

CSFI/PwC Insurance Banana Skins 2017

*Bermuda report
May, 2017*



Insurance Banana Skins 2017

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

Capital availability:

“Oversupply of capital drives
poor pricing behaviour.”

- Survey participant

Political risk: “There are three main risks to the offshore insurance business, Trump, Trump and Trump.”

- Survey participant



49

There were 49 responses from **Bermuda**, as follows

Broking	0
Life	1
Non-life	11
Composite	2
Reinsurance	20
Other	15

Bermuda

The response from Bermuda, with its large offshore wholesale business, was dominated by concern over external forces threatening the market: cyber crime, the seemingly inexorable rise in regulation, and a soft market resulting from overcapacity. (The relatively high position occupied by capital availability risk is because there is too much capital, not too little).

There were also strong concerns about the threat of political interference in the form of efforts by President Trump to prevent the export of US insurance business to offshore centres. Bermuda was one of the few jurisdictions which expressed concern about Brexit because of its connection with the London market and passporting from there into the EU.

Notable was the very low level of concern about the prospect for interest rate movements: an upward movement would be welcomed.

Interest rates:

“Higher rates hurt in the short term, but actually help longer term.”

- Survey participant

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

Risk	Position
Capital availability	10
Political interference	8
Quality of management	5
Regulation	4
Brexit	3
Reputation	-5
Business practices	-6
Interest rates	-9

The Banana Skins Indices

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

It 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 Islands	3.18
Barbados	3.40	Austria	3.14
Luxembourg	3.40	Netherlands	3.13
Brazil	3.38	Belgium	3.12
Argentina	3.37	Bermuda	3.11
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 Islands	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".

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