

## COVID-19 insurance update – 21 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.

21 May 2021

### Summary

- 🕒 P&C Covid claims lower than expected in Q1, says RBC Capital Markets (Reinsurance News)
- 🕒 Brokers are ‘absolutely crucial in the survival of SME businesses’ through pandemic (Insurance Times)
- 🕒 Short-term risk management focus signifies corporate ‘perception gap’ – Marsh (Insurance Times)
- 🕒 UK inflation more than doubles to 1.5% in April as energy prices rise (FT)
- 🕒 COVID-19 lockdowns push van premiums down 2% year-on-year (Insurance Age)
- 🕒 Mandatory schemes to provide support in a post-COVID world – study (Insurance Business)
- 🕒 How has the pandemic impacted claims management? (Insurance Business)
- 🕒 That New Hybrid Office May Not Be as Flexible as You Hoped For (Bloomberg)

### Analysis

#### Focus switches towards planning for a better future

This week we have seen further evidence that the immediate impacts of the pandemic are falling in magnitude – with RBC analysts revealing COVID-19 related P&C claims were lower than expected in Q1. However, businesses now need to turn their attention towards more formalised planning and risk mitigation according to Marsh’s *Risk Resilience Report*. This message was reiterated by new research published by Zurich and the University of Oxford which suggested that schemes to help employees protect income and receive greater unemployment cover should become mandatory to protect against future pandemic events. Business risk mitigation strategies will have to take into account a broad set of factors, including rapidly rising levels of inflation and new ‘Hybrid Office’ models examples of challenges businesses have not dealt with for some time, if ever.

#### The Oxbow Partners View

With the post-pandemic recovery now in full swing it would be easy for insurers to pause to catch their breath as normality returns. However, as highlighted this week, we believe it is crucial that insurers capitalise by developing new and innovative risk mitigation solutions and services. COVID-19 has put risk mitigation in the forefront of business leaders’ minds, and insurers now have the opportunity to leverage this by transitioning from providers of insurance products to become trusted advisors and partners on firms’ risk mitigation journeys. Stay safe out there.

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

Tom Austin (Analyst)  
taustin@oxbowpartners.com  
+44 7808 046 062

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.

### **P&C Covid claims lower than expected in Q1, says RBC Capital Markets (Reinsurance News)**

Analysts at RBC Capital Markets have suggested that COVID-19 related P&C claims came in below expectations in Q1 2021 as overall claims are running far below FY20 levels, with most firms not experiencing any additional claims in the quarter. It is also thought that 2020 COVID-19 claims expectations were overly cautious resulting in significant reserve redundancy, the unwinding of these reserves from 2020 onwards could act as temporary boost to firms' profits.

[Read more](#)

### **Brokers are 'absolutely crucial in the survival of SME businesses' through pandemic (Insurance Times)**

Speaking at the Biba 2021 conference, Laura High, director at Yutree Insurance and deputy chair of Biba, discussed the key role brokers have played during the pandemic. High highlighted that in order for brokers to thrive rather than just survive the pandemic they had to demonstrate strong leadership to their clients. A particularly important area has been around COVID-19 BI claims where brokers have played a key role in providing information and advice surrounding levels of cover and wordings to SMEs.

[Read more](#) (requires subscription)

### **Short-term risk management focus signifies corporate 'perception gap' – Marsh (Insurance Times)**

Marsh published their *Marsh Risk Resilience Report* this week. The survey of over a thousand businesses found that only 25% have a formal process in place to evaluate and model the impact of emerging risks on their business. The report notes that firms with strong risk management processes can garner a competitive advantage by limiting the interruption to their operations caused by one-off events, such as the COVID-19 pandemic.

[Read more](#) (requires subscription)

### **UK inflation more than doubles to 1.5% in April as energy prices rise (FT)**

The BoE released its most recent set of inflation data this week. Higher petrol prices and utility bills saw the annual rate of inflation more than double to 1.5%, up from 0.7% in March. This was the highest level since the pandemic began, and if it wasn't for the temporary 5% VAT rate being applied to the hospitality sector, the rate of inflation would have been 3.2%. Macroeconomists noted that whilst UK inflation is likely to exceed the 2% target by the end of the year, the UK economy was not yet showing the worrying signs of a reopening surge in inflation seen in the US.

[Read more](#) (requires subscription)

### **COVID-19 lockdowns push van premiums down 2% year-on-year (Insurance Age)**

Data from Consumer Intelligence shows that van insurance premiums have fallen 2% between March 2020 and March 2021 with the average premium for a van driver now £1,055 per year. While this might be welcome news for the army of van drivers across the country, the research also suggests that premiums have increased again each time the country has come out of lockdown so the lower prices may be short-lived. Within the data, premiums for drivers under 25 have fallen by almost one sixth in the last year, though premiums for this age group remain high at £3,085 in part due to a lack of telematic policy options in the van market.

[Read more](#) (requires subscription)

### **Mandatory schemes to provide support in a post-COVID world – study (Insurance Business)**

New research from Zurich and the University of Oxford has suggested that schemes to help employees protect income and receive greater unemployment cover should become mandatory in order to protect against future pandemic events. The pandemic has drained the savings and, in some cases, retirement funds of many people and there is a general need across the world to help people plan better for unexpected life events through income protection and pension schemes.

[Read more](#)

### **How has the pandemic impacted claims management? (Insurance Business)**

The pandemic has had sweeping impacts on the insurance industry and claims management is no exception. One of the main impacts has been the acceleration of digitalisation across all aspects of the claims management process using remote technology such as robots, drones, and digital tools instead of field visits. There has also been a greater adoption of automation in claims processes to reduce costs and enhance customer experience using data and behavioural science.

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### **That New Hybrid Office May Not Be as Flexible as You Hoped For (Bloomberg)**

Despite many employees looking for continued flexibility around working from home post-pandemic experts have warned that for many companies the challenge of managing a hybrid workforce could be more difficult than expected. The holy-grail for some employees is not working from home per se but actually working flexibly – in terms of compressed hours or working outside of the standard 9-5 model. Nearly 10% of the UK workforce would be willing to take a cut in pay in order to work fewer hours. 63% of employers expect to bring in hybrid work policies in 2021 but only 48% plan to expand flexitime to allow employees to work around other life commitments such as childcare. It seems that the new-normal of hybrid working could be a bumpy road unless employers fully embrace the changes and redesign roles to suit the new environment.

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