

COVID-19 insurance update – 19th 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.

19 March 2021

Summary

- 🕒 Sabre reports robust results despite COVID-19 disruption
- 🕒 Life insurance payouts for COVID-19 in the UK (Insurance Business)
- 🕒 Why are commercial insurance prices increasing? (Insurance Business)
- 🕒 Swiss Re & Hannover Re warn of COVID-19's claim tail & litigation risk (Reinsurance News)
- 🕒 Frauds linked to home working expected to increase (Insurance Times)
- 🕒 Ecclesiastical blames COVID-19 for £15.7m loss in 2020 (Insurance Times)
- 🕒 Some states still weigh mandating business interruption coverage (Insurance Journal)
- 🕒 EU Threatens to Ban COVID Vaccine Exports to Britain (Insurance Journal)
- 🕒 BA explores sale of headquarters in shift to homeworking (FT)

Analysis

Vaccine chaos and third wave fears

This week has brought renewed fears of a third wave of coronavirus in the EU as Britain and US place all their bets on a rapid vaccine rollout to stem further losses. However, the limited supply of vaccines is already causing difficulties with the news that vaccine supply in the UK is due to stall at the end of March and Ursula von der Leyen threatening that the EU may prevent further exports to Britain. On a more positive note, more than 25 million people have been given their first vaccine dose the UK which gives hope that Boris Johnson's roadmap out of lockdown might proceed as planned. Unfortunately, while cases have steadily fallen in the UK, rising cases in the EU will likely frustrate foreign travel plans over the next few months. Travellers and travel insurers alike are bound to be dismayed by this as the hard-hit tourism industry takes longer to recover than expected.

The Oxbow Partners View

So far it seems the country is still on track for the vaccination timelines and a return to normality later this year. The question remains on how this normality will look when compared to life in 2019. The travel industry (and its associated insurance) still don't really know what summer 2021 will be like. P&O cruises said this week that it will only be taking fully vaccinated customers on trips around the British Isles – a sign that we are still quite a long way from normal service resuming. The return to the office is also likely to take some time to happen and for some may not happen at all. Insurers need to remain flexible and react quickly to the changing dynamics of car use, home use and travel as we navigate our way out of lockdown. 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.

Sabre reports robust results despite COVID-19 disruption

Sabre has posted robust results for 2020 despite the impact of COVID-19 which it claims has, “extended the challenging stage of the car insurance market cycle.” Sabre has experienced only a moderate drop in profits from an after-tax result of £45.7m in 2019 to £39.8m in 2020. Likewise, its combined ratio rose by 1.9 points to 75.3% but this still remains a comparatively strong ratio. However, GWP for the year did suffer from the impact of national lockdowns falling from £197m in 2019 to £173m. Despite this, Sabre’s capital position remains strong with a Solvency ratio of 203% and the company expects to pay a full year dividend of 21.2p per share.

[Read more](#)

Life insurance payouts for COVID-19 in the UK (Insurance Business)

The ABI has for the first time collected life insurance compensation data from a single event and published last year’s figures for COVID-19. Insurers paid out the equivalent of £553,000 every day in 2020 to support the families of coronavirus fatalities. The £202 million total included £250,000 in payouts made the day after notification of death, as well as compensation worth £1 million for dependants. 11,198 claims were received last year under individual and group life insurance policies with £128 million of the £202 million paid for individual policies. The trade body said 96% of individual policy claims and 99% of group claims have already been paid.

[Read more](#)

Why are commercial insurance prices increasing? (Insurance Business)

According to Aon’s Q4 2020 Global Market Insights Report, pricing was up across most lines and classes of insurance globally in the final quarter of 2020. COVID-19 and the general economic downturn have reportedly increased underwriting scrutiny and risk aversion. Pricing momentum is expected to continue worldwide through 2021, although around \$20 billion of capital entered the market globally between March and December 2020 which could potentially help avoid dramatic rate movements. Aside from rate rises, P&C insurers have more generally been investing in system modernisation and enhanced capabilities around data & analytics, digitalisation, and artificial intelligence (AI), in order to price more accurately.

[Read more](#)

Swiss Re & Hannover Re warn of COVID-19’s claim tail & litigation risk (Reinsurance News)

Two of the world’s largest reinsurance firms have warned that while many of the interim impacts of COVID-19 have been reserved for, the insurance industry should be braced for a longer-term tail impact from the pandemic. Great uncertainty exists around COVID-19’s ability to cause longer-tailed insurance and reinsurance claims, particularly in casualty and liability lines. At its current count, pandemic-related losses, IBNR reserves and estimates from insurance and reinsurance companies stand at over \$34.5 billion. It is especially feared that unforeseen litigation costs may push this estimate higher and the overall message from the two reinsurers seems to be that COVID-19 is far from over.

[Read more](#)

Frauds linked to home working expected to increase (Insurance Times)

Panellists at March’s Fraud Charter event agreed that fraudulent claims from home working were inevitable and that the rise in spoofing needs to be dealt with. The event panellists highlighted that at the moment the number of fraudulent claims was only a trickle but that most in the industry are waiting for more to come through. As the restrictions are eased and government funding stops the pressure on individual finances could increase, driving up fraudulent claims.

[Read more \(requires subscription\)](#)

Ecclesiastical blames COVID-19 for £15.7m loss in 2020 (Insurance Times)

Ecclesiastical has released its FY 2020 results this week and recorded a £15.7m loss, compared to £73.3m profit in 2019. The main driver of the reduced profitability in the group was the coronavirus pandemic and its impact on financial markets. COVID-related claims for the year were £18.7m relating to BI policies where cover was in place. The underwriting profit for the year reduced from £20m in 2019 to £12.1m in 2020. Despite the lower profits, 2020 has been a year of growth for the business with GWP up 11% to £437m supported by strong retention and new business wins.

[Read more \(requires subscription\)](#)

Some states still weigh mandating business interruption coverage (Insurance Journal)

Despite lawmakers in a number of states filing legislation to require business insurance to cover losses from COVID, none have yet passed any new laws to make BI claims mandatory for insurance companies. While it is welcome news for insurers that no legislation has been passed, they are not out of the woods yet. States with proposals pending in 2021 include California, New Jersey, New York, Oregon, Texas, Rhode Island and Pennsylvania. While there is no guaranteed that these bills will be passed, insurers in the US are still waiting on clarity over claims that could cost billions, possibly hundreds of billions for the industry.

[Read more](#)

EU Threatens to Ban COVID Vaccine Exports to Britain (Insurance Journal)

The European Union threatened on Wednesday to ban exports of COVID-19 vaccines to Britain owing to fears there would not be sufficient doses for EU citizens facing a third wave. With the number of COVID-related deaths in the EU topping 550,000, Ursula von der Leyen called the situation “the crisis of the century.” Von der Leyen claimed that while 10 million doses had gone from EU plants to the UK, no doses had come from the UK to the EU. Six EU countries have reportedly complained about reduced deliveries from AstraZeneca which threatens to derail the recovery, especially in southern EU countries dependent on tourism. For insurance this is likely to frustrate the recovery of travel cover and lead to tighter conditions surrounding policies.

[Read more](#)

BA explores sale of headquarters in shift to homeworking (FT)

In the latest move to hybrid working by a major UK business, the FT has reported that BA is considering selling its headquarters near Heathrow and moving to smaller office accommodation. BA plans to move its staff to a hybrid homeworking model post-pandemic and will require significantly less office floor space. The headquarters is home to 2,000 staff and was built at a cost of £200m in the 1990s.

[Read more \(requires subscription\)](#)