

State of the Insurance Industry Report -Price Waterhouse Coopers

PwC Predicts competitive Realignment of Global Insurance Sector

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As a "watershed" for the insurance sector, the international financial crisis is pointing the way toward a deep competitive realignment of the global insurance industry, according to consultants PricewaterhouseCoopers.

"This shake-up will challenge the competitive relevance of some insurers," PricewaterhouseCoopers said in a report. "However, it also offers agile and far-sighted firms a once-in-a-generation opportunity to catapult themselves to the front of what will be a very different racing order within many geographical markets and classes of business."

The report described an unfolding environment of changing expectations of the insurance sector from governments, regulators, customers and investors.

"We've tried to cast some light on the future of the insurance industry, not tomorrow, but the day after," Achim Bauer, a partner at PwC in London, said.

"The developments we see today are only the beginning," PwC said in a statement accompanying the report. "The environment will continue to evolve at a rapid pace over the next two to three years, ruling out any return to the relative stability and certainty that preceded the crisis."

In PwC's view, the international insurance industry will be marked by such factors as organic restructuring, increasing uncertainty over taxation, pressure on reinsurance sales in developed markets, and a growth in both regulation government assertiveness toward the industry.

"The market and economic environment in which insurers operate is subject to considerable uncertainty," PwC said. "Success will depend on close monitoring of developments and the ability to move quickly to capitalize on opportunities as the situation becomes clearer."

Bauer said the insurance industry has not received the same attention that has been focused on the banking sector during the economic crisis. But insurers faced similar problems to the banks, he argued. These have included a squeeze on assets and reductions in yields and asset quality.