Insurance Banana Skins 2017

The CSFI survey of the risks facing insurers

pwc

CSFI

Centre for the Study of Financial Innovation

The Centre for the Study of Financial Innovation is a non-profit think-tank, established in 1993 to look at future developments in the international financial field – particularly from the point of view of practitioners. Its goals include identifying new areas of business, flagging areas of danger and provoking a debate about key financial issues. The Centre has no ideological brief, beyond a belief in open markets.

Trustees
David Lascelles (Chairman)
John Hitchins
Mark Robson
Carol Sergeant
Sir Malcolm Williamson

Staff
Director – Andrew Hilton
Co-Director – Jane Fuller
Senior Fellow – David Lascelles
Programme Coordinator – Angus Young

Governing Council
Sir Malcolm Williamson (Chairman)
Geoffrey Bell (NY)
Rudi Bogni
Philip Brown
Abdullah El-Kuwaiz
John Heimann (NY)
John Hitchins
Rene Karsenti
Henry Kaufman (NY)
Walter Kielholz
Sir Andrew Large
David Lascelles
John Plender
David Potter
Belinda Richards
Mark Robson
David Rule
Carol Sergeant
Sir Brian Williamson
Peter Wilson-Smith

CSFI publications can be purchased through our website www.csfi.org or by calling the Centre on +44 (0) 20 7621 1056

Published by Centre for the Study of Financial Innovation (CSFI)

Cover by David Bromley

Email: info@csfi.org
Web: www.csfi.org

ISBN: 978-1-9997174-1-4

Printed in the United Kingdom by Heron Dawson & Sawyer

In this document, PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.
This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

C S F I / New York CSFI

NUMBER ONE HUNDRED AND TWENTY SIX **MAY 2017**

Preface

This is the sixth *Insurance Banana Skins* survey conducted by my colleagues at the CSFI, David Lascelles and Keyur Patel – and, by a fair margin, the most comprehensive, in that it involved collating 836 responses from practitioners, regulators and observers in 52 countries. For that we have to thank our friends at PwC, who have generously sponsored the survey since it started in 2007 and who have allowed us to benefit from their network of offices and clients around the world.

That said, this is a CSFI report. We are responsible for the survey, for the responses and for the conclusions we draw from them. Again, we are grateful to PwC for respecting that.

Clearly, the big story of this year's survey is the significant rise in concerns about what we have called "operating risks" – a cluster of risks that includes, in particular, advances in technology that are challenging the industry's traditional way of doing things. Management is having to adapt to rapid change and to new threats – particularly cyber threats.

In comparison, those risks clustered together as the economic environment (including interest rates and the macro economy) appear less pressing, as do regulation and governance. Perhaps surprisingly, "Brexit" doesn't seem to have loomed large as a risk - though, more broadly, the risk of political interference has increased significantly. I wonder if 'Brexit' will be closer to the top next time we survey the industry, or whether insurers (be they in the UK or elsewhere) will remain relaxed.

As always, the survey is a good read. But it is not just that. The breadth of coverage is awesome, and the concerns it winkles out will, I am sure, make for lively discussions at boardroom level – and not just in the UK. Once again, thanks are due to David and Keyur for the very considerable work they have put in, and to PwC for its unflagging support. We are all very grateful.

Andrew Hilton
Director
CSFI

This report was written by **David Lascelles** and **Keyur Patel**

Sponsor's foreword

Welcome to Insurance Banana Skins 2017, a unique survey of the risk concerns at the top of the boardroom agenda and how these perceptions change over time. The report has been produced by the CFSI in association with PwC.

We're delighted to be continuing our support for this initiative, which began with the first edition in 2007. The subsequent years have seen a considerable maturing in enterprise risk management (ERM) within the industry and an increasingly active role for Chief Risk Officers (CROs) within strategic decision making.

Disruptive threats
The maturing of ERM and increasing impact of CROs are proving invaluable in a marketplace being transformed by new technology, shifting customer expectations and associated pressure on costs. Many insurers' ability to respond is hampered by slow and unwieldy legacy systems. Unfettered by these constraints, new entrants have free rein to probe for openings and disrupt the most attractive parts of the value chain. The challenge of keeping pace has propelled change management from sixth to top of participants' list of biggest risks. Yet this disruption also brings huge opportunities to boost innovation and differentiation.

Dealing with the challenges and opportunities demands clarity about where the business can add most value, and ruthlessness in targeting investment at these priorities. Any low-performing and inefficient operations that don't make the cut should be quickly eliminated or overhauled. And while technology is likely to be the main focus of investment, the right talent is just as important in fostering the agility, innovation and customer insight needed to compete.

Low rates
Interest rates continue to be the biggest concern for life insurers. This underlines the importance of bolstering margins through sharper efficiency and innovation. A better understanding of the interdependencies between regulatory capital and asset yields can also help businesses to capitalise on market opportunities, while curbing capital demands.

Under attack
Cyber risk is the number one banana skin for reinsurers and high up the list within other segments. The threat from both direct cyberattacks and major cyber insurance losses is escalating. Even insurers that don't underwrite cyber cover are likely to have considerable exposures within other business lines. Protecting against attack and managing the underwriting risks demand more timely and effective risk intelligence. This includes a better understanding of the 'crown jewels' most at risk and the constantly morphing nature of the threats.

On the way down
A notable faller is regulation, which has dropped from first to sixth. While mastering regulation is still a tough challenge, there's a growing recognition that it's now only table stakes – the price of entry to the game. Survival and success demand a fundamental overhaul of costs, technological capabilities and innovation capacity – in short, effective change management.

We would like to thank all the participants in the survey for sharing their valuable insights and the CFSI for the perceptive analysis within the report. If you would like to discuss any of the issues raised in more detail, please don't hesitate to contact us.

Mark Train
Global Insurance Risk Leader, PwC
Tel: +44 (0)207 804 6279
Email: mark.train@uk.pwc.com

Stephen O'Hearn
Global Insurance Leader, PwC
Tel: +41 446 280 188
Email: stephen.ohearn@ch.pwc.com

Contents

About this survey 4
Summary 6
Who said what 9
Preparedness 12
The Banana Skins 13
Appendix 34

About this survey

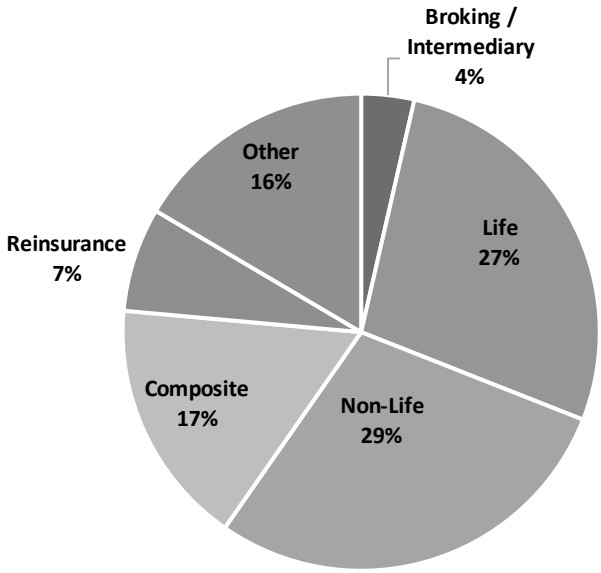
Insurance Banana Skins 2017 surveys the risks facing the insurance industry in early-2017, and identifies those that appear most urgent to insurance practitioners and close observers of the insurance scene around the world.

The report, which updates previous surveys in 2007, 2009, 2011, 2013, and 2015, was conducted in January and February 2017, and is based on 836 responses from 52 countries.

The questionnaire (reproduced in the Appendix) was in three parts. In the first, respondents were asked to describe, in their own words, their main concerns about the insurance sector over the next 2-3 years. In the second, they were asked to rate a list of potential "Banana Skins" or risks. In the third, they were asked to rate the preparedness of insurance institutions to handle the risks they saw. This report ranks and analyses each Banana Skin individually.

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

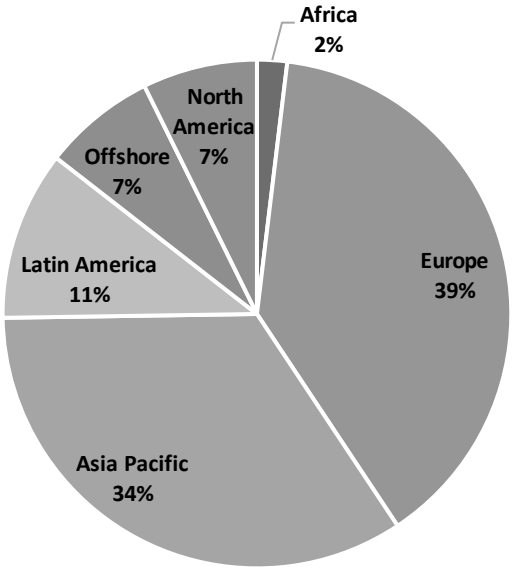
The breakdown of responses by sector was:



Nearly three-quarters of the respondents were from the primary insurance industry[1]. The remainder were from the reinsurance and broking sectors, and non-practitioners such as regulators, consultants, analysts and other professional service providers.

[1] I.e. the life and non-life sectors, or a composite. In this report we use the term Non-Life to describe what some markets call the Property & Casualty (P&C) sector.

The breakdown of responses by region was:



Three-quarters of respondents came from Europe and the Asia Pacific region, roughly evenly split. Most of the remainder were in the Americas and offshore insurance centres in the Caribbean.

The breakdown of responses by country was:

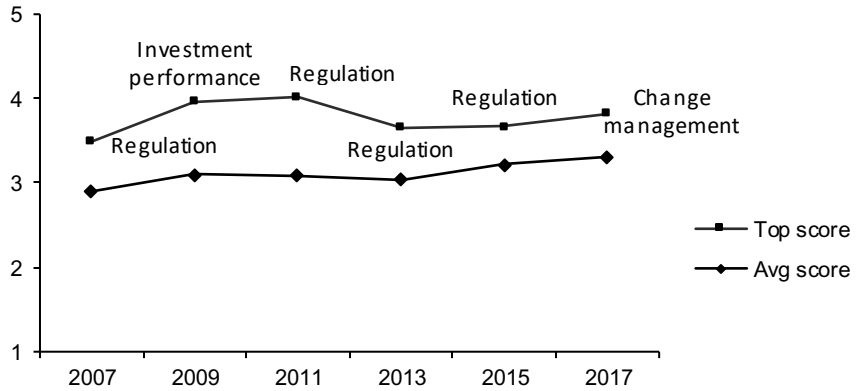
Angola	1	Greece	16	Peru	2
Argentina	16	Hong Kong	10	Philippines	12
Australia	55	India	16	Poland	3
Austria	14	Indonesia	38	Portugal	15
Barbados	22	Ireland	29	Romania	4
Belgium	26	Isle of Man	1	Singapore	32
Bermuda	49	Italy	15	Slovakia	9
Botswana	1	Jamaica	10	South Africa	10
Brazil	18	Japan	36	Spain	27
Canada	38	Laos	1	Sweden	11
Cayman Islands	11	Luxembourg	19	Switzerland	16
China	17	Malaysia	24	Taiwan	11
Colombia	11	Malta	1	Thailand	10
Croatia	9	Mexico	11	Turkey	17
Czech Republic	10	Netherlands	19	UK	34
Denmark	15	New Zealand	23	USA	23
France	2	Nigeria	2	Zimbabwe	2
Germany	11	Northern Europe	1		

Summary

This survey identifies the risks, or "Banana Skins", facing the global insurance industry in the first half of 2017 as seen by a sample of 836 practitioners and close observers of the scene in 52 countries. It comes at a time when the world economy is showing stronger signs of growth but the industry itself faces the pressures of structural and technological change, along with a difficult investment climate and a heavy regulatory agenda.

Anxiety is at an all-time high

Chart 1 **Insurance Banana Skins Index**



Respondents were asked to score each of the 22 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.

Significantly, the overall tone of the responses this year was more negative than the previous survey in 2015, as measured by our **Insurance Banana Skins Index,** (the "anxiety index", see Chart 1) despite the resumption of global growth. The average score given by respondents to our list of 22 risks rose to its highest level since we began the series in 2007.

Sharp rise in operating risks

Chart 2

Major categories of risk*

(Score out of 5)

	2017	2015	+/-
Operating risks	3.39	3.22	+0.17
Economic environment	3.57	3.58	-0.01
Governance	3.18	3.19	-0.01
Public environment	3.14	3.23	-0.09

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

This pessimism is due entirely to a sharp rise in concern about operating risks (Chart 2), notably advances in technology which are challenging the industry's traditional structures. These threats have replaced the economic and regulatory environment as the industry's chief source of anxiety.

These shifting perceptions are reflected in the ranking of individual risks in Chart 3. The three highest risks form a cluster around the theme of technological change and industry response. The top position occupied by **change management** reflects concern, even doubt, about the industry's ability to address the formidable agenda of digitisation, new competition, consolidation and cost reduction which confronts it. **Technology** (No. 3) is a common theme in virtually all the major changes facing the

industry. **Cyber risk** (No. 2), another relative newcomer to the scene, has also risen sharply on concern about both crime and underwriting risk.

Economic instability remains a threat

The next cluster of risks, **interest rates** (No. 4), **investment performance** (No. 5) and **macro-economic risk** (No. 7) shows that concern about economic instability remains high. Although respondents acknowledged that signs of growth are multiplying, confidence in the recovery is not strong for reasons as widely dispersed as the slowdown in China, the risk of Trump era protectionism, and populism in Europe. The low level of interest rates continues to depress investment returns and endanger **savings products with guaranteed returns** (No. 10). Respondents also see low yields driving more **competition** (No. 8) as insurers seek to boost their "top line" revenues, and outsiders such as hedge funds chase business with new capital. **The availability of capital** at No. 20 is clearly not a problem: rather the opposite, it is in surplus.

Chart 3

Insurance Banana Skins 2017

(2015 ranking in brackets)

1	Change management (6)
2	Cyber risk (4)
3	Technology (-)
4	Interest rates (3)
5	Investment performance (5)
6	Regulation (1)
7	Macro-economy (2)
8	Competition (-)
9	Human talent (15)
10	Guaranteed products (7)
11	Political interference (16)
12	Business practices (11)
13	Cost reduction (-)
14	Quality of management (12)
15	Quality of risk management (10)
16	Social change (20)
17	Reputation (18)
18	Product development (17)
19	Corporate governance (21)
20	Capital availability (22)
21	Complex instruments (25)
22	Brexit (-)

… But concern about regulation is falling

This year's results show a significant decline in concern about the stifling impact of **regulation** (No. 6), a Banana Skin which regularly occupied the top position in previous surveys. This is largely because Solvency 2, the EU's massive regulatory initiative, is now in place, though the cost and complication of regulation continue to be a major source of frustration in most of the regions we surveyed. This was offset by a sharp rise in the risk of **political interference** (up from No. 16 to No. 11) stemming from more pro-active policies to protect consumers, from the risk of trade wars and a popular desire to see insurance companies take on more of the task of servicing **social change** (No. 16), e.g. health and pensions. Also on the political front, **Britain's exit from the EU** (No. 22) was seen to be a minimal source of risk for insurers, many of whom don't have operations in the UK. Some international insurers said it would create "passporting" risk by raising barriers between the UK and the EU.

An area of declining risk is the **governance and management of insurance companies** (Nos 14, 15 and 19). These were seen as high level risks during the financial crisis, but have fallen sharply since then. Respondents reported big improvements, partly as a result of initiatives from the industry itself, but also under regulatory pressure. However concerns remain, particularly over the quality of **human talent** in the industry (up from No. 15 to No. 9), and its ability to attract good people, particularly to handle the digital challenge.

Response by type of respondent

The survey shows similarities as well as differences between the responses of various insurance sectors. The challenges of **technological change** and **cyber risk** were at the top of the list for all sectors: life, non-life, composite, reinsurance etc. So were concerns about the uncertain outlook for the **macro-economy** and **investment.** A major difference was over **interest rates** which the life and composite insurers saw as their top risk, but ranked only No. 8 for non-life insurers. The life industry was also less concerned about the threat of competition than other sectors where entry barriers are lower. The primary insurers showed a common concern about the quality of **human talent** in the industry and about the continuing impact of new **regulation**.

…and by geography

A breakdown of responses by region also showed different priorities. The challenges of **technological change** ranked among the highest risks for all regions. However the top concern in Europe was the continuing low level of interest rates because of the industry's high exposure to guaranteed products. Another point of difference was over the risk of **political interference** which was seen to be high in the US (No. 6) and rising in Europe, but lower elsewhere. Concern about excessive **regulation** was also highest in North America (No. 6), ranking No. 7 in Europe and Latin America, but outside the Top Ten in Asia Pacific.

Preparedness

Respondents were asked how well prepared they thought the insurance industry was to handle the risks they identified. On a scale of 1 (poorly) to 5 (well) they gave an average response of 3.02, a sharp decline from the previous year's 3.20, suggesting a higher level of anxiety about the industry's ability to weather a difficult business environment.

Who said what

A breakdown of the results by respondent type and region shows a strong common concern with the negative impact of change and "disruption" on the insurance business, against a background of rising cyber risk, persistent low interest rates and heavy regulation.

Common concerns about change management, cyber risk and technology

Life Insurance

1. Interest rates
2. Change management
3. Cyber risk
4. Investment performance
5. Technology
6. Regulation
7. Guaranteed products
8. Business practices
9. Macro-economy
10. Human talent

The life sector feels under threat from a combination of forces. The persistence of low interest rates is affecting its ability to put together attractive savings products in what many see as a shrinking market. Technological change, the "digital transformation" and new types of competition are adding to the challenge, along with a heavy regulatory agenda. As with all sectors, cyber risk is a fast-growing issue. In the 2015 survey, concern about the macro-economic outlook was No. 2. This time it has fallen to No. 8 suggesting a more bullish outlook on that front, at least.

Non-life

1. Technology
2. Change management
3. Cyber risk
4. Competition
5. Investment performance
6. Regulation
7. Human talent
8. Interest rates
9. Macro-economy
10. Quality of management

On the non-life, the risk agenda is dominated by concerns over technological change and how to address it, specifically the entry of new forms of competition and distribution. Closely allied is the impact of competition on insurance capacity and the persistence of a "soft market". Cyber crime features in a double capacity: as a threat to industry security and as an underwriting risk. Regulation continues to be seen as a high risk because of the cost and the distraction. As with the life sector, the economic outlook is a declining concern.

Reinsurance

1. Cyber risk
2. Change management
3. Investment performance
4. Macro-economy
5. Technology
6. Competition
7. Political interference
8. Interest rates
9. Regulation
10. Cost reduction

Cyber risk, both as a security issue and an underwriting risk, is the top concern of the reinsurance sector. The challenge of structural change in the industry, driven by new technology and competition, is also high on the agenda. Concern about excess capacity and soft pricing persists. The high position of political risk reflects worries about the threat of protectionism and rising populism. The weight of regulation continues to be a concern for the sector, and reinforces the need for cost reduction

Composite

1 Interest rates
2 Change management
3 Cyber risk
4 Technology
5 Investment performance
6 Macro-economy
7 Regulation
8 Competition
9 Guaranteed products
10 Human talent

Responses from the composite sector reflected those of the life sector more closely than those of the non-life sector. The top concern was the persistence of low interest rates, and its impact on savings products and investment returns. There was also a strong focus on the forces of technological change/new competition, and how to address them. Cyber risk was prominent. The sector also saw a risk in a shortage of human talent, particularly in the fast-growing technology side. As with other sectors, the size of the regulatory agenda was a strong concern.

Brokers/intermediaries

1 Technology
2 Change management
3 Cyber risk
4 Interest rates
5 Human talent
6 Regulation
7 Political interference
8 Quality of risk
9 Quality of management
10 Competition

Technological change is at the head of brokers' concerns, particularly issues linked to the client interface, and distribution. Cyber risk is also a top-level concern. Brokers shared wider industry worries about the low interest rate environment, though showed less concern than primary insurers about the economic outlook; this was the only sector in which this risk did not appear in the top ten. They share the industry's broader concern with the quantity of new regulation, and also the risk of politically-inspired protectionism.

Europe

Interest rates head concerns in Europe for second consecutive survey

1 Interest rates
2 Cyber risk
3 Change management
4 Technology
5 Guaranteed products
6 Investment performance
7 Regulation
8 Macro-economy
9 Competition
10 Political interference

For the second straight survey, the most urgent risk in Europe was the persistently low interest rate environment, which led to particular concern about guaranteed products and investment performance. Elsewhere, Europe's response was broadly in line with the global rankings, scoring operating risks – particularly those closely tied up with technology – highly, but with a slightly lesser emphasis on previous top risks such as regulation and the macro-economic climate. The risk of political interference has risen sharply into the top ten, with fears about trade wars and 'anti-insurance' attitudes.

Different geographic risk priorities

Asia Pacific

1. Change management
2. Technology
3. Cyber risk
4. Investment performance
5. Human talent
6. Reputation
7. Quality of management
8. Business practices
9. Interest rates
10. Competition

The Asia Pacific response was dominated by technology risks, due both to rapid changes in the external environment and the need to upgrade insurers' internal systems. Its top ten also showed some divergence from the global rankings, with concerns about the industry's reputation and its ability to attract and retain talent ranked higher than average. So, too, were governance risks – particularly relating to insurers' quality of management and business practices. On the other hand, economic and public environment risks were generally ranked lower.

Latin America

1. Investment performance
2. Technology
3. Cyber risk
4. Change management
5. Macro-economy
6. Interest rates
7. Regulation
8. Quality of risk
9. Cost reduction
10. Social change

Respondents in Latin America showed high concern about the economic environment – most urgently, the impact it is having on insurers' investment performances. Due largely to low investment yields, cost reduction was also considered a top ten risk. In line with other regions' responses, technology, cyber risk and change management were all ranked near the top. Elsewhere, governance risks – notably the quality of risk management – came in higher than the global average, but there was lower concern about the public environment, particularly political interference.

North America

1. Change management
2. Cyber risk
3. Technology
4. Human talent
5. Competition
6. Regulation
7. Interest rates
8. Political interference
9. Cost reduction
10. Product development

The response from the US and Canada emphasised the structural and technological changes facing the industry, and the threat from cyber-attacks. Technology was also a driving force behind the ranking of other top risks, including human talent, competition, and product development, a Banana Skin which appeared well down the global table. Also notable was the higher than average score of political interference (which was No. 6 in the US), with the election of President Trump. However, governance risks were scored low.

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 3.02, a notable drop from 3.20 last time.

Preparedness by region		Preparedness by sector	
Offshore	3.12	Composite	3.10
Europe	3.06	Reinsurance	3.06
Asia Pacific	3.00	Life insurance	3.04
Latin America	3.00	Non-life	2.99
North America	2.86	Brokers/intermediaries	2.88

Preparedness for risk is falling

Views on preparedness

Spain, composite (2/5): "Insurers are not succeeding in building a constructive dialogue with regulators, to reach a reasonable regulatory framework. They also remain unprepared to face cyber risk and the appearance of new InsureTech players."

UK, non-life (2/5): "The disruption coming from new business models and technology is likely to entirely change the way the industry and its value chain operates. Despite the efforts of established operators to defend their positions, economic arguments and regulation are likely to shift where power resides in the value chain."

China, composite (2/5): "Many aggressive smaller-sized insurance companies have not even realised the importance of risk management, while the big ones are very slow to face and deal with the emerging risks associated with changing markets and low interest environment."

Australia, non-life (3/5): "[The industry is] aware and responding but hamstrung by legacy cultures, systems and processes."

Barbados, broker (3/5): "They are good where compliance and governance practices are concerned but are reacting too slowly and myopically on the issues of competition, client service and technology."

Greece, composite (4/5): "The biggest risks – (geo)political and macroeconomic – cannot be sufficiently avoided even by well-prepared insurers."

UK, broker (4/5): "Pretty well. They learned a lot through the financial crisis and Solvency II has made a positive contribution. But that's not a cause for complacency."

1. Change management (2015 ranking: 6)

Score: 3.82 (2015 score: 3.45)

The pace and scale of structural and technological change confronting the global insurance industry is the biggest risk it faces over the next 2-3 years, according to respondents to the latest Banana Skins survey.

The challenges are many. Rapidly evolving markets, rising customer expectations, and new distribution channels threaten traditional insurance business models, while incumbents held back by legacy systems and traditional modes of thinking struggle to innovate in an unfamiliar environment. The industry was variously described as: "glacially slow in its response to change", "too comfortable", "inward looking, bureaucratic and complacent" and "reactive". In the words of one widely echoed respondent: "The principal risk the industry faces is irrelevance".

The position of this Banana Skin is all the more the striking because of the suddenness with which it has surged to the top of these rankings. It was by far the biggest riser this year, and is up from No. 15 just four years ago. Also notable is its consistency: it did not rank below No. 2 in any sector we surveyed, nor below No. 5 in any major region.

New technologies could transform insurance markets and challenge traditional business models

Respondents cited many technologies as on the cusp of transforming insurance markets: driverless cars, the 'internet of things', artificial intelligence, advances in genetics, telematics, etc. "Autonomous vehicles and smart homes decreasing frequency of losses/ cost of claims and driving down average premiums… will require major restructuring of the industry", said the chief strategy officer of an insurance company in Canada.

Pricing these new markets is a major challenge. "As actuaries, I think, we really don't know how we price policies for driverless cars and drones. This may cause biased ultimate loss ratio projections", said a respondent in Turkey. The concern for incumbents that do not adapt quickly enough is that they could be displaced by more agile competitors, especially from the InsureTech world. Brett Humphrey, Japan Head of Financial Planning and Analysis at AIG Japan Holdings, said: "Customers are needing and demanding products that insurers are finding it difficult to underwrite due to low investment returns. Failure to meet these demands will force the customer to find alternative solutions".

On the other hand, companies that rush into nascent markets with insufficient loss data could expose themselves to other serious risks. Chris Mackinnon, general representative at Lloyd's Australia Limited, said: "The speed of change in the world of technology is outpacing the speed of change in our industry and we are in danger of exposing capital to unprecedented risk which has not been correctly rated and assessed".

Some respondents worried that more customers are shunning insurance altogether, particularly younger generations with a "live in the present moment" mindset. This was especially noted on the life side of the industry. "The main risk that I see is the danger that we lose relevance with the millennials and younger. They expect to live longer so undervalue insurance and deal with companies in a way that doesn't fit our existing models", said a life insurance respondent in China.

But others thought the bigger problem lay in traditional insurers' reluctance or inability to engage with younger generations through more relatable distribution

channels. A P&C respondent in Japan said: "Large insurers are overly exposed to the agency model. However, new customers are buying insurance products more and more via digital means. Failure to develop an effective digital / direct distribution channel will mean long-term market share decline". The CEO of an insurance company in Ireland said: "It is highly likely that insurance will be sold through social media channels in a few years. Insurers will lose market share and some will become irrelevant if they don't move with trends".

There was, however, a notable segment of respondents who were more sanguine about the industry's ability to respond to change. Some made the point that many leading insurers are increasingly collaborating with InsureTech players to experiment with new technologies and distribution channels. A board member of a P&C insurer in Australia argued that a more reactive approach to change can be successful. "Barriers to entry are relatively high and the large players have the resources to be fast followers", she said.

Business models being challenged

The motor casualty business, and hence personal lines insurers, will be devastated by the advent of driverless cars. Essentially this form of insurance will "move" to product/warranty liability, i.e. away from the driver (personal lines) to the manufacturer (captive or large commercial lines). Motor casualty is the cash cow for many P&C companies. Without it they will flounder, particularly if the soft pricing cycle continues and if interest rates remain at relatively low rates. This will trigger consolidation in major markets.
Chief operations officer, non-life, Cayman Islands

2. Cyber risk (4)

Score: 3.80 (3.55)

Cyber-crime is seen as an exceedingly urgent threat to the industry. Anxiety has risen sharply this year from an already high level: this Banana Skin received more 5/5 scores than other, and only narrowly missed a top place ranking. These concerns were global and came from every part of the industry, and were not ranked below No. 3 in any region or sector we surveyed.

Major attacks on insurers are "inevitable"

A large number of respondents warned that major attacks on insurers were inevitable, and many added that their impact could be catastrophic. This risk is seen to be increasing because "a more interconnected world means there is more exposure", as one respondent put it, and because an ever-growing volume of insurers' business is coming from digital channels. Dean Thompson, Vice President of Marketing and Sales at HCMS Group in the US, said: "The old adage of 'it's not if, it's when' applies here. Due to PHI [protected health information] and financial information, the insurance industry has always been fertile ground for hackers and international cyber groups. The key to a plan is how you respond to the incident and how prepared you are to recover".

Damage could be caused in a wide number of ways. The greatest concerns were about the theft or ransom of sensitive customer data (such as personal, medical, or financial information – described as "gold" on the black market and "dark web"), the corruption of insurers' databases, and the theft of intellectual property. The

ensuing potential for reputational damage is large. “Would a large health insurer be able to survive such a public event?”, one respondent asked.

Other threats include service disruptions, compensation claims for customers, and fines by supervisors – all of which could also cause significant reputational damage. The cost of protecting systems from cyber-attacks is itself a high concern. “Protection costs and restrictions of our processes pose an equally high risk as an actual cyber-attack”, said the chief executive of a composite insurer in Ireland. A major challenge is identifying where and how resources should be deployed to counter cyber-crime. The chairman of a re-insurance company in Australia said: “This is the risk we cannot adequately measure and predict. Consequently it requires a full on effort rather than one that manages it down”.

A minority view was that insurers are not as big a target as some other industries for cyber criminals; another was that the threat is reputational but not, for the most part, material. Strikingly, China’s 17 respondents on average scored this as their lowest Banana Skin of all. A risk manager in China said: "[Cyber risk] is reflected in reputation risk of customer information leakage [but] little economic loss is caused by external network intrusion. Therefore, internal system and data related operational risks should be managed.”

Underwriting cyber risk is a major challenge

Underwriting cyber risk

Though our question asked specifically about insurance companies themselves as victims, cyber-crime is, as one respondent put it, “a high risk to all industries and governments” – and underwriting it is a major challenge for the industry.

There was much uncertainty about if and how insurers can come up with an economically viable business model. The chief risk officer of a reinsurance company in Bermuda warned of “an increasing prevalence of cyber claims with limited data and modelling to price and monitor exposure”, while the chief executive of a non-life insurer in Taiwan said: “Hackers will be targeting more companies with cyber insurance coverage. Ransomware is becoming more popular with [the prevalence of] Bitcoin [the crypto-currency]”. A respondent in Canada asked: “How do we respond as an industry to provide solutions to this risk to our customers, particularly when reputational risk may be as great or greater than the financial risk we traditionally insure”?

Some respondents – pointing to a “growing number of state-sponsored attacks” – thought cyber-warfare could pose a potentially systemic threat to the industry. One warned of: “A warlike cyber-terror event that causes huge aggregation and event definition issues”; another of: “computer sabotage on a major scale, with severe damage.”

3 Technology (-)

Score: 3.75

While the risk that the insurance industry fails to keep up with technological changes in the wider world is a pervasive theme in this survey, its internal business and technology modernisation is also a very pressing concern. This was the top ranked Banana Skin for non-life insurers, and by region was No. 2 in Asia Pacific and Latin America.

Established insurers burdened by legacy systems

A much-repeated concern was that incumbents in every sector of the industry are hamstrung by legacy systems "designed decades earlier". The finance director of a line insurance company in the UK said: "Legacy platforms are prevalent in most life insurance companies, and run at high cost and often with lack of proper support arrangements. Life insurance is way behind most industries in digitising its offerings. It's hard for many to be able to interact with customers using anything other than telephone or letter, and this needs to change fast". A reinsurance respondent in Bermuda said: "Our industry's infrastructure is built on layers of relationships, duplication and inefficiency".

Respondents made the point that using technology to improve internal processes will be key to minimising insurers' administration costs – which is necessary for their long-term survival. However, the cost of migrating antiquated and fragmented in-house policies into a modern system was described by one P&C insurer as "staggering… and so most insurers do not. That means they continue to use old admin systems that in some cases are over thirty years old". Bernard Deschamps, president of Groupe Ultima Inc in Canada, said: "It is not only the massive investment but also the choice of the technology that increases the risk".

The use of outdated technologies was also seen to have given insurers a stale and unfriendly image. "Part of the awkward way in which we engage with our emerging customer base is because we continue to use legacy technologies that do not engage effectively with the changing trends. This leads to perception issues (and often more than just perceptions) and a lack of interest in the public to conduct business with insurance companies", said the senior vice president of a life insurance company in the US.

Industry disruptors pose a threat to incumbents because they are typically much less inhibited. "New companies are created with lean process, low costs and high tech systems, and they can offer different services thanks to these advantages", said a market analyst in Brazil's life insurance sector. A reinsurance respondent in New Zealand expressed concern that: "Legacy systems [are] not able to take advantage of the explosion in big data. New start-ups with no legacy system and expense loadings will cherry pick profitable segments".

Those who rated this risk to be less severe focused on technological modernisation – or a lack thereof – creating winners and losers. Perry Thomas, insurance chief risk officer at Lloyds Bank, said: "This will kill some and help others thrive – so… there is risk and opportunity". More dispiritingly, a technology vendor in the US said: "The protection of failure in this area is that all carriers are equally limited and ineffective".

4. Interest rates (3)

Score: 3.65 (3.57)

Interest rates continue to be ranked among the top risks in the industry, though for a variety of reasons. One is the impact of low interest rates on investment returns; another is uncertainty about future movements, and a third is the impact they are having on the structure of the industry.

Interest rates were the No. 1 risk for the life insurance industry with its focus on funding for savings products. On the P&C side, where the chief concern is with investment as a source of profit, they came No. 8. Both sides mentioned the risks these created for asset/liability management.

Low interest rates are affecting the industry overall by depressing investment returns and, ultimately, company profitability, creating a generally riskier environment. A senior US insurer said: "Low interest rates continue to put pressure on P&C and life companies; in this environment there is no margin for error in the expense, premium growth, and loss control operations of insurance carriers."

Low rates re-shaping the insurance industry

But low rates have been around for so long that they are also reshaping the industry, for example by making it more willing to take on risk to flatter profits, to trim its product range, and to take the short-term view. Respondents saw these trends creating a more fragile, less innovative, more pressurised industry, and one that was exposed to risks that it was less capable of managing. The chief financial officer of a Belgian composite insurer said that low interest rates "put additional pressure on the technical and operational parameters of companies. This leads to companies preparing for tomorrow, but lacking time and resources to look for the day after tomorrow."

The constraints that low rates impose on insurers are also a concern: savings products are harder to design and sell, they have become more expensive, and their greater riskiness demands more capital. A Greek composite insurer said that "some insurers are already facing a solvency cliff where their capital position will no longer be adequate." In the Philippines, Antonio De Rosas, CEO of Pru Life UK, said: "Global interest rates have declined and stayed low for more than a decade already. Consequently, this has discouraged life insurance companies from offering products with guaranteed living and even death benefits."

Some respondents also felt that insurers were failing to respond by developing products that addressed savers' needs while interest rates were low. The chief financial officer of a life insurance company in Hong Kong said a main risk for the industry is "developing appropriate solutions to meet retirement/savings needs of people in a low interest rate environment whilst providing a win-win-win for the customer, distributor and shareholder".

As for the direction of interest rates, the majority feeling was that they would soon go up, which would be difficult in the short term because this would depress bond prices, but healthy in the longer term because it would restore yields and profitability. The chief financial officer of an Italian composite company said: "Depending on the type of movement, it can be huge, especially on the downside. A sharp increase might have a short term negative effect but long term is welcomed".

However, a number of respondents felt that fears about interest rate changes were overdone. The chief risk officer of a US composite said: "We are in general well

positioned as an industry through Asset Adequacy Testing and other reserves to meet challenges."

Geographically, concern about interest rates was the highest in Europe where it topped the list, largely because of insurers' heavy exposure to interest rate markets, e.g. through guaranteed products, and lack of preparation/ability to absorb change. The chief financial officer of an Irish company said that "This is a huge, almost existentialist, issue for European traditional life insurers."

5. Investment performance (5)

Score: 3.60 (3.46)

A difficult investment climate contains risks for the insurance industry, particularly for companies with a heavy reliance on investment for income and/or guaranteed investment policies.

This Banana Skin is unchanged in position from last time, but its score has risen notably. The sector where it ranked highest was reinsurance (No. 3). Geographically, it was highest in Latin America (No. 1), and lowest in North America (No. 12).

Given insurers' concern about the economic outlook, it follows that worries about the investment scene are close behind. The combination of low interest rates and volatile equity markets has made it harder for insurance companies to find suitable long-term assets to match liabilities and generate adequate returns. Martin Hargas chief financial officer at Interamerican Insurance Company in Greece, said that "fixed income investments are already heavily affected; further risks lie with equity and real estate markets." Sovereign debt was another area of concern.

> Equity Markets have been robust, the expectation in general is for rising interest rates and there are increased concerns on credit quality in some markets. Overall this combination presents risks to investors.
> **Michael Huddart**
> General manager
> Greater China & EM,
> Manulife, Hong Kong

Low yields could encourage more risk-taking

Several respondents commented that low yields could prompt insurers to take greater investment risks to achieve their needed returns, though this would translate into higher capital requirements and extra cost. Frank Trauschke, a partner at PwC in Japan, said: "This will put pressure on dealing with alternative investments with a higher return which will increase the risks to deal with these investments appropriately."

There was no clear consensus over the direction that markets were likely to take. A number of respondents feared there would be a sharp downturn in response to developments such as an international trade war, or recession in a large economy. Others were cautiously optimistic that recovery would continue. Some made the point that volatility would increase whichever direction the market took.

However, there was also a sense that the insurance industry was better protected against investment risk than was often thought, having had time to adjust to a low yield climate and higher volatility. In Canada, the head of risk at a large P&C

company said while poor investment returns put pressure on insurance results, "they are an integral part of the conduct of an insurer's business and the company should be sufficiently capitalized to handle them".

6. Regulation (1)

Score: 3.53 (3.65)

Concern about regulatory risk, which dominated the last survey in 2015, appears to be easing, both in terms of ranking and absolute score. Nonetheless, this remained one of the risks about which respondents had the most to say, much of it with a tone of frustration over the volume of new rules they are having to deal with.

Concern about regulation was strongest offshore in Bermuda and the Cayman Islands, where it ranked No. 2. In Europe it came No. 7 and in the UK down at No. 12. There was little to choose between the responses of the individual insurance sectors.

Solvency 2 reduces uncertainty … but frustration remains

The major difference since 2015 is that Solvency 2 has finally been implemented, removing a layer of uncertainty, but adding ones of cost and compliance. Against that, however, IFRS 17 is now into the implementation stage, adding to the sense that regulation is a never-ending stream of new rules. The chief financial officer of an Australian life insurer said that "an ever-changing regulatory landscape makes it difficult to predict the sustainability of certain business models."

Many of the concerns voiced by respondents are familiar from previous surveys: cost, complexity, management distraction, the risk of non-compliance. A senior Dutch insurer said that "regulatory projects compete with projects that actually deliver benefits to our customers."

However new themes emerged. Given the growing threat from tech-based insurers, there was a stronger focus on the competitive handicaps imposed by regulation on traditional providers, as to freedom of action and cost. A Romanian respondent said that the industry "cannot advance towards being more digital and paperless due to the constraints and limitations of regulation." This would leave "an obsolete insurance industry offering services that no longer had any attraction". The chief executive officer of a Taiwan P&C company thought that "the regulatory environment is not fast enough to embrace new changes/risks." One respondent said that insurers were prepared to view regulation as the cost of their licence to operate. "But so did the taxi industry when Uber arrived, and now the licences are worth nothing."

Another emerging theme was what respondents saw as the pendulum swinging too far towards consumer protection. The chief financial officer of a Hong Kong-based life company said that "politically driven capital standards focused on the noble causes of consumer and financial strength, however missed the long term wider perspective of the role life insurers play within society. The extra costs of regulation would be passed on to them nonetheless."

More respondents were prepared to acknowledge the benefits of regulation than in earlier surveys. Solvency 2 would make the industry stronger by taking a more disciplined view of risk, consumer protection would rebuild public trust, better reporting would aid transparency. The head of risk at a South African composite said that "In some instances [regulation] is having an effect on overheads i.e. larger compliance departments/actuarial skills etc. On the other hand, regulation with

regards to capital requirements has a positive impact i.e. ensuring the sustainability of insurers and protection of customers including appropriate business conduct."

A senior regulator said that the greatest risk was that "politicians and industry will conspire to lower prudential regulatory standards".

7. Macro-economy (2)

Score: 3.49 (3.58)

The level of concern about economic risk has gone down since our last survey but it is still high. Although many of the components of this risk remain unchanged – interest rate uncertainty, emerging market slowdown and sluggishness in the eurozone – these have become more familiar and potentially more manageable. But there are new risks, notably shocks in the political environment, particularly the election of President Trump.

Political uncertainty could cause economic turbulence

Many respondents feared that these would produce market volatility and possibly a global slowdown. A director at one of the large UK composite insurers commented that there would be "economic turbulence driven by protracted political uncertainty and/or politicised decision making."

The fastest rising concern is a trade war unleashed by growing protectionist sentiment. A respondent from Spain said that "Recent protectionist and populist moves around the world might end up affecting the whole world economy and stability, thus triggering adverse effects for the insurance industry as well". A respondent from Mexico, a country very much in the firing line, said that "due to Trump our market has become very complex". On the US' opposite border, the president and CEO of a Canadian non-life company said that the threat of "trade agreements being ripped up and impulsive leaders undermines economic stability and predictability".

Other risks that earned a mention included the danger of asset bubbles, particularly in the housing market, and a return of high inflation. The chief financial officer of a composite insurer in Belgium warned of the "creation of speculative bubbles as a result of accommodating interest rate policies that are likely to burst when these policies disappear", while another respondent saw: "Resurgent inflation prompting faster than expected interest rate rises and capital depletion on the one hand and claims inflation on the other."

Even if full blown recession does not occur, many respondents were concerned about an overall economic slowdown. Dr. Tom Ludescher, CEO of Asia Helvetia Group in Singapore, said: "The cooling down in many areas caused by reduced consumer spending and investment, combined with the existing insurance overcapacity, inflated by cheap excess capital in the market, are the main drivers for the fierce competition and continuous pressure on rates."

Concern about economic risk was particularly strong in emerging markets which have already seen a slowdown accompanied by other risks such as currency volatility. Latin America and Africa were high on this list. The chief financial officer of a composite insurer in Nigeria said that "the economic recession has resulted in both very low premium income and investment income, due to clients' cancellation of their policies or rescheduling payments." Leonardo Diamante, actuarial superintendent of Liberty Seguros in Brazil said that "If the Brazilian

economy does not react [to stimulus, it] will be a huge issue for the insurance market".

The affordability of insurance was a concern. Gerard Kerr, head of Life Insurance ANZ Wealth in Australia said that "if housing prices collapsed and/or interest rates rose this would significantly impact the affordability of insurance".

But many respondents thought that economic threats were exaggerated: the number of countries showing growth is increasing, the eurozone is stabilising, and the timing for interest rate rises is becoming more certain. The chief risk officer of a Japanese life company said that "the current environment is actually pretty good" and a life insurance respondent in China said that "the current economic environment is quite stable and there will be low effects on the insurance industry".

8. Competition (-)

Score: 3.49

Competition can be a risk or an opportunity. The fact that this Banana Skin made it into the top ten suggests it is seen more as a risk - one that threatens industry fundamentals such as pricing and structure - even survival. Sandeep Gopal, head of risk at Asia Pacific Allied World Assurance in Singapore, said: "Insurance is probably one of the few things which has gone through a price decrease over the past few years. While excess capacity and intense competition is driving this, it is clear to see that this is not sustainable."

A sense that competition has gone too far pervaded the responses. Comments made frequent reference to "naïve capacity", "cutthroat pricing", "unscrupulous practices". A respondent from a New Zealand life company said: "New global players, utilising digital platforms, are entering our local market with lower cost and lower featured products, resulting in increased lapses of existing policies. Longer-term I fear the consequences of poor publicity for the industry when claims on these products are declined due to a customer's misunderstanding of coverage and/or non-disclosure at submission."

Can incumbents respond to the challenge of competition?

A further concern was that the industry would fail to mount an adequate response to the challenge of competition: that it has "too much baggage" to change with the times. Philip Bradley, chief executive of AXA Ireland, said insurers are "slow to react to new forms of competition who have different business models". Respondents made the point that branding alone has proven not to be enough to sustain market share.

Although regulation is often described as a barrier to entry and therefore a competition inhibitor, many respondents thought it had not prevented the development of excess capacity and new types of "unfair" competition which represented the main threat.

Competition was seen as a risk by most of the markets covered by this survey, with North America showing the greatest concern at No. 5. Within the industry, the life sector ranked it highest at No. 4. The finance director of a composite insurer in Spain said: "In the world of risk, I think the biggest threat comes from new digital players and the ability of companies to adapt to new business models. It is something that is said, but now is the time to put it into practice".

Some respondents were more upbeat about the prospects. In the reinsurance sector in Bermuda, one said: "There may be a few in the industry which one would consider inadaptable, but overall the industry has been very resilient for many, many years. New stuff comes and goes and, if it's good, it gets assimilated rather than rejected."

Technology companies could know more about customers than traditional insurers

Who are the disruptors?

One man's risk is another man's opportunity. With that in mind, I see the following. Larger risks/opportunities:
- Internet-based distributors, who own the customer connection reducing existing full service carriers with own distribution to risk carriers.
- True peer-to-peer-insurers, who can exercise the social control to have consequences in the real world, thereby reducing fraud levels compared to classic insurers.
- IT companies (Google, Facebook, Amazon) using their detailed consumer information to derive new pricing parameters to filter out the best risk, that will never be available to classic insurers.

Kenneth Wolstrup, Partner, Ecsact A/S, Denmark

Different sections will face different risks. Life insurance will struggle to attract new business from younger generations, because adequate distribution channels to them still need to be discovered. It is not unlikely that non-insurance companies will crack this nut before the current insurers.
Reinsurance, Mexico

The industry runs the risk of becoming partly irrelevant due to the fact that Google knows more about the actual behaviour of people and the real risks than actuaries do. Peer to peer and social trading form another threat.
Composite, Netherlands

[A main risk to the industry is] disruption. By whom and how we don't know – that's part of the insecurity we feel.
Non-life, Denmark

9. Human talent (15)

Score: 3.40 (3.14)

This Banana Skin has risen sharply since the last survey, amid concerns about a "war for talent" and a requirement for new skills that are seen to be in short supply. It was ranked particularly high in Asia Pacific (No. 5) and North America (No. 4), though it came in lower in Europe (No. 12). By sector, it was higher for non-life insurers (No. 7) than life insurers and composites (No. 10).

A persistent theme, in past surveys as well as this one, is that the insurance industry is "unsexy": a "poor cousin to banking or similar, used as springboard into other areas", as a P&C insurer in Thailand put it. Several respondents thought this reputation was getting worse, especially from the point of view of Millennials. The chief executive of a reinsurance company in Switzerland said: "The excessive regulatory requirements have certainly a negative impact on attracting talent in the

financial services industry. In addition, deteriorating performances will lead to a reduction in work force and shrinking or disappearing bonuses – and this will deter young people from entering the industry".

Fierce competition for the best talent

Sharpening this risk is fierce competition for the best talent, not only from banks and other financial firms, but also increasingly because "the top talent out of university seems to be going to tech", a respondent in Japan said. Another challenge is the rise of the so-called 'gig' economy. "The newer generations don't like working for big companies that are prone to lay-offs. It's a gig economy now", observed one respondent, while another said: "The most creative talent will have to be partnered with rather than employed".

The technological changes sweeping the industry were also seen to have created risks in this area, creating a pressing need for skills which are often scarce. Frank Fripon, chief strategy officer at KBC Insurance in Belgium, said: "One of the main challenges will be to identify and attract new skills to respond to the changing business models based on the internet of things, data, and artificial intelligence…"Retention was another focal point. The group chief executive of an insurance company in South Africa said: "Ability to attract and retain key staff is always a risk with talent being poached across the industry. We continue to be seen as a talent pool / training ground for the industry".

Several respondents raised local concerns. For example, the chief executive of a reinsurance company in Singapore warned about: "A lack of sufficient local talent to have a sustainable growth. It is also increasingly challenging to attract new graduates in insurance without government level sponsorship and promotions". A life insurance respondent in India observed: "A lack of skilled manpower for the front-line sales, [due to] poor salary packages with unattractive incentives schemes which neither fulfils expenses nor beats inflation".

Comments from the minority of respondents who scored this risk lower included: "the industry is becoming more complex and attractive as a career choice", and: "insurance is a safe haven when banking has a downswing". The chief strategy officer of a composite insurer in Canada said: "With AI and technology the needs for people will be fewer".

10. Guaranteed products (7)

Score: 3.37 (3.45)

Concern about insurance products which carry guaranteed returns is easing, but not very fast. This Banana Skin is still in the Top Ten, and ranks No. 7 for life insurers. Geographically, concern was highest in Europe (No. 5) and in particular Germany, where this was seen as the No. 1 risk.

Although Solvency II will increase the cost of holding guaranteed products, the level of concern is localised because the ability of insurers to offer such products often depends on the local regulator. A number of respondents said they were not allowed to sell them, but in markets where they are, the low interest rate squeeze is hurting. Some responses showed concern about the volume of guaranteed products that was still being sold. In South Africa, the chair of a risk committee at a large life company said that "People are still taking this too lightly."

A senior executive at a UK non-life company said: "Guarantees are outmoded in today's low yield environment. …Any insurer who has not already put significant additional capital against guarantees, or who has not yet stopped offering products with embedded guarantees is in for a nasty surprise."

> This risk is "high on the back book but low on new business because the insurer will have to square the triangle of impossible desires: return, liquidity and guarantee."
> **Senior executive**
> Life insurer, France

But there were also some comforting comments. The chief risk officer of a large Japanese life company said: "Rates have been so low for so long that this risk is less than it was 20 years ago."

11. Political interference (16)

Score: 3.29 (3.13)

Concern about political risk is rising, not surprisingly given recent developments. It ranked highest in North America and Europe (No. 8 and No. 10 respectively, though the UK was low at No. 16, despite Brexit).

Political populism and protectionism are a threat

The rise of populism was the common thread to the responses, with fears that this could lead to instability, international tension and protectionism. The strongest concern was the fall-out from the arrival of President Trump in the White House. The chief financial officer of a large Australian P&C insurer said that "world politics at the moment are highly unstable, and the rise of the right is concerning. Instability in the USA and Europe could have devastating consequences."

Adrian Rossignolo, actuarial manager at Provincia Vida Argentina, said that political risk was high. "Protectionist measures do not help insurance companies at all, as the associated costs will increase (as usually happens with closed economies)." Respondents from Bermuda were particularly concerned about the Trump administration's proposals to prevent the offshoring of insurance business to the island's reinsurance market, warning that restrictions on the flow of free market capital could seriously damage the industry. A Mexican insurance executive said that "Everything depends at the moment on the performance of the economy of the United States".

More generally, respondents feared that a rise in international political tensions would bring about a world economic slowdown A director at one of the UK's large composite insurers feared there would be "Economic turbulence driven by protracted political uncertainty and/or politicised decision making."

Among insurance sectors, health was often singled out as particularly vulnerable to political interference. Again, Mr Trump's plans on this front, though so far unsuccessful, could still cause disruption. But other countries had more local concerns. An Australian insurer said that political risk "certainly applies in health insurance where media attention drives political reaction."

Some respondents were more optimistic about the political outlook. The upbeat view saw President Trump lightening the regulatory burden on the US insurance market. An executive at a life company thought that political risk was "lower now that we have a business-friendly administration in the US. It seems the pendulum is

swinging toward less regulation globally, for the moment". Others said that governments had more important things to worry about than the insurance industry – the banks, for example. The chief financial officer at a Belgian non-life insurer said, "To be honest most insurers have been coping rather well and in most democratic countries I hope free of political pressure."

12. Business practices (11)

Score: 3.28 (3.27)

The risk that poor sales and business practices will harm insurers, the No. 4 Banana Skin four years ago, has held steady this year: it is not seen as an urgent concern, but is clearly being given thought. It was ranked higher on the life side of the industry (No. 8) – about which one respondent said: "the depth of misconduct/mis-selling in Life is yet to emerge" – than non-life (No. 14).

Social expectations are ahead of industry practices

"Social expectations have moved well ahead of industry practices", said a non-executive director of a health insurance company in Australia. Several respondents took the view that this risk is increasing not because insurers' conduct is getting worse, but because they are held to higher standards than they have been in the past – especially with "aggressive intervention by conduct authorities". One actuary said a risk was "community expectations that they should receive more than contractual obligations".

The executive director of a broker in the UK said this Banana Skin will: "remain a threat as long as regulators continue to apply standards retrospectively". A life insurance executive in Japan warned the risk to insurers was "high, because of the massive fines culture that regulators now have".

Some respondents saw sales practices improving due to "much more awareness and training" and close monitoring by management. But many others made the point that bad practices persist, stoked by "limited product range and strong competition", "poor risk profiling", "aggressive product offerings" and "inadequate governance and poor management". This could become more of a problem as profitability comes under pressure. "Mis-selling and suitability will become focal points, especially in times of compressed investment returns", said the chief compliance officer of a life insurer in Hong Kong.

Intermediated insurers were singled out for some of the worst excesses in this area. "Risk is elevated for companies relying on autonomous advisers who are not subject to rigorous licencing or control from a licensed entity", said John Smith, of Fidelity Life Assurance Company in New Zealand. A respondent in Portugal said: "Brokers tend to promote credit insurance players proposing them attractive commission rates, not necessarily the best services for the client".

13. Cost reduction (-)

Score: 3.26

Getting costs down was seen by many respondents as the key to adjusting to present day realities of greater competition, low investment yields, growing resistance among customers to premium increases, rising claims costs and a heavier regulatory burden. The risk lies in failure to do so, but many respondents wondered whether the industry had the stomach for the fight.

Christopher Sandilands, partner in insurance consultants Oxbow Partners in the UK, said that it was "easy to talk about digital innovation /disruption [but there is] less evidence that people are making the radical changes that it facilitates - or will require in the future."

> The life insurance industry depends on all carriers being equally inefficient.
> **US software provider**

The vice president for innovation at a large US life company said: "The required cost reductions we are talking about dictate massive structural change. For example, if a large carrier is mostly group focused with huge legacy accounts administered by broker platforms, then why does that company require armies of employees including tens of thousands of IT professionals? Answer: they don't – but they won't take that step because they are afraid."

A chief financial officer in Bermuda said: "The insurance industry has a ridiculously high cost structure. It's totally unsustainable to pay so much of the premium dollar to intermediaries through each stage of the risk sharing chain. Insurance is now a commodity and the frictional costs should reflect that. Unprecedented structural changes are required".

Cost reduction could be "a double-edged sword"

Some respondents dwelt on the dilemma facing insurers. A senior manager at a health insurer in China said that cost reduction was "a double-edged sword… Reducing cost will impair development". A risk advisor at a large Belgian composite insurer said: "Cost reduction seems to be high on the agenda of most players. However the difficulty is in allocating budgets to new developments on the one hand and upgrading/renewing existing processes."

But though respondents described cost cutting as essential, this Banana Skin did not make it into the Top Ten, possibly because people see a lot of effort already going into it. Niels Bakker, manager of financial risk at VIVAT Verzekeringen in the Netherlands, said that "the insurance market is fully focussed on cost reduction," and a US senior vice-president said that an improving macro-economic situation "will take pressure off the industry some".

14. Quality of management (12)

Score: 3.26 (3.21)

The quality of management remains a middling Banana Skin in this survey and is seen to vary widely by organisation, though it ranked notably higher in Asia Pacific (No. 7) than Europe (No. 16) and North and Latin America (No. 14).

There were some respondents who questioned the competence and soundness of insurance industry managers ("still lots of bozos out there"). But a greater number focussed on whether managers were up to the job of guiding their organisations through a climate that demands fresh thinking. The chief innovation officer of a life insurer in Singapore said: "Managers are seen as custodians of the existing business model. They shouldn't be. They must be seen as change-agents, forging ahead designing the new business model for tomorrow's customers". The head of compliance of an insurance company in Luxembourg said: "In a period of numerous regulatory / technology / HR / cost structure / product changes, a new generation of top managers, knowing all these topics, needs to emerge".

The point was made that this task has become increasingly difficult because of the size and complexity of some insurance companies. “Insurance is a complex beast, and multi-country composites are next to impossible to manage”, said the chief risk officer of a P&C company in the UK, while another respondent said: “stretched management is a bigger risk than numerous poor quality managers”.

Others observed a shortage of new talent at the highest levels. “Recycling within the industry is all too prevalent – particularly in senior leadership and board appointments”, said a chief risk officer in Australia. The senior vice president of a composite insurer in the US warned that insurers are “losing more senior and knowledgeable talent at a much faster pace than anticipated to retirement”.

A view from those who scored this risk lower was that managers are being subject to increasingly rigorous screening: fitness and probity checks, minimum competency codes, continuing professional development requirements, etc. The chief risk officer of a life insurer in the UK said: “The SIMR [Senior Insurance Managers Regime] and regulation has reduced this risk”.

15. Quality of risk management (10)

Score: 3.22 (3.27)

A top ten risk in the last two of these surveys, concerns about the quality of risk management in the industry have eased somewhat.

Regulation improving risk management

Improvements were seen to have come from a combination of more effective regulation and insurance companies better embedding risk management into their business “Risk management is more becoming 'culture'; Solvency II and IFRS17 challenge companies to have a good risk management platform,” said an actuary in the Netherlands. The president of a captive insurer in Bermuda said: “The CRO [Chief Risk Officer] is a growing requirement both from a regulatory point of view and a governance point of view, so the industry seems to be in front of the curve here”.

But while processes may be more ingrained, there were concerns that “more time is being spent on managing the process rather than the underlying risks”, as one respondent put it. The head of risk management at a composite insurance company in Austria said: “Day to day risk management is to a large extent driven by fulfilling regulatory requirements instead of focusing on internal risk analysis”.

There was also a feeling that too many insurance risk functions are on auto-pilot: well equipped to monitor risks they have encountered in the past, but prone to box-ticking and not proactive enough to pick our new threats. “Risk management is still an art, and the ‘don't know you don't know’ quadrant is big”, a board member of a life insurer in South Africa said. The chief risk officer of an insurance company in the UK said risk management was: “better than it's ever been, but management and boards and regulators are over-reliant on models”.

Some respondents worried that weak underwriting discipline would detract from risk management, especially where profitability has come under pressure from a difficult investment climate and industry disruptors. A non-executive director at a P&C insurer in Australia said “The nature of some risks is changing, and therefore difficult to price. Competition/ capacity sometimes leads to irrational pricing”.

16. Social change (20)

Score: 3.17 (3.04)

Social expectations could shift on to insurance sector

The pressure on insurance companies to provide products and services which meet social needs is strong and growing, and the concern is that they will fail to rise to the challenge, leading to reputational damage and political disfavour. This risk is currently seen to be low, though possibly rising as governments pare back health care and pensions budgets, shifting expectations on to the insurance sector.

The deputy chief executive of an Irish health care insurer, said that "Factors outside our control make it impossible to provide generous pensions or low cost healthcare, generating significant social pressure and disappointment. Selling at a loss is not an option so we have to spend time educating the public so that they are aware of and accept the reasons why their expectations cannot be met".

Most respondents felt that the industry was alert to this pressure and was responding to it – indeed that it saw this as an area of opportunity rather than risk. Pedro Herrera, CEO of Nacional de Reaseguros in Spain, said: "I am quite confident that those demands will be met by the industry. We have always been able to; no doubt about that."

Pricing was an issue for many. These services could be provided, but not at the price the public was prepared to pay. The chief risk officer of an Australian non-life company said: "The need is recognised, but the pricing level is not accepted by customers. The insurance industry is challenged to deliver life style solutions that are quite different compared to traditional models." There were also concerns about the industry's ability to come up with the right products to handle these pressures and match competition from new entrants in these markets.

A supervisor in the UK said: "The scale of these risks will likely be beyond the capacity of private insurance. Increasingly insurers are leaving risks with customers (e.g. unit linked) rather than pooling risk".

17. Reputation (18)

Score: 3.17 (3.10)

This Banana Skin divided respondents sharply: it was the No. 6 risk in the Asia Pacific region, but close to bottom in Europe and North America. A broad point of consensus was that insurers are exposed to reputational damage more than ever before because of social media, but there was much debate about the potency of this threat.

"The instant nature of social media and poor quality journalism makes conduct risk front and centre", said the chairman of an insurance company in Australia. Many respondents expressed concern about the prevalence of "fake news", the unpredictability and perceived biases of social media ("only rejected claims are socialized – the 99% of claims that are paid are not"), and the lack of effective tools to respond to negative stories. The chief risk officer of a life-insurance company in Malaysia warned that damage to the industry is "quite likely if mis-selling incidents go viral or [there are] threats of class action. For certain sectors like Takaful [Islamic insurance], Shari'ah reputational issues would have a significant impact".

The question is how lasting this impact is. A widely-held view was that negative stories on Twitter and Facebook are ephemeral. “Social media has very short cycle time. Reputational damage does not appear to last”, said the CFO of a P&C insurer in Australia. The point was made often that insurers don’t have much of a reputation to lose in the first place. A respondent in Luxembourg said candidly: “We are so used to being the ‘unloved’ part of the financial industry that we do not care anymore”.

At a broader industry level, many respondents viewed reputation as a zero-sum game, expecting customers to switch provider rather than shun insurance altogether. Bryan Joseph, Partner at Vario Partners LLP in the UK, said: “Reputation risk damages a company. Industry damage is always short term. Our low attention span society ensures this.”

Are insurers complacent about reputation?

Is there a risk that insurers are too complacent about reputation? The chief risk officer of a life-insurance company in the UK said: “No one expects much of us in this; we deliver as expected. A game changer would be a successful new entrant delivering differently”. A few respondents suggested that InsureTech companies might capitalise on poor reputations elsewhere in the industry. One insurance analyst said: “Some of the new insure-tech solutions may actually improve reputations in consumers' eyes by eliminating unnecessary disputes and massively speeding up claims payment times”.

18. Product development (17)

Score: 3.14 (3.11)

The risk that insurers will be harmed by a failure to develop the right products for their customers remains near the bottom of the table, which is surprising given the level of concern in this survey about the industry’s struggle to innovate, respond to disruption, and adapt to technological change.

These themes all appear in the responses to this question. But one reason product development might be a lesser concern is that: “insurance is more and more a commodity product”, in the words of the chief financial officer of a P&C company in Singapore. The chief risk officer of an insurer in the UK said: “The products demanded haven't changed much in decades, and customers don't really know what they want”. Others made the point that competitors’ products can be replicated quite easily, diminishing the first-mover advantage.

But others saw a greater threat: almost twice as many respondents gave this Banana Skin the highest severity rating than gave it the lowest rating. Antonio Barriendos, Principal at AV Group in Spain, said: “Continuous change of customer expectations will require agile and rapid product development”, while a P&C insurer in the Netherlands warned that the risk from not developing new products was high because “the premium for traditional products is declining very fast”. The chief operating officer of a life insurer in Indonesia said: “Product and customer segmentation will be increasingly important in a rapidly developing market such as Indonesia”.

Several respondents made the point that insurers *are* aware of what customers want and need, but there are many challenges in delivery of those propositions – from burdensome regulation to an inability to make these products profitable. For example, a life insurance respondent in China said: “Older customers want longevity

and health protection. Both areas pose challenges for the industry". Imprudently priced products designed to grab market share at any cost could be the bigger risk. A non-executive director in Australia worried about "slow death from customer unfriendly products or fast death from poorly designed popular products".

19. Corporate governance (21)

Score: 2.97 (3.01)

Corporate governance risk has fallen sharply since the crisis

Since making the top ten of these rankings in the immediate aftermath of the crisis, concerns about weakness at board level in the industry have receded significantly. Respondents in many jurisdictions cited better regulation as the driving force behind improved governance. In Australia, for example, the chief risk officer of a reinsurance company said: "The focus of APRA [the Australian Prudential Regulation Authority] in recent years has helped to shine a light on the governance expected of insurers and to better clarify the expectations of directors versus management". Several respondents observed that that the introduction of stringent "fit and proper" requirements had compelled insurers to build high calibre boards.

There were also dissenting voices, however, which argued that regulator overreach had swung the pendulum too far in the other direction. The chief risk officer at a life company in Ireland, said: "Ironically, increased regulation and regulatory intrusiveness will distract directors from core responsibilities". The chief executive of a life insurance company in the UK said corporate governance had seen "huge developments" in recent times but was "over-governed if anything. Risk that regulated boards become unattractive to top talent".

While the quality of directors is seen to vary widely by organization, one repeated concern was about a lack of original thinking in board rooms. Respondents criticised "old minds in the new digital world" – with cyber-crime cited as an emerging risk which is often poorly understood by directors – and "boards which can be manipulated by the chairman or CEO".

20. Capital availability (22)

Score: 2.91 (2.97)

The risk facing the industry is not a shortage of capital but a surplus. This may be welcome at a time when regulators are pushing insurers to strengthen their balance sheets, but it also creates a different risk in the form of excess capacity and intense competition.

This was a worldwide problem. Alan Zhang, managing director of Continental Insurance Brokers in China said: "The main challenge will be overcapacity due to capital flooding into the industry and bringing down prices in the global market."

Apart from fierce pricing, respondents said that surplus capacity was pushing insurers to make bad decisions for short term gain which would come to haunt them later. A Bermuda based financial officer said there was "too much capital chasing deals which will end badly for those without the discipline to walk away from underpriced business." A further concern was the need to find work for the capital to do and pay shareholders.

But some respondents saw excess capacity forcing the industry to adapt and become more efficient. Ross Webber, CEO of the Bermuda Business Development Agency, said that "surplus capacity is forcing traditional (re)insurers to rethink their model. This is good."

21. Complex instruments (25)

Score: 2.71 (2.65)

This risk remains well down the table after finishing bottom of the last survey. The general consensus is that derivatives and other exotic products are rarely used for speculative purposes and are subject to tight controls – both by regulators and insurance companies' internal governance. "Restrictions are understood and enforced", said a life insurance respondent in Indonesia.

A repeated point was that large insurance companies have learnt lessons from the crisis and typically have derivatives polices that restrict their use to hedging. "Post global financial crisis, most boards and management teams have clear risk appetites, and access to quality investment advisers and advice", said a board member of a P&C insurer in Australia. A respondent in Greece said: "Economic solvency models have helped management better understand this risk".

But there was a small uptick in this Banana Skin's score, which was reflected in some more pointed comments. One concern is that insurers harmed by poor investment performance might feel pressured into chasing higher returns through exotic products. The chief executive of a reinsurance company in Switzerland said the risk from complex instruments was "increasing again as a result of the search of yield", citing "a massive entry of insurers and reinsurers covering the mortgage financing markets".

22. Brexit (-)

Score: 2.52

If there are risks to the global insurance market from Britain's decision to leave the EU, they are of small order. Brexit came last by a long way in the rankings; even in the UK, it ranked only No. 12. The only country where it was seen as a major risk was Ireland which ranked it No. 7 because of the additional costs involved in maintaining access to the UK market.

Brexit given little thought outside Europe and North America

The reason is that Brexit has been well signalled and should cause only minimal disruption to business, most of which is domestically oriented. It was clear from respondents' comments that countries outside Europe and North America had given it little thought.

There is potentially a greater impact on the international insurance market, particularly reinsurance, and access to institutions like Lloyd's. Passporting (i.e. doing business in the EU's single market from London) will create technical problems, and the exit negotiations themselves will throw up uncertainty, both of which are unwelcome. But even here, many respondents felt that sense would prevail. A UK insurer said that "Some damage is inevitable, but probably overplayed. There's a lot of mutual interest in maintaining free access to one another's markets".

A number of respondents felt that the risks were only relevant to the UK, which would undergo major upheaval and potentially lose insurance business to other countries. Alan Punter, visiting professor at London's Cass Business School, said that "harm to the international market may be small, but harm to the UK's position in the international market is substantial – as we see UK-based carriers move operations and open subsidiaries in the EU to re-instate passporting rights." But others questioned whether Brexit posed a large risk to London. Respondents from the Bermuda market, for example, felt that Brexit would give London "more flexibility" and relieve it of "EU red tape".

A Swiss reinsurer said: "I do not think that the UK will suffer any major disadvantages due to Brexit. London will remain a major insurance centre with or without the EU. Paris or Frankfurt cannot compete against London."

Climate change could pose existential long-term threat to insurance industry

Climate and catastrophe risks: difficult to rank, but a major long-term concern

This year we did not survey those Banana skins which are essentially underwriting risks: natural catastrophes (No. 9 In 2015), climate change (No. 19), terrorism (No. 23) and pollution (No. 24). The reason is that these are precisely the kinds of risks the industry is in business to insure; consequently, past respondents have made the point that they are difficult to score against the other Banana Skins.

Yet many respondents made clear in this survey that climate change – and a resulting rise in the frequency of natural catastrophes – poses a very large, even existential, threat to the insurance industry. The chief risk officer of a non-life insurance company in the UK said: "Anthropogenic climate change is still the biggest long-term risk for the world and the industry, and the increasing influence of ignoramuses who don't accept it will, sooner or later, come around to bite them and us".

The chief financial officer of an insurer in Canada warned the main risk to the industry was: "Climate change and what it means for property insurance... exposure to catastrophic events like we have not seen before", while a life insurance respondent in Mexico said it was the: "Effects of higher than expected climate change on natural disasters, mortality and health, impacting all insurance sectors". A chief financial officer in Australia observed it is: "becoming more apparent that weather risk is increasing at a level greater than premium pools".

Insurance Banana Skins: The Top Ten since 2007

	2007		2009		2011
1	Too much regulation	1	Investment performance	1	Regulation
2	Natural catastrophes	2	Equity markets	2	Capital
3	Management quality	3	Capital availability	3	Macro-economic trends
4	Climate change	4	Macro-economic trends	4	Investment performance
5	Managing the cycle	5	Too much regulation	5	Natural catastrophes
6	Distribution channels	6	Risk management	6	Talent
7	Long tail liabilities	7	Reinsurance security	7	Long tail liabilities
8	Actuarial assumptions	8	Complex instruments	8	Corporate governance
9	Longevity assumptions	9	Actuarial assumptions	9	Distribution channels
10	New types of competitors	10	Long tail liabilities	10	Interest rates

	2013		2015		2017
1	Regulation	1	Regulation	1	Change management
2	Investment performance	2	Macro-economy	2	Cyber risk
3	Macro-economic environment	3	Interest rates	3	Technology
4	Business practices	4	Cyber risk	4	Interest rates
5	Natural catastrophes	5	Investment performance	5	Investment performance
6	Guaranteed products	6	Change management	6	Regulation
7	Quality of risk management	7	Guaranteed products	7	Macro-economy
8	Quality of management	8	Distribution channels	8	Competition
9	Long tail liabilities	9	Natural catastrophes	9	Human talent
10	Political interference	10	Quality of risk management	10	Guaranteed products

Some risks come and go, some are hardy perennials, as this chart of the Top Ten Banana Skins since 2007 shows.

The strongest stayer by far is regulation which topped the first survey in 2007 and three of the four succeeding surveys in 2011, 2013 and 2015. The reasons for its strong showing have remained constant: volume, cost and distraction. It has receded a little this year but shows few signs of slipping quietly into the background. Another strong shower is investment performance, which burst into No. 1 position during the crisis in 2009 and has remained in the top five ever since – initially driven by the market crash; now the concerns are about the persistence of low yields. Concerns about the macro-economic climate have also been consistently high since the crisis, and have been joined in the past two editions with high concern about the low-interest rate environment.

Among governance risks, the quality of management and boards started high but have gradually fallen down the list, and are now generally seen as lower order – reflecting the 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.

This year the emphasis of our respondents turned firmly to operating risks. In the last survey we predicted that cyber and change management were the Banana Skins to watch, as an industry grapples with the forces of the new. Their striking jump to the top of the table – and the appearance of technology risk as an urgent priority – suggests that structural and technological change in the industry will continue to be a major concern. With heightened political uncertainty and the rise of populism across much of the world, the risk of political interference is also one to watch for the next edition.

Appendix: The questionnaire

Insurance Banana Skins 2017
A CSFI survey

Each year 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: To what extent does the current macro-economic environment present a threat to the insurance sector?
2. Interest rates: How large is the risk that insurers will be damaged by movements - or lack of movement - in interest rates?

Public environment

3. Political risk: How great is the risk that political pressures will damage insurers, e.g. through interference in business practices, pressure to underwrite particular risks etc.?
4. Brexit: How great is the risk that the UK's decision to leave the EU will harm the international insurance market?
5. Regulation: To what extent could the current wave of new regulation on capital requirements and conduct of business have damaging effects on insurers?

6. Reputation: How severe is the risk that the industry will be damaged by poor reputation or by social media?
7. Social change: How great is the risk that insurers will fail to meet social pressures such as greater longevity, demand for health care, pensions, etc.?

Operating risk

8. Capital availability: To what extent is a shortage or surplus of capital currently a risk to insurance providers?
9. Investment performance: What is the risk that insurers will be harmed by poor investment performance?
10. Change management: How likely is it that insurers will be damaged by inadequate responses to change, e.g. in markets, customer demands, distribution channels?
11. Cost reduction: What is the risk that insurers will fail to achieve the necessary cost reductions to remain competitive?
12. Technology: What is the risk that the insurance industry will fail to manage its business and technology modernisation effectively?
13. Competition: What is the risk that the insurance industry will fail to meet the challenge from new competitors such as the Insurtech industry?
14. Product development: How likely is it that insurers will be harmed by a failure to develop the right products for their customers?
15. Complex instruments: What is the potential for insurers to suffer losses through their dealings in derivatives and other exotic products?
16. Guaranteed products: With the low interest rate environment persisting, how much risk is there to insurers' capital and solvency from guarantees in products?
17. Human talent: How likely is it that insurers will have difficulty attracting and retaining talent in the present environment?
18. Cyber risk: What is the risk of insurers becoming victims of cyber crime?

Governance

19. Corporate governance: How likely is it that weakness at board level will lead to poor oversight and control of insurance companies?
20. Quality of management: How likely is it that insurance companies will be harmed by poor management?
21. Quality of risk management: How likely is it that insurers will incur losses as a result of inadequate risk management?
22. Business practices: How high is the risk that insurers will incur losses as a result of poor sales and other conduct of business practices?

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

RECENT CSFI PUBLICATIONS

126. "INSURANCE BANANA SKINS 2017: The CSFI survey of the risks facing insurers" £25/$45/€35
By David Lascelles and Keyur Patel. May 2017. ISBN 978-1-9997174-1-4

125. "FROM PEER2HERE: How new-model finance is changing the game for small businesses, investors and regulators" £25/$45/€35
By Andy Davis. May 2017. ISBN 978-1-9997174-0-7.

124. "REACHING THE POOR: The intractable nature of financial exclusion in the UK" £25/$45/€35
A CSFI Report. December 2016. ISBN 978-0-9926329-8-4.

123. "GETTING BRUSSELS RIGHT: "Best Practice" for City firms in a post-referendum EU" £25/$45/€35
A CSFI Report. December 2016. ISBN 978-0-9926329-7-7.

122. "FINANCIAL SERVICES FOR ALL: A CSFI 'Banana Skins' survey of the risks in financial inclusion" Free
By David Lascelles and Keyur Patel. July 2016. ISBN 978-0-9926329-6-0.

121. "BANKING BANANA SKINS 2015: The CSFI survey of bank risk" £25/$45/€35
By David Lascelles and Keyur Patel. December 2015. ISBN 978-0-9926329-8-4.

120. "THE DEATH OF RETIREMENT: A CSFI report on innovations in work-based pensions" £25/$45/€35
By Jane Fuller. July 2015. ISBN 978-0-9926329-9-1.

119. "INSURANCE BANANA SKINS 2015: the CSFI survey of the risks facing insurers" £25/$45/€35
By David Lascelles and Keyur Patel. July 2015. ISBN 978-0-9926329-5-3.

118. "THE CITY AND BREXIT: A CSFI survey of the financial services sector's views on Britain and the EU" £25/$45/€35
April 2015. ISBN 978-0-9926329-4-6.

117. "SETTING STANDARDS: professional bodies and the financial services sector" £25/$45/€35
By Keyur Patel. December 2014. ISBN 978-0-9926329-3-9.

116. "FINANCIAL INNOVATION: good thing, bad thing? The CSFI at 21" Free
November 2014.

115. "NEW DIRECTIONS FOR INSURANCE: Implications for financial stability" £25/$45/€35
By Paul Wright. October 2014. ISBN 978-0-9926329-2-2.

114. "MICROFINANCE BANANA SKINS 2014: Facing reality" Free
By David Lascelles, Sam Mendelson and Daniel Rozas. July 2014. ISBN 978-0-9926329-1-5.

113. "BANKING BANANA SKINS 2014: inching towards recovery" £25/$45/€35
By David Lascelles and Keyur Patel. May 2014. ISBN 978-0-9926329-0-8.

112. "INSURANCE BANANA SKINS 2013: the CSFI survey of the risks facing insurers" £25/$45/€35
By David Lascelles and Keyur Patel. July 2013. ISBN 978-0-9570895-9-4.

111. "CHINA'S BANKS IN LONDON" £10/$15/€15
By He Ying. July 2013. ISBN 978-0-9570895-8-7.

110. "BATTING FOR THE CITY: DO THE TRADE ASSOCIATIONS GET IT RIGHT? £25/$45/€35
By Keyur Patel. June 2013. ISBN 978-0-9570895-7-0.

109. "INDEPENDENT RESEARCH: because they're worth it?" £25/$45/€35
By Vince Heaney. November 2012. ISBN 978-0-9570895-6-3.

108. "COMBINING SAFETY, EFFICIENCY AND COMPETITION IN EUROPE'S POST-TRADE MARKET" £25/$45/€35
By Peter Norman. October 2012. ISBN 978-0-9570895-5-6.

107. "SEEDS OF CHANGE: Emerging sources of non-bank funding for Britain's SMEs" £25/$45/€35
By Andy Davis. July 2012. ISBN 978-0-9570895-3-2.

106. "MICROFINANCE BANANA SKINS 2012: the CSFI survey of microfinance risk" Free
By David Lascelles and Sam Mendelson. July 2012. ISBN 978-0-9570895-4-9.

105. "GENERATION Y: the (modern) world of personal finance" £25/$45/€35
By Sophie Robson. July 2012. ISBN 978-0-9570895-2-5.

104. "BANKING BANANA SKINS 2012: the system in peril" £25/$45/€35
By David Lascelles. February 2012. ISBN 978-0-9570895-1-8.

103. "VIEWS ON VICKERS: responses to the ICB report" £19.95/$29.95/€22.95
November 2011. ISBN 978-0-9570895-0-1.

102. "EVOLUTION AND MACRO-PRUDENTIAL REGULATION" £25/$45/€35
By Charles Taylor. October 2011. ISBN 978-0-9563888-9-6.

101. "HAS INDEPENDENT RESEARCH COME OF AGE?" £25/$45/€35
By Vince Heaney. June 2011. ISBN 978-0-9563888-7-2.

100. "INSURANCE BANANA SKINS 2011: the CSFI survey of the risks facing insurers" £25/$45/€35
May 2011. ISBN 978-0-9563888-8-9.

99. "MICROFINANCE BANANA SKINS 2011: the CSFI survey of microfinance risk" £25/$45/€35
February 2011. ISBN 978-0-9563888-6-5.

98. "INCLUDING AFRICA - BEYOND MICROFINANCE" £25/$45/€35
By Mark Napier. February 2011. ISBN 978-0-9563888-5-8.

97. "GETTING BRUSSELS RIGHT: "best practice" for City firms in handling EU institutions" £25/$45/€35
By Malcolm Levitt. December 2010. ISBN 978-0-9563888-4-1.

96. "PRIVATE EQUITY, PUBLIC LOSS?" £25/$45/€35
By Peter Morris. July 2010. ISBN 978-0-9563888-3-4.

95. "SYSTEMIC POLICY AND FINANCIAL STABILITY: a framework for delivery" £25/$45/€35
By Sir Andrew Large. June 2010. ISBN 978-0-9563888-2-7.

94. "STRUGGLING UP THE LEARNING CURVE: Solvency II and the insurance industry" £25/$45/€35
By Shirley Beglinger. June 2010. ISBN 978-0-9563888-1-0.

93. "INVESTING IN SOCIAL ENTERPRISE: the role of tax incentives" £25/$45/€35
By Vince Heaney. May 2010. ISBN 978-0-9561904-8-2.

92. "BANANA SKINS 2010: after the quake" £25/$45/€35
Sponsored by PwC.
By David Lascelles. February 2010. ISBN 978-0-9561904-9-9.

91. "FIXING REGULATION" £25/$40/€27
By Clive Briault. October 2009. ISBN 978-0-9563888-0-3.

90. "CREDIT CRUNCH DIARIES: the financial crisis by those who made it happen" £9.99/$15/€10
By Nick Carn and David Lascelles. October 2009. ISBN 978-0-9561904-5-1.

89. "TWIN PEAKS REVISITED: a second chance for regulatory reform" £25/$45/€35
By Michael W. Taylor. September 2009. ISBN 978-0-9561904-7-5.

88. "NARROW BANKING: the reform of banking regulation" £25/$45/€35
By John Kay. September 2009. ISBN 978-0-9561904-6-8.

87. "THE ROAD TO LONG FINANCE: a systems view of the credit scrunch" £25/$45/€35
By Michael Mainelli and Bob Giffords. July 2009. ISBN 978-0-9561904-4-4.

86. "FAIR BANKING: the road to redemption for UK banks" £25/$50/€40
By Antony Elliott. July 2009. ISBN 978-0-9561904-2-0.

85. "MICROFINANCE BANANA SKINS 2009: confronting crises and change"
By David Lascelles. June 2009. ISBN 978-0-9561904-3-7.

84. "GRUMPY OLD BANKERS: wisdom from crises past" £19.95/$29.95/€22.95
March 2009. ISBN 978-0-9561904-0-6.

83. "HOW TO STOP THE RECESSION: a leading UK economist's thoughts on resolving the current crises" £25/$50/€40
By Tim Congdon. February 2009. ISBN 978-0-9561904-1-3.

82. "INSURANCE BANANA SKINS 2009: the CSFI survey of the risks facing insurers" £25/$50/€40
By David Lascelles. February 2009. ISBN 978-0-9551811-9-1.

81. "BANKING BANANA SKINS 2008: an industry in turmoil" £25/$50/€40
The CSFI's regular survey of banking risk at a time of industry turmoil.
May 2008. ISBN 978-0-9551811-8-4.

80. "MICROFINANCE BANANA SKINS 2008: risk in a booming industry" £25/$50/€40
By David Lascelles. March 2008. ISBN 978-0-9551811-7-7.

79. "INFORMAL MONEY TRANSFERS: economic links between UK diaspora groups and recipients 'back home" £25/$50/€40
By David Seddon. November 2007. ISBN 978-0-9551811-5-3.

78. "A TOUGH NUT: Basel 2, insurance and the law of unexpected consequences" £25/$50/€40
By Shirley Beglinger. September 2007. ISBN 978-0-9551811-5-3.

77. "WEB 2.0: how the next generation of the Internet is changing financial services" £25/$50/€40
By Patrick Towell, Amanda Scott and Caroline Oates. September 2007. ISBN 978-0-9551811-4-6.

76. "PRINCIPLES IN PRACTICE: an antidote to regulatory prescription" £25/$50/€40
The report of the CSFI Working Group on Effective Regulation. June 2007. ISBN 978-0-9551811-2-2.

75. "INSURANCE BANANA SKINS 2007: a survey of the risks facing the insurance industry" £25/$45/€40
Sponsored by PwC.
By David Lascelles. May 2007. ISBN 978-0-9551811-3-9.

74. "BIG BANG: two decades on" £25/$45/€40
City experts who lived through Big Bang discuss the lasting impact of the de-regulation of London's securities markets
Sponsored by Clifford Chance.
February 2007. ISBN 978-0-9551811-1-5.

73. "BANKING BANANA SKINS 2006" £25/$45/€40
The latest survey of risks facing the banking industry
Sponsored by PwC.
By David Lascelles. April 2006. ISBN 0-9551811-0-0.

72. "THE PERVERSITY OF INSURANCE ACCOUNTING: in defence of finite re-insurance" £25/$45/€40
An industry insider defends finite re-insurance as a rational response to irrational demands.
By Shirley Beglinger. September 2005. ISBN 0-9545208-9-0.

71. "SURVIVING THE DOG FOOD YEARS: solutions to the pensions crisis" £25/$45/€40
New thinking in the pensions area (together with a nifty twist by Graham Cox).
By John Godfrey (with an appendix by Graham Cox). April 2005. ISBN 0-9545208-8.

Supporters

The CSFI is an educational charity. It has no endowment income. It receives financial and other support from a wide range of public and private bodies, as well as from individuals. Among the institutions that have provided the Centre with financial support are:

Accenture
Arbuthnot
Barclays
Citigroup
City of London
Deloitte
DTCC
EY
Fitch Ratings

Aberdeen Asset Management
ACCA
Association of British Insurers
Aviva
Bank of England
Bank of Italy
CGI
Chartered Insurance Institute
Content Capital
Council of Mortgage Lenders
Eversheds
Fidelity International
Financial Conduct Authority
Financial Reporting Council
FTI Consulting
ICMA
IHS Markit
Japan Post Bank
Jersey Finance

Absolute Strategy
AFME
Allen & Overy
Association of Corporate Treasurers
Bank of Japan
Berenberg Bank
Better Markets
Brigade Electronics
Brunswick Group
C. Hoare & Co.
CISI
Cognito Media
EBRD
Embassy of Switzerland in the United Kingdom
Endava
ETF Securities
Fairbanking Foundation
Farrer Law
Finance & Leasing Association
Gate One
Granularity
Guy Carpenter
HM Treasury

HSBC
JP Morgan
Lafferty Group
Moody's
Prudential
PwC
Royal Bank of Scotland
Ruffer
Teneo Blue Rubicon

KPMG
Legal & General
Lloyds Banking Group
Lombard Street Research
Morgan Stanley
Nomura Institute
Oliver Wyman
OMFIF
PA Consulting
Payments Council
Record Currency Management
Santander
Schroders
Standard Chartered
The Law Debenture Corporation
Thomson Reuters
UBS
WMA
Z/Yen

ICIS
Intrinsic Value Investors
Investment Association
Kreab Gavin Anderson
Lansons Communications
LEBA and WMBA
Lending Standards Board
MacDougall Auctions
Morgan Rossiter
NM Rothschild
Nutmeg
Obillex
Oxera Consulting
Raines & Co
Sarasin & Partners
Skadden, Arps
Skandinaviska Enskilda Banken
SWIFT
Taiwan Financial Supervisory Commission
The Share Centre
TheCityUK
Zopa

The CSFI has also received support in kind from, *inter alia*:

BBA
Clifford Chance
CMS
Dentons
Financial Times
GISE AG
Grant Thornton

The London Institute of Banking & Finance
Kemp Little
King & Wood Mallesons SJ Berwin
Linklaters
Norton Rose Fulbright
TPG Design

CSFI Registered Charity Number 1017352
Registered Office: North House, 198 High Street, Tonbridge, Kent TN9 1BE
Registered in England and Wales limited by guarantee. Number 2788116

UK £25
US $45
EUR €35
CSFI ©2017

CSFI Registered Charity Number 1017352
Registered Office: North House, 198 High Street, Tonbridge, Kent TN9 1BE
Registered in England and Wales limited by guarantee. Number 2788116