



# Luxembourg Insurance Banana Skins 2023

What are the top risks facing  
the insurance industry?

# What's keeping Luxembourg Insurers up at night?

Climate change, Human talent and Regulation are the main worries for Luxembourg Insurers. Cybercrime, Interest rates, and Technology are not far behind.



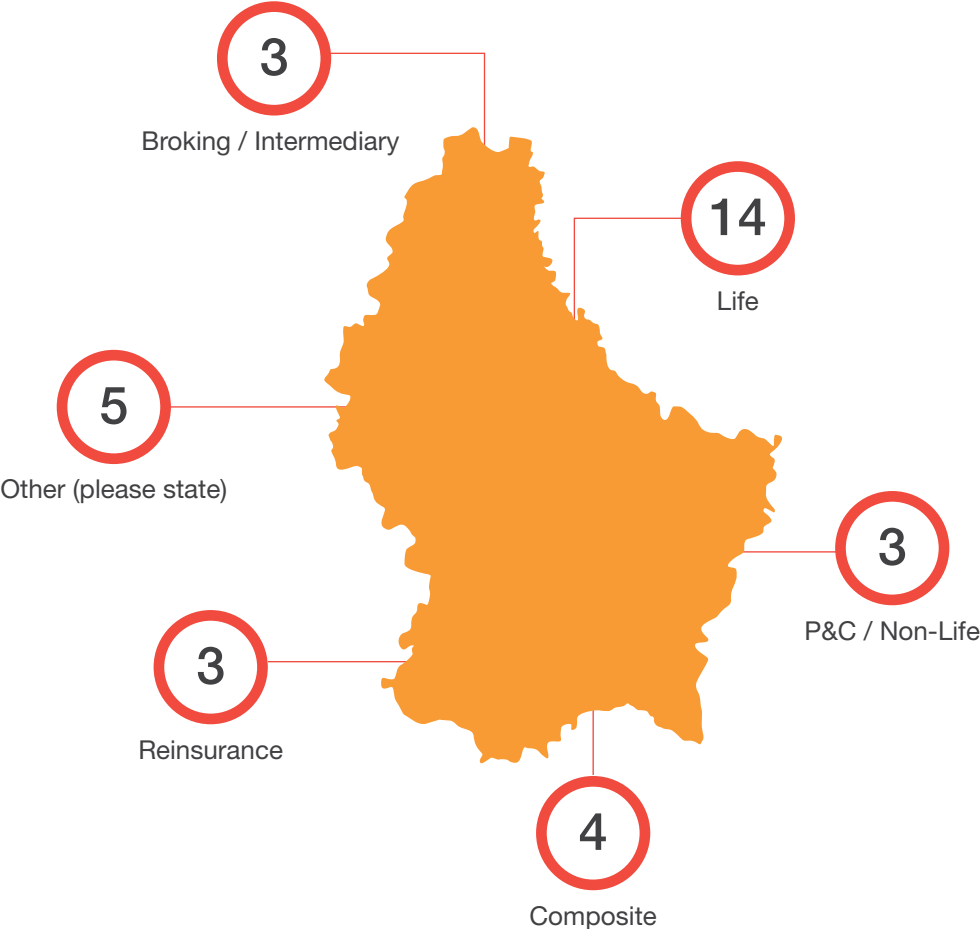
## About the Survey

The CSFI's latest Insurance Banana Skins 2023 survey, conducted in association with PwC, interviewed **392 practitioners, regulators and observers of the insurance industry across 35 territories**. It aims to understand what insurance stakeholders see as the biggest industry threats over the next two or three years and their order of significance.

Insurance Banana Skins is usually proven to be a valuable tool to capture anticipatively the relevant industry risks. The level of survey participation in the Grand-Duchy continues to grow. **This year 32 stakeholders from the Luxembourg insurance market provided their input.**



# There were 32 responses from Luxembourg, as follows:



Here is our analysis of their views.

# Insurance Banana Skins 2023

## World

1	Cyber crime
2	Regulation
3	Climate change
4	Technology
5	Human talent
6	Macro-economy
7	Artificial Intelligence
8	Interest rates
9	Cost reduction
10	Change management
11	Political risk
12	Security risk
13	Reputation
14	Investment performance
15	Social change
16	Competition
17	Products
18	Credit risk
19	De-globalisation
20	Capital availability
21	Quality of management
22	Business conduct
23	Corporate governance
24	Post-Covid effects

## Luxembourg

1	Climate change
2	Human talent
3	Regulation
4	Cyber crime
5	Interest rates
6	Technology
7	De-globalisation
8	Cost reduction
9=	Artificial Intelligence (AI)
9=	Security risk
11	Macro-economy
12	Investment performance
13	Credit risk
14	Reputation
15=	Quality of management
15=	Business conduct
17	Social change
18	Change management
19	Products
20	Competition
21	Political risk
22=	Capital availability
22=	Corporate governance
24	Post-Covid effects

**Climate change topped the table of risks in Luxembourg**, reflecting a high level of concern about the rising costs of claims and whether some risks will remain insurable. One respondent warned that: “climate change-related risks may intensify, resulting in more frequent extreme weather events and natural disasters. Insurers may face higher claims and potential challenges in accurately assessing and pricing climate-related risks”.

**Also near the top of the rankings were human talent risk** – particularly attracting qualified people into technological roles – and interest rate risk, including the “impact on bond portfolio valuation”. Deglobalisation was seen as a much higher threat than in most countries, one comment observing: “It can lead to restrictions on market access, policy disruptions, currency risks, and regulatory challenges”.

However, macroeconomic risk ranked five places below its position in the global table, while political risk was ten positions down. Change management was also seen as a lower order concern, with one respondent noting that “Use of AI could be a game changer”.

**Main points of difference (places higher or lower than the world):**



# What survey participants said...

## Climate change



More natural disasters lead to increased claims and financial strain. Insurers' investments in climate-exposed assets may face devaluation. Underwriting risks arise from uncertainties in pricing policies. Proactive risk management and climate considerations in strategies are essential for navigating challenges effectively.

## Human talent



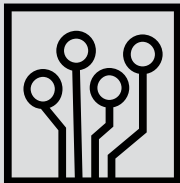
Adaptation to remote or hybrid work models is crucial. Flexible arrangements, employee development, and an inclusive culture are essential to mitigate this risk.

## Cyber-crime



To mitigate this risk, robust cybersecurity measures, regular risk assessments, and advanced security technologies are crucial. Employee training and proactive risk management are essential for effective protection against cyber threats.

## Technology



Insurers risk falling behind in technological advancements, affecting competitiveness and customer engagement. Investment in innovative technologies and agile strategies is essential to mitigate this risk and thrive in the digital insurance landscape.

## De-globalisation



This is already a major threat as freedom of services is heavily challenged by some jurisdictions (e.g. Italy or Spain). It is unlikely that the trend will slow down.

# The Banana Skins Indices

The Banana Skins Barometer measures the average score given by each country with 10 or more respondents to the 22 risks listed in the questionnaire. 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».

Luxembourg produced a higher-than-average score on the Banana Skins Barometer, implying a higher level of risk anxiety. It produced a below average score on the Preparedness Index, implying a lower level of preparedness.



The skins measures score given country more to the 22 in the

Banana Barometer the average by each with 10 or respondents risks listed

Banana Skins Barometer	
Nigeria	4.33
South Africa	4.17
Austria	3.91
UK	3.84
Canada	3.81
Japan	3.71
Hong Kong	3.69
Belgium	3.67
Singapore	3.59
Spain	3.50
USA	3.50
Australia	3.41
Italy	3.30
<b>Luxembourg</b>	<b>3.22</b>
<b>GLOBAL</b>	<b>3.21</b>
Netherlands	3.21
New Zealand	3.20
Taiwan	3.11
India	3.07
Germany	3.00
Denmark	2.88
Bermuda	2.77

Preparedness Index	
Spain	3.70
Austria	3.64
Denmark	3.44
Italy	3.40
Netherlands	3.36
USA	3.33
Canada	3.31
New Zealand	3.30
Hong Kong	3.21
<b>GLOBAL</b>	<b>3.20</b>
Singapore	3.20
Germany	3.20
Australia	3.10
<b>Luxembourg</b>	<b>3.10</b>
UK	3.09
Bermuda	3.08
Belgium	3.07
South Africa	3.06
Nigeria	2.90
Taiwan	2.89
India	2.87
Japan	2.79

# Comparison of Luxembourg 2021 vs. Luxembourg 2023

## Luxembourg Insurance Banana Skins 2021

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

## Luxembourg Insurance Banana Skins 2023

(compared to Luxembourg 2021 survey)

1	Climate change (+2)
2	Human talent (+4)
3	Regulation (-2)
4	Cyber crime (New)
5	Interest rates (=)
6	Technology (-2)
7	De-globalisation (New)
8	Cost reduction (+1)
9=	Artificial Intelligence AI (New)
9=	Security Risk (+3)
11	Macro-economy (-1)
12	Investment Performance (-5)
13	Credit risk (+5)
14	Reputation (=)
15=	Quality of management (+5)
15=	Business conduct (+6)
17	Social change (New)
18	Change management (-10)
19	Products (-3)
20	Competition (-3)
21	Political risk (-9)
22=	Capital availability (-11)
22=	Corporate governance (+1)
24	Post-Covid effects (New)

# Comparison of World 2021 vs. Luxembourg 2023

## Insurance Banana Skins 2023

World	
1	Cyber crime
2	Regulation
3	Climate change
4	Technology
5	Human talent
6	Macro-economy
7	Artificial Intelligence
8	Interest rates
9	Cost reduction
10	Change management
11	Political risk
12	Security risk
13	Reputation
14	Investment performance
15	Social change
16	Competition
17	Products
18	Credit risk
19	De-globalisation
20	Capital availability
21	Quality of management
22	Business conduct
23	Corporate governance
24	Post-Covid effects

Luxembourg	
1	Climate change (+2)
2	Human talent (+3)
3	Regulation (-1)
4	Cyber crime (-3)
5	Interest rates (+3)
6	Technology (-2)
7	De-globalisation (+12)
8	Cost reduction (+1)
9=	Artificial Intelligence (-2)
9=	Security risk (+3)
11	Macro-economy (-5)
12	Investment performance (+2)
13	Credit risk (+5)
14	Reputation (-1)
15=	Quality of management (+6)
15=	Business conduct (+7)
17	Social change (-2)
18	Change management (-8)
19	Products (-2)
20	Competition (-4)
21	Political risk (-10)
22=	Capital availability (-2)
22=	Corporate governance (+1)
24	Post-Covid effects (=)

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