

COVID-19 insurance update – 28 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.

28 May 2021

Summary

- 🕒 Government closes £10bn trade credit scheme and announces market review (Insurance Age)
- 🕒 FOS data reveals spike in insurance complaints (Insurance Times)
- 🕒 Hard market and Covid-19 bring brokers more schemes opportunities (Insurance Times)
- 🕒 COVID uncertainty connected to premium finance uptick (Insurance Times)
- 🕒 FCA confirms measures to protect customers from loyalty penalty in home and motor insurance markets (FCA)
- 🕒 New index seeks to peer inside Lloyd's of London insurance market (FT)
- 🕒 Insurers examine cutting premiums for greener motoring customers (FT)

Analysis

COVID-19 uncertainty continues to abate as industry tackles new challenges

This week's round-up reflects continued hope in the industry that COVID-19 is firmly in the rear-view mirror, allowing firms to start planning for the future. The ending of the trade credit reinsurance scheme as planned suggests the government sees no need for an extension, whilst the significant jump in the demand for premium finance driven by COVID business uncertainty is not expected to continue past this year. Generali and AXA have now started investigating how they can further play their part in driving greener behaviour amongst motor customers by potentially offering electric car drivers discounts on their premiums. Finally, the UK GI market will be busy analysing and implementing the final pricing fairness rules released today by the FCA, look out for our research note today on the implications of the final rules for insurers.

The Oxbow Partners View

The news that large European insurers are conducting analysis on whether to offer drivers of electric cars lower premiums should come as no surprise. Insurers are under significant pressure to use their influence to create better environmental outcomes. Whilst insurers do have a responsibility to deliver improved environmental outcomes, they should not do so at the detriment of underwriting discipline. The research is only in its early stages, but at first glance the high repair costs of electric vehicles driven by expensive parts and the need for highly-specialist expertise does not make them an obviously superior risk compared to ICE vehicles. Insurers must ensure that there is genuine evidence in the data justifying such discounts or risk paying the price of 'greening' their activities through a jump in CORs. 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.

Government closes £10bn trade credit scheme and announces market review (Insurance Age)

The ABI and the government have announced that the temporary trade credit reinsurance (TCR) scheme will end on the 30th June. In another sign of the UK's COVID-19 recovery, the scheme, which has protected over £575bn of business turnover by providing £210bn in insurance cover, will end as planned with no need for an extension of the scheme further into 2021.

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

FOS data reveals spike in insurance complaints (Insurance Times)

The Financial Ombudsman Service published its annual complaints data this week. The data highlighted a 36% YoY increase in the total number of insurance related complaints received during 2020, with pensions and investments related complaints almost doubling. The FOS commented that whilst the spike in BI claims due to COVID-19 was unavoidable, many complaints could have been avoided through better communication with customers.

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

Hard market and Covid-19 bring brokers more schemes opportunities (Insurance Times)

The COVID-19 pandemic and hard market conditions has driven a tightening of policy wordings and increase in premiums in the SME market. These drivers are making it harder for brokers to place risks normally, so instead brokers and MGAs are turning towards schemes aimed at niche market segments and underpinned by new technology to deliver an improved customer journey in the SME market, a market that has typically resisted e-commerce distribution channels.

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

COVID uncertainty connected to premium finance uptick (Insurance Times)

Joint research carried out by Close Brothers Premium Finance and Insurance Times has revealed a 40% increase in demand from businesses for premium finance last year. Significant uncertainty in Q2 and Q3 of 2020 drove this increase, as businesses looked to conserve their cash reserves through the use of credit facilities. As markets continue to harden the demand for premium finance is unlikely to abate, however, the researchers do not expect growth at 2020 levels to persist past 2021.

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

FCA confirms measures to protect customers from loyalty penalty in home and motor insurance markets (FCA)

Today, the FCA has published its final rules on Pricing Fairness in the UK GI market. This final publication comes after the FCA's Market study in September 2020 which laid out the initial findings that loyal customers were receiving poor value by not switching insurers, this was then followed by a consultation period with the market. Firms will have until the start of 2022 to make the changes required to be compliant with the final rules. Watch out for our note today analysing the implications of the final rules for insurers.

[Read more](#)

New index seeks to peer inside Lloyd's of London insurance market (FT)

Insurance Capital Markets Research (ICMR) is launching its Lloyd's of London proxy index on Monday. The index is designed to provide a "sensible outside-in view" of Lloyd's performance for investors. The index is based on the equity prices of the insurance and reinsurance companies that make up more than 80% of the market's capital which are then weighted based on their presence at Lloyd's.

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

Insurers examine cutting premiums for greener motoring customers (FT)

In the face of growing pressure to tackle climate change through their underwriting practices several European insurers, including AXA and Generali, are starting to gather data to assess whether they can offer a discount to drivers of electric cars. This comes off the back of successful pay-by-miles insurance which encourages policy holders to reduce the amount they drive through lower premiums. Representatives of firms were keen to stress that any discount would be based on the risk data and that analysis is still at a very early stage.

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