Market Intelligence
by Oxbow Partners

COVID-19 insurance update – 4 September

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.

04 September 2020

Summary

- ABI records 48% decline in motor claims between 2020's Q1 and Q2 (ABI)
- 'True impact of lockdown reductions not shown in claim's data', says By Miles (Insurance Times)
- Insurers need to prepare for the economic and social fallout from COVID-19 (Insurance Times)
- Pandemic claims in Asia manageable but evolving (Reinsurance News)
- Swiss Re reports emerging market insurers to be hardest hit by COVID-19 (Reinsurance News)
- What may happen to insurance employment in the next 12 months (Insurance Business)
- InsurTechs navigating the pandemic – stick or pivot? (Insurance Times)
- How data is transforming home insurance for a COVID-19 world (Insurance Times)
- Common COVID-related financial services complaints revealed (Insurance Business)
- How safe do insurance professionals feel in the office? (Insurance Business)
- Emerging areas of growth during Coronavirus pandemic (Insurance Business)

Analysis

When you were beginning to think it was almost over…

As the schools go back and average car usage data shows we are almost back to pre-COVID levels, this week's news carries undertones of 'the worse is yet to come'. The ABI published data on UK motor claims in Q2 which showed a significant fall in claims frequency and gross claims incurred during the national lockdown, but it also showed there were significant increases in the average cost of the underlying claims. By Miles was also quick to comment that the true impact of reductions is not shown in the data. More widely, a general negative economic outlook requires insurers to prepare for a fallout from COVID-19: the expected business insolvencies and fall in trade volumes ahead will impact insurers' new business. InsurTechs are showing the necessary agility and flexibility to adapt to the new headwinds but whether incumbents will be able to do the same is another matter. China's (re)insurance market provides an interesting study where there has been a relatively swift economic recovery following COVID-19, but Fitch's outlook remains negative as the claim environment continues to rapidly evolve.

The Oxbow Partners View

We are in the eye of the storm. The last few months have proven challenging for many insurers as COVID-19 introduced unprecedented change and, as we begin to see some things return to how they were pre-COVID, more challenges are yet to come. Stay safe out there.

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ABI records 48% decline in motor claims between 2020's Q1 and Q2 (ABI)

The number of motor insurance claims notified to insurers in the second quarter of the year fell significantly. The fall largely reflected the lockdown period, when far fewer vehicle journeys were made. Claim payouts during the period, while also down, fell at a lower rate. The value of claims settled in the period fell 5% on the previous quarter at £2.1bn. The value of the average claim paid jumped 27% on the previous quarter to £4,600.

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'True impact of lockdown reductions not shown in claim's data', says By Miles (Insurance Times)

Pay-per-mile insurtech, By Miles, has pointed out the ABI's new quarterly motor claims data does not demonstrate the true impact of lockdown reductions in claims. Despite the non-proportional drop in claims frequency and claims paid, the insurtech says the delay in claims notified and claims settled means, of the £2.1bn in claims paid out over lockdown, only a small proportion was for claims made during lockdown. This implies we are to expect a drop in claims paid in the coming quarters if insurers are passing on the benefits of the reduced claims environment to consumers

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Insurers need to prepare for the economic and social fallout from COVID-19 (Insurance Times)

Barring a second wave, the UK appears to be coming out the other side of COVID-19 pandemic, but the worst of the economic impact could be still to come. Trade credit insurer, Euler Hermes, predicts that global GDP will contract by 4.7% in 2020, followed by growth of 4.8% in 2021. Global insolvencies are expected to increase by more than a third by 2021 and global trade volumes to contract by 15% by the end of 2020. This is bad news for insurers, with fewer businesses comes less volume growth and less business means less scope for increased levels of insurance.

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Pandemic claims in Asia manageable but evolving (Reinsurance News)

According to rating agency Fitch, Asian reinsurers' losses during the Coronavirus have thus far been on a manageable scale due the tight measures taken to slow the spread of the virus and reinsurers entering the crisis well-capitalised. Fitch has revised its outlook for the region from stable to negative in both life and non-life (re)insurance. However, the agency expects pandemic-related claims to be contained partly due to public medical cover shouldering the major burden of treatment costs. Moreover, business interruption claims are expected to be low as products in China generally contain exclusion clauses for epidemics.

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Swiss Re reports emerging market insurers to be hardest hit by COVID-19 (Reinsurance News)

It is estimated that insurers will be hit with a 3.6%pt impact on premium growth in each of 2020 and 2021, while China's insurance market is expected to have an average premium growth of 7% over 2020-2021. However, in a recent report it's predicted China and the rest of emerging Asia is expected to be resilient, other regions are expecting deep recessions and labour market deterioration to affect demand for life insurance, resulting in large declines in premiums even in major economies such as Brazil, Mexico, Turkey and South Africa. Life business lines will be more affected than non-life business in emerging markets during the COVID-19 pandemic with growth expected to stagnate in 2020 before recovering to growth in 2021.

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What may happen to insurance employment in the next 12 months (Insurance Business)

A new report from The Jacobson Group and Aon has found that the insurance industry is set for slow, but steady employment growth over the next 12 months. While 83% of companies surveyed indicated they planned to maintain or increase staff, many foresee continued difficulties in recruitment and 17% of respondents said they were planning to decrease employee numbers; this represents the highest total reported since January 2012. The report also found that technology, underwriting and analytics roles are due to grow most over the next 12 months but are also the most difficult positions to fill (along with actuarial).

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InsurTechs navigating the pandemic – stick or pivot? (Insurance Times)

The shift in consumer demand and behaviour throughout the pandemic has forced InsurTechs to adapt to meet the 'new normal'. While the start of the pandemic amplified funding issues for the sector with a global slowdown in InsurTech investment, some InsurTechs have faced closure (such as Coverly) while others have adapted: an example is Digital Risks's rebrand to Superscript to cater more closely to SMEs. Other InsurTechs have been forced to re-evaluate their propositions such as sharing economy InsurTech, Pikl, which changed its focus from insuring AirBnB and short-term rentals to motor

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How data is transforming home insurance for a COVID-19 world (Insurance Times)

With the change in the role of homes to act as workplaces, schools and gyms during the national lockdown, insurance claims trends have evolved and new pricing challenges for insurers have emerged. The key to tackling the knowledge gap and pricing mismatch is the use of data. New data sources and data enrichment is helping the home insurance market become 'fit for purpose' amid a COVID-19 landscape.

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Common COVID-related financial services complaints revealed (Insurance Business)

The Financial Ombudsman Service has received over 3,500 complaints related to COVID-19 with the majority of these concerning travel insurance (23%), followed closely by business protections insurance (20%). Many consumers have found themselves facing debt or financial difficulty for the first time during the pandemic; one of the most common complaints comes from people unable to repay loans. Likewise, SMEs have complained that they did not have sufficient under their business interruption insurance policy to make a successful claim during COVID-19.

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How safe do insurance professionals feel in the office? (Insurance Business)

With the Government urging companies and individuals to return to the office, the Chartered Insurance Institute has revealed that half of its members survey in July felt their workplace had been made COVID-19 secure. Nearly one third said they felt partly protected from catching the virus but 15% responded they did not feel safe returning to the office at all.

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Emerging areas of growth during Coronavirus pandemic (Insurance Business)

While COVID-19 has created many challenges for the insurance industry such as coverage disputes over business interruption and travel policies, the experience of Canadian insurers like JT Insurance Services has revealed opportunities for growth during the pandemic. Among those that have seen the largest opportunity includes cyber insurance. With more employees than ever working from home, companies have been trying to improve up their digital security to meet this changing risk. Connect to increased levels of home working, equipment breakdown coverage is also showing signs of meaningful growth, especially with the proliferation of connected smart devices within homes.

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