Market Intelligence
by Oxbow Partners

COVID-19 insurance update – 14 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.

14 May 2021

Summary

- Allianz Holdings and Ageas both post falls in Q1 GWP
- Sabre's GWP falls 23%; but experience material rate increases
- US and Europe split on bringing bankers back to the office (FT)
- Clear road ahead' for digitising London market following Covid-19 pandemic (Insurance Times)
- Soaring premiums see customers borrow more to pay for cover – Premium Credit (Insurance Times)
- UK consumer spending rises above pre-pandemic levels for first time in 2021 (FT)
- Underwriters puzzle over how to make pandemics insurable again (Reuters)
- Majority of industry participants feel safe returning to offices (Reinsurance News)
- FCA releases latest BI claims data

Analysis

Adjusting to post-pandemic life

As developed countries begin to get a handle on the COVID-19 pandemic thanks to successful vaccine rollouts, attention is now turning to life after the pandemic. There is little doubt that this pandemic will be viewed as a defining event of the first half of the 21st century, and some of its impacts are undoubtedly here for good. This week's roundup shines a light on firms beginning to grapple with difficult post-pandemic decisions. Whether these revolve around how and when to return employees to the office, the best approach to effectively underwrite pandemic risk, or how to reap the long-term benefits from the COVID-19 digital catalyst. The answers to these questions are not simple and, as exemplified by the banking industry's divergence in opinion on returning to the office, the approaches taken will differ widely.

The Oxbow Partners View

There is a balance to be struck between embracing the positive elements of remote-working discovered during the pandemic, whilst ensuring the benefits of in-person working are restored. A refusal to permanently adopt more flexible working arrangements will likely lead to difficulties retaining talent, as well as unnecessarily pushing up operating costs. However, the over-adoption of remote working could potentially hinder innovation in the long-term, as well as damaging the professional development of younger workers. Firms who strike the right balance will discover a new competitive advantage, whilst those who fail risk losing their most important assets: people.   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 be better informed and make superior strategic decisions.

Allianz Holdings and Ageas both post falls in Q1 GWP

Allianz UK and Ageas reported their Q1 results on Wednesday, with both suffering falls in GWP (-10.6% and -0.5% respectively). The continued economic impacts of COVID-19 on customers continued to have an effect, with Allianz Insurance's (the commercial focused arm of the Allianz Holdings) GWP falling by 12.3%. However, it was in the auto market where both insurers really struggled. The continued soft market for auto insurance driven by competition for a relatively smaller pool of switching customers off the back of COVID-19 premium reductions saw Allianz and Ageas' motor books shrink by 8.9% & 7% respectively.

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Sabre's GWP falls 23%; but experience material rate increases

Sabre today released their four-month results (to April 2021). GWP for the four months to April was £46mn, a fall of 23% vs the prior year, a reflection of the very soft UK motor market. Whilst the top line shrunk, Sabre's strategy of focusing on underwriting profitability over volumes appears to be working, with price increases materially ahead of the market, and a projected FY combined ratio in the range of 70-80%.

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US and Europe split on bringing bankers back to the office (FT)

A 'transatlantic rift' has begun to emerge in banking over the pace at which employees should return to offices post-COVID. US bulge brackets such as Goldman Sachs and JP Morgan have summoned employees back to the office as early as next month, with JP Morgan CEO Jamie Dimon reportedly cancelling all his future zoom meetings as he 'is done with them'. In contrast, senior management at major European players like Soc Gen are taking a more considered approach to the return, looking to make the most of the new ways of working normalised by the pandemic.

Read more (requires subscription)

Clear road ahead' for digitising London market following Covid-19 pandemic (Insurance Times)

James Wright, Head of Digital Platforms at Beazley, has stated that COVID-19 has acted as a catalyst for the digitisation of antiquated processes within the London market. Speaking at the Insurance2025 conference, Wright noted that COVID-19 has highlighted how the industry was over reliant on face-to-face interactions and paper-based processing. Going forward Wright believes that digital innovation will not only improve customer experiences, but also help attract new talent as flexible working becomes normalised in the market.

Read more (requires subscription)

Soaring premiums see customers borrow more to pay for cover – Premium Credit (Insurance Times)

New research released by Premium Credit has shown a sharp increase in the percentage of insurance customers using premium finance this year (16% in 2021 vs 6% in 2020). The report went on to add that the trend is being driven by two key factors: increasing total insurance spend (experienced by 19% of those surveyed) and a reduction in incomes due to furlough (19% surveyed).

Read more (requires subscription)

UK consumer spending rises above pre-pandemic levels for first time in 2021 (FT)

According to payments card data, UK consumer spending in April was up 0.4% compared to the same period in 2019. Spending has been buoyed by the reopening of many sectors, as well as older people booking holidays for later in the year. Analysis by Barclaycard revealed some interesting changes in spending habits vs pre-pandemic, with outdoor equipment and furniture retailers registering growth rates 25% above those seen in 2019, DIY and home improvement stores also continued to report strong growth.

Read more (requires subscription)

Underwriters puzzle over how to make pandemics insurable again (Reuters)

In the immediate aftermath of COVID-19 and the resulting global economic shutdown insurers rushed to strike pandemic insurance from all future policies. Now, as normality begins to return and demand for pandemic cover remains searingly high, underwriters are having figure out how to offer cover without making policies prohibitively expensive. It is hoped that new approaches to modelling combined with government backstops, similar to those seen in terror and flood insurance, will enable insurers to offer much needed cover once more.

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Majority of industry participants feel safe returning to offices (Reinsurance News)

A survey of employees in the insurance industry conducted by Reinsurance News has found that the majority would feel safe returning to offices in some capacity, with 42% ready to return to pre-COVID working environments. However, a significant minority (25%) indicated they would not feel safe returning until the start of 2022. This contrast in opinion highlights the challenges firms face in accommodating employees' preferences whilst ensuring there isn't permanent divergence within their workforce.

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FCA releases latest BI claims data

On Wednesday the FCA published data revealing the progress made on BI claims payments. The data revealed that 3,632 initial payments have been paid with a total value of £268m, whilst 13,895 final settlements have been paid to the value of £433m. This means that 48% of total accepted claimants have received some form of payment, with 52% still waiting for their first interim payment.

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