

## COVID-19 insurance update – 7 May

### 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.

07 May 2021

#### Summary

- ⌚ Direct Line results impacted by lockdown induced motor premium deflation
- ⌚ Hannover Re results see €151m loss in life reinsurance
- ⌚ Munich Re sees continued COVID losses in Q1
- ⌚ "No silver bullet" to fix industry reputation after BI backlash (Insurance Age)
- ⌚ UK businesses braced for surge in litigation claims (FT)
- ⌚ Zurich warns e-commerce boom could spark warehouse blaze uptick (Insurance Times)
- ⌚ Pandemic/infectious diseases surge as top current risk – study (Insurance Business)
- ⌚ No full-time return to the office for over a million (BBC)
- ⌚ UK car sales accelerate helped by lockdown easing (FT)

#### Analysis

##### Back into results mode

This week we have seen a number of Q1 2021 results from key players in the UK and large European reinsurers. As you might expect, COVID continues to be a topic of discussion but the impact is greatly reduced versus this time last year and the outlook is much brighter. In Reinsurance, as we saw at Swiss Re last week, it is the Life reinsurance parts of the groups that have been most impacted in the first quarter – mainly relating to COVID-related deaths in the US. In the UK, Direct Line has reported its Q1 results with mixed results. The Motor book saw lower average premiums as the impact of lockdown on frequency of claims and risk profile of customers (less new drivers, less new cars) has been felt in the top-line. Commercial business has seen the opposite, as one of the parts of the market most impacted by COVID claims, and average premiums have increased significantly.

##### The Oxbow Partners View

As the vaccine rollout continues there is a feeling that things are getting brighter and the outlook from insurers echoes this. The average motor premiums at Direct Line have stabilised in April and the COVID mortality driven losses at the reinsurers are expected to be significantly reduced in Q2 (and hopefully beyond). England is due to announce its travel traffic light system later today that should spark life into the travel market as customers get some more clarity around where they might be able to take their much desired holidays. 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.

### Direct Line results impacted by lockdown induced motor premium deflation

Direct Line's Q1 2021 results were most notable for the significant (11%) reduction in gross written premiums in the motor book. The decline comes from a combination of a small reduction in policy count (1.3%) and lower average premiums. Average premiums have been impacted by the third lockdown. These have reduced in the first quarter due to subdued claims frequency, low levels of new car sales and less new drivers, reducing the risk profile of the overall market. Direct Line has maintained its pricing discipline during the first quarter with only a 5% risk-weighted reduction in average premium. The group has indicated that April premium levels have stabilised as the UK moves out of lockdown.

[Read more](#)

### Hannover Re results see €151m loss in life reinsurance

Hannover Re reported strong Q1 2021 results with GWP increasing 16.8%. In P&C insurance the group boosted its IBNR reserves for COVID-19 in 2020 and therefore did not have to add to its COVID claims reserves in Q1 2021. In Life reinsurance, however, the business recorded €151m of additional COVID losses predominantly due to adverse mortality in the US. The expectation is for these to recede in Q2.

[Read more](#)

### Munich Re sees continued COVID losses in Q1

Munich Re's Q1 results in 2021 continued to be impacted by COVID-19 in both the P&C and Life Reinsurance business lines, though significantly lower than in 2020. In P&C reinsurance the business recorded around €100m of additional losses in the first quarter. Additionally, in the Life reinsurance business, the group reported a further €167m of COVID losses likely due to the higher mortality rates seen in the US and impacting its major reinsurance peers.

[Read more](#)

### "No silver bullet" to fix industry reputation after BI backlash (Insurance Age)

Everyone will need to work together to rebuild the reputation of the insurance industry after the business interruption crisis, according to Mike Keating, chief executive officer of the Managing General Agents' Association (MGAA). The process of rebuilding trust in the sector will take time and all players in the value chain, including brokers, insurers and MGAs, will have to show consistency of service, product performance, and fair claims handling. "There isn't one silver bullet to do that," he told Insurance Age.

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

### UK businesses braced for surge in litigation claims (FT)

A new study by risk management and insurance brokerage Gallagher has found that almost two thirds of companies expect business litigation to remain the same or increase in 2021 as the government's furlough scheme ends later this year. The study found that in the last five years more than 56% of companies have faced an accusation, claim or allegation of unlawful behaviour. One area of potential increased litigation highlighted by the report is business interruption where a number of companies may still take their insurers to court as their policies were not included in the FCA test case.

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

**Zurich warns e-commerce boom could spark warehouse blaze uptick (Insurance Times)**

Zurich has warned of a potential increase in fires at warehouses as the boom in online shopping caused by the pandemic has caused increased demand for storage and distribution space. Zurich estimates that the average cost of a large warehouse blaze is £5.9m. Home Office statistics show that the number of warehouse fires has increased by 42% between 2019 and 2020. Amid the rising demand for warehouse space, there have been calls for automatic sprinkler protection to be compulsory for all warehouses over 2,000 square metres.

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

**Pandemic/infectious diseases surge as top current risk – study (Insurance Business)**

The 14th Annual Survey of Emerging Risks, conducted by the Canadian Institute of Actuaries, the Casualty Actuarial Society, and the Society of Actuaries, found that 45% of respondents chose pandemics/infectious diseases as the largest current risk. This was significantly higher than the next most important risk (climate change) at 11%. Pandemics were already on the radar of risk managers as an emerging risk but the last year has brought the risk to the front of mind for the industry. Going forward the report's author expects financial volatility from the pandemic fall out to take centre stage over the next few years.

[Read more](#)

**No full-time return to the office for over a million (BBC)**

43 of the UK biggest employers questioned by the BBC stated that they would embrace a mix of home and office working rather than bringing staff back to the office full time. The majority of staff will be encouraged to work from home two to three days a week. Employers are aware that they could reduce the amount of office space required but this will need to be carefully managed as the savings cannot be made if everyone works from home on Mondays and Fridays. 95% of workers at Aviva said they would like to be able to spend some of their time working flexibly and remotely in different locations. The increase in home-working will impact both home and motor insurers as many people spend less time commuting on a permanent basis.

[Read more](#)

**UK car sales accelerate helped by lockdown easing (FT)**

UK car sales are expected to see a resurgence as lockdown is eased and the vaccine rollout spurs an economic boost. The Society of Motor Manufacturers and Traders upgraded its forecast of sales for 2021 to 1.86m (from 1.83m), 14% higher than in 2020. While April sales for cars were below average for the month (but significantly higher than 2020) the sales of commercial vehicles saw the highest level of sales in April ever. The record sales have been attributed to the demand for home deliveries from online purchases. Van-maker Stellantis has also announced that it will add a third shift at its Luton plant from June to meet demand for new vehicles.

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