Insurance Banana Skins 2025

A survey of risks faced by insurers

Malaysia highlights

Contents

About the Insurance Banana Skins survey

'Banana skins' refer to the most urgent risks that may cause insurers to slip. These are increasingly interconnected challenges shaping the industry's future.

Insurance Banana Skins 2025 distils the insurance industry's most pressing risks as seen by those closest to the market—practitioners and informed observers worldwide. Now in its 10th edition since 2011, the biennial survey ran from June to August 2025 and drew 698 responses across 42 territories, including Malaysia.

Conducted by the Centre for the Study of Financial Innovation (CSFI) in collaboration with PwC, it captures candid views from the industry over the next two to three years.

Respondents scored 23 "Banana Skins" or priority risks on a 1–5 scale (least to most severe) and offered qualitative insights.

This report ranks and analyses each Banana Skin individually. Responses were confidential, but respondents could opt to be identified.

Access the global report here.

Survey highlights

A snapshot of risks highlighted by Malaysian insurers

Malaysia's implied anxiety levels have edged up since the last local release of Insurance Banana Skins in 2017.[1] At 3.61, it remains above the global average (3.14), while perceived preparedness has slipped to 3.11, below the global benchmark (3.27).

This widening risk–readiness gap reflects more cautious sentiments amid threats like macroeconomic and market volatility and talent constraints. Technology is a prominent theme; ongoing disruption, intensifying cyber threats, and governance concerns around generative AI underscoring the need to accelerate resilience.

Figure 1: The Banana Skins Indices,[2] Malaysia, 2025 vs 2017 (based on a scale of 1 to 5)

	Banana Skins Barometer		Preparedness Index	
	2025	**2017**	**2025**	**2017**
Malaysia	**3.61** ▲ by 0.09 points	3.52	**3.11** ▼ by 0.08 points	3.19
Global	3.14 ▼ by 0.17 points	3.31	3.27 ▲ by 0.25 points	3.02

Banana Skins Barometer

The Banana Skins Barometer measures the average score given by each territory with 10 or more respondents to the 23 risks listed in the questionnaire. The higher the score, the greater is the implied "anxiety level".

Preparedness Index

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.

[1] While the survey is conducted biennially, given the limited recent Malaysian responses, Malaysia's analysis is benchmarked against 2017 to ensure a robust and meaningful comparison.

[2] Both indices are "self-scored."

Top risks in Malaysia

The lay of the land over the years

Malaysia's insurance and takaful industry has transformed profoundly well before the COVID-19 pandemic period. The phased motor and fire detariffication during the 2017 period and the review of foreign shareholding limits of insurers have had some influence over market structures and operating models, as well as consolidation activities.

The unexpected pandemic disrupted distribution and underwriting, even as protection awareness rose and digital adoption accelerated. Structural headwinds persisted, from low insurance penetration and rising medical costs to recurring climate-related floods, and a hardening reinsurance market.

2021

In parallel, policy actions broadened inclusion and transparency—Perlindungan Tenang and the B40 Health Protection Fund strengthened social protection for the B40 community. Bank Negara Malaysia (BNM) advanced the industry's digital journey, mandated medical claims data submission, and strengthened the professionalism of insurers' intermediaries and agency force. Despite the various volatilities, prospects remained resilient. Life insurance and family takaful led growth, capital stayed sound, and insurers deepened their reach via digital channels.

2023

More recently, competition intensified under the Phase 2B liberalisation in which motor pricing flexed up to ±20% while fire reductions capped at 30%. Claims costs rose as motor accident frequencies returned to pre-pandemic levels, coupled with significant inflation in the cost of vehicle repairs and spare parts. During this period, medical utilisation normalised and floods pushed up reinsurance outgo—all of which softened underwriting performance. At the same time, attrition and wage pressure rose post-pandemic.

The adoption of MFRS 17 Insurance Contracts in 2023, a new accounting standard that significantly impacted global and local insurers and expanded reporting requirements, resulted in increased complexities in both operations and financial reporting. Collectively, these developments tightened execution capacity and made talent attraction and retention increasingly challenging to the insurance industry.

2024 - 2025

BNM responded decisively, phasing medical and health premium/contribution adjustments over a minimum three-year period ending 2026 with caps and co-payment options. Other key regulatory developments include BNM's proposed enhancements to the Risk-Based Capital Framework for Insurers and Takaful Operators (effective 2027) which comprised updates to capital charges, the requirement for climate risk stress testing in 2025, and promotion of end-to-end digital motor claims.

These moves tightened pricing discipline, strengthened capital resilience and sustained access—while growth continued to be anchored by life and family takaful, particularly health and investment-linked offerings.

These realities have shaped the 2025 risk agenda.

Human talent is now the top risk—amplified by higher attrition and acute skills gaps in the actuarial field, data/AI, cyber and distribution areas.

Technology risks[1] comes in second, followed by investment performance and the macro-economy. Change management, artificial intelligence (AI), and cyber crime follow closely behind.

This is a call to **lead with capability, modernisation, and trust.**

[1] Technology risks refer to the implications of failing to keep up with technological change contributed by legacy IT systems and mindsets.

Top risks in Malaysia

The lay of the land over the years

Figure 2: Overview of top 10 Banana Skins

Malaysia							Asia Pacific		Global	
2025			2017				2025		2025	
1	Human talent	+1	1	Change management	1	Cyber crime			1	Cyber crime
2	Technology	+1	2	Human talent	2	Artificial Intelligence			2	Artificial Intelligence
3	Investment performance	+10	3	Technology	3	Technology			3	Technology
4	Macro-economy	+5	4	Quality of management	4	Macro-economy			4	Macro-economy
5	Change management [1]	-4	5	Cyber crime	5	Human talent			5	Climate change
5	AI [1]	New [3]	6	Competition	6	Interest rates			6	Regulatory change
5	Cyber crime [1]	Unchanged	7	Regulation	7	Regulatory change			7	Human talent
8	Political risk	+9	8	Reputation	8	Change management			8	Change management
9	Cost reduction [2]	+10	9	Macro-economy	9	Climate change			9	Political risk
9	Climate change [2]	New [3]	10	Business practices	10	Investment performance			10	Suitability of regulation

[1] Change management, AI and cyber crime share the same ranking (5th) in Malaysia's 2025 rankings.
[2] Cost reduction and climate change both take the 9th spot in Malaysia's 2025 rankings.
[3] Climate change was not previously assessed in the 2017 Insurance Banana Skins survey.

Figure 3 below shares the risks with the most differences in risk ranking between Malaysia and the world. Refer to page 13 for the complete results for global and Malaysia.

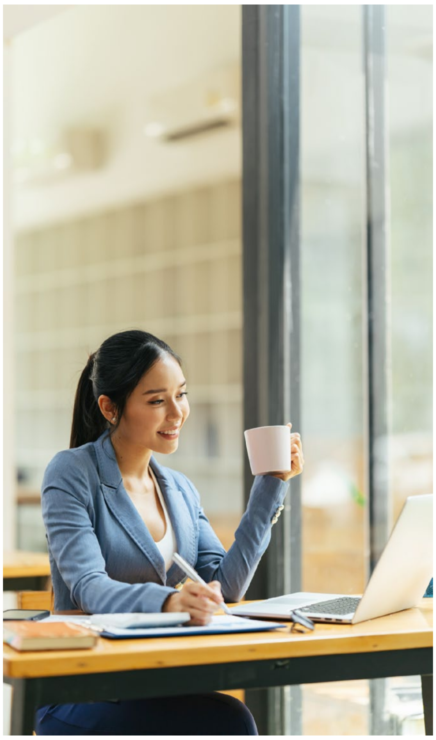
Figure 3: Key differences between Malaysia and global rankings in 2025

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

Main differences in risk ranking	Malaysia	Global	Higher/(lower) than global
Investment performance	3	14	11
Credit risk	11	18	7
Human talent	1	7	6
Suitability of regulation	14	10	(4)
Cyber crime	5	1	(4)
Climate change	9	5	(4)
Regulatory change	14	6	(8)

Malaysia scored higher in every category of risk compared to the global average. For instance, investment performance (3rd for Malaysia) is 11 places higher than its global ranking (14th).

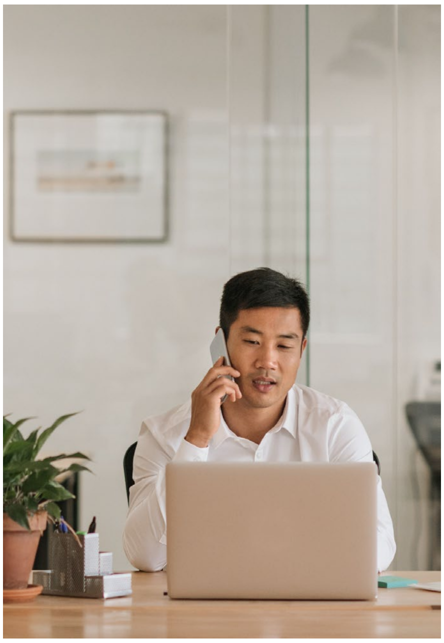
However, regulatory change ranked lower down the table (14th) compared to global and Asia Pacific averages.



Malaysia's top five risks:
What matters now

01 Human talent

> "A main risk to the industry is the rising use of AI and its impact to the workforce."
>
> Malaysian respondent – Insurance Banana Skins survey 2025



Human talent tops Malaysia's risk agenda — insurers recognise challenges in attracting and retaining talent.

For the fifth consecutive survey, attracting and retaining talent remains a top ten risk globally, with sharper concerns observed in Asia Pacific and Malaysia. As the number one risk in Malaysia in 2025, it reflects tight labour markets, and acute skills shortages particularly in AI, cybersecurity, data, and actuarial science.

What's driving the gap? Since the reopening of the economic and social sectors along with the country's borders in 2022, attrition has climbed alongside industry complexity and challenges, intensifying the competition for specialised talent within and beyond insurance.

Pressure points include salary expectations, the industry's declining appeal to graduates, and younger workers' preference for flexibility over hierarchy which may not be aligned with what the industry offers. This has been compounded by other competing factors including the weakened Ringgit making overseas remuneration packages more attractive, and an intense demand for tech-skilled roles that is rapidly reshaping the industry.

The impact on insurers' reinvention plans will be profound, with the loss of key expertise and challenges around hiring and retaining talents with the right knowledge and skill set for critical functions. Take underwriting for example; markets now expect behaviour-based, real-time pricing (especially in health, motor and insurance for small and medium enterprises), yet many underwriters are trained on fixed models. The industry needs hybrid talents that combine actuarial, commercial, and design-led thinking.

Key takeaways

Insurers that invest in building a sustainable talent pipeline and rethinking their rewards strategy will outpace those competing on salary or monetary rewards alone. This means exploring regional talent networks and hubs beyond solely relying on siloed national teams and building cross-border mobility into workforce plans. They also need to invest in flexibility and growth pathways and offer talents the opportunity to pursue purposeful work.

Insurers can differentiate themselves by aligning talent strategy with business transformation. Through upskilling initiatives to embed AI in underwriting, claims and customer service, insurers will be better equipped to serve customers more efficiently and make better decisions about future scenarios. This will enable them to turn a top risk into a lasting advantage.

02 Technology

Technology risk is rising in Malaysia's rankings - a clear call to action to modernise with both pace and purpose

Technology has climbed the risk agenda in Malaysia since the previous survey, creating an urgency to innovate for better results and impact. Digital initiatives have accelerated, spurred by shifting customer expectations, regulatory momentum towards a more digitalised industry, and more complex internal and external reporting requirements. The pandemic massively quickened the pace of change, prompting many insurers to rethink their digital strategies.

Several factors present a sobering reminder on the critical need for foresight and rigour in reinvention initiatives. Outdated systems slow integration, delay innovation and raise costs. Front-end system enhancements alone won't move the needle without modernising core platforms or building strong data and cloud foundations. Getting this right is about setting priorities with proper follow through, strong governance, and execution that links technology to tangible outcomes—speed to market, resilience, and customer value.

Key takeaways

To enhance their level of preparedness, a phased approach to modernisation will be necessary for insurers, with modular upgrades to manage risks and minimise disruptions, emphasising value delivery. Legacy systems will need to be migrated to the cloud for scalability, security, and easier integration.

To effectively respond to the dynamic nature of technology and changing customer needs, teams will need to be upskilled to embed AI and machine learning across underwriting, claims and customer service—the areas most impacted by digital transformation. In tandem, insurers would need to strengthen data management to meet rising expectations on quality, and business and financial reporting requirements.

Partnering with specialist vendors will help accelerate safe and cost-effective modernisation. Through well-coordinated interventions, technology risk can become an important catalyst for growth.

03&04 Investment performance and macro-economy

> "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."
>
> Malaysian respondent – Insurance Banana Skins survey 2025

Poor economic conditions and investment performance will harm the insurance sector

Our survey reveals that priorities have tilted decisively toward the macro-economy and investment performance, jumping 10 points and five points respectively from the previous rankings. A more macro- and market-sensitive environment, coupled with rising living costs, is testing planning and growth strategies. Globally, inflation, uncertain interest rate paths and geopolitical pressures are elevating anxiety.

In Malaysia, these headwinds are amplified by local realities: loss ratios normalised upward post-pandemic in motor and medical lines, spare parts and healthcare costs climbed, climate-related floods lifted reinsurance outgo, and medical utilisation surged. Regulatory interim measures announced in late 2024 to phase medical premium/takaful contribution adjustments through 2026, alongside policy rate and subsidy rationalisation uncertainties further compress underwriting margins and heighten earnings volatility.

As cost inflation outpaced pricing flexibility, insurers' dependence on investment income to sustain earnings and capital buffers have continued to grow—pushing investment performance into the top tier of perceived risks, especially for life insurance players with long-duration liabilities and general insurers operating in a high combined ratio range (i.e. above 90%).

Key takeaways

Setting their sights on protecting margins, insurers can prioritise improvements in operational efficiency, product innovation, and customer experience to compete with confidence. Critical steps they can take to enhance their resilience to tide them through market volatilities include strengthening asset liability management (ALM) to improve forecasting, diversifying their portfolios, and sharpening pricing agility with AI and data analytics.

Soaring healthcare costs have also led to the implementation of premium phasing, although this is an interim measure. A more sustainable approach to addressing this issue—and mitigating the steep rise of medical and health insurance premiums—is by exploring synergies across the healthcare ecosystem. This will require a broader, collaborative overhaul of the healthcare ecosystem by working with insurers, regulators, and key healthcare stakeholders to build resilience and unlock growth.

05 Emerging risks gaining momentum in Malaysia

Change management, AI and cyber crime – all ranked 5th in Malaysia's 2025 rankings

Change management:

Slipping to 5th place doesn't reduce its impact—insurers will need to have foresight in planning and execution as they embrace the changes around them. For instance, amidst the pressure to embark on AI and enhance the effectiveness of IT infrastructure, they must consider how to engage employees on transformative opportunities.

Critically, they need to consider innovative measures to address cultural inertia such as reverse mentoring to bridge technology gaps between the younger employees and more senior colleagues.

Insurers need to tie transformation to clear value. They can do this by empowering their employees to own their transformation journey, by getting them involved in pilot testing and exploring practical applications of AI across different product lines, as well as driving frontline adoption to stay ahead in the market.

AI and cyber crime:

It's fitting to discuss AI and cyber crime together, considering how interconnected they are and how they are perceived by the respondents. AI, a newer survey category introduced two years ago, has quickly moved to 5th place, alongside cyber crime.

Integrating AI into underwriting, claims and customer service can be a force multiplier, enabling insurers to outpace the market by improving productivity and decision-making. Yet AI is also a risk amplifier, particularly for fraud and cyber crime, as its usage inadvertently expands the attack surface, presenting low barriers to entry for attackers.

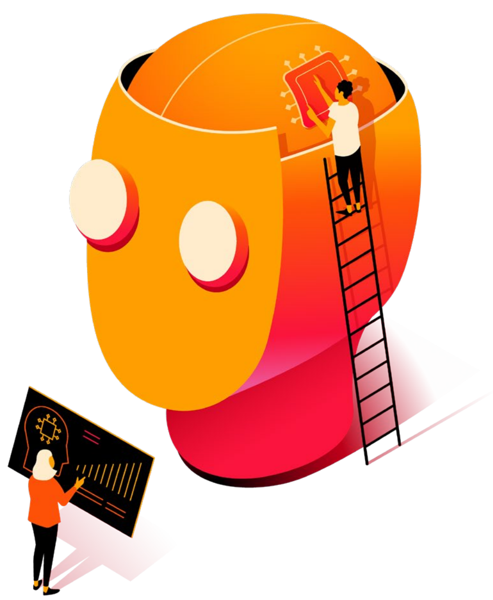
Refer to page 11 for the key takeaways.

"AI-driven fraud such as deepfakes is a wake-up call for insurers to review the effectiveness of their fraud red flag checklist."

Malaysian respondent – Insurance Banana Skins survey 2025

"The insurance industry will be overwhelmed in responding to the changes accelerated by AI while managing uncertainties amidst global trade tensions."

Malaysian respondent – Insurance Banana Skins survey 2025

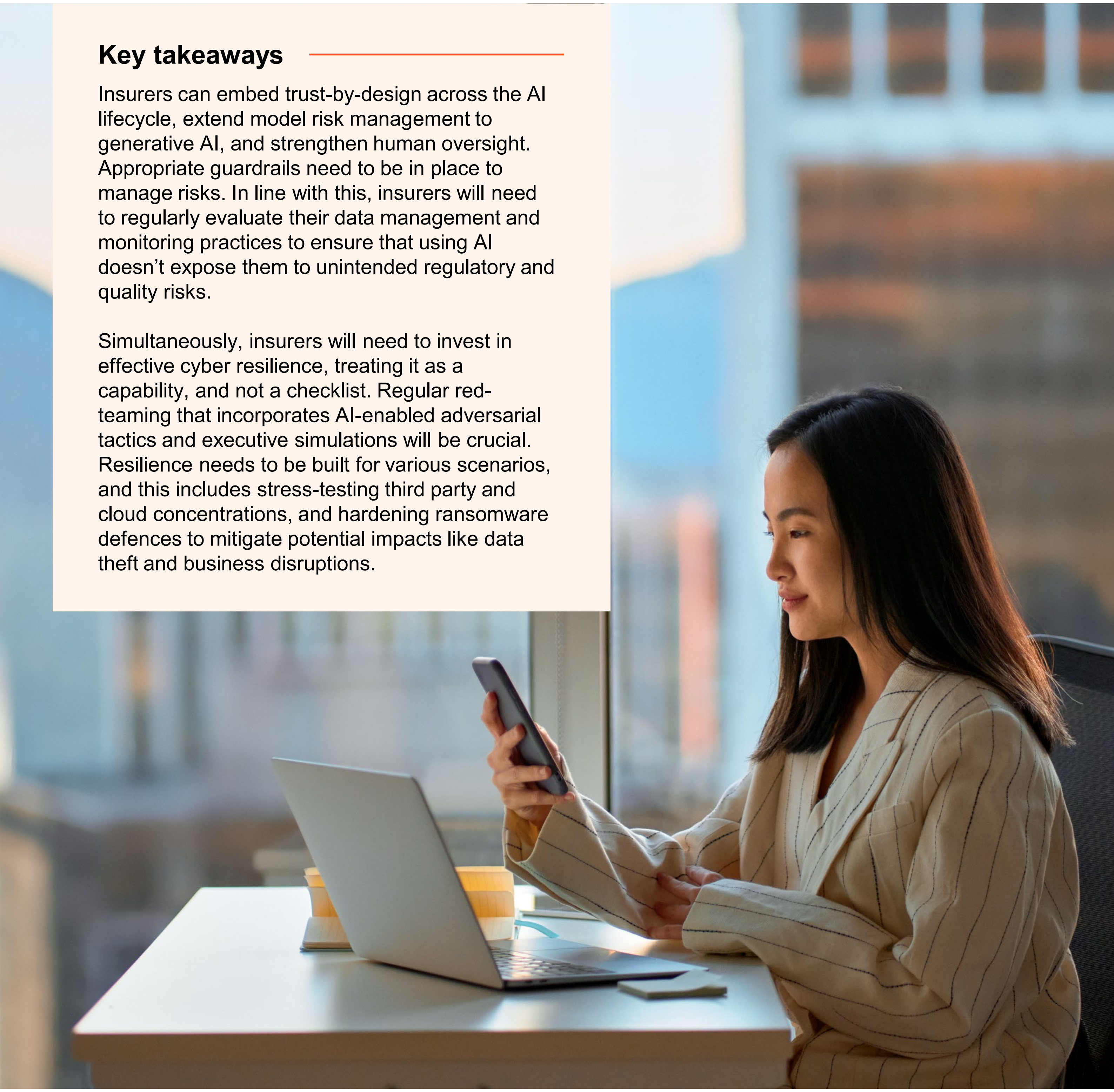


05 Emerging risks gaining momentum in Malaysia (cont'd)

Key takeaways

Insurers can embed trust-by-design across the AI lifecycle, extend model risk management to generative AI, and strengthen human oversight. Appropriate guardrails need to be in place to manage risks. In line with this, insurers will need to regularly evaluate their data management and monitoring practices to ensure that using AI doesn’t expose them to unintended regulatory and quality risks.

Simultaneously, insurers will need to invest in effective cyber resilience, treating it as a capability, and not a checklist. Regular red-teaming that incorporates AI-enabled adversarial tactics and executive simulations will be crucial. Resilience needs to be built for various scenarios, and this includes stress-testing third party and cloud concentrations, and hardening ransomware defences to mitigate potential impacts like data theft and business disruptions.



Talent

Technology

Trust

Conclusion

Malaysian insurers are more attuned to human talent, technology, and market/investment risks—and comparatively less focused on regulatory change, suitability and climate risks unlike their global and Asia Pacific counterparts. This sharper risk profile, focused on variables within insurers' locus of control, can be a springboard to success.

Closing the preparedness gap rests on an approach that emphasises the alignment of talent, technology and trust. This entails embedding AI governance, treating cyber resilience as a capability, strengthening ALM and scenario-based planning, and executing change with discipline.

Partnering across the ecosystem—with regulatory authorities, healthcare providers, technology providers, and talent—will be essential in addressing volatility from a resilience lens in pursuit of growth.

"A prime opportunity exists for Malaysian insurers to narrow the risk-readiness gap through cross-sector collaboration and innovation. Their unique focus on talent issues, technology and market risks, positions them for reinvention in the areas defining the success of the industry.

By tapping on their strengths and working with key players across the ecosystem, this can spur continued value co-creation in this dynamic landscape."

Angie Wong, Partner, Financial Services and Insurance Leader, PwC Malaysia

Appendix

(A) The Banana Skins 2025 results - The world and Malaysia

Insurance Banana Skins 2025

World		Malaysia	
1	Cyber crime	1	Human talent
2	Artificial Intelligence (AI)	2	Technology
3	Technology	3	Investment performance
4	Macro-economy	4	Macro-economy
5	Climate change	5	Change management
6	Regulatory change	5	Artificial Intelligence (AI)
7	Human talent	5	Cyber crime
8	Change management	8	Political risk
9	Political risk	9	Cost reduction
10	Suitability of regulation	9	Climate change
11	Interest rates	11	Interest rates
12	Cost reduction	11	Credit risk
13	Barriers to trade	13	Barriers to trade
14	Investment performance	14	Suitability of regulation
15	Social change modelling	14	Regulatory change
16	Reputation	16	Reputation
17	Competition	16	Social change modelling
18	Credit risk	18	Competition
19	Quality of management	18	Quality of management
20	Business conduct	20	Business conduct
21	Capital availability	21	Capital availability
22	Security risk	22	Corporate governance
23	Corporate governance	23	Security risk

Appendix

(B) The Banana Skins Indices

Banana Skins Barometer		Preparedness Index	
Indonesia	3.80	Vietnam	3.70
Malaysia	3.61	Spain	3.54
Türkiye	3.59	New Zealand	3.50
Vietnam	3.51	Brazil	3.45
Singapore	3.44	Indonesia	3.40
New Zealand	3.40	USA	3.38
Brazil	3.31	Denmark	3.29
Spain	3.31	Italy	3.29
Japan	3.30	Netherlands	3.28
Italy	3.27	Japan	3.27
South Africa	3.23	Global	3.27
Taiwan	3.22	Canada	3.25
Australia	3.21	Germany	3.24
India	3.15	Singapore	3.21
Global	3.14	UK	3.21
Luxembourg	3.13	South Africa	3.18
UK	3.13	Malaysia	3.11
USA	3.13	Australia	3.06
Germany	3.06	Taiwan	3.06
Netherlands	3.02	India	3.00
Canada	3.00	Luxembourg	3.00
Denmark	2.93	Türkiye	3.00
China	2.91	China	2.90

(C) Respondent breakdown in Malaysia

Broking/intermediary	0
Life	3
P&C/Non-life	6
Composite	1
Reinsurance	1
Other	1

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