Press Release

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Economic, regulatory and talent issues holding back growth for insurance CEOs

London, 15 Feb 2012 - Over two thirds (70%) of insurance CEOs are planning on changing their strategy over the next 12 months as they try to see past the current difficult economic and regulatory backdrop. The 121 insurance CEOs surveyed for PwC's annual global survey cite the current economic uncertainty as the greatest threat to growth in the short term, with 60% saying the crisis has had a significant impact on their finances and will trigger changes to their strategy, risk management and operational planning.

Nearly half of insurance CEOs surveyed believe the economy will continue to get worse over the next 12 months. However, this does not seem to be dampening the sectors' outlook for revenues as 90% of those surveyed are confident they will improve.

Over-regulation and a lack of talent are however seen as a significant constraint on growth plans. These immediate concerns and a lack of certainty can be seen as holding back investment and business development within the insurance sector. Only 15% of insurance CEOs said they are planning on carrying out a cross-border acquisition in the coming year. Those companies looking to build their operations show a clear focus on the emerging markets, with nearly half of insurance CEOs saying emerging markets are more important than developed markets to their company's future. More than 80% of respondents said they plan to build up their operations in East Asia, South-East Asia, Africa and Latin America over the next 12 months, compared to less than 40% in Western Europe.

David Law, global insurance leader at PwC, said:

> "The immediate pressures of market volatility and regulatory upheaval have left little space in boardroom agendas for insurers to think about how to remain competitive in the years ahead. It is vital insurers do not get blinded by the current challenges and set a clear vision for the future.
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> "Growth opportunities exist, particularly in faster growing economies and from new technology developments, and those insurers that are able to respond to this changing risk landscape with innovative solutions will be rewarded by the way they are valued by customers and investors.
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> "Insurers who are too slow to respond to the changing market dynamics could find themselves on the back foot competitively and struggling to secure sufficient capital."

Nearly 60% of insurance CEOs see a shortage of skills as a significant threat to growth, the highest of any financial services sector. Around 30% of those surveyed said they had been unable to pursue a market opportunity or have had to cancel or delay a key strategic initiative as a result of these talent constraints. This is forcing the majority of CEOs to reassess their talent strategy, with 20% planning major changes.

The talent gap looks set to widen as demand continues to outstrip supply. Nearly 50% of insurance CEOs said they are finding it harder to hire good people in the sector and only 10% believe it will get easier. High potential middle managers and suitably qualified and experienced people in emerging markets are in especially short supply.

This is leading to pay inflation within many businesses, with more than 50% of insurance CEOs saying that pay costs have risen more than expected

David Law, global insurance leader at PwC, said:

> “Whilst talent constraints are clearly a threat, the industry must continue to promote its future to all stakeholders and highlight the opportunities for individuals to develop attractive, challenging and rewarding careers.”

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Notes:

1. The report is based on a survey of 121 insurance industry leaders in 42 countries conducted over the last quarter of 2011.
2. The full report can be downloaded here http://www.pwc.com/gx/en/ceo-survey/industry/insurance.jhtml or via amy.tiernan@uk.pwc.com

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