

CSFI/PwC Insurance Banana Skins 2017

*Cayman report
May, 2017*



Insurance Banana Skins 2017

PwC in Cayman Islands

World	Cayman Islands
1 Change management	1 Cyber risk
2 Cyber risk	2 Regulation
3 Technology	3 Technology
4 Interest rates	4 Competition
5 Investment performance	5 Political interference
6 Regulation	6 Cost reduction
7 Macro-economy	7 Human talent
8 Competition	8 Quality of risk management
9 Human talent	9 Social change
10 Guaranteed products	10 Change management
11 Political interference	11 Quality of management
12 Business practices	12 Guaranteed products
13 Cost reduction	13 Macro-economy
14 Quality of management	14 Corporate governance
15 Quality of risk management	15 Business practices
16 Social change	16 Product development
17 Reputation	17 Interest rates
18 Product development	18 Capital availability
19 Corporate governance	19 Investment performance
20 Capital availability	20 Complex instruments
21 Complex instruments	21 Reputation
22 Brexit	22 Brexit

Technology: “The real big question for the insurance industry here is distribution channels. These have been set in stone for a very long time. If the distribution channel mechanism is ever fundamentally changed, most likely by technology, then this would change everything.”

- Survey participant

Macro-economy: “The global economy is expected to maintain growth this year...[also] potentially looser fiscal policies.”

- Survey participant



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There were **11** responses from the **Cayman Islands**, as follows

Broking	0
Life	0
Non-life	4
Composite	0
Reinsurance	0
Other	7

Cayman

The Cayman Islands shared the high level of global concern about rising cyber risk and regulatory intrusion, as well as the threat to established insurers posed by advancing technology and new business models.

But a deeper thread running through the responses was the long-running problem of excess capacity in the international market which the Cayman Islands business mostly serves. As one respondent said, “People used to talk about a \$50bn event needed, but now it’s \$150bn+ in order to move the market.” Cost reduction and more efficient business models were needed.

The threat of US protectionism was seen as another high level risk. By contrast, the Cayman Islands were less concerned about economic issues: the outlook for the macro-economy, the prospects for interest rates and investment markets received relatively low risk scores.

Cyber risk: “The loss of insureds’ personal data would be a big reputational problem. Would a large health insurer be able to survive such a public event?”

- Survey participant

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

Risk	Position
Quality of risk management	10
Cost reduction	8
Political interference	6
Competition	5
Macro-economy	-6
Change management	-8
Investment performance	-12
Interest rates	-13

The Banana Skins Indices

The Cayman Islands produced a lower than average score on the Banana Skins Index, implying a lower level of risk anxiety.

They produced an above average score on the Preparedness Index, implying a higher level of preparedness.

Banana Skins Index		Preparedness Index	
Taiwan	3.66	Spain	3.56
India	3.61	Switzerland	3.36
Portugal	3.61	Sweden	3.36
Mexico	3.59	Brazil	3.29
Indonesia	3.58	Denmark	3.27
Thailand	3.57	Indonesia	3.26
Philippines	3.56	Thailand	3.22
Malaysia	3.52	Italy	3.20
Turkey	3.50	Malaysia	3.19
Greece	3.50	Colombia	3.18
Japan	3.45	Cayman Is.	3.18
Barbados	3.40	Austria	3.14
Luxembourg	3.40	Netherlands	3.13
Brazil	3.38	Belgium	3.12
Argentina	3.37	Bermuda	
Italy	3.37	Barbados	3.09
Jamaica	3.36	Portugal	3.07
Singapore	3.35	Japan	3.03
Switzerland	3.33	GLOBAL	3.02
GLOBAL	3.31	Ireland	3.00
Australia	3.31	Luxembourg	3.00
Colombia	3.31	China	3.00
UK	3.26	Philippines	3.00
Canada	3.25	Mexico	3.00
Netherlands	3.25	Australia	2.98
Sweden	3.24	Taiwan	2.90
Spain	3.23	South Africa	2.90
USA	3.18	Greece	2.88
Cayman Is.	3.18	Canada	2.86
Ireland	3.17	New Zealand	2.86
China	3.16	India	2.86
New Zealand	3.14	USA	2.85
Austria	3.14	Czech Republic	2.80
Belgium	3.13	Singapore	2.77
Germany	3.13	Turkey	2.75
South Africa	3.11	Hong Kong	2.75
Denmark	3.10	UK	2.71
Bermuda	3.09	Germany	2.70
Hong Kong	3.04	Argentina	2.60
Czech Republic	2.95	Jamaica	2.50

The Banana Skins Index measures the average score given by each country to the 22 risks listed in the questionnaire. The higher the score, the greater is the implied "anxiety level". The Preparedness Index measures the average response given to the question: "How well prepared do you think the insurance industry is to handle the risks you identified?" where 1=Poorly and 5=Well. The higher the score, the greater is the implied level of preparedness. Note that both indices are "self-scored".

Contact us



Damian Pentney
Partner, Insurance
Tel: +1-345-914-8622
damian.pentney@ky.pwc.com



Melanie Snyman
Director, Insurance
Tel: +1 345 914 8620
melanie.snyman@ky.pwc.com



Rebecca Christie Mileham
Senior Manager
Actuarial Services
Tel: +1 345 914 1808
rebecca.christie@ky.pwc.com

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