



# Managing strategic priorities with focus on top risks

Insurance Banana Skins 2021: Singapore Report

## About the Insurance Banana Skins survey

Insurance Banana Skins 2021 surveyed the risks facing the insurance industry in the second half of 2021, and identified risks that appear most urgent to insurance practitioners and close observers of the insurance scene around the world.

The report, which updates previous surveys going back to 2007, was conducted from June – September 2021, and is based on 607 responses from 47 territories, including 37 respondents from Singapore.

The questionnaire 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 survey is the latest in long-running Banana Skins series of the Centre for the Study of Financial Innovation’s (CSFI) on financial risk. The global report is prepared by the CSFI, which is solely responsible for the editorial content, with support from PwC.

For the global report, please visit [www.pwc.com/insurance](http://www.pwc.com/insurance).

# Introduction

## Anxiety level in Singapore’s insurance industry above global average. Local industry players feels less prepared to handle risks.

While the survey shows a decline in the anxiety level faced by the Singapore insurance industry players compared to the previous survey in 2019, its anxiety level remains above the global average (Figure 1). The Banana Skins Index score implies the industry’s level of anxiety in responding to risks. On the other hand, the country showed a slight deterioration in the Preparedness Index – which reflects how prepared the industry is in handling the risks identified (Figure 1) compared to the 2019 survey. The Singapore insurance industry continues to be below the global average in the Preparedness Index and the widening gap observed is of concern.

**Figure 1:** The Banana Skins Indices, Singapore, 2019 - 2021 (scale of 1 to 5)

Banana Skins index		Preparedness index	
2019	2021	2019	2021
Singapore – 3.44	Singapore – 3.37 (▼ by 0.07 points)	Singapore – 3.14	Singapore – 3.10 (▼ by 0.04 points)
Global – 3.33	Global – 3.19 (▼ by 0.14 points)	Global – 3.11	Global – 3.22 (▲ by 0.11 points)

Source: Insurance Banana Skins 2021

When compared to the other territories such as Germany, the UK, Japan and Australia, Singapore ranked second and fourth in the Banana Skins Index and Preparedness Index respectively (Figure 2).

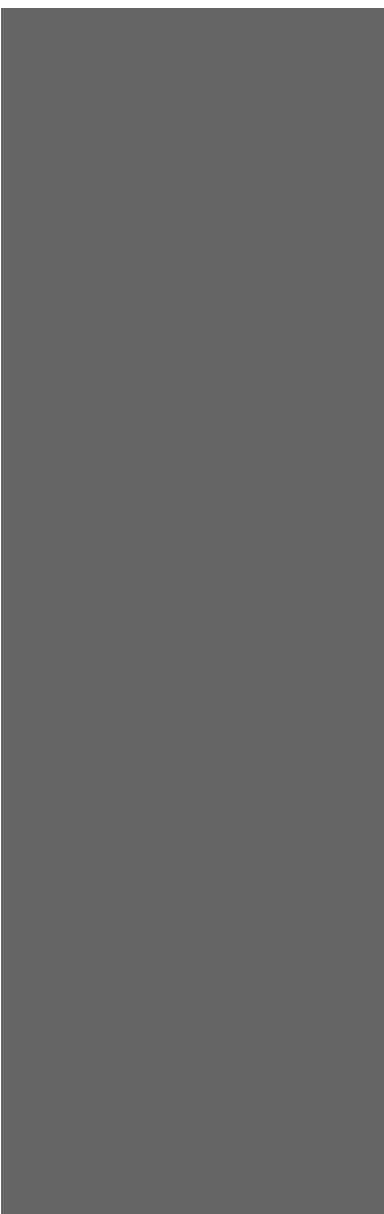
**Figure 2:** The Banana Skins Indices for selected territories 2021 (scale of 1 to 5)

Banana Skins index		Preparedness index	
Australia (2019: 3rd)	3.40	Germany (2019: 3rd)	3.31
<b>Singapore</b> (2019: 1st)	3.37	Australia	3.22
Japan	3.34	<b>Global</b> (2019: 3rd)	3.22
United Kingdom	3.20	<b>Singapore</b> (2019: 2nd)	3.10
<b>Global</b> (2019: 2nd)	3.19	United Kingdom	3.09
Germany	3.13	Japan	3.09

Source: Insurance Banana Skins 2021

Note:  
The Banana Skins Index measures the average score given by each country to the 21 risks listed in the questionnaire (Appendix E). 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”.]



### Top 3 Insurance Banana Skins or risks in Singapore - technology, crime and change management, remain consistent with 2019 survey

The pandemic has shown how a single event can disrupt the world. While the pandemic may not have altered the insurance risk landscape drastically at this juncture, it has certainly amplified the magnitude of risks in certain aspects. The pandemic has put the industry players to a test on its change management ability. Industry players who invested heavily in technology and digitalisation have transitioned into the new way of working with greater ease than their peers who are behind the technology game. In Singapore, the insurers were generally able to cope with the changes brought about by the pandemic. These changes include introduction of non face-to-face distribution solutions, having the infrastructure to allow employees to work-from-home and being flexible in its product offerings to meet the changing needs and appetite of the consumers. As some of these changes could be permanent and the long-term impact arising from the pandemic has yet to be seen, it is imperative for insurers to consider the associated risks – whether adequate actions are taken to mitigate the evolving risks brought about by these changes. An example is cyber risk which is one of the top risks ranked by the Singapore industry players and their global peers in the 2021 survey.

Based on the survey responses, PwC explores the top 10 insurance areas of risks, or “Banana Skins”, in Singapore in order to shed light on the key threats facing the local industry.



# 2021 top 10 Insurance Banana Skins

Figure 4: Overview of top 10 Banana Skins

Singapore		Asia Pacific		Global
2021	2019	2021	2021	2021
1 Technology	#2 (Increase by 1)	Technology	Crime	Crime
2 Crime	#1 (Decrease by 1)	Crime	Regulation	Regulation
3 Change management	#3 (No change)	Regulation	Technology	Technology
4 Competition	#7 (Increase by 3)	Climate change	Climate change	Climate change
5 Regulation	#17 (Increase by 12)	Change management	Interest rates	Interest rates
6 Climate change	#14 (Increase by 8)	Human talent	Human talent	Human talent
7 Human talent	#9 (Increase by 2)	Competition	Change management	Change management
8 Interest rates	#8 (No change)	Interest rates	Competition	Competition
9 Investment performance	#4 (Decrease by 5)	Investment performance	Investment performance	Investment performance
10 Cost reduction	#11 (Increase by 1)	Macro-economy	Macro-economy	Macro-economy

Source: Insurance Banana Skins 2021

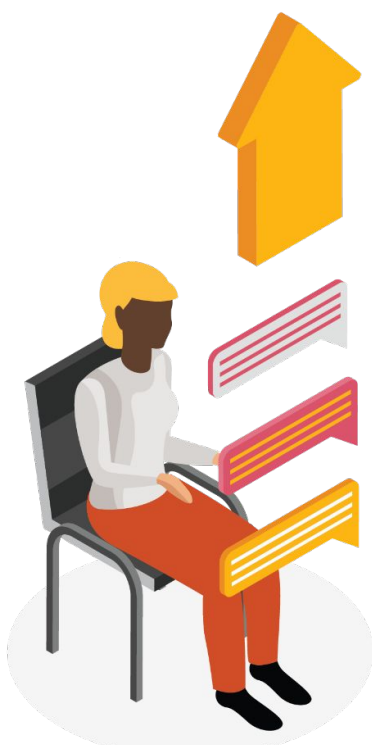
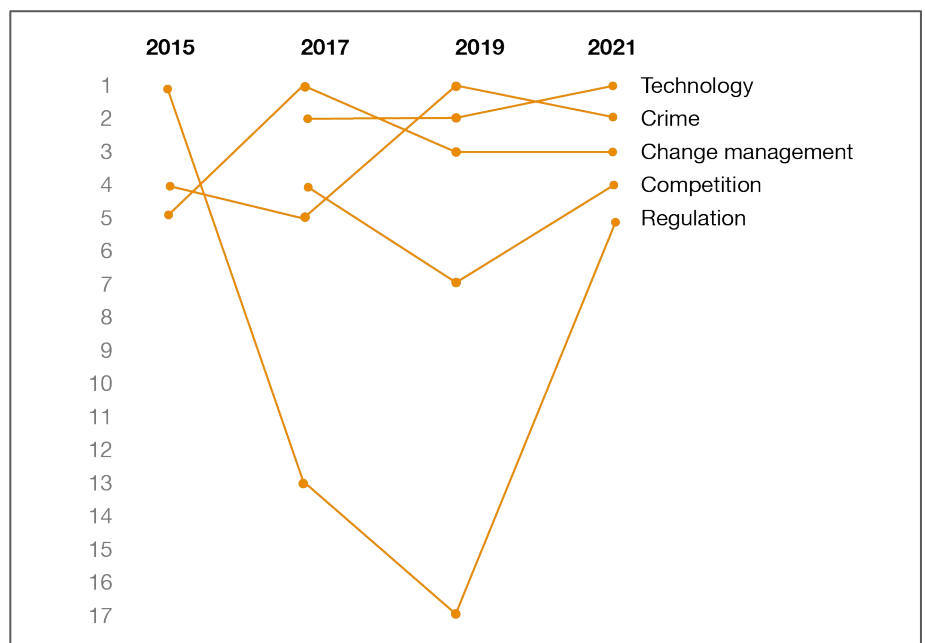


Figure 5: Top 5 risks in 2021



# Peeling Singapore's top 3 banana skins

## I. Technology

Technology, identified as the top Singapore risk in the 2021 survey, has moved up one spot from the 2019 survey results. It takes the first spot in Asia Pacific and third globally.

Technology is changing the way the world functions and the way people go about their lives and interact with each other. Organisations across all industries have to adapt to this new way of life, and the insurance industry is no exception. We have seen insurers updating and aligning their business strategies to the new world. The pandemic has also accelerated the urgency of adopting the technology changes to allow employees to work remotely from home and digitalise processes such as claims processing. The key areas of change driven by digital advancements include front office transformation, operational transformation and strengthening cyber resilience. Alongside, regulatory changes - particularly IFRS 17, has also brought about the need for finance and actuarial modernisation.

Technology modernisation comes with a cost. Juggling multiple technology modernisation projects can put a strain on the insurers especially when resources are required to strengthen cyber resilience simultaneously.

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Traditional insurance companies have legacy platforms which make it difficult (costly and slow) for them to move towards what customers are demanding in terms of technology / service, compared to what a new non-traditional insurance company will likely be able to achieve.”

— A Singapore respondent

For insurers the legacy platforms have made it more challenging for them to embed Robotic Process Automation (RPA) and artificial intelligence (AI) in their daily processes. Many are aware that they need to reduce the complexities over their existing systems and get rid of their legacy drag. However, upgrading or migrating to a new platform is not an easy alternative due to the volume and long-tail data that the insurers hold. In certain instances, replacing the legacy systems may be more costly than continuing and building plugs around the existing ones. This is certainly not a straightforward decision which needs to be made in the context of the overall business strategy.

We also note that Human talent (ranked #7 in Singapore in the 2021 survey, moving up 2 spots from the 2019 survey) is a related risk. There is great demand for IT specialists to support these digital transformation initiatives. These IT specialists need to be equipped with complementary skill sets including, insurance business knowledge, innovative skills and project management skills. In Singapore, we observe that there is a shortage of such talent which has been exacerbated by the high levels of resignation and migration of people to be closer to their families driven by the pandemic restrictions. Consequently, technology risk has been aggravated by the competitive recruitment market for such talent.

The Monetary Authority of Singapore (MAS) continues to partner the industry to promote innovation in the financial sector, and to support a thriving and vibrant FinTech ecosystem in Singapore. With this conducive landscape, we see more and more insurtechs entering the market. And this could be a reason why we see Competition ranked higher in Singapore as compared to the other territories. The rise of insurtechs have compelled the insurers to rethink the way they do business. While the insurtechs can be seen as a competitor, they also present strategic partnership opportunities for the insurers. Traditional insurers can consider building alliances with the insurtechs and adopting the new technologies developed by the insurtechs in their own processes. This could help accelerate their transformation and/or reduce overall costs.

## II. Crime

Moving down one spot from the 2019 survey results, crime is now the second most recognised risk in Singapore and the Asia Pacific region (top most globally) in the 2021 survey.

It is inevitable that rapid digital transformation and remote working arrangements driven by the pandemic have brought about increased cybersecurity risk. Based on PwC's Digital Trust Insights Survey 2021\* the threats with the most potential impact in Singapore are attacks on the Internet of Things<sup>1</sup>, acts of social engineering<sup>2</sup> and use of cloud service providers<sup>3</sup>. To mitigate these threats, having a robust risk mitigation program, tight identity governance and privileged identity management are crucial. It is also important to ensure that the data continues to be protected, regardless of its location and the devices that access it.

Cyber attacks are becoming more frequent in Singapore and many of such attacks have made headlines. On top of reputational impact, the monetary loss arising from business interruption and the leak of confidential and customer data can be substantial. Therefore, as insurers move to digitalise most of their processes with greater reliance on automation, it is imperative that the new processes and controls are designed properly with IT and data vulnerabilities comprehensively considered. It may warrant additional User Acceptance Testing (UAT) and more time spent before rolling these out. Comprehensive response strategies against each perceived threat situation should be prepared, bearing in mind that speed and robust IT technology are key to responding to cyber risk.

The phenomenal risk of cyber risk is not all bad news for the insurers. It is a demand driver for cyber insurance products in the Singapore market. However, insurers are cautious due to potential ambiguity around the product's coverage and are faced with product pricing challenges arising from the wide-range of possible claims.



\*Source: <https://www.pwc.com/sg/en/publications/digital-trust-insights-survey-2021.html>

<sup>1</sup> Network of devices that are embedded with technologies which allow them to be connected and exchange data with other devices over the internet.

<sup>2</sup> Act of manipulating people in order to gain access to confidential information

<sup>3</sup> Vendors offering a cloud-based platform, infrastructure, application, or storage services.

### III. Change management

Consistently ranked as the 3rd most risk concern in Singapore, although we do note that change management ranks lower, taking the 5th slot in Asia Pacific and 7th globally.

With the avalanche of changes at an alarming speed, it is not a surprise that change management continues to be ranked high in the survey. Many of the top risks such as technology, crime, regulations, climate change and human talent have bearing on change management.

As a small nation, Singapore heavily depends on offshore talent. Insurers are sourcing for talent that can drive and achieve their transformation ambitions. The talent shortage is particularly acute for technology professionals, who can choose to apply their skills in many industries.

The relatively smaller scale of the Singapore operations compared to some of their global peers can present both opportunities and challenges to the Singapore insurers. The insurers in Singapore may be more nimble to adapt to the changes. On the other hand, smaller organisations have less 'cushion' to take the impact from market disruptors, making change management even more critical. Smaller organisations tend to be in a constant struggle to allocate their resources between running business-as-usual (BAU) activities and driving innovative solutions. In certain instances, there are also competing demands for the same resources across the equally-prioritised initiatives within the organisation.

Additionally, organisations with legacy systems require more resources to manage the BAU work due to the higher level of manual processes. The long term solution may be to widen the talent pool by bringing in people from outside the insurance industry, with the aim to ultimately upskill them with the insurance knowledge.

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Increasingly, there is difficulty in recruiting experienced local IT experts and underwriting and claims specialists, amid accelerated digitalisation and automation needs. This is exacerbated by the stricter controls on work permits required for foreign talent. This has led to higher salary inflation given the shortage of skilled workers.”

— COO of a life insurer in Singapore.





# Other notable risks gathering momentum in Singapore

## I. Regulations

The significant rise in regulatory risk (up at 5th position from 12th in 2019) is a reflection of the approaching effective date of IFRS 17 on 1 January 2023. Insurers in Singapore are ramping up the implementation of IFRS 17.

PwC's IFRS 17 Asia Pacific Health Check Survey 2021<sup>1</sup> revealed that the overall confidence of insurers to fully implement IFRS 17 by the effective date has decreased compared to the 2020 survey. In addition, the report revealed that 50% of insurers expected their actual costs to exceed initial budgets, compared to 35% in the 2020 survey.

The revised Technology Risk Management Guidelines<sup>2</sup>, the Guidelines on Individual Accountability and Conduct<sup>3</sup>, revision of caps for participating policy illustrations<sup>4</sup> and Guidelines on the use of incentives in the recruitment of financial advisory representatives<sup>5</sup> are examples of regulations issued by the MAS / Life Insurance Association Singapore (LIA) impacting insurers in recent years which could also be a contributing factor to its rise in ranking. In response to these new or revised regulations, businesses need to conduct detailed gap analyses and implement action plans.

Business conduct is a related risk and is ranked 15th in the list of Singapore's top risk concerns (7th globally). This is reflective of the emphasis which the MAS places on sales and market conduct of the financial representatives, which forms one of the main distribution channels for the insurers in Singapore.



<sup>1</sup>Source: <https://www.pwc.com/gx/en/about/pwc-asia-pacific/apac-ifs17-health-check-survey.html>

<sup>2</sup>Source: <https://www.mas.gov.sg/regulation/guidelines/technology-risk-management-guidelines>

<sup>3</sup>Source: <https://www.mas.gov.sg/regulation/guidelines/guidelines-on-individual-accountability-and-conduct>

<sup>4</sup>Source: <https://www.lia.org.sg/news-room/media-releases/2021/life-insurance-industry-revising-caps-on-par-pi/>

<sup>5</sup>Source:

<https://www.lia.org.sg/industry-guidelines/distribution-channels/2019/lia-guidelines-on-the-use-of-incentives-in-the-recruitment-of-financial-advisory-representatives/>

## II. Climate change

Environmental, Social and Governance (ESG), without a doubt, is another key focus area by corporates and regulators around the world. While climate change risk (at 6th spot, up 8 notches from 2019) is not new for insurers, the global focus on ESG has ramped up the importance of this risk which is clearly evident from the survey results. The MAS has launched Green Finance Action Plan with the objective of making Singapore a leading centre for green finance in Asia and globally. Built on three core pillars — building resilience, developing markets, and leveraging technology — the Green Finance Action Plan will be articulated through actions in six areas<sup>1</sup>:

1. Environmental Risk Management Guidelines across the banking, insurance, and asset management sectors;
2. Grant schemes to support mainstreaming of green and sustainability linked loans;
3. A US\$2 billion Green Investments Programme;
4. Anchor Centres of Excellence with world-class research institutions and leading universities to contribute Asia-focused climate research and training programmes;
5. Building capabilities in Sustainable Finance Verification, Review and Rating Services; and
6. A \$1.75 billion Global FinTech Innovation Challenge to encourage innovative solutions to support financial institutions in responding to the pandemic and climate change.

In May 2021, the Green Finance Industry Taskforce (GFIT) was convened by the MAS to support the acceleration of green finance in Singapore through improving disclosures and fostering green solutions<sup>2</sup>. To augment its sustainability focus, the MAS also formed a Sustainability Group in October 2021 to steer its sustainability efforts across MAS and build internal capabilities in this area<sup>3</sup>.

Following COP26, significant progress has been made on achieving a global, consistent, trusted standard for corporate reporting on ESG issues. On 3 November 2021, International Financial Reporting Standards (IFRS) Foundation announced the formation of the International Sustainability Standards Board (ISSB)<sup>4</sup>. The ISSB aims to develop — in the public interest — a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs. This would inevitably bring significant impact on disclosure requirements of all institutions (including insurance organisations) operating in Singapore.

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The increasing frequency and severity of natural disasters like cyclones and floods is requiring constant calibration of our pricing and capital allocation strategies.”

— Vice President of a Singapore-based reinsurer

Developing the ESG strategy and integrating ESG and climate risks into business and risk management processes are key focus areas for the insurers. Embedding ESG in the DNA of the company is no longer considered a differentiator and is increasingly becoming a necessity to remain relevant and sustainable.

<sup>1</sup>Source: <https://www.mas.gov.sg/development/sustainable-finance>

<sup>2</sup>Source: <https://www.mas.gov.sg/news/media-releases/2021/accelerating-green-finance>

<sup>3</sup>Source: <https://www.mas.gov.sg/news/media-releases/2021/mas-sets-up-sustainability-group-appoints-chief-sustainability-officer>

<sup>4</sup>Source: <https://www.iasplus.com/en/resources/ifrsf/issb>

## The road ahead

The top 3 risks for Singapore have remained the same in this latest 2021 survey as what we had in the 2019 survey - technology, crime and change management. It would appear that we are still very much grappling with technological/digital advancements, trying to keep pace and move as quickly as we can to ensure we stay relevant to our stakeholders. Change management continues to be rated high for Singapore which begs the question as to whether there is an appropriate mindset shift to embrace the changes that need to happen.

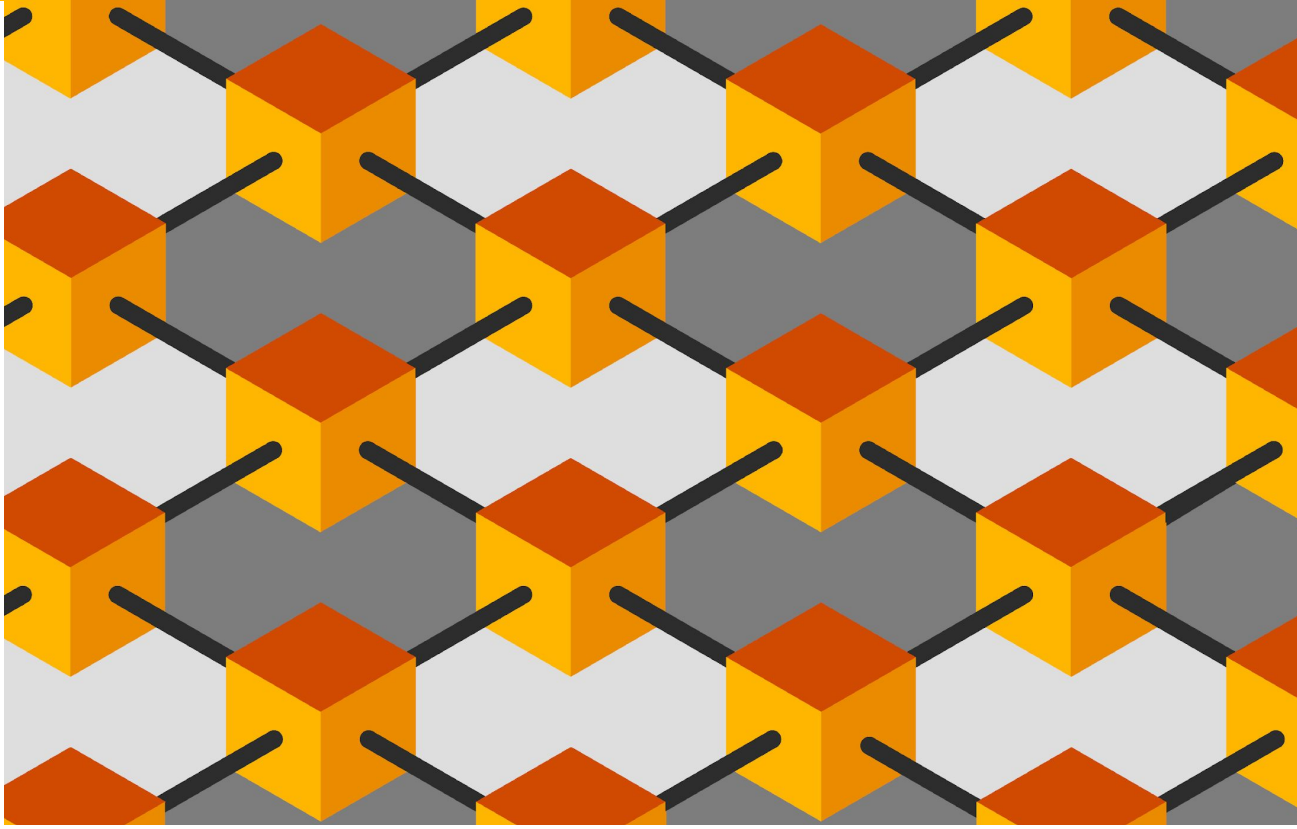
Insurers would need to:

- **Prioritise:** Recognising the myriad of external drivers that are compelling insurers to change, a strategic roadmap with clear priority areas should be mapped out.
- **Integrate:** Successful change management often hinges on the mindset of the people and their willingness to embrace the changes. An integrated team across the business domains is crucial to ensure that detailed bolts and nuts of the transformation design are realistic and relevant.
- **Optimise:** Insurers offer solutions to mitigate risks. Certain risks present business opportunities for the insurers, such as cyber insurance and partnerships with insurtechs.

Many would agree that the post-pandemic world is a different world compared to two years ago. The pandemic is undoubtedly a tragedy and has disrupted the world in many ways. A new way of working has emerged and the urgency for digitalisation has been exacerbated. Insurers have to date reacted swiftly and remained resilient in light of these challenges.

In addition to the pandemic, the rise of cyber crime, impending IFRS 17 implementation, ESG and the proliferation of insurtechs are examples of areas which require attention from the insurers. The insurers' business strategies have to be all-encompassing and remain flexible to react to any changes that may come their way.

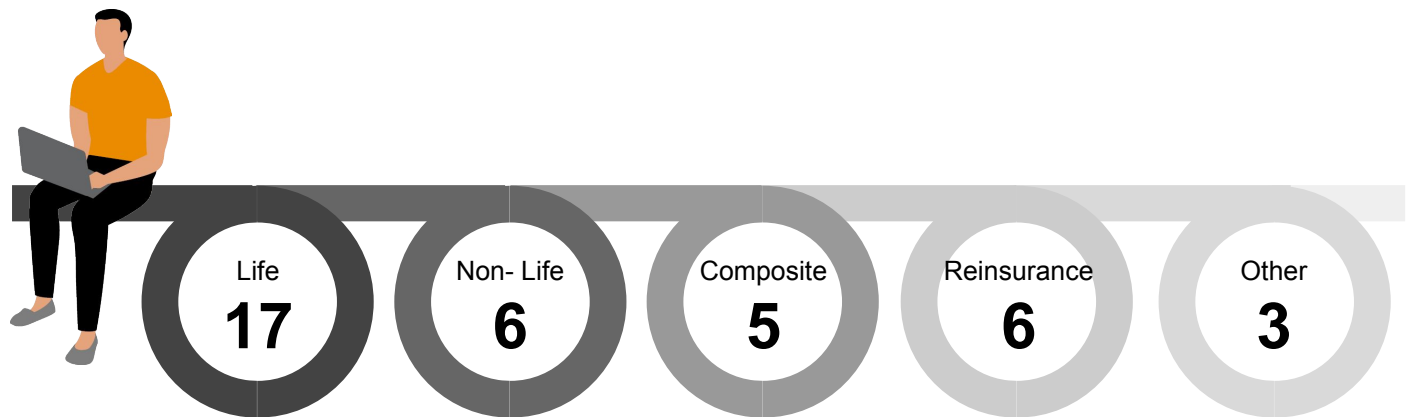




# Appendices

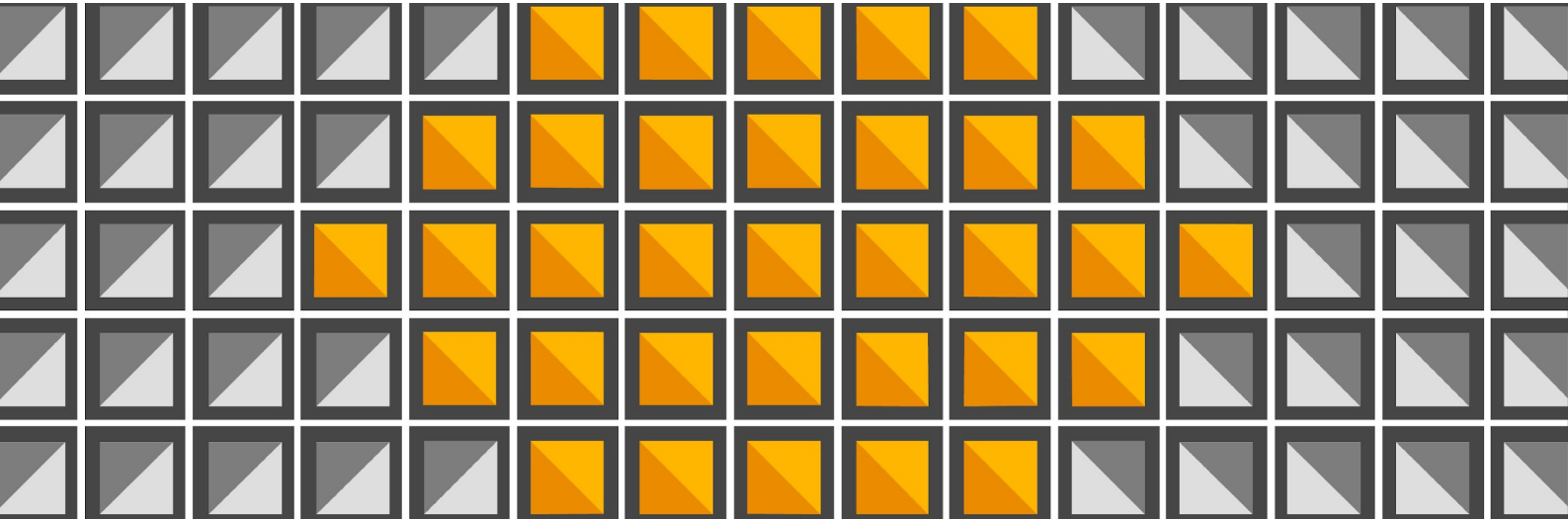
## Appendix A: Singapore participant profile

There are 37 responses from Singapore, as follows:



## Appendix B: Complete list of Insurance Banana Skins 2021

Insurance Banana Skins 2021	
World	Singapore
1 Crime	1 Technology
2 Regulation	2 Crime
3 Technology	3 Change management
4 Climate change	4 Competition
5 Interest rates	5 Regulation
6 Human talent	6 Climate change
7 Change management	7 Human talent
8 Competition	8 Interest rates
9 Investment performance	9 Investment performance
10 Macro-economy	10 Cost reduction
11 Cost reduction	11 Social change
12 Political risk	12 Security risk
13 Security risk	13 Products
14 Reputation	14 Quality of management
15 Pricing	15 Business conduct
16 Social change	16 Capital availability
17 Products	17 Pricing
18 Business model	18 Macro-economy
19 Capital availability	19 Business model
20 Credit risk	20 Reputation
21 Quality of management	21 Credit risk
22 Business conduct	22 Corporate governance
23 Corporate governance	23 Political risk



## Appendix C: Main points of difference

Places higher or lower than the global ranking

<b>Business conduct</b>	+7
<b>Quality of management</b>	+7
<b>Social change</b>	+5
<b>Change management</b>	+4
<b>Reputation</b>	-6
<b>Macro-economy</b>	-8
<b>Political risk</b>	-11

## Appendix D: The Banana Skins Indices

Banana Skins Barometer	
Indonesia	3.74
Australia	3.40
<b>Singapore</b>	<b>3.37</b>
Japan	3.34
Taiwan	3.22
Spain	3.22
Italy	3.21
United Kingdom	3.20
<b>Global</b>	<b>3.19</b>
Bermuda	3.18
Luxembourg	3.17
South Africa	3.17
Germany	3.13
Canada	3.09
Austria	3.03
Belgium	3.03
New Zealand	3.01
Netherlands	2.91
Denmark	2.87

Preparedness Index	
Spain	3.65
Canada	3.44
Denmark	3.44
Germany	3.31
Bermuda	3.25
Australia	3.22
<b>Global</b>	<b>3.22</b>
Austria	3.19
South Africa	3.17
New Zealand	3.15
Italy	3.14
Taiwan	3.14
Luxembourg	3.11
Belgium	3.11
<b>Singapore</b>	<b>3.10</b>
United Kingdom	3.09
Japan	3.00
Netherlands	2.96
Indonesia	2.89

## Connect with our experts



### **Woo Shea Leen**

Insurance Leader  
PwC Singapore  
+65 8268 2447  
[shea.leen.woo@pwc.com](mailto:shea.leen.woo@pwc.com)



### **Sam Kok Weng**

Financial Services Leader  
PwC Singapore  
+65 9367 3340  
[kok.weng.sam@pwc.com](mailto:kok.weng.sam@pwc.com)

