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# *CSFI/PwC Insurance Banana Skins 2017*

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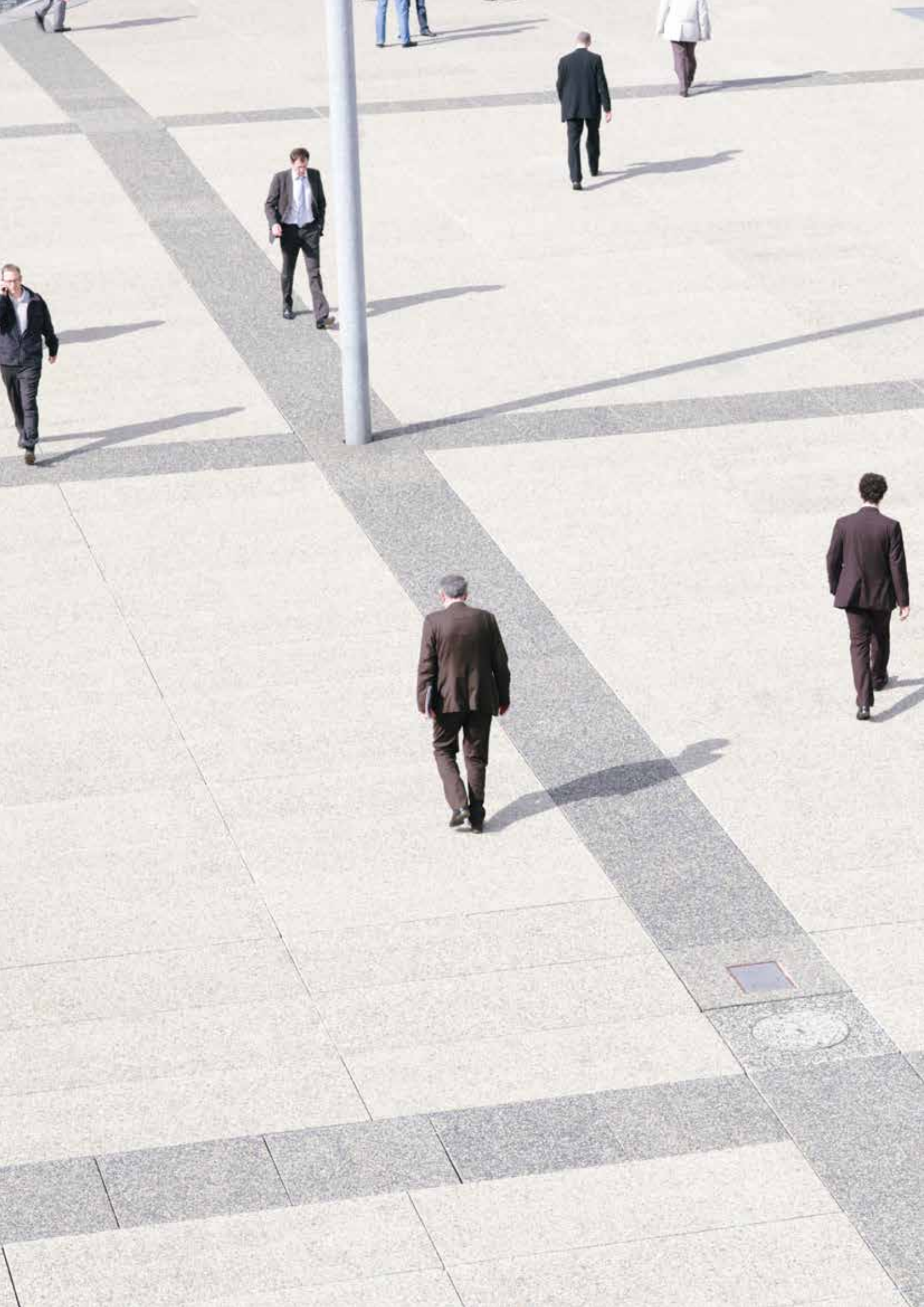

# *Insurance Banana Skins 2017*

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

# Brazil

There were 18 responses from Brazil, as follows:

| | | | |
|---|---|---|---|
| *Broking* | *1* | *Composite* | *3* |
| *Life* | *5* | *Reinsurance* | *0* |
| *Non-life* | *7* | *Other* | *2* |

The top concern in Brazil remains the poor state of the domestic economy and investment markets, and their depressing effect on the insurance business. Negative views were also expressed about the outlook for the global economy. The low level of interest rates in the international market is a concern because it is hitting investment returns, and therefore profitability. There is a strong awareness of technological change in the industry and the need to adapt to meet new forms of competition, though also concern as to whether conservative attitudes can manage the transition. The threat of cyber crime is a high concern, reflecting the global view.

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

| | | | |
|---|---|---|---|
| *Social change* | *13* | *Change management* | *-5* |
| *Capital availability* | *10* | *Cost reduction* | *-5* |
| *Corporate governance* | *8* | *Human talent* | *-6* |
| *Macro-economy* | *5* | *Competition* | *10* |

## *A selection of quotes*

**Change management:**

"The biggest concern of the insurance industry…is how digital transformation and start-ups will affect how people see and buy insurance products. Insurtechs are already a reality and most big old companies are trying to keep up with the changes that these new players are bringing to the market."

**Disruption:**

"I believe innovative and disruptive ideas are a great risk to insurance markets that are unwilling to open their minds to the new."

**Economy:**

"The Brazilian economy has been experiencing an economic recession since 2014 coupled with a political crisis, impacting negatively the capacity of growth and increasing the volatility of interest rates and USD fluctuation."

**Risk management:**

"I think that the most companies are not prepared to implement and monitor controls to avoid corporate and regulatory risks".

# *The Banana Skins Indices*

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

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

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".

| 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 |

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