



Life Insurance Banana Skins 2025

Foreword from the Centre for the Study of Financial Innovation (CSFI)

The CSFI (part of The London Foundation for Banking and Finance) is pleased to present the Life Insurance Banana Skins 2025 report.

This is the first time a standalone cut of our industry-wide report has focused specifically on life insurance, reflecting the distinct and intensifying pressures now shaping this sector of the sector. I'm very grateful to PwC for their steadfast support of our Banana Skins series.

Life insurance faces a unique convergence of forces. Rapid technological change, heightened economic uncertainty, and evolving customer expectations are reshaping risk profiles at a speed not previously experienced. This report recognises that while many challenges are shared across financial services, the life sector's exposure, responsibilities and opportunities demand closer examination.

Cyber risk emerges as the most significant concern. Life insurers hold vast volumes of sensitive personal and medical data, making them prime targets for increasingly sophisticated attacks. Encouragingly, the results suggest a growing emphasis on resilience, preparedness and trust, even as the threat continues to escalate.

Technology-related risks have also risen sharply. The rapid advance of artificial intelligence, particularly generative AI, is seen as both transformative and introduces uncertainty. Respondents recognise the potential for AI to reshape underwriting, customer engagement and operational efficiency, while remaining acutely aware of the governance, ethical

and control challenges that accompany its adoption. At the same time, long-standing issues around legacy systems continue to constrain innovation, highlighting the need not merely to modernise technology, but to rethink the operating model of life insurance.

Macroeconomic uncertainty remains a central concern. The life sector is especially sensitive to changes in interest rates, credit conditions and household financial resilience. Yet history shows that such periods also underline the fundamental value of life insurance; providing protection, long-term security and confidence in uncertain times. There is a clear opportunity for the industry to reaffirm its social purpose.

Regulation forms the backdrop to all these risks. Regulators are seeking to balance innovation with fairness, transparency and good customer outcomes. Firms that address regulations as part of their culture, rather than viewing them as compliance obligations, are likely to be best positioned for long-term success.

I'd like to thank my colleague Keyur Patel for his continued excellent work in collating and analysing the survey data and preparing this report, as well as PwC for their financial support. We hope this report provides a valuable stimulus for discussion and action across the sector.



Harry Weber-Brown
Director of Partnerships
London Foundation of
Banking and Finance



Keyur Patel
Report Author

Sponsor's foreword

PwC is delighted to sponsor Life Insurance Banana Skins 2025, continuing our partnership with the London Foundation for Banking and Finance.

This is the first time we have produced a dedicated life insurance edition of the Banana Skins report, reflecting the growing need to understand the specific risks and pressures shaping this part of the market. The life sector is experiencing a distinct combination of technological transformation, economic uncertainty and evolving customer expectations, making this an important moment to shine a separate spotlight on its risk landscape.

As in the wider industry results, cyber crime again ranks as the leading risk. Life insurers hold large volumes of sensitive medical and personal data, and the increasing frequency and sophistication of attacks continue to challenge firms daily. While the risk remains high, the sector is focused on resilience, response, and safeguarding customer trust.

Artificial intelligence and technology have risen sharply up the rankings, fuelled by the rapid growth of generative AI and uncertainty around its future direction. Many leaders see AI as a genuine step change for the life sector, offering opportunities to transform underwriting, improve customer experiences and streamline operations. Yet they are equally aware of the governance, ethical and operational challenges that come with adopting AI at scale.

In conjunction with this, technology modernisation also remains a dominant theme. Legacy systems continue to constrain innovation and efficiency, particularly at a time when customer expectations—shaped by digital experiences in other industries—are rising fast. The firms that succeed will be those

that embrace technology and modernisation — not simply automating the past, but reimagining what the future of life insurance could look like.

Macroeconomic uncertainty continues to shape boardroom agendas. The life sector is particularly exposed to shifts in interest rates, credit spreads and household financial resilience. However, periods of uncertainty have historically been moments when life insurers demonstrate their value most clearly: helping customers protect their loved ones, invest for the future and navigate the unexpected. There is an opportunity here for the industry to reaffirm its purpose.

Regulation remains an important backdrop to all of this. We see regulators around the world grappling with how to support innovation while ensuring fairness, quality of advice and customer protection. The direction of travel is clear: expectations of transparency and good outcomes are rising. Firms that embed this mindset deeply — rather than treating regulation as compliance activity — will be best placed to build durable relationships with customers and stakeholders.

We would like to thank our life insurance industry colleagues and clients across the globe for their participation in this survey, which provides such rich and relevant insight. We also thank Keyur Patel and the LFBF for their thoughtful analysis and skilful reporting.

Please do not hesitate to contact us for further discussion on any of the risks highlighted in this year's Life Insurance Banana Skins.



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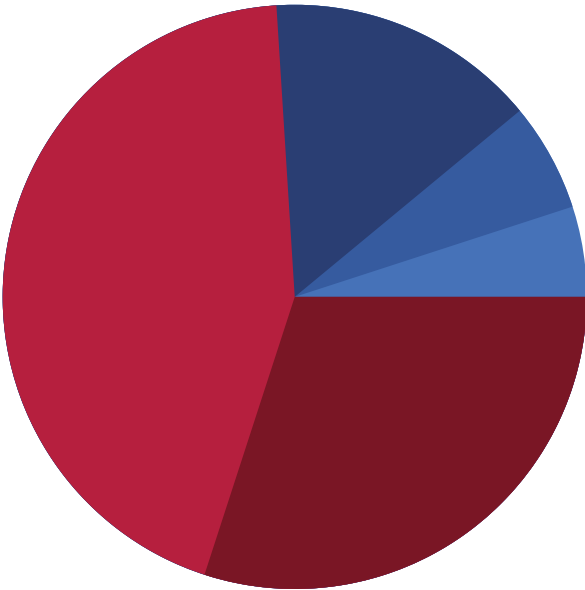
About this survey

Life Insurance Banana Skins 2025 identifies the risks that appear most urgent to practitioners and close observers of the life insurance sector around the world.

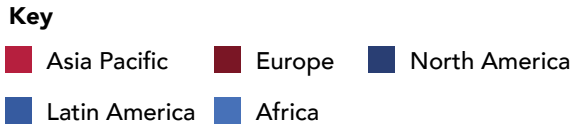
It examines responses submitted to Insurance Banana Skins 2025, which was published in September 2025 and analysed the global insurance industry – including the life, non-life, composite, reinsurance and broking sectors. In this report we look specifically at respondents that self-selected into the 'Life' sector. It is therefore based on surveys completed by 213 respondents from 33 territories (extracted from a full report based on 698 responses from 42 territories).

In the questionnaire, respondents were asked to describe, in their own words, their main concerns about the insurance sector over the next 2-3 years. They were then asked to score a list of 23 potential "Banana Skins" or risks from 1 (least severe) to 5 (most severe), and to provide comments where they wished. This report ranks and analyses each Banana Skin individually.

Replies were confidential, but respondents could choose to be identified.



The Asia Pacific region provided the most responses (94) from the life insurance sector. Just under one-third came from Europe (65), with the rest from North America (31), Africa (12) and Latin America (11).



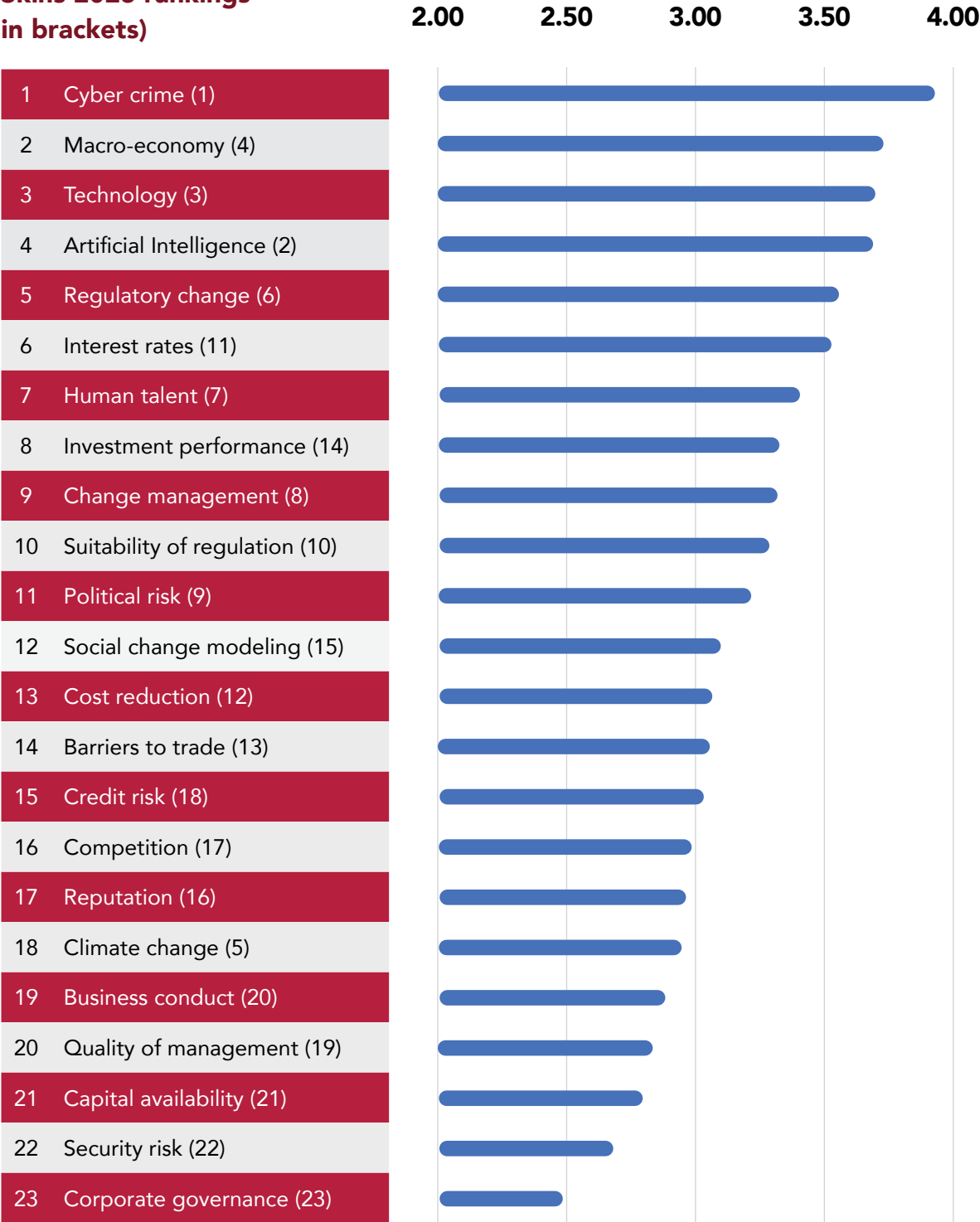
Denmark	18	UK	7	Ghana	5	Netherlands	1
Canada	17	Ireland	7	Sweden	4	Nigeria	1
Japan	17	Luxembourg	7	New Zealand	4	Turkey	1
Singapore	16	Australia	6	Malaysia	3	Cambodia	1
USA	14	Italy	6	Vietnam	3	South Korea	1
India	13	Spain	5	South Africa	2	Myanmar	1
Taiwan	13	Hong Kong	5	Kenya	2		
Brazil	11	Indonesia	5	Uganda	2		
Germany	9	China	5	Greenland	1		

Summary

This survey describes the most urgent risks, or “Banana Skins”, facing the global life insurance industry in mid-2025 as seen by a sample of 213 practitioners and close observers in 33 territories.

Life Insurance Rankings, 2025 (Overall Insurance Banana Skins 2025 rankings in brackets)

Average risk score from 1-5



The life insurance industry shares a number of top risks with the broader insurance response, though it has a distinct emphasis. The banana skins finishing in the top ten generally fell into three categories:

Technological risks: **Cyber crime** is seen as the greatest threat facing every part of the insurance industry, and the life side is no exception – both due to the increasing frequency and potency of attacks from bad actors, and the volume of sensitive personal data that life insurers hold. **Technology risk**, ranked at No. 3, reflects the challenge of modernising legacy IT systems that inhibit innovation and bloat insurers’ operating costs, in a landscape where large tech investments can quickly become obsolete due to rapid change.

At No. 4, **Artificial intelligence** amplifies many of the risks facing life insurers (including cyber crime), sharpened by the rise of generative AI. There was a tension between respondents who believe the main risk is firms rushing in to adopt new technologies without adequate controls, and those who are more concerned that overbearing governance will lead to missed opportunities. Concerns about **Human talent** (at No. 7) were largely focused on the risk that life insurers may struggle to attract people with essential technical and data-driven skillsets, amid competition from industries perceived as more proactive and dynamic. **And change management** (No. 9) is also closely linked to technology, not least because customer expectations are increasingly shaped by experiences with tech companies and online retailers.

Economic risks The No. 2 ranking of **macroeconomic risk** reflects the broader insurance industry’s concerns about the uncertainty in the current landscape, particularly in terms of inflation and global trade relations – and is intensified by the perception that life insurance is often considered optional by customers when disposable incomes fall. Life insurers are also particularly susceptible to volatility in **interest rates** (No. 6): their exposure to long-duration products, for example, can have material effects on both profitability and solvency. At No. 8, **investment performance** ranks six positions higher on the life side, which is more dependent on investment income, than it does industry-wide. Particularly post-COVID, life insurers have played an important role in funding the rebuild of many economies – making a stable view on policy and the political landscape essential to ensuring funds are deployed effectively.

Regulatory risks: The two Banana Skins related to the regulatory landscape in life insurance are both in the top ten, seen as persistent but not necessarily urgent. Concerns about **regulatory change** (No. 5) centre on a perceived lack of clarity around new rules and their potential unintended consequences – from creating new risks to hampering innovation. The No. 10 ranking of suitability of regulation is linked to frustration about the complexity of existing regulations and their inconsistent application across markets. Just outside the top ten was **political risk** (No. 11), though it was scored lower than across the industry as a whole.

Major categories of risk

	Life	All sectors	+/-
1: Economic environment	3.33	3.26	+ 0.07
2: Operating risks	3.25	3.33	- 0.08
3: Public environment	3.22	3.25	- 0.03
4: Governance	2.73	2.73	0.00

*The components of each category are listed in the survey questionnaire in the Appendix.

It is striking that with so much of the broader discussion in the life insurance industry focused on the macroeconomic landscape, technological risks stand out at the top of our rankings. One implication, perhaps, is that the foremost threats facing life insurers are “internal”, rather than those shaped by forces largely outside firms’ control.

That being said, other operating risks were considered less severe than in the wider industry, as the table above shows. Among these are **cost-reduction** (No. 13), **competition** (No. 16), and **reputation** (No. 17) – which all had a similar ranking to their positions in the overall table, but received lower scores. **Climate change** (No. 18) was judged well down the list of risks facing life insurance, at

least in the next 2-3 years, even as it is seen as perhaps the greatest risk facing the P&C and reinsurance industries. One exception was **social change modelling** (No. 12), ranked three positions higher than its overall ranking. The requirement to utilise advanced technologies and data to improve the accuracy of projection models is seen as increasingly pivotal.

In spite of the general economic anxiety, the risk associated with **barriers to trade** (No. 14) was considered less of a concern in life insurance, even as it was one of the main risers in the overall survey. Like the rest of the industry, governance risks – **business conduct** (No. 19), **quality of management** (No. 20), and **corporate governance** (No. 23) – were ranked at the foot of the table.





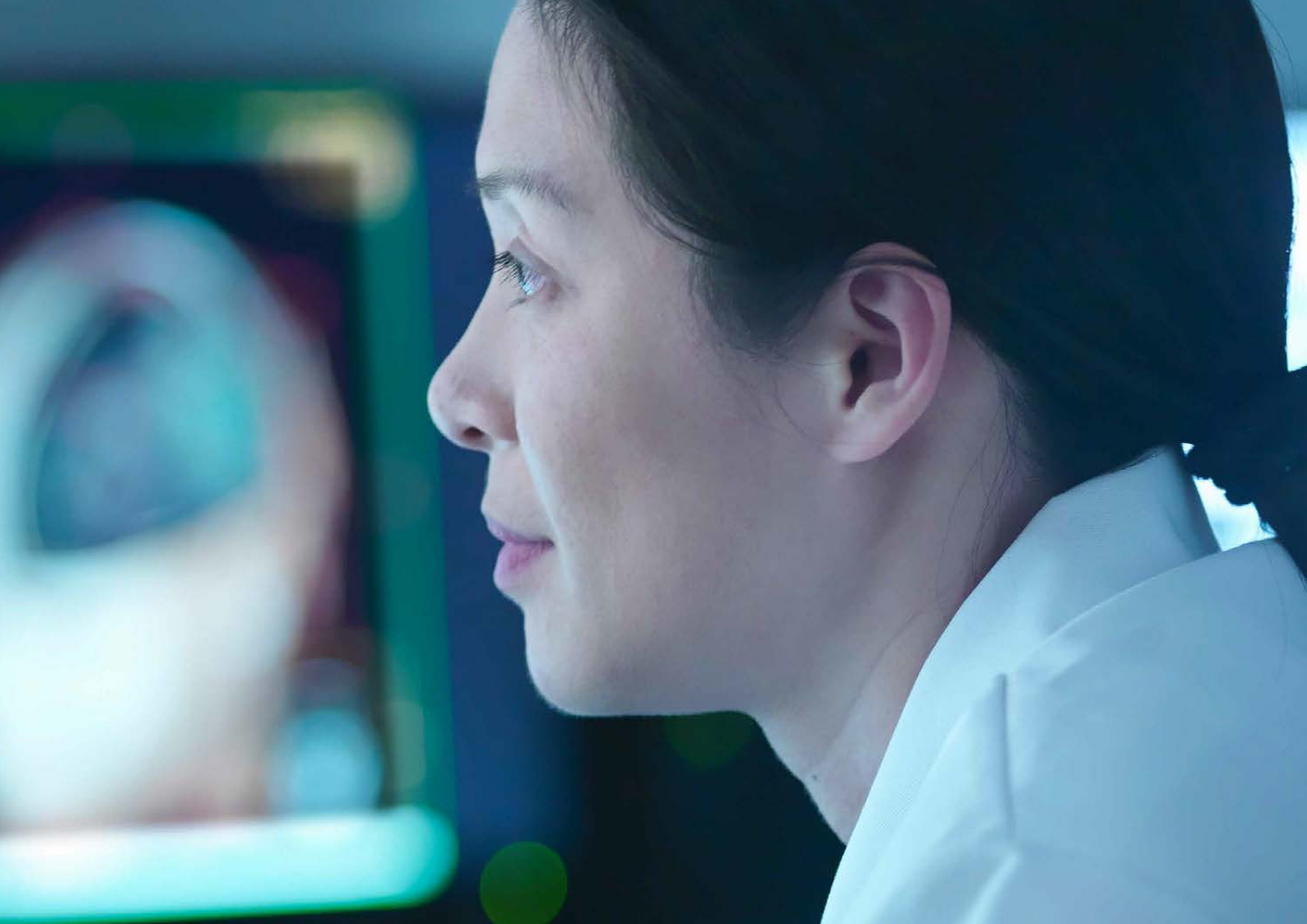
Broader Insights

As well as the insights of life insurers into the top ten risks they had scored, we also received a number of comments specifically about the life insurance industry, which, for example, drew out distinct challenges compared to other sectors. Many of these comments came from the broader response to the main Insurance Banana Skins 2025 survey – for example, from respondents that self-selected into the “composite” sector.

In particular, five prominent themes emerged. We list them here and expand on them in breakout boxes through the forthcoming analysis.

1) Shrinking demand and affordability pressures: Demographic shifts could be undermining life insurance growth and product relevance – while rising inequality and cost of living is seen to be reducing affordability.

2) Eroding reliability of traditional risk models: Rapid advances in health, genetics, and data are breaking long-held assumptions about mortality and risk, leaving insurers struggling to adapt their models and pricing to a world where the past is no longer a reliable guide to the future.



3) Interest rate volatility straining balance sheets: Life insurers are finding it increasingly difficult to match long-term liabilities with assets, as shifting interest rates and yield curves put pressure on solvency and profitability.

4) Geopolitical tensions weakening investment conditions: While life insurers are often domestically-focused, global trade disruptions and geopolitical uncertainty distort investment markets and dampen economic growth, affecting portfolios and capital strength.

5) Longer term climate impacts on life insurance: While the immediate risk to insurers from climate change mostly falls on the P&C and reinsurance sides of the industry, the longer-term impact for life insurers is potentially very significant.

The top ten by sector

	Life Insurance	P&C Insurance	Composite	Reinsurance
1	Cyber Crime	Cyber Crime	Cyber Crime	Climate Change
2	Macro-Economy	Climate Change	Technology	Cyber Crime
3	Technology	Artificial Intelligence	Artificial Intelligence	Artificial Intelligence
4	Artificial Intelligence	Technology	Macro-Economy	Barriers to Trade
5	Regulatory Change	Human Talent	Climate Change	Political Risk
6	Interest Rates	Macro-Economy	Interest Rates	Technology
7	Human Talent	Change Management	Political Risk	Human Talent
8	Investment Performance	Regulatory Change	Regulatory Change	Macro-Economy
9	Change Management	Political Risk	Change Management	Regulatory Change
10	Suitability of Regulation	Suitability of Regulation	Human Talent	Change Management

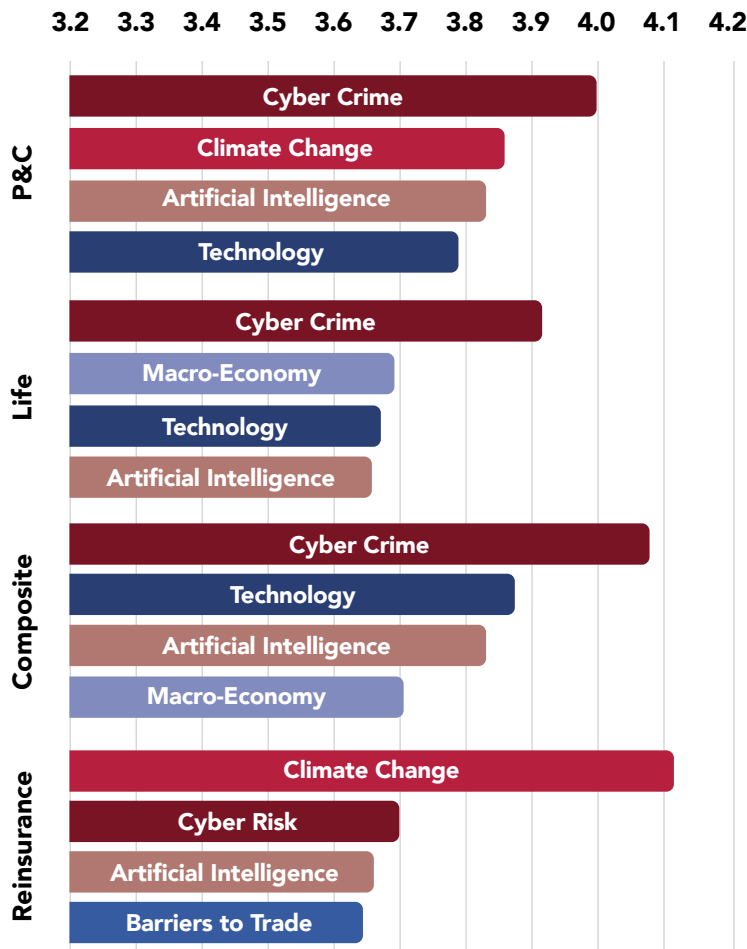
In the full Insurance Banana Skins 2025 report, respondents self-selected into four main sectors:

Life, P&C (non-life), composite, and reinsurance. Given that many composite insurers have significant life insurance operations, it is unsurprising that the two sectors show strong similarities. In particular, we saw high shared concerns about

macroeconomic conditions and interest rates in an environment largely defined by uncertainty. That being said, the risk from rising barriers to trade were seen as more severe on the non-life side of the industry.



Top 4 Banana Skins by Sector



The life sector had the same top four as the composite sector, though ordered differently. It shared three top four risks with P&C (macroeconomy displacing climate change), and two with reinsurance (macroeconomy and technology displacing climate change and barriers to trade).

Each of the four sectors had a fairly pronounced gap in score between the No. 1 risk (cyber crime for life, P&C and composite; climate change for reinsurance), and the rest. However, on average, the life insurance sector assigned a lower severity score to its top four risks than the others.

More than two-thirds of the respondents in our full survey together self-identified as coming from the Life (213) and P&C sectors (217). The chart on the next page shows how their ratings compare. Perhaps the most notable takeaway here is the comparatively lower level of anxiety within the life sector: just eight of the 23 risks were rated as more severe, predominantly those linked to macroeconomic or public environment factors.

The biggest discrepancy is the perception of climate change risk which, throughout the history of our survey, has always been scored much higher on the P&C side of the insurance industry. The main reason seems to be that it is more difficult to quantify the short term impact of climate risk on life insurers, especially when compared to the more tangible surge in costs of claims facing the non-life sector (and the persistent uncertainty around which risks are even insurable).



Life versus P&C: Difference in average scores



Life insurance: The top ten by region

	Asia Pacific	Europe	North America
1	Interest Rates	Cyber Crime	Technology
2	Cyber Crime	Artificial Intelligence	Cyber Crime
3	Macro-Economy	Macro-Economy	Artificial Intelligence
4	Human Talent	Technology	Macro-Economy
5	Artificial Intelligence	Regulatory Change	Interest Rates
6	Regulatory Change	Suitability of Regulation	Social Change Modelling
7	Technology	Political Risk	Regulatory Change
8	Investment Performance	Investment Performance	Credit Risk
9	Change Management	Interest Rates	Suitability of Regulation
10	Social Change Modelling	Change Management	Human Talent

Average severity score out of five assigned to the 23 Banana Skins:

3.35

3.14

3.04

Breaking the results down by region, we saw some prominent difference in areas of focus. Cyber crime and artificial intelligence were the only Banana Skins that consistently ranked in the top five in Asia Pacific, Europe, and North America.

The **Asia Pacific** region ranked interest rates at No.1 and macroeconomy at No.3 –making it the region where ‘external’ risks seem most dominant compared to ‘internal’ ones. At No. 4, human talent was also a higher-than-average concern. On the other hand, technology risk was lower down at No. 7. Respondents from Asia Pacific recorded the highest average risk scores by a clear margin compared with the other two regions.

Europe led its rankings with cyber crime, and had three technological risks in its top four. European respondents also scored the regulatory risks relatively high, while it was the only region to have political risk in its top ten. However, interest rate risk was seen as lower than average, at No. 9.

North America had an all technology-related top three, followed by the risks related to the macroeconomy and interest rates. Respondents also showed specific concerns about social change modelling and credit risk, which were lower down the broader insurance industry’s list of priorities. On the other hand, investment performance was outside the top ten in North America and, overall, the average score assigned to all the Banana Skins was the lowest of the three regions.

Preparedness

We asked respondents how well prepared they thought the industry was to handle the risks they identified.

On a scale of 1 (poorly) to 5 (well), life insurance respondents gave an average response of 3.29, a little higher than the overall average across the industry of 3.24. Preparedness was rated considerably higher in Europe (3.50) and North America (3.41) than Asia Pacific (3.09).

Views on preparedness from life insurance respondents

"Overall, the insurance industry's preparedness is mixed, revealing a clear divide between its handling of traditional risks versus modern, rapidly evolving threats. The industry remains well-prepared to manage risks that are familiar and have deep historical data. However, insurers are significantly less prepared for, and more vulnerable to, challenges that are novel, fast-moving, and systemic." **Italy**

"In a fast-changing and challenging, competitive environment, there is a risk that management prioritise earnings growth over good risk management." **Canada**

"I think insurers are better positioned in some risks – but others such as cyber security and talent drain risk will need constant work to manage" **India**

"The changes that we are seeing are not something that is normal, and as such, companies may not have a plan of action to manage it." **Singapore**

"Insurers are generally well prepared, but many challenges are largely outside of their control." **South Africa**

"Insurers are moderately prepared. While most have made significant progress in digital transformation, risk culture and adaptability vary greatly. There remains a lag in integrating ESG across asset and liability sides, and in developing robust AI governance frameworks. Industry-wide collaboration and regulatory clarity will be key." **Brazil**

"Risk management is at the heart of insurance companies – speed of reaction is the biggest risk." **Ireland**

"We shouldn't stray too far from what our customers want." **Japan**

The Top Ten Banana Skins

#1 Cyber crime

3.92 Life Score | #1 3.99 Overall IBS 2025 score:

Cyber crime is rated the greatest threat facing the global life insurance industry, for many of the same reasons it tops our overall insurance rankings. The risk is growing in scale and sophistication, it is exacerbated by attackers using artificial intelligence, and the potential fallout from a successful breach is seen as severe and wide-ranging.

If anything, life insurers are particularly susceptible to cyberattacks because they hold not only financial details, but also sensitive personal and medical information which could deeply undermine trust in the industry if compromised. The chief financial officer of a life insurer in Brazil said: "Insurers are attractive targets due to the volume of sensitive data they manage. Threats are growing in frequency and complexity, including ransomware, phishing, and supply chain breaches. A single incident can have major financial and reputational consequences, making cyber resilience a top priority".

AI is both an enabler of more dangerous cyber threats and, increasingly, an indispensable tool

for defenders – raising the stakes and amount of resources that need to be devoted to cyber risk, potentially at the expense of other priorities. One chief risk officer in Canada said: "AI is dramatically changing the nature of this risk and the cost of keeping up is becoming prohibitive"; another, in Luxembourg, that: "AI-driven cyber crime is expected to increase significantly because of the capabilities of Gen-AI Tools".

And as insurers modernise IT systems, their growing reliance on third parties, vendors, and cloud technology is widening the range of potential weak points – leaving them exposed to attack from multiple directions. "There is a high risk that vulnerabilities will be exploited in group companies, third parties, etc," said a respondent in Japan. The chief executive of a life insurer in New Zealand warned: "The fact that most insurers are increasing reliance on third-party vendors, cloud-based systems, and real-time data exchange as they modernise their technology will place a significant focus on cybersecurity and operational resilience, with a possible resultant opportunity cost in underinvestment in customer capabilities."



Cyber crime is an ever-evolving challenge. Needs a high degree of focus and may still be difficult to manage".

Chief executive, life insurer, India

#2

Macro-economy

3.72

Life Score

#4 3.61

Overall IBS 2025 score:

While macroeconomic risk was seen as rising across the entire insurance industry, nowhere was it scored higher than on the life side. Respondents see the sector as especially vulnerable to volatile macroeconomic conditions because its core business model depends on long-term financial stability, investment performance, and customer confidence. The threats include persistent inflation, unpredictable interest rate movements, and geopolitical tensions. A chief risk officer in Canada said: "Our earnings are impacted by interest rates, credit spreads, equity markets and real estate prices. Customer behaviour changes in economic downturns."

Life and savings products rely on household disposable income and optimism about the future when economic pressures mount,

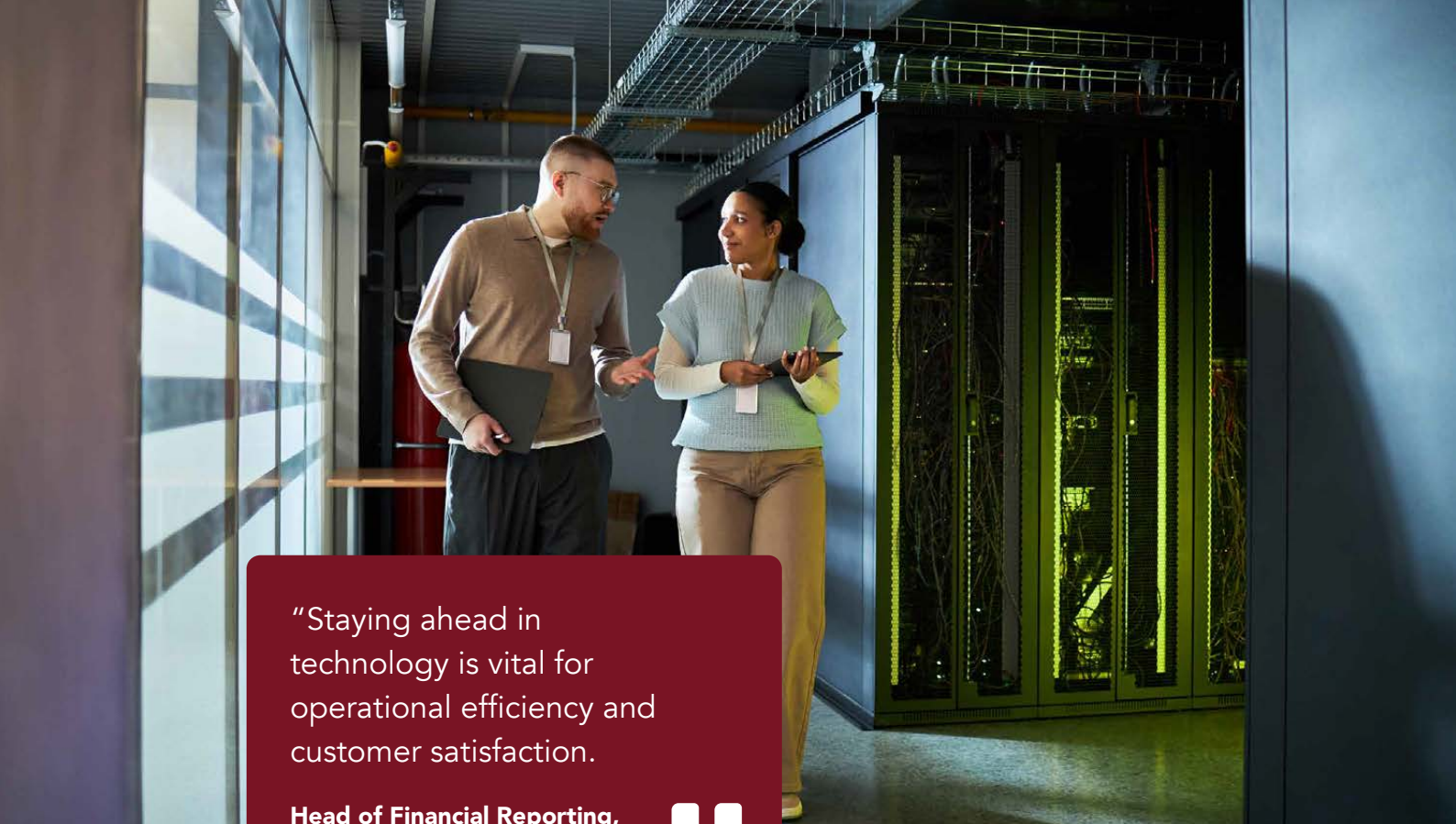
"customers lapse their policies [or] choose to invest in gold, stock, [or] crypto instead of buying life insurance," observed a head of actuarial in Vietnam. A chief operating officer insurer in Ghana warned: "Poor economic conditions are likely to reduce the purchasing power of consumers of insurance, leading to inability to pay premiums".

Macroeconomic risk was scored highest in Asia Pacific, and did not rank below number four in the any of the regions we surveyed. A group chief financial officer in Singapore worried about: "Risk of stagflation as a result of tariff wars". Lingerin inflation was a concern throughout the world. A chief risk officer in Italy said: "Stubbornly high inflation, while having moderated in some regions, continues to drive up the cost of claims across all lines of business."

“

Inflation, interest rates and unemployment directly impact claims rates, asset returns, etc. The issue with Trump's policies is the uncertainty it creates, which means less investment and less economic growth."

Life insurance respondent, Australia



“Staying ahead in technology is vital for operational efficiency and customer satisfaction.

Head of Financial Reporting,
Life Insurer, Indonesia

”

#3 Technology

3.69

Life Score

#3 3.77

Overall IBS 2025 score:

Life insurers are clearly grappling with the challenge of modernising their IT systems, and see it as a top three risk facing the industry. Many firms still rely on outdated infrastructure – “core systems built with very old technology”, as one respondent put it – which hinders innovation and increases operational risk, as well as making integration with new tools difficult. A chief operating officer in New Zealand warned: “Under-investment in systems makes it difficult to take advantage of technology change due to integration and data quality issues.”

Clashing with the pressure to modernise, many life respondents honed in on a problem that was also expressed throughout the broader industry: which IT solutions should they invest in in such a fast-changing environment?

A chief financial officer in Nigeria noted that: “Technology gets obsolete quickly and insurers must continue to evolve to meet the changes required to operate in the changing world.” A finance director in Brazil said: “Multiple solutions strain IT teams’ capacity to manage a stable solution blueprint”.

Yet while uncertainty lingers, indefinite delay was not seen as viable. “If you can’t adapt to changes in technology, you will fall behind in competition,” said a managing executive officer in Japan. The chief financial officer of a life insurer observed that: “The gap between customer expectations and legacy systems is widening. Insurers must accelerate digital transformation – not only front-end UX but also core systems and data integration.

#4

Artificial Intelligence (AI)

3.68

Life Score

#2 3.79

Overall IBS 2025 score:

The risk from the misuse or poor governance of AI was one of the fastest-rising Banana Skins across our industry-wide survey – and though insurers scored it as slightly less severe than average, it is still generating a great deal of attention.

A main risk to the industry is “the growing use of predictive analysis coupled with a regulatory backlash, customer distrust, and legal liability if AI governance isn’t up to standard,” said a chief executive in New Zealand. In particular, the newness of the technology and the speed at which is advancing is causing a great deal of consternation, both for firms and for regulators. “I am not sure insurers are well prepared or often even know what to look out for,” said a chief financial officer in South Africa. “The biggest risk might be in client service bots and how to monitor them”.

Some respondents worried about a perceived lack of regulation and guidance around the new capabilities, such as a compliance head in Ireland who said: “This is a large risk in the rush to use AI”. Others were more concerned about overbearing rules stifling AI’s potential

benefits. A department head in Sweden said: “The risk is the opposite - i.e. that governance is too tight, causing delay and missed opportunities. The cost of that is much higher!”.

This tension between managing AI safely and seizing its potential aside, there was widespread agreement that it likely to have a transformative impact on the industry – for better and for worse. A chief risk officer in Luxembourg said: “AI-driven fraud (especially external) is expected to become more difficult to prevent and detect, and this could adversely impact all key business processes”. An actuary in Australia focused on systemic implications, commenting that the “big issue could be a failure of understanding the impact of AI on overall market and customer behaviour”.

“

As with any new advancement, governance needs to support innovation rather than stifle it. Governance also needs to keep up. ”

Chief risk officer, life insurer, Canada.

#5

Regulatory Change

3.55

Life Score

#6 3.48

Overall IBS 2025 score:

Regulatory change is the higher of two regulation-related Banana Skins in the life sector's top ten, reflecting concerns that the pace and focus of evolving regulations are often out of sync with the realities of the modern insurance market. Echoing several comments we received, a chief financial officer in the UK observed: "Disconnect between regulatory policy intent and reality on the ground – creating uncertainty and stifling innovation."

Some respondents complained about a lack of regulatory proactiveness in getting to grips with new issues – one that "regulators are notoriously slow in putting out fit for purpose regulation and very reluctant to provide practical guidance"; another that the regulator: "had failed to engage [enough]

with regulators around the world [and] align us with the international market." A respondent in Brazil worried about a regulatory "focus on liquidity and technology (e.g. AI) without broad understanding of its effects".

What amplifies the impact of this Banana Skin, as a vice president of risk in India pointed out, is that: "Insurance market needs are hugely impacted by inadequate/changing regulations as they compete with other financial services products". The chief financial officer of a life insurer said: "The lack of clarity creates uncertainty for incumbents and leaves room for arbitrage by unregulated players".

"Insurance is already seen as an old profession and if the industry doesn't align to changes in the market, this would be dire.

Chief financial officer, Life insurer, Nigeria

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#6

Rate Risk

3.52

Life Score

#11 3.28

Overall IBS 2025 score:

Interest rate risk ranks considerably higher in the life industry than it does across wider insurance. This is perhaps not surprising, particularly because the sector's exposure to long-tail liabilities increases its sensitivity to rate movements. What was notable, however, was the geographic difference: this Banana Skin came in at No. 1 overall in the Asia Pacific region, compared to No. 9 in Europe.

Several respondents made the point that rate volatility is the key threat. A respondent in Indonesia said: "Fluctuations in interest rates can affect the valuation of fixed income assets and future profits, making this a high-risk factor," while a chief financial officer in the UK worried about "interest rate volatility impacting capital markets and hampering investment and growth".

Life insurers' profitability and solvency are directly tied to long-term fixed income valuations – sudden rate rises can cause unrealized bond losses, while sharp drops depress reinvestment yields. "The development of interest rates and credit

spreads – particularly in relation to sovereign bonds – will play a crucial role", said a risk manager in Germany. "Shifts in these areas can have a direct impact on insurers' solvency".

Yet some respondents were more optimistic about interest rate risk, particularly in Europe. "I believe that a lot of the interest rate risk can be hedged, although changing interest rates can affect prices", said a department head in Denmark. The head of actuarial at a life insurer in Ireland said: "Falling interest rates have not been realised but have been flagged for a number of years, and so insurers should have plans in place to counteract them".

"Interest rate risk is a structural risk for all insurers, which will not go away. Current expectation is stable/slightly increasing rates, with risk of volatility spikes.

Head of ALM, Life insurer, Germany.

”



“Insurance is not exactly the career one wakes up to get into after college

Head of Financial Reporting,
Life Insurer, Indonesia

”

#7

Human Talent

3.40

Life Score

#7 3.47

Overall IBS 2025 score:

The risk that life insurers fail to attract and retain talent is seen as about on par with the wider industry, high if not necessarily urgent, though there is more anxiety about it in the Asia Pacific region (where it ranked No. 4) than Europe (No. 12).

There was a sense among some respondents that life insurance is perceived as more traditional and less dynamic than many alternative career destinations for ambitious and tech-savvy graduates. A chief executive in India worried: “As a business that is seen as being old fashioned and behind the curve in technology, we may struggle to attract the best talent to insurance”. In Brazil, a chief financial officer said: “Attracting and retaining profiles with strong digital, actuarial, and tech capabilities is becoming increasingly difficult – especially when competing with startups and global tech firms.”

But this feeling was not ubiquitous. For example, a chief financial officer in Singapore predicted that: “The transformation of the insurance industry plus its stability will allow it to attract more talent.” In Denmark, a chief internal auditor took the view that “jobs are well-paid and rather attractive”.

One area of talent risk may be a shortage of experience if the industry’s workforce retires faster than it can be replaced. “This has been an issue for a while and is not abating,” said a chief risk officer in Canada. “As long service staff retire (both voluntarily and involuntarily), companies are struggling to maintain appropriate expertise to both innovate and keep the lights on”.

#8

Investment performance

3.32

Life Score

#14 3.10

Overall IBS 2025 score:

The risk that insurers will be harmed by poor investment performance is seen as considerably higher on the life side on the industry, both by position and score. As a P&C insurer in our wider survey put it: "Most general insurers portfolios are relatively risk averse. [Investment performance] is more material for life insurers. There's a risk to overall profits as markets soften and interest rates fall simultaneously".

Responses from life insurers shared a common concern about maintaining consistent investment returns, as market volatility and shifting interest rates reshape portfolio performance. "As interest rates continue to rise, the success or failure of investment practices will have a major impact on earnings and corporate growth," said a managing executive officer in Japan. A chief financial officer in Germany observed that: "Low interest rates have resulted in ever increasing risk taking".

Beyond this, respondents flagged country-specific risks. In Spain, a non-executive director said: "Companies must migrate to more diversified investments. Portfolios (specially in life insurance) with more than 50% of assets invested in Government Debt will not be competitive. A more active and diversified portfolio management requires the implementation of more robust frameworks, controls and systems". In South Africa, a chief financial officer warned that: "Volatile investment markets [are] eroding confidence to invest in investment and savings products".

"Consistent investment returns are critical for long term viability of the business.

**Vice President of
Enterprise Risk,
Life Insurer, India.**

”



#9

Change Management

3.31

Life Score

#8 3.28

Overall IBS 2025 score:

We asked about the broader risk that insurers fail to manage or implement necessary business change, but most respondents chose to focus specifically on the technological angle of change management. Much like in the rest of the industry, this is considered important to life insurers, if not a top-tier threat.

The prevailing view is of constant, rapid change as an unavoidable reality – one that challenges even the most established insurers. “The pace of change is accelerating, with customer expectations driven by technology providers and online retailers”, said one chief risk officer in Canada. A finance director in

Brazil said: “Ecosystems are getting more complex, requiring wide use of technology to support the changes”.

A repeated theme in the comments was that the industry’s conservative culture and legacy systems make it difficult to adapt quickly. A chief financial officer in Sweden warned that: “Conservative insurers need to find ways to be more adaptable, or neo-insurers will take over the business”. In New Zealand, a chief operating officer worried that: “Under-investment in systems and process modernisation increases the cost and complexity of change”.

Geopolitical unrest... adds complexity, extra cost & development effort at a time when we are moving into cloud and AI and trying to cope with a growing regulatory burden, while customers expect more from us. It's a rapidly evolving new landscape that we need to navigate with lagging governance/ regulatory processes.

Head of protection business, Life insurer, Sweden

”

#10

Suitability of regulation

3.28

Life Score

#10 3.30

Overall IBS 2025 score:

The suitability of current regulation is not as concerning to life respondents as the risks around regulatory change (No. 5), but does still make the top 10 in our rankings. Again, a key theme relates to generally good regulatory intentions with unintended consequences – leading to regulations which are often “increasingly misaligned with market dynamics”, in the words of one chief risk officer.

This Banana Skin was ranked highest in Europe, at No. 6, partly due to frustration at inconsistent application of regulations across markets. A head of actuarial in Denmark said: “Some important EU-regulation seems to be implemented differently in different countries, which can lead to differences in competitiveness and over-regulation”.

The complexity of regulation is also seen as a burden, especially on smaller and mid-sized insurers, affecting their competitiveness. In Malaysia, a chief financial officer warned that: “For the medium sized players, continuous regulatory requirements incur cost, and some are not practical to implement and could hinder growth.”

On the other side of the coin, a respondent in Ireland worried about: “The risk that roll back of regulations will lead to a repeat of the mistakes of the past”. A chief internal auditor in Denmark observed that: “the implementation of Solvency II has strengthened legal regulation”.

“[There is a] Disconnect between regulatory policy intent and reality on the ground - creating uncertainty and stifling innovation.

Chief financial officer, Life insurer, UK.

”

Broader insights

The analysis in the previous section focused on the insights of life insurers into the top ten risks they had scored. We also received a number of comments specifically about the life insurance industry, which, for example, drew out distinct challenges compared to other sectors. Below, we list five prominent themes that emerged from these comments.

Shrinking demand and affordability pressures: Demographic shifts could be undermining life insurance growth and product relevance – while rising inequality and cost of living is seen to be reducing affordability.

"[A main risk to the industry is] aging portfolios and a lack of younger demographics choosing life insurance/living insurances as the older demographic ages."

Chief Financial Officer, New Zealand.

"Brazil doesn't have a life insurance culture and a reduction in people's financial resources could mean cuts in life insurance."

Supervisor, Brazil.

"As the rich becomes ultra rich and the working class become poorer, the target demographics of life insurance buyers could be shrinking or shifting."

Actuary, Taiwan.

"The high cost of living will impact [firms'] ability to price affordable insurance coverage (including operational costs) and to generate good returns for policyholders."

Consultant, Singapore

Interest rate volatility straining balance sheets: Life insurers are finding it increasingly difficult to match long-term liabilities with assets, as shifting interest rates and yield curves put pressure on solvency and profitability.

“The Korean life insurance industry is currently exposed to the risk of declining interest rates. This situation is expected to worsen over the next five years. The duration of liabilities for many insurers is increasing significantly relative to the duration of their assets.”

Department head, South Korea

“For life insurance companies, a flat yield curve is a risk as it then competes with banks, though currently long term spreads are quite steep compared to the short end of the yield curve.”

Chief risk officer, India

“Especially for life insurance companies, I believe that a greater than anticipated rise in interest rates could pose challenges including an expansion of portfolio duration mismatch, leading to capital instability, and increasing activity in asset-intensive reinsurance, which could introduce new counterparty risks.”

Director, Japan

Geopolitical tensions weakening investment conditions: While life insurers are often domestically-focused, global trade disruptions and geopolitical uncertainty distort investment markets and dampen economic growth, affecting portfolios and capital strength.

“While life insurance sectors are less affected by cross border challenges than non-life, geopolitical issues affect trade around the world and thus affect the investment environment and sentiment.”

Chair of Risk Committee, Hong Kong

“A main risk facing the insurance industry is a tariff war, to the extent that it could suppress economic growth, particularly in Asia. This will lead to lower global GDP growth, which in turn can lead to lower interest rates, making it a tougher environment, particularly for life insurers.”

Chief risk officer, Singapore

“For the life insurance industry, the significant risk relates to economic uncertainty/volatility, such as from the impact of tariffs on an open economy like Ireland.”

Chief risk officer, Ireland

Eroding reliability of traditional risk models: Rapid advances in health, genetics, and data are breaking long-held assumptions about mortality and risk, leaving insurers struggling to adapt their models and pricing to a world where the past is no longer a reliable guide to the future.

“For life insurance, improvements to health and medical technology and better health/longevity outcomes increases the pressure on life/medical insurers to price the risks accurately. ”

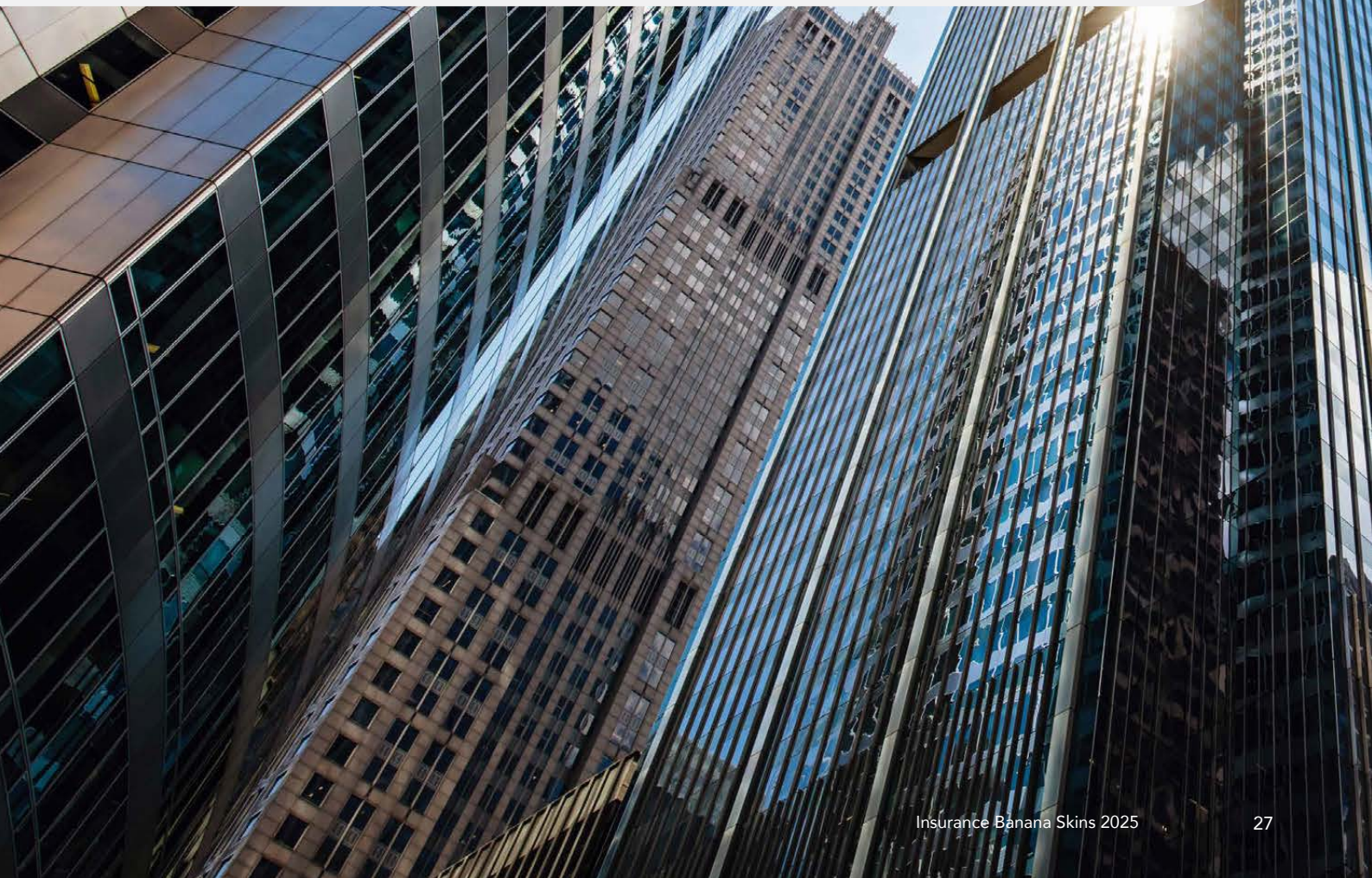
Director of risk, Singapore

“With AI, biosynthetics, development in genetics, etc, things are moving fast and life insurers have not shown themselves to be adaptable to these changes quickly. ”

Actuary, Australia

“The risk is that the insurance industry, which relies on the law of large numbers and the stability of historical trends, is operating in an era where those trends are fracturing. The past is no longer a reliable guide to the future. Insurers that fail to invest in dynamic, forward-looking models that incorporate medical research, behavioural science, and real-time data will find their balance sheets exposed to slow-building but potentially massive losses. ”

Chief risk officer



Longer term climate impacts on life insurance: While the immediate risk to insurers from climate change mostly falls on the P&C and reinsurance sides of the industry, the longer-term impact for life insurers is potentially very significant.

"Climate change is not a short term issue for life insurance, but could be a longer-term issue due to the impact of floods, more diseases as temperatures increase, etc."

Actuary, India.

"[The risk to life insurers from climate change] is not within a 2-3 year span, but otherwise it is a major long term risk."

Chief executive, Denmark.

"In the recent past, we thought climate change didn't affect insurers but the recent wave of floods in southern Brazil brought us to reflect on this and a new reality."

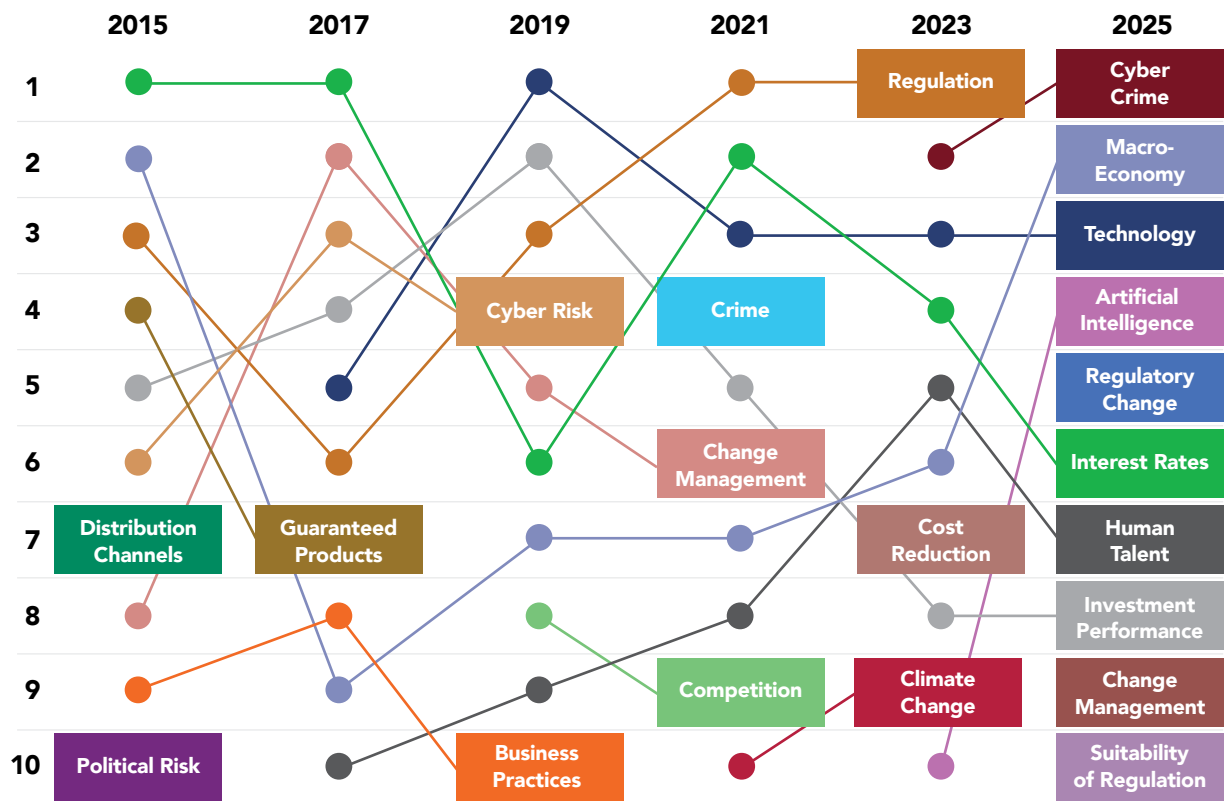
Brazil

"Climate change exposure on the P&C side is very high and difficult to avoid. On the Life side, exposure is on the asset management side and little easier to manage."

Chief risk officer, Canada



Insurance Banana Skins: The Top Ten since 2015



Insurance Banana Skins 2023 – A CSFI survey

Biennially, we ask senior insurers and close observers of the financial scene to describe their main concerns about the insurance industry as they look ahead. We'd be very grateful if you would take a few minutes to complete this latest survey for us.

Question 1

Who you are?

- Name
- Position
- Institution
- Country

Which part of the insurance market do you represent?

- Broking/intermediary
- Life
- P&C/Non-life
- Composite
- Reinsurance
- Other (please state)

Question 2

Please describe what you see as the main risks facing the insurance industry over the next 2-3 years?

Question 3

Below are risks in the insurance industry that have been attracting attention. Please score them on a scale of 1 to 5 where, in your opinion, 1 is a low risk to insurers and 5 is a high risk. Use the column on the right to add comments. Add more risks at the bottom if you wish.

Economic environment

1. **Macro-Economy:** The risk that poor economic conditions will damage the insurance sector.
2. **Interest Rates:** The risk to insurance companies from movements in interest rates.
3. **Credit Risk:** The risk that counterparties will fail to perform.
4. **Barriers to Trade:** The risk to cross border trade within the insurance market as a result of growing conflict, protectionism, and a general deterioration in the geo-political environment.

Public environment

5. **Political Risk:** The risk that domestic/international political pressure on the management of insurance companies will negatively affect the market.
6. **Suitability of Regulation:** The risk that existing regulations are inappropriate, insufficient, or poorly implemented.
7. **Regulatory Change:** The risk that regulatory priorities in domestic and global markets fail to address changing insurance market needs (e.g. technological change, social change, consumer protection, etc.)
8. **Reputation:** The risk of adverse perception or lack of public trust.
9. **Social Change Modelling:** The risk that insurers will fail to account for changes in social trends and pressures influencing longevity, mortality, medical advances, healthcare provision, etc.

Operating risk

10. **Change Management:** The risk that insurers will be damaged by inadequate responses to changes in markets, products, customer demands, distribution, etc.
11. **Capital Availability:** The risk to insurers from excess or insufficient capital.
12. **Investment Performance:** The risk that insurers will be harmed by poor investment performance.
13. **Cost Reduction:** The risk that insurers will fail to achieve the necessary cost reductions to remain competitive.
14. **Technology:** The risk that insurers will fail to keep up with technological change such as digital business models, customer capabilities and interfaces.
15. **Artificial Intelligence (AI):** The misuse or lack of appropriate oversight and governance of the use of Generative AI within firms, as well as AI driven fraud (such as generation of falsified images, videos, voices or correspondence) within the insurance market.
16. **Competition:** The risk that insurers will fail to meet the challenge from disruptive competitors such as Insurtech companies and other technology-enabled start-ups
17. **Human Talent:** The risk that insurers will have difficulty attracting and retaining talent.
18. **Cyber Crime:** The risk to insurers' operations from cyber crime.
19. **Security Risk:** The risk that physical security risks are induced by remote working or insufficient office security, opening up security risks for insurers.
20. **Climate Change:** The risk to the insurance industry from climate change, e.g., related to catastrophic losses, insurability of exposed markets, pricing uncertainty, and operational and asset risks.

Governance

21. **Corporate Governance:** The risk that weakness at board level will lead to poor oversight and control of insurance companies.
22. **Quality of Management:** The risk that insurance companies will be harmed by poor business and risk management.
23. **Business Conduct:** The risk that insurers will incur losses as a result of poor sales and other business practices which fail to meet societal and regulatory expectations.

Please add other risks that you feel are significant to the insurance industry.

Question 4

How well prepared do you think insurers are to handle the main risks you identified in this survey?

Where 1 = Poorly and 5 = Well? Please add comments if you wish.

Thank you.

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