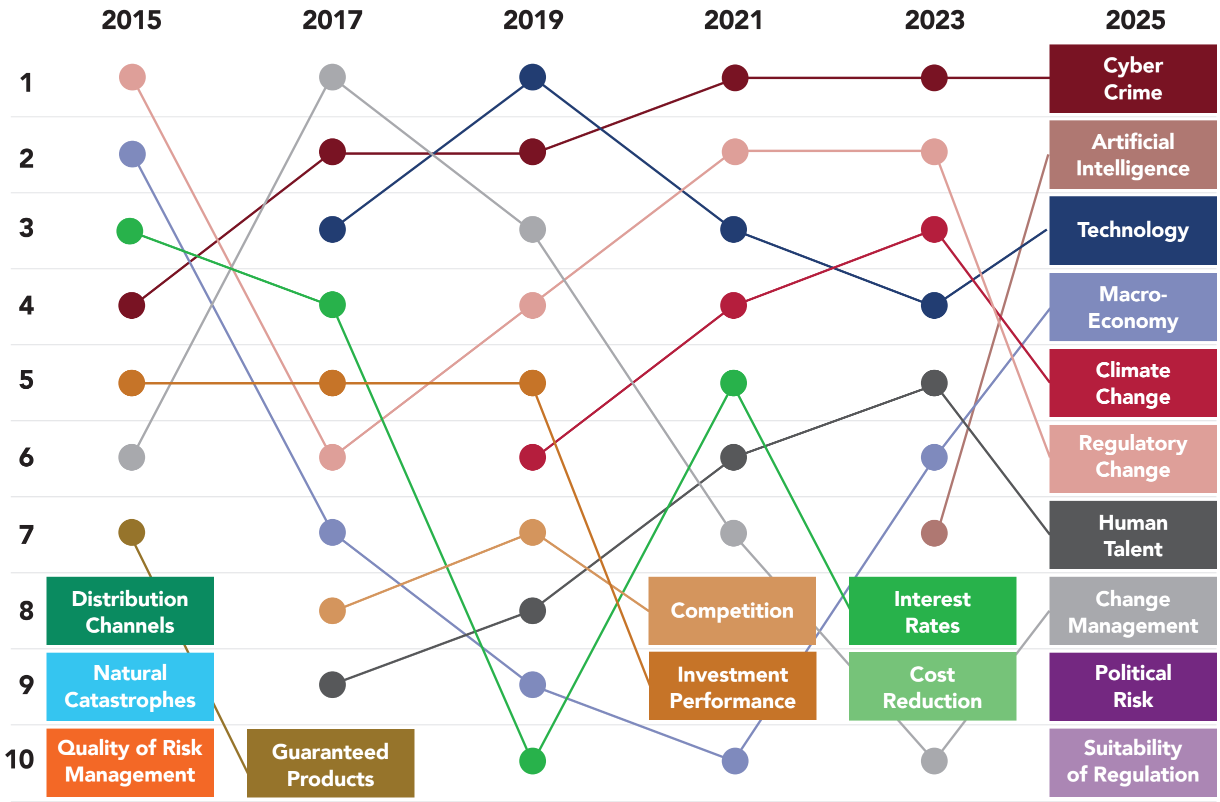
"The trend of fewer new customers will accelerate due to a decline in the young population, a shift away from insurance, and accelerating inflation."

Life, Japan

"For our region – too many players, some with inadequate capital, having reinsurance capacity. This creates uneven competition and regulators have to be strict in managing the insurers – organisation strength, capital, governance, claims track record. The current trend of regulatory controls overlooks the ability of strong organisations to help grow the penetration."

P&C, Kenya

Insurance Banana Skins: The Top Ten since 2013



Some risks come and go, some are hardy perennials, as this chart of the Top Ten Banana Skins since 2015 shows.

The first three editions of this survey (2011-2015) focused largely on the industry's response to the financial crisis. In 2017 we saw a sharp shift in emphasis, as technology-related risks began to dominate. Cyber crime has topped the rankings since 2021 as attacks become more sophisticated and frequent, threatening business disruption and data theft. The industry also has a broader focus on the need to modernise internal IT systems and business models, even if disruption from the Insuretech sector has not been as substantial as once anticipated. Artificial intelligence is now playing a pivotal role by amplifying these risks – the double-edged sword of implementing AI badly, versus failing to implement AI and falling behind.

The risk from climate change is seen as one of the greatest threats facing the P&C and reinsurance sides of the industry, both now and in the longer run, raising questions about what is even insurable. The industry's ability to attract and retain talent – particularly in technical roles – remains in the top cluster of risks.

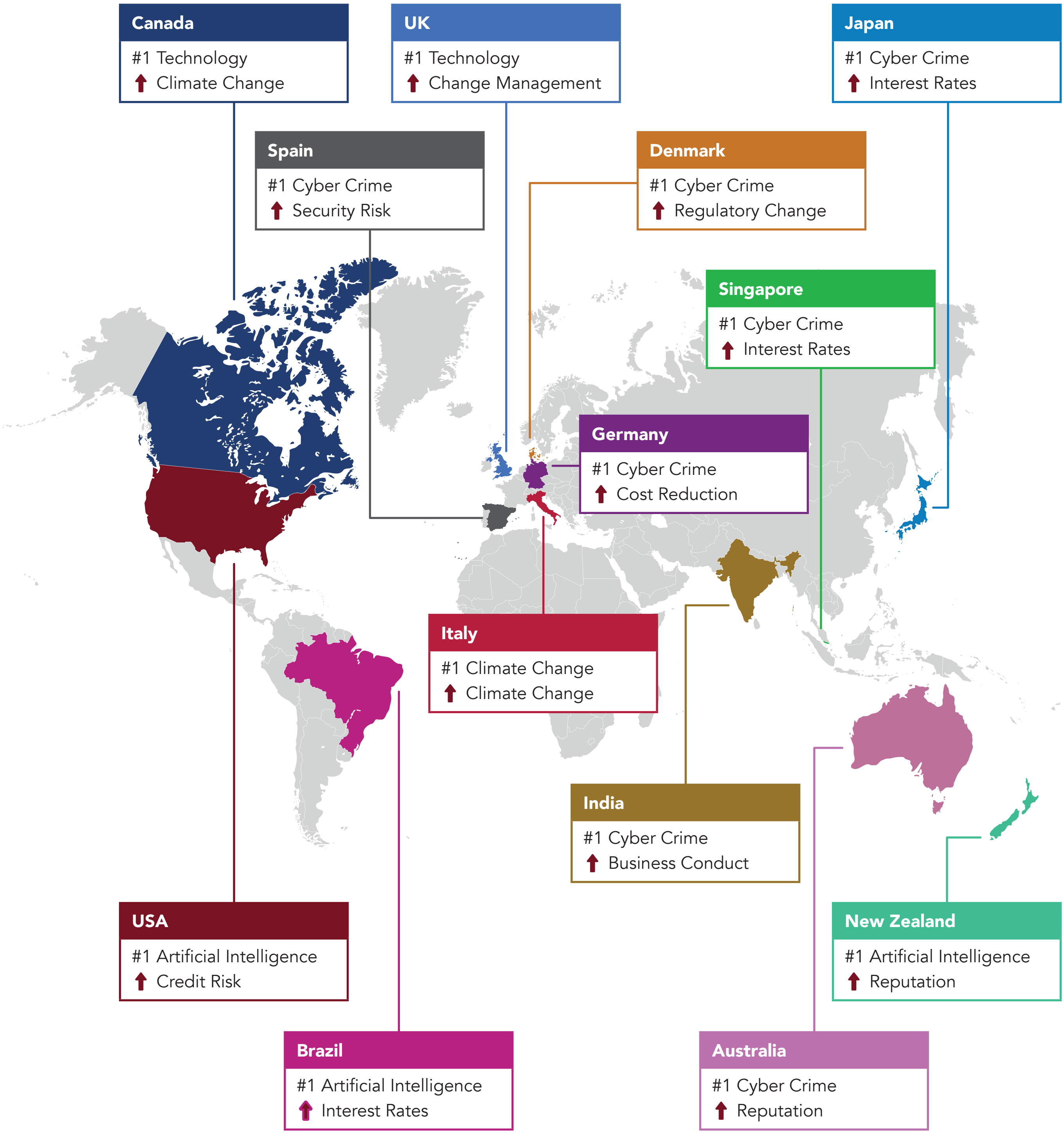
This year macroeconomic concerns have risen notably, amid inflation and economic unpredictability, while tariffs and protectionism drove political risk and barriers to trade up the rankings. However, interest rates and investment performance have slipped down the table, having been seen as more urgent in past surveys. Regulatory change – particularly how to govern AI – is seen as more of a concern than the suitability of existing regulation, through insurers continue to grapple with volume and cost.

Among governance risks, the quality of management and boards started high in these rankings but have since fallen, and are now seen as lower order – reflecting a view that insurance companies are increasingly better run. Risk management was a significant concern in the aftermath of the crisis, but has since seen improvements.

World Map

This map shows all territories that received more than 20 responses.

⬆ signifies the Banana Skin with the highest increase in score versus the global averages.



Appendix: The Questionnaire

Insurance Banana Skins 2023 – A CSFI survey

Biennially, we ask senior insurers and close observers of the financial scene to describe their main concerns about the insurance industry as they look ahead. We'd be very grateful if you would take a few minutes to complete this latest survey for us.

Question 1

Who you are?
- Name
- Position
- Institution
- Country

Which part of the insurance market do you represent?
- Broking/intermediary
- Life
- P&C/Non-life
- Composite
- Reinsurance
- Other (please state)

Are you willing to be quoted by name?

Question 2

Please describe what you see as the main risks facing the insurance industry over the next 2-3 years?

Question 3

Below are risks in the insurance industry that have been attracting attention. Please score them on a scale of 1 to 5 where, in your opinion, 1 is a low risk to insurers and 5 is a high risk. Use the column on the right to add comments. Add more risks at the bottom if you wish.

Economic environment

1. Macro-Economy: The risk that poor economic conditions will damage the insurance sector.
2. Interest Rates: The risk to insurance companies from movements in interest rates.
3. Credit Risk: The risk that counterparties will fail to perform.
4. Barriers to Trade: The risk to cross border trade within the insurance market as a result of growing conflict, protectionism, and a general deterioration in the geo-political environment.

Public environment

5. Political Risk: The risk that domestic/international political pressure on the management of insurance companies will negatively affect the market.
6. Suitability of Regulation: The risk that existing regulations are inappropriate, insufficient, or poorly implemented.
7. Regulatory Change: The risk that regulatory priorities in domestic and global markets fail to address changing insurance market needs (e.g. technological change, social change, consumer protection, etc.)
8. Reputation: The risk of adverse perception or lack of public trust.
9. Social Change Modelling: The risk that insurers will fail to account for changes in social trends and pressures influencing longevity, mortality, medical advances, healthcare provision, etc.

Operating risk

10. Change Management: The risk that insurers will be damaged by inadequate responses to changes in markets, products, customer demands, distribution, etc.
11. Capital Availability: The risk to insurers from excess or insufficient capital.
12. Investment Performance: The risk that insurers will be harmed by poor investment performance.
13. Cost Reduction: The risk that insurers will fail to achieve the necessary cost reductions to remain competitive.
14. Technology: The risk that insurers will fail to keep up with technological change such as digital business models, customer capabilities and interfaces.
15. Artificial Intelligence (AI): The misuse or lack of appropriate oversight and governance of the use of Generative AI within firms, as well as AI driven fraud (such as generation of falsified images, videos, voices or correspondence) within the insurance market.
16. Competition: The risk that insurers will fail to meet the challenge from disruptive competitors such as Insurtech companies and other technology-enabled start-ups
17. Human Talent: The risk that insurers will have difficulty attracting and retaining talent.
18. Cyber Crime: The risk to insurers' operations from cyber crime.
19. Security Risk: The risk that physical security risks are induced by remote working or insufficient office security, opening up security risks for insurers.
20. Climate Change: The risk to the insurance industry from climate change, e.g., related to catastrophic loses, insurability of exposed markets, pricing uncertainty, and operational and asset risks.

Governance

21. Corporate Governance: The risk that weakness at board level will lead to poor oversight and control of insurance companies.
22. Quality of Management: The risk that insurance companies will be harmed by poor business and risk management.
23. Business Conduct: The risk that insurers will incur losses as a result of poor sales and other business practices which fail to meet societal and regulatory expectations.

Please add other risks that you feel are significant to the insurance industry.

Question 4

How well prepared do you think insurers are to handle the main risks you identified in this survey?
Where 1 = Poorly and 5 = Well? Please add comments if you wish.

Thank you.

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