Market Intelligence
by Oxbow Partners

COVID-19 insurance update – 14 August

Oxbow Partners Coronavirus Coverage

We have introduced a weekly note consolidating all Coronavirus-related news relevant to the UK insurance industry. This will be published on Friday mornings for the foreseeable future. Click here to sign up to the mailing list.

14 August 2020

Summary

- Zurich H1 P&C profits fall 55% on COVID-19 impact
- QBE makes AU$712m loss in H1 results as COVID-19 claims approach reinsurance trigger
- FCA extends payment deferral measures
- Hiscox Action Group arbitration process to commence
- RSA reports motor claims for injured cyclists on the rise
- Admiral faces post-lockdown claims uncertainty
- Pet insurance market grows as lockdown sees new pet owners
- Lloyd’s Lab chooses 10 InsurTechs specialising in pandemic solutions
- Lloyd's warns of Covid-19 impact on intangible assets
- Third of insurance professionals in London not considering return to office until 2021

Analysis

Cautious business optimism

Another week of H1 announcements has passed as it was the turn of Admiral, Zurich and QBE (among others) to reveal the effect of COVID-19 on their businesses. While this has been relatively positive for Admiral (achieving pre-tax profits 31% above 2019 H1), others did not fare so well as coronavirus impacts swallowed earnings and, in the case of QBE, pushed profits into the red. However, regardless of H1 outcomes, the industry shares a common sentiment of cautious business optimism. Despite underlining its strong results with uncertainty on the future motor claims environment, Admiral proceeded with an interim dividend 12% ahead of 2019 H1; QBE also paid shareholders an interim dividend of AU4¢ in reflection of “an increasingly promising outlook supported by improved industry pricing”. Saying ‘COVID-19 is a hurdle’ is more than an understatement but nonetheless, as insurers show great ability to adapt, the future looks increasingly bright.

The Oxbow Partners View

There is a fine line between confidence and arrogance, and insurers must not underestimate what will be required to adapt as the situation continues to rapidly evolve. It is fair to say we have not overcome the hurdle yet. While tempting to dwell on underlying performance ‘excluding COVID-19 impacts’, the fact is COVID-19 impacts are going to be with us for a while and insurers must remain vigilant and realistic about the change this brings, rather than dreaming of what could have been. Stay safe out there.

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Zurich H1 P&C profits fall 55% on COVID-19 impact

This week saw Zurich publish its 2020 H1 results. The group saw business operating profit across its P&C business more than half to $751m. The insurer reiterated its prediction of $750m in 2020 P&C COVID-19 related claims which it booked in the first half. The P&C combined ratio deteriorated 4.8%pts to 99.8% while the top-line grew 2% on the prior year to $18.9bn in P&C premiums. The UK GI business made a business operating loss of £35m after £140m of COVID-19 related claims across travel, event cancellation and business interruption lines. Here, combined ratio deteriorated to 103.4% (2019 H1: 85.6%) while the GWP was up 11% to £1339m.

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QBE makes AU$712m loss in H1 results as COVID-19 claims approach reinsurance trigger

In 2020 H1 results, QBE has posted an AU$712m (US$510m) loss, driven by underwriting impacts from COVID-19, large catastrophe losses, and a poor investment performance. The group reiterated its $600m estimated impact due to COVID-19, as well as announcing higher-than-expected catastrophe claims of $308m due to Australian bushfires and various events in North America. As a result, QBE expects it has exhausted all but $20m of deductible on its catastrophe aggregate reinsurance arrangement. The insurer further indicated UK BI exposure would be limited to $70m, due to other reinsurance arrangements.

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FCA extends payment deferral measures (Insurance POST)

The FCA gas kept temporary measures in to help insurance customers financially hit by the COVID-19 crisis in place until the end of October. Companies are expected to grant one to three months of payment deferrals to policyholders in financial difficulty due to the coronavirus pandemic unless “it is obviously not in the customer’s interests to do so”. Customers who have not yet asked for a payment deferral should be able to do so at any point during the period until 31st October 2020.

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Hiscox Action Group arbitration process to commence (Insurance Business)

The Hiscox Action Group (HAG), a collective of over 400 Hiscox clients whose COVID-19 related BI claims have been rejected, and the insurer have agreed to a single arbitration process where 3 arbitrators will review four categories of policy around business interruption insurance. HAG is seeking payment of over £40m for policies which it states were intended to trigger when access to premises were restricted following the outbreak of a “notifiable disease”.

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RSA reports motor claims for injured cyclists on the rise

RSA’s motor brand MORE TH>N has seen claims for bodily injury double in recent months due to people wanting to avoid public transport during lockdown. The proportion of motor claims related to bodily injury involving cyclists, pedestrians, and motorcyclists has increased from one in ten (10%) to around one in five (20%). The insurer attributes the trend to an increased number of cyclists on the road, with 1.3m Brits having bought a bike during lockdown.

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Admiral faces post-lockdown claims uncertainty (Insurance Times)

This week saw Admiral announce its 2020 H1 results with pre-tax profits up 31% year-on-year. Subscribers to our core Market Intelligence product would have received our detailed on-the-day analyses. Group CEO, David Stevens, commented motor claims may never return to pre-COVID levels, despite the last week alone seeing a 3-4% increase in road accidents. He expressed uncertainty as to how far the resurgence of claims will go as people begin to behave more normally post-lockdown. While there are reasons for people to drive less and 'more smart', this may be offset by people driving more to avoid public transport.

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Pet insurance market grows as lockdown sees new pet owners (Insurance Times)

The pet insurance market is seeing a surge in policies, due to increased number of pet owners in UK lockdown. Bought by Many reports a 194% year-on-year increase in new pet insurance policies during the lockdown. The insurer also notes a shift towards people in their 20's buying pet insurance, and an increase in price of pets due to heightened demand.

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Lloyd's Lab chooses 10 InsurTechs specialising in pandemic solutions (Insurance Times)

In Lloyd's second virtual Lab, the innovation accelerator programme has selected a cohort of ten InsurTechs with a focus on pandemic solutions. The group will begin working with Lloyd's on 7th September with a focus on three key themes: data and models, new insurance products, and COVID-19 response.

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Lloyd's warns of Covid-19 impact on intangible assets (Insurance Business)

Lloyd's has expressed concern intangible assets may be major blind spot for businesses assessing COVID-related risk. While products are already in place against risks to reputation, human capital and intellectual property, Lloyd's has urged businesses to adapt to the new risk landscape, including protection of intangible assets.

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Third of insurance professionals in London not considering return to office until 2021 (Insurance Insider)

According to a recent poll by Insurance Insider, around a third of London (re)insurance professionals won't consider returning to the office until next year, with another third hoping to return in September. The result comes as 30% of London insurance offices are already open, while 50% plan to open in September. Meanwhile almost 8 in 10 respondents think Lloyd's should conduct more transactions virtually after the pandemic.

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