
Insurance now a riskier business: State Street

By Editor Test Thu, May 23, 2013

A new study, "Facing the Future: Blueprint for Growth," highlights three main insurer challenges: risk, regulation and the restructuring of product offerings.

A "perfect storm of shifting variables" is pushing insurers to change the way it does business, according to a survey of 300 insurance leaders by State Street Corporation and The Economist Intelligence Unit that is to be released next month.

The study, "Facing the Future: Blueprint for Growth," highlights three main insurer challenges: risk, regulation and the restructuring of product offerings. Among the findings:

- 80% of respondents say they are actively considering increasing their allocation to alternative strategies to increase yield, which may add additional, more unfamiliar risk.
- More than 80% of insurers feel represents a challenge. Only 17% view the regulatory environment as not a challenge.
- 93% see restructuring product offerings to bring new, innovative products to market quickly as a challenge.
- 82% of insurance leaders say that effectively allocating capital to the most business critical priorities presents a challenge for them today. Seeking additional capital, however, is creating additional risk for insurance companies that they may not be able to handle.
- 49% are prioritizing allocations to alternative strategies for action within the next 12 months.
- 79% of insurers report that investing in more complex asset classes is a challenge for their firm.
- 55% say that they are looking at re-pricing new business to adapt to market conditions, including low interest rates, within the next 12 months.
- 82% are concerned about their ability to expand into the Asia-Pacific region successfully but 18% see no difficulty related to expansion.
- 42% say that insurers' profitability will increase over the next five years.

"Ultra low interest rates [are] putting pressure on margins and evolving regulation is having a fundamental impact on operating models," said Joe Antonellis, vice chairman of State Street, in a release. "Many insurance companies are left with operational roadblocks and dependencies — partly as a legacy of... mergers and acquisitions."