

COVID-19 insurance update – 5th March

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.

05 March 2021

Summary

- Aviva sees stable profits in 2020 as Blanc's simplification strategy is full steam ahead
- Hiscox falls to 2020 loss on COVID-19 reserves (Reinsurance News)
- Industry survey reveals divided census over 2021 P&C COVID losses (Reinsurance News)
- Lloyd's to reopen underwriting room on May 17 (Reinsurance News)
- Admiral boosts profit in full-year financials (Insurance Business)
- Aviva seeking new City of London HQ (Insurance Business)
- FCA publishes final 'proving COVID-19 presence' guidance (Insurance Business)
- Work to be done on BI in 2021 – Scott Egan (Insurance Times)
- Iprism develops new unoccupied property policy to cope with post lockdown demand (Insurance Age)
- Aviva exposure to pandemic BI claims came from broker wordings (Insurance Age)

Analysis

Let's get fiscal!

This week the Chancellor revealed his highly anticipated COVID-19 recovery plans. However, his 2021 budget is bound to have many companies, especially insurers, concerned about the rise in corporation tax from 19% to 25% as of 2023. Moreover, Sunak's stealth tax on middle earners by freezing tax brackets is likely to put incomes under greater pressure in the coming years. Just as consumers and insurers are beginning to look beyond the pandemic this move will certainly keep the focus on the need for competitive pricing and customer value. This week we have seen Admiral report a 20% growth in profits for 2020 following the trend that personal lines insurers have had a comparatively positive experience of 2020. Meanwhile, composite insurer Aviva has reported stable but resilient operating results and Hiscox suffered significant losses due to event cancellation and business interruption as a result of COVID-19.

The Oxbow Partners View

As results season reaches its crescendo, this week's postings continue to follow the pattern we would expect in which personal lines insurers have benefitted from reduced claims environments and large international insurers have suffered from heavy cancellation and interruption claims. Even as COVID case numbers fall, the Chancellor's announcement drives home the message that the economic effects of Coronavirus will be with us for long after the virus itself has been brought under control. Stay safe out there.

Paul De'Ath (Head of Market Intelligence)
pdeath@oxbowpartners.com
+44 7799 416 704

Jake Harrison Woods (Analyst)
jharrisonwoods@oxbowpartners.com
+44 7375 401 873

Chris Sandilands, ACII (Partner)
csandilands@oxbowpartners.com
+44 203 947 8624

Oxbow Partners is a specialist management consultancy for the insurance industry spanning strategy, operations, technology and M&A. Our [Market Intelligence team](#) provides data, analysis and tools to the management teams of global reinsurers and UK insurers in various formats to keep them better informed and make superior strategic decisions.

Aviva sees stable profits in 2020 as Blanc's simplification strategy is full steam ahead

Aviva has this week posted stable results for 2020 despite the impact of COVID-19 with overall operating profits seeing a negligible drop of 0.7% and a 3% drop over its core business. In the UK, Personal and Commercial lines have seen diverging performances with Personal lines' NWP falling 7% to £2,232m and Commercial lines growing 10% to £2,008m. As part of CEO Amanda Blanc's push to simplify the business, Aviva also confirmed that it would sell its Italian Life and GI business in 2021 for £1.2bn. This is the latest in a string of disposals which is expected to bring in around £4.3bn in 2021 which is due to give shareholders a substantial return.

[Read more](#)

Hiscox falls to 2020 loss on COVID-19 reserves (Reinsurance News)

COVID-19 reserves of \$475 million, net of reinsurance, has pushed re/insurer Hiscox into a loss of \$268.5 million for full-year 2020, compared to income of more than \$53 million in 2019. The majority of COVID-19 claims for Hiscox have been related to event cancellation with business interruption the second most common claim. Excluding the pandemic, the firm's profit would have amounted to \$207 million for the year, while the combined ratio would have also improved and come in below 100%. Group GWP was stable at around \$4 billion and the combined ratio deteriorated to 114.5%. On a more positive note, the re/insurer achieved an average rate increase of 12% in 2020 and both Hiscox UK and Europe achieved GWP growth driven by commercial business.

[Read more](#)

Industry survey reveals divided census over 2021 P&C COVID losses (Reinsurance News)

A survey of Reinsurance News industry contacts has revealed a clear divide in expectation for 2021's eventual COVID-19 impact on the Property & Casualty segment, with 27% of respondents feeling the figure will fall over \$100 billion. A further 27% felt the eventual loss would land between \$70 billion and \$100 billion, while 25% estimated \$50 billion - \$70 billion and 22% between \$30 billion - \$50 billion. This divide follows that of analysts who have also given varying estimates on the cost of COVID-19 and only time will tell which of these comes to fruition.

[Read more](#)

Lloyd's to reopen underwriting room on May 17 (Reinsurance News)

Lloyd's of London has confirmed the reopening of its underwriting room and corporation offices on 17th May. Plans are in place to apply a class of business rota during the week with further details to follow nearer the date. With the Government's date of 21st June to relax restrictions additional action will be taken as footfall increases. This will include the removal of Perspex screens and the opening of its virtual room, launched in September, to all classes of business. In the meantime, face covering will remain mandatory in all public areas.

[Read more](#)

Admiral boosts profit in full-year financials (Insurance Business)

Cardiff-based insurer Admiral has released its full year results revealing a strong performance in 2020. Group statutory profit before tax grew 20% to £608.2 million and Group share of pre-tax profit (an alternative measure) also grew 21% to £638.4 million. As a purely UK personal lines player Admiral has clearly benefitted from the reduced claims environment during lockdowns and grabbed headlines last year with its £110 million 'Stay at Home Refund'. As a result of this brand investment Admiral has seen over 650,000 new customers in 2020 and has proposed a final dividend of 86p per share payable on 4th June.

[Read more](#)

Aviva seeking new City of London HQ (Insurance Business)

Insurance giant Aviva is searching for a new City of London headquarters as it prepares to slash office space amid a general strategy of downsizing. According to its FY results analyst presentation on Thursday, Aviva's plans to cut up to 30% of its 1.7 million square feet (158,000 square meters) of office space across the UK as more employees work from home. Although the firm was looking for new office space before the pandemic, COVID-19 has likely accelerated the move to downsize ahead of Aviva's lease on its current headquarters running out in 2024. The company plans to maintain a presence in the 14 UK cities it currently resides in but will also combine or shrink these offices as well.

[Read more](#)

FCA publishes final 'proving COVID-19 presence' guidance (Insurance Business)

The Financial Conduct Authority (FCA) has published 29-pages of finalised guidance on proving the presence of COVID-19 in business interruption claims. The guidance sets out the types of evidence and methodologies policyholders can use in their claims, based on the judgement and declarations of the High Court in last year's UK test case. This guidance has come into effect as of 3rd March 2021 and will cease to apply as of 31st January 2022. In addition, the FCA is also working on an online calculator to help policyholders gather evidence which can be used to determine whether coronavirus was likely to be present in a relevant policy area.

[Read more](#)

Work to be done on BI in 2021 – Scott Egan (Insurance Times)

RSA's UK and International CEO, Scott Egan, has talked to journalists about how RSA and the industry has work to do to rebuild its reputation with customers following the BI test case in 2020. The insurer was one of the eight companies involved in the case and Mr Egan was happy to be part of it as it helped to expedite the legal process. RSA will be revisiting policy wordings and ensuring that valid claims are paid. Going forward there will be a focus on ensuring policy wordings are clear and customers know exactly what is and is not covered by their policy.

[Read more](#)

Iprism develops new unoccupied property policy to cope with post lockdown demand (Insurance Age)

Iprism, a specialist commercial, property, tradesman and high net worth MGA has launched a new Unoccupied Commercial & Residential Property Owners product to address what it predicts will be a spike in unoccupied properties post-lockdown. The post-COVID world could be very different to what we were used to before the pandemic and there are opportunities for insurers to develop new products that meet the changing demands of customers in the new normal.

[Read more](#)

Aviva exposure to pandemic BI claims came from broker wordings (Insurance Age)

Colm Holmes, CEO of General Insurance at Aviva predicts that broker wordings will be reviewed and tightened as a result of the pandemic. Aviva's own policy wordings, that covered 95% of its business, were found not to offer pandemic cover but the 5% that were written via brokers were subject to the FCA test case outcome. Aviva is working on paying claims where they are valid with around 80% paid so far.

[Read more](#)