



Insurance Banana Skins 2017: Australia

In 2017, PwC in conjunction with the Centre for the Study of Financial Innovation have conducted a survey of senior members of the global insurance community to learn what they see as the greatest risk concerns in the near to medium term. The survey is conducted every second year and in 2017 has been completed by over 830 respondents across 52 countries. Over 50 respondents were from the Australian market and our brief analysis draws out key observations by comparing the responses for Australia to the global average.

Cyber risk remains Australia's #1 risk concern

In general, Australian respondents were in agreement with the global consensus on risk priorities with cyber risk, technology and change management all appearing as the top five risk concerns, however, Australians are more concerned around political interference and reputation.

Below are the top 10 risks from across the globe and Australia, along with the rankings for those risks in the last three survey results.

World					Australia				
	2017	2015	2013	2011		2017	2015	2013	2011
Change management	1	6	15	n/a	Cyber risk	1	1	13	19
Cyber risk	2	4	22	22	Political interference	2	5	2	10
Technology	3	na	na	na	Reputation	3	10	14	6
Interest rates	4	3	na	10	Change management	4	6	7	na
Investment performance	5	5	2	4	Technology	5	na	na	na
Regulation	6	1	1	1	Business practices	6	4	9	na
Macro-economy	7	2	3	3	Social change	7	13	12	na
Competition	8	na	na	na	Investment performance	8	17	4	4
Human talent	9	15	19	6	Regulation	9	16	1	2
Guaranteed products	10	7	6	na	Macro-economy	10	2	5	7

Key: ● Operating risk ■ Public environment ▲ Economic environment



Key observations:

- Cyber risk has remained as the most prominent risk facing Australian insurance businesses in 2017 for the second survey running. This is an indication that the industry remains concerned with the evolving and unpredictable nature of cyber risks and that there is some way to go for insurers to be comfortable with their cyber risk management strategies.
- Australian respondents are far more concerned around public environment risks than their global counterparts – this is reflected in four related risks in the top 10 for Australia, compared to only one globally. There is a greater sensitivity in Australia to the increased political and regulatory scrutiny arising from falling levels of trust in insurance providers and financial services.
- Global respondents are relatively more concerned about economic impacts on insurers than Australian respondents, largely reflecting the smaller proportion of guaranteed products and generally lower risk investment portfolios in Australian insurers compared to insurers in other regulated environments. However, there is general consensus that low investment returns are providing significant challenge in the competitive and low premium growth markets.

Overall, Australian respondents are feeling the same levels of anxiety around risk as their global counterparts. Through the survey findings, this level of anxiety appears to have increased slightly for Australians and across the globe in comparison to the 2015 results. However, both Australian and global respondents indicated less preparedness to handle the risks discussed in the survey than two years ago.

Reflecting on these results, here are three questions that Australian insurers should be asking themselves:



Are we satisfied with our understanding of how cyber threats are evolving and the robustness of our cyber risk management strategies?



What inhibits customer and regulator trust in our business and how can we change this?



What are the most significant risks of change and how are we responding?

To explore the above questions and the survey findings in more detail, please contact us.

Explore the global Insurance Banana Skins report

<http://pwc.to/2uaO6dQ>

Contact us



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