

CSFI/PwC Insurance Banana Skins 2019

Belgium

World 2019

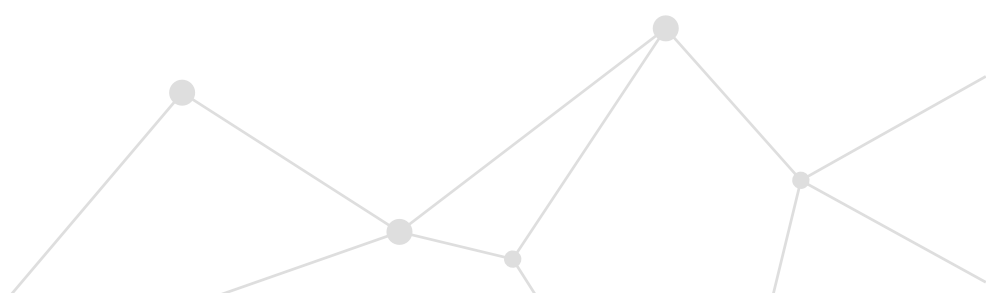
1. Technology
2. Cyber risk
3. Change management
4. Regulation
5. Investment performance
6. Climate change
7. Competition
8. Human talent
9. Macro-economy
10. Interest rates
11. Political risk
12. Cost reduction
13. Reputation
14. Guaranteed products
15. Business practices
16. Quality of management
17.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

Belgium 2019

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Belgium 2017

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



Belgium



The response from Belgium was heavily weighted by political/economic concerns, with the prospects for interest rates and the global economy ranking noticeably higher than in the rest of the world. One managing director listed his main concerns as: “1. Changes in the international political environment: Brexit, sanctions, protectionism,.. 2. Continuing low interest rates having an impact on financial profits, and this for many years to come.”

However the response from Belgium also shared global concerns about the growing challenge of technological change, and the industry’s ability to meet it. Many respondents saw new business models posing a major threat to existing suppliers, and adding to an already packed management agenda.

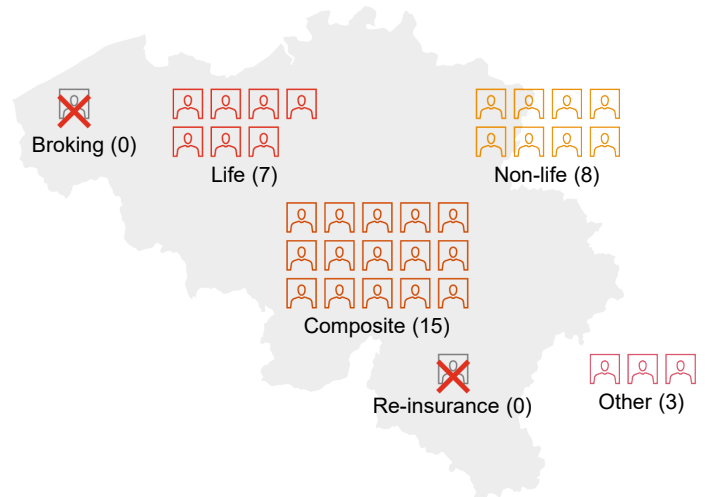
A number of risks ranked lower than the world average. Striking was the low position of the threat from competition: respondents felt the industry could handle it. The low position of climate change is an interesting observation; one respondent said the industry could deal with this risk through more selective pricing and market positioning. Another saw it as “an opportunity”.

The comparison with our previous banana skins in 2017 shows a strong increase of the technology risk to the second place in our ranking.

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

Interest rates	9
Credit risk	7
Macro-economy	4
Brexit	4
Reputation	-3
Climate change	-5
Competition	-6

There were 33 responses from Belgium, as follows



A selection of quotes

- The technology challenge:** “The fast evolution of technology, combined with digitization going forward, is originating new business models and possibilities which are in their own way eating on the cookie of insurance. It may look harmless, however every different entry line to a customer is imposing the risk that customers will shop elsewhere for their insurance needs.”
- Operational risk:** “As margins remain squeezed due to the low interest rate environment, as talent is scarce and as the legislative burden grows affecting the efficiency of operations, operational risk will remain one of the key risk exposures.”
- Regulation:** “The industry has been overwhelmed by pointless regulations. Solvency has failed in its main goal: having a comparable framework across Europe. Data protection was aimed at limiting bad behaviour from other industries; insurance has never sold personal data.”
- Change management:** “Insurers are well aware of the need to change but have to deal with IT legacy and regulation first.”
- Reputation:** “Public values are moving to more eco, more socially responsible behaviour, more fairness in customer treatment, so bad profits have to be revolutionized by the industry itself to prevent a poor reputation.”

The Banana Skins Indices

Belgium produced a low score on the Banana Skins Index, implying a low level of risk anxiety. It produced a below average score on the Preparedness Index, implying a lower level of preparedness.

The Banana Skins Index measures the average score given by each country with 10 or more respondents to the

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

Banana Skins Index	
Turkey	3.64
Malaysia	3.59
Philippines	3.55
Spain	3.51
Indonesia	3.48
Singapore	3.44
South Africa	3.44
Portugal	3.44
Thailand	3.44
Brazil	3.41
India	3.37
Taiwan	3.35
Australia	3.33
GLOBAL	3.33
South Korea	3.32
UK	3.31
Japan	3.31
Hong Kong	3.3
Austria	3.28
Argentina	3.28
Canada	3.26
Luxembourg	3.26
Netherlands	3.25
New Zealand	3.24
USA	3.23
Belgium	3.23
China	3.22
Switzerland	3.21
Germany	3.2
Greece	3.2
Bermuda	3.19
Denmark	3.15

Preparedness Index	
Spain	3.47
South Africa	3.46
Switzerland	3.40
Turkey	3.35
Portugal	3.33
South Korea	3.33
Germany	3.31
Malaysia	3.29
Bermuda	3.28
Denmark	3.20
Singapore	3.14
USA	3.13
New Zealand	3.12
Hong Kong	3.12
GLOBAL	3.11
Canada	3.10
Greece	3.09
Luxembourg	3.08
Taiwan	3.08
Netherlands	3.07
Belgium	3.06
Australia	3.03
UK	3.00
Philippines	3.00
Brazil	3.00
Thailand	3.00
China	2.95
Austria	2.93
Indonesia	2.89
India	2.82
Japan	2.68
Argentina	2.50

About the survey

To view the complete report, please visit:
www.pwc.com/insurancebananaskins



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