

## COVID-19 insurance update – 9<sup>th</sup> April

### 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.

09 April 2021

### Summary

- 🕒 UK festivals warn of cancellations unless government underwrites insurance (FT)
- 🕒 Pandemic will help insurance penetration in the long run (Reinsurance News)
- 🕒 COVID-19 has had a significant effect on claims in the commercial insurance space (Insurance Age)
- 🕒 Lloyd's reports £3.4bn in COVID-19 losses in 2020 (Insurance Times)
- 🕒 Pandemic cover is not an insurance concern (Insurance Times)
- 🕒 COVID-19 and employers' liability claims (Insurance Age)
- 🕒 UK brokers have stronger client relationships than pre-pandemic (Insurance Times)
- 🕒 SAGA 2020 results significantly impacted by COVID-19
- 🕒 COVID-19 insured loss reports rise 21% in last quarter, near \$38bn (Reinsurance News)
- 🕒 COVID-19 continues to fuel economic, political risk – Marsh report (Insurance Business)

### Analysis

#### New year results and third wave fears

This past week saw the start of a new financial year and with that a new set of (re)insurers results heavily impacted by COVID-19 were released. Both Lloyd's of London and SAGA experienced a significant drop in their 2019 earnings. Interestingly the latter's driven solely by their Travel business, as SAGA experienced an improvement in their underwriting performance. There was also renewed debate on the role that (re)insurers and the government should play in insuring events this year against COVID-19 and businesses against future pandemics. On a more upbeat note, the UK is gearing up for the opening of non-essential shops, as well as pub and restaurant outdoor areas – a small but significant step to the UK's reopening. However, controversy over vaccine passports, airport tests and vaccine safety are well underway.

#### The Oxbow Partners View

With the UK preparing to open retail and hospitality up next week, there are fears amongst event organisers that the UK may experience a similar "third wave" that is currently gripping parts of mainland Europe. With commercial insurance policies covering event cancellation near impossible to come across, pressure is rising for the Government to come in and find a solution to keep their "Great British Summer" promise alive. I hope you all enjoy (hopefully) the last weekend of "true lockdown" and as always, stay safe out there.

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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.

### **UK festivals warn of cancellations unless government underwrites insurance (FT)**

Insurance industry experts and event organisers have warned that summer music festivals, concerts and other major events representing billions in economic activity, risk being scrapped without Government backing. With commercial insurance unavailable following estimated cancellation losses of \$8bn in 2020, organisers and tour promoters are lobbying for the UK Government to step in and provide organisers with the confidence to push on. Several European governments have invested in similar schemes, including Germany who have pledged €2.5bn to insure events in the second half of 2021.

[Read more](#)

### **Pandemic will help insurance penetration in the long run (Reinsurance News)**

Devesh Srivastava, the Chairman and Managing Director of India's only reinsurer GIC, believes the increased awareness of insurance products brought on by COVID-19 will help penetration in the long run. Srivastava was commenting on the Indian market, where insurance penetration lags behind the world average and he sees Health as the greatest opportunity.

[Read more](#)

### **COVID-19 has had a significant effect on claims in the commercial insurance space (Insurance Age)**

Aviva saw a 20% downturn in the volume of commercial claims during the first lockdown, with significantly lower volumes in public liability, property theft and motor. Lower claims volumes in these lines allowed Aviva to divert resources to those that saw a significant spike, with Business Interruption the obvious example. Another area Aviva saw a spike in was cyclists accidents, as more people took to their bike preferring not to use public transport.

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

### **Lloyd's reports £3.4bn in COVID-19 losses in 2020 (Insurance Times)**

Last week Lloyd's of London reported their full-year financial results, which included £3.4bn in COVID-19 related losses. The market is predicting that their gross pandemic payouts will eventually reach £6.2m. The aggregate market loss was £0.9m compared to £2.5bn profit in 2019 and the combined ratio increased 13.3% to 110.3% for the year (97% exc. COVID-19), versus 102.1% in 2019.

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

### **Pandemic cover is not an insurance concern (Insurance Times)**

According to SCOR and Allianz Chief Executives Denis Kessler and Frank Sommerfeld respectively, the global (re)insurance industry is not in a position to cover pandemic risks as it fails the core tests of insurability and diversification of risk. The major hurdles include the capital requirements of insurers and the high premiums that would need to be charged, making the proposition unattractive for all sides. The execs speaking during a panel session on the insurability of pandemics, noted that it can only be solved by public and private partnerships.

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

### **COVID-19 and employers' liability claims (Insurance Age)**

Whilst working from home has reduced traditional employers' liability claims ("trips and slips"), the shift in location has brought about its own set of risks. John Dougherty a divisional director of risk management at James Hallam, warns of the potential for employers to seek compensation for bad backs and next injuries, as well a possible spike in stress claims. Dougherty says whether in the office or working from home "the responsibility for employees' health and safety remains with the employer."

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

### **UK brokers have stronger client relationships than pre-pandemic (Insurance Times)**

The 2021 UK Commercial Brokers Survey run by the data analytics firm GlobalData, found that 52% of brokers contact their customers more now than pre pandemic and 48% of brokers believe they have a stronger relationship with their customers. This is an encouraging finding for the broker industry, following the risk that COVID-19 and direct channels posed to the industry as more businesses went online. Additionally, 50% of brokers noted that more of their customers are now enquiring about coverage gaps.

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

### **SAGA 2020 results significantly impacted by COVID-19**

On Wednesday this week SAGA released their preliminary 2020 results, posting a £61.2m pre tax loss for the year. The result was heavily impacted by COVID-19 as SAGA's Travel division experienced a loss of £78.5m down from a £19.8m profit in the previous comparable period. SAGA's Underwriting division's profit before tax rose to £58.7m from £40.6m, on the back of lower claims frequency and reserve releases.

[Read more](#)

### **COVID-19 insured loss reports rise 21% in last quarter, near \$38bn (Artemis BM)**

COVID-19 related losses for major insurance and reinsurance companies have continued to rise in Q1, growing by 21% or \$6.3bn. Zurich based PeriStrat who aggregate the loss data, have been forecasting the total to settle around \$50bn. However, a lot of uncertainty over potential cancellation losses through this year still remain and the tail of losses could be further extended by third-party liability and D&O claims.

[Read more](#)

### **COVID-19 continues to fuel economic, political risk – Marsh report (Insurance Business)**

According to a new report by Marsh, COVID-19 induced economic stress will continue to fuel global political risk in 2021. The report found that the pandemic is driving social fragmentation between Governments and within countries, which will weaken geopolitical stability over the next 5 to 10 years. These findings come on the back of a similar report released by the World Economic Forum, which found that the pandemic is further widening inequalities between emerging economics and industrialised nations.

[Read more](#)