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GROUP PLC

Insurance Market Monitor

JUNE 2021

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About us

Managing Risk, Protecting Wealth, Engaging People

With almost 50 years' experience, Thomas, Carroll Group plc is one of the UK's leading independent providers of business insurance broking, personal insurance broking, employee benefits, wealth management, health & safety and employment law consultancy.

Over the years we have moved closer to our clients, opening local offices in Swansea, Pembrokeshire, Hereford, Newport and London in addition to our headquarters in Caerphilly, near Cardiff.

Our client-focused ethos, friendly approach and in-house claims management has resulted in strong and long-lasting relationships which have seen our award-winning group grow from strength to strength.

Content

Foreword

There's no denying that Covid-19 has had an impact across all industries, and the insurance industry is no exception. The impact has been felt by insurers and consumers, with all insurers reacting to an environment that had not been envisaged. As usual, the industry has consistently been driving change across all areas.

Our latest Market Monitor has been produced to help highlight the challenges in the sector, with the pandemic set to be one of the biggest insured events of recent times so insurers will need to act accordingly to cover this risk. For consumers, it will be important to consider their coverage options and think carefully about what protection to buy and how they will buy it.

At Thomas Carroll, our expert teams are available to guide you through a difficult market and we welcome the opportunity to discuss any aspects of this report or your own risk considerations with you.

This includes:

- Our dedicated Health & Safety team to support post-Covid-19 actions, demonstrating an important and robust risk management approach to insurers, for both Liability and D&O classes.
- Our Employment Law guidance.
- Our Employee Benefits consultants particularly concerning the wellbeing of employees at this uncertain time.

To enable you to get the best from your renewal:

- Engage with us early.
- Set your business apart.
- Demonstrate excellent risk management.

Gareth Cotty

Group Director

Market Summary

Insurers expect to pay up to £2.5 billion for UK insurance claims

In Q1, Supreme Court rulings were published in response to the FCA Test Case, to bring clarity over Covid-19 related business interruption losses. Whilst for most, policy cover did not extend to non-damage business interruption losses, for some, insurer wordings were unclear despite their intention not being to offer cover for such global incidents. That has resulted in limited claims for some policyholders being accepted and the Covid-19 pandemic is looking to be one of the biggest insured events of recent times, with an estimated £2.5 billion expected to be paid out for Covid-19 related insurance claims.

This includes:

- £2 billion for business interruption claims
- £204 million for protection insurance claims, including life, critical illness and income protection claims
- £152 million for travel insurance claims
- £121 million for other general insurance products, such as events, weddings and liability insurance

Additionally, Lloyds previously estimated £500 million of UK Covid-19 claims, taking the overall estimate to £3 billion.

Covid-19 Impact - £202 million life insurance payouts by insurers

In 2020, the ABI reported that insurers have paid out £202 million, an equivalent of £553,000 every day to support the families of people who tragically died due to Covid-19. These payouts included £250,000 made the day after notification of death, and a £1 million payment to dependants.

- 11,198 claims were received under individual and group life insurance policies.
- 96% of individual and 99% of group claims have been paid, with the remaining still being processed.
- The average payout on individual policies was £13,100; for group policies, it was £74,600.

19% fall in motor insurance claims in 2020

The Association of British Insurers released figures that show the number of motor insurance claims settled by insurers in 2020 fell by 19% to 2.1 million. This is due to the Covid-19 national lockdowns which led to fewer vehicle journeys. However, the average personal injury claim rose by 13% to £12,100, with the overall average value of a claim paid increased to £4,000, up 17% from £3,400 in 2019.

Additionally, with new car registrations falling by 30% in 2020, this has further reduced demand for motor insurance policies and the average private motor insurance premium remains at a four-year low.

UK Insurers set for premium income growth in 2021

According to the latest EY ITEM Club for Financial Services Forecast, 2021 overall premium income is forecast to grow by 3.4%, after falling in 2020 due to the economic impact of the pandemic, low-interest rates and the FCA's insurance pricing review.

Non-life premium fell by 0.8% in 2020 but is predicted to increase by 2.7%, with life premium income increasing by 3.8%.

With firms having to offer existing customers the same renewal prices as new customers, they are likely to overhaul their pricing models to ensure more premium growth.

EY's Global Insurance Consumer Survey reveals what insurers need to do next

The results from EY Insurance's global survey have revealed that insurers need to evolve to meet changing consumer behaviours and priorities caused by the pandemic.

Consumers are wanting to restore their financial wellbeing and security and are looking to minimise future financial risk so insurers will need to develop innovative products that align with these needs.

The survey results showed that when seeking financial security, consumers are most interested in products that cover loss of income, credit card bills and other financial commitments, with 70% of respondents interested in a product that pays three months of income in a job loss. 70% of respondents were also interested in usage-based car insurance.

Continued from -
EY's Global Insurance Consumer Survey reveals what insurers need to do next

Additionally, firms increasingly need to be more committed to social responsibility, with over half of the respondents factoring this into their insurance purchase decisions.

Insurers should be bold in their purpose following the pandemic

Following the uncertainty of 2020, it is likely to still be a rocky road for insurers in 2021 so more needs to be done to ensure customers feel assured and safe with investments and insurance purchasing decisions. One way this can be done is through insurers being bold and dynamic in their purpose.

Purpose statements can provide strategic and actionable guidance that promotes both a financially healthy industry and societal wellbeing. By setting out a company's values and purpose, relating to societal issues, consumers will be more likely to trust that brand and it can influence their insurance purchase decisions.

Insurance subscription models are becoming increasingly popular

There is an ongoing debate about whether subscription models are right for the insurance industry, as it could open the door for new competitors and push out traditional insurance firms, but could also increase much-needed growth and profitability. Either way, it's looking like they are soon to become a central part of future insurance business models.

In a recent customer survey, EY found that 55% of 35-54-year-olds were somewhat or very interested in insurance subscriptions, with a similar US survey finding 51% of US consumers >>

>> aged 35-49 are interested in subscription models, with higher interest relative to marriage, children and other life events.

It's clear that a switch to subscription models is inevitable, with increasing customer demand for flexibility so insurers must take stock of the opportunities and risks to see whether this new model is feasible.

Whiplash reforms came into place on 31 May

The government's new legislation for whiplash reforms commenced on 31st May.

The total damages for pain, suffering and loss of amenity payable is limited to only £240 for injuries that don't last longer than three months. This then increases incrementally for every extra three months that injuries last, going up to £4,215 for cases where injuries continue up to 24 months.

The new rules don't include claims involving children or protected parties and include provisions on obtaining a second medical expert report.


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UK Insurance Market Overview

The global Insurance and Reinsurance sector has been under strain across many classes of business. In our last Market Monitor, we outlined many of the reasons for this, from historical underwriting losses, increased insurer capital requirements to meet Solvency II requirements, poor investment returns and of course the Covid-19 pandemic. As we move through 2021, there are still a number of challenges in the insurance market.

Property

Historically the bedrock of profitable underwriting, the Property Insurance market has suffered a number of years of increased major losses. There was already a steady hardening of rates through late 2019 and early 2020 which were exacerbated in 2020 with Storm Dennis losses, Solvency II requirements and the Covid-19 pandemic. For most, the expectation is that rates will continue to increase through the remainder of 2021. For well managed, claim free risks, broadly insurers are seeking rate increases of around 10%.

Risks that have had the benefit of long term rate stability agreements should expect more severe rate increases, and those with “poor” loss records the same. Property risks with cladding challenges will continue to be difficult to insure whilst the post Grenfell matters are still very much live.

With the pandemic challenges in the Retail and Hospitality sector, insurers offered an immediate restbite on typical cover restrictions and rate increases, but with the growing exposure of vacant properties, there is a more stringent approach being taken with insurers seeking to reduce their exposure to large scale vacant units. With the gradual easing of the various UK lockdowns, we expect this outlook to rapidly improve.

Conversely, the pandemic has seen a swell in demand for industrial warehousing and transportation hubs with the growing shift to online shopping. With their need to manage exposures for Solvency requirements, some insurers are seeking to restrict their exposures in this area. Trades that present an increased fire risk, such as the Chemical Manufacturing and Recycling trades, where losses tend to be more frequent and severe, will continue to be difficult to place with insurers continuing to exit.

Finally, flood is a major challenge for the UK insurance industry and a growing problem for businesses who have suffered a previous loss or are deemed to be in “extreme” flood areas. With no Flood Re support for commercial risks, obtaining flood cover at acceptable premium levels and cover exposures will not always be possible. There have been attempts to address this through specialist flood schemes in traditional markets, but obtaining capacity is not always possible. There is a growing trend in non-traditional parametric solutions being created to address this problem.

Underinsurance is high on insurers' agenda, with research suggesting that **84%** of UK businesses are either over or under insured.

Looking ahead, the “punitive” rate increases and capacity reductions we have seen being applied from Q3 2020 should broadly be corrected by the end of Q2 this year. Whilst the outlook for rate increases of around 10% is very much expected for the remainder of 2021, the severe rate increases and cover restrictions experienced by some since last summer should not be repeated from Q3 onwards – save for those exiting rate stability agreements or where loss history would demand it.

Business interruption

Business interruption claims have reached an incredible high in 2020 with the Covid-19 pandemic looking to be one of the most insured events of all time, with £2 billion worth of claims being made for business interruption. Some insurers even left the food and drink market completely as this was the industry most affected, with other insurers offering limits to premiums and different policy covers.

The business interruption market, with rate increases and capacity reductions and the previous comments broadly applying to this area too Following the events of the past 12 months, insurers are being absolute in exclusions of such events in future. The insurance industry is working with UK Government to consider Pandemic Re – a joint venture between the respective parties, similar to Pool Re terrorism cover and FloodRe.

Liability

Profitability continues to be the most important objective for insurers. Many insurers are working hard to reduce any excess capacity and enforce structural changes to improve their pricing.

The Covid-19 pandemic will of course present challenges to this market. There have been several well publicised workplace outbreaks and the industry is braced for the potential claims fall out from such. Further, whilst evidencing would be difficult, many insurers are concerned about potential Public Liability claims from Covid-19 related illness, particularly in the Care and Hospitality sectors. The result is that some are already looking to exclude Covid-19 related losses from any Public Liability covers.

Much like the property market, after decades of reducing premiums, the liability market was already hardening through late 2019 and early 2020 before the impact of Covid-19 across the globe. The outlook is for a continuing hardening of rates through the remainder of the year and longer term will be broadly dictated by future claims trends.

Motor

With the reduction in vehicle usage over the past year, motor insurers have seen positive benefit of the resultant use in accident claims.

For personal motor, insurance premiums remained almost unchanged in a year, with the average premiums falling by 1% to £465, with the number of claims settled also falling by 19% due to the pandemic resulting in fewer cars on the road.

The increase in internet shopping and resultant increase in road use particularly in the courier sector has had some impact on the commercial motor market, but insurers generally had a profitable motor account in 2020.

As vehicle repair costs increase due to more complicated vehicle technology, as well as personal injury claim averages rising, the new whiplash reforms will help to control insurance costs whilst ensuring fair compensation is still given out to those who need it.

Some insurers are taking a more aggressive view to motor business and keen to secure profitable business, which is having a positive impact on premiums. Others remain cautious that the 2020 positive claims environment was a “blip” and that with the various UK lockdowns lifting through 2021, motor claims will return to pre-pandemic levels.

The new whiplash reforms will commence on the 31st May 2021 and is broadly expected to have a positive impact on insurers' claims exposure. On the back of a generally profitable 2020, the motor market is expected to remain in good health through 2021.

A further consideration for this sector is the growing shortage of new and replacement commercial vans. The knock on effects of Covid-19 in particular has seen a boom in the home delivery sector, driving up demand for commercial vehicles. According to the Society of Motor Manufacturers and Traders, overall van sales grew to nearly 100,000 in Q1 2021 – the light commercial van market grew 43% year on year alone. Despite the increase in demand, the SMMT has also reported that manufacturing of these vehicles for the domestic market reduced by nearly 33% in Q1 2021, compared to the same period in 2020, suggesting the difficulty in obtaining parts from the EU Post-Brexit has led to a shift to just-in-time manufacturing.

The shortage of replacement vehicles – it is reported that waiting times for some new models is already extending to Jan 2022 – will have a knock on effect on the insurance sector. The increase in cost and availability of parts could see more vehicles written off, with no ready supply of replacement vehicles available. Further delays in obtaining parts will also lead to increased credit hire periods which will inevitably feed through into premium increases over time.

To mitigate these challenges, there is a growing acceptance of the use of "green parts" to repair vehicles, even temporarily.

Professional Indemnity

For several years, the PI market had been a buyers' market as capacity had outweighed demand this has been good news for insurance buyers. The current difficulties in the "hardening" professional indemnity market have been widely reported.

The key drivers behind this hard market:

- Profitability: 2018 Lloyds of London review noted that PI insurance is unprofitable
- Reduction in insurer capacity
- Increase in claims.
- Covid 19 and the tragic Grenfell incident causing concern amongst insurers.

The current market has led to insurers scrutinising their book, often requesting additional underwriting information at renewal to improve the performance of their business. As a result of this we have seen premium increases, excesses increased, exclusions applied, and terms not being offered where underwriting criteria and insurer appetite are not met.

These key drivers are still in play, so we expect the hard market to continue through 2021 with certain sectors, such as professional services, construction and property remaining under particular scrutiny. The insurance market is cyclical and as certainty and insurer capacity improves a softer market will return.

Due to these tough conditions, it is important to take control of your insurance to maintain cover at a reasonable premium.

Directors & Officers Liability

The D&O market is adjusting to a more hostile environment as litigation and regulatory actions increase. Coupled with the current hard market, the D&O market has been described as "brutal" with a major restriction in capacity across the sector. With the financial uncertainty surrounding the UK and Global economies, some insurers are already applying insolvency exclusions to policies and those that remain are looking at reducing limits previously provided.

Therefore, in 2021, premiums are set to continue to increase, especially for the risks that didn't see large increases in 2020. Exposure is also set to increase, with issues such as climate change, increased regulatory scrutiny and the impact Covid-19 has had on these policies.

Directors should increasingly work with risk managers and brokers to stay ahead of all potential risks and plan how they would respond to any new claims. Especially as directors are now more than ever, held accountable for their actions.

Increased trends for directors include:

- Expanding bankruptcy exposure
- Increased regulatory scrutiny and exposure
- More aggressive pursuit of directors by stakeholders
- The rise in defence and settlement costs
- New risks including cyber and climate change

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>> In the UK, there has been a rise in bribery and corruption claims, since the passing of anti-corruption laws in 2010 as directors are now liable for their failure to prevent bribery. This also makes them liable for the corrupt actions of third parties such as agents and suppliers.

Cyber

With many people working from home in 2020, there has been a large increase in cybercrimes, both on a personal and professional level. This has led to some coverage being extended to cover these type of crimes, with other insurers looking to add this as an extra service. Due to this becoming an increasingly popular type of crime, insurers are reluctant to provide overall coverage, with many wanting more specific details so that they can analyse the risk of such events occurring.

There's no doubt that 2021 will see an increase in the frequency and severity of cyber incidents so companies need to take steps to prevent this.

Phishing emails have reportedly increased c.600% since the pandemic and cyber-attacks are becoming more frequent and severe. In particular ransomware is grabbing headlines with ransoms being six figures and higher.

As a result of this insurers are seeing increasing cyber claims and are often requiring more risk management information or implementation of measures before providing cover or renewal terms.

Rates are increasing and capacity tightening, however this is still competition in the sector with insurers not only competing on premium, but also on their breach response services and loss prevention services to improve your risk. Standalone Cyber Insurance does not just cover your liabilities, it also responds and mitigates incidents and often comes with tools to improve risk management.

Credit

It is very difficult to predict the future performance of the economy, as the only thing we are certain of is uncertainty.

As soon as the lockdown started in March 2020, it was widely predicted that there would be a domino effect of insolvencies in the market, but thankfully, this has not happened yet, mainly due to the government intervention to support UK businesses.

Official statistics show that company insolvencies are currently at a 30-year low whereas profit warnings issued by UK quoted companies are currently at a 20-year high.

Companies are facing many challenges, such as sales short of forecast, delayed/discontinued contracts, and operational and supply-chain issues. The government measures and temporary insolvency proceedings restrictions are seen as having been instrumental in preventing the wave of failures that would usually be expected in a severe downturn.

It is widely known that GDP is estimated to have grown by 0.4% in February 2021 and Global GDP is expected to rebound by +5.1% in 2021, which in turn could see a consumer-led boost of the economy.

Over the coming months, much will depend on how long government support measures remain in place. The Trade Credit Reinsurance Scheme for example, where the government is supporting the economy by guaranteeing for up to 90% of losses, has been extended from March to June 2021.

In the current climate, there might be some new, unexpected opportunities for businesses. Companies will have to maximise those possibilities to grow, differentiate, export and generate new revenue streams. At the same time, they will have to manage their risks more carefully than ever.

Employee Benefits & Wellbeing

Employers in 2021 are likely to face some tough challenges as a result of the pandemic.

- Insurers have already seen an increase in life insurance claims as a result of Coronavirus and expect more claims on group income protection and group critical illness over the next few years.
- Employee engagement with wellbeing apps and digital healthcare has increased during the pandemic, with potential long-term benefits for health.
- Additional claims could drive an increase in premiums, but adjusting benefits could enable financially stretched organisations to retain cover.

Whilst the NHS has been fighting the pandemic, it has meant delays and cancellations for diagnoses and treatment for many other conditions. This backlog, coupled with Coronavirus itself, it certainly likely to have serious implications for the group risk market.

Group risk insurers have already seen an increase in claims as a result of the pandemic. Group life insurers paid £57 million across 475 claims for Coronavirus in the first six months of 2020, according to Group Risk Development's (Grid) Coronavirus Claims Survey 2020, published in July 2020. In a recent press release from GRID (Group Risk Development) it was stated that up to and including 31 December 2020, that group life benefits have received pay outs totalling over £93m as a result of Coronavirus.

Alongside the Coronavirus claims, insurers have also seen an increase in life insurance claims for other causes as a result of people delaying seeking medical advice or having their treatment postponed.

Research from Legal and General suggests insurer death claims are around 50% higher, in line with the excess death statistics published by the Office for National Statistics.

With Coronavirus continuing to claim lives and NHS waiting continuing to grow, unfortunately higher life insurance claims are set to continue through 2021. In addition, the group risk industry expects to see more claims across group income protection and group critical illness insurance.

On group income protection, the pandemic is expected to result in a significant increase in mental health and musculoskeletal claims, as Coronavirus-related anxieties and poor home working set-ups take effect. Long Covid, which can cause long-term symptoms including extreme fatigue, shortness of breath and depression, is also expected to push up claims.

This all-in turn has an effect by hardening the Healthcare and Risk market, and unfortunately significant increases in renewal terms.


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Emerging Risks & Challenges

In 2021, the risks & challenges insurers face vary, from the immediate effects of Covid-19 to wider issues such as cyber risks, new legislative regulations and climate change.

In a report by Aviva, business leaders believed the top risks were as follows

1. Public health events – 46%
2. Changes in legislation and regulations – 35%
3. Business and supply chain interruption – 32%
4. Loss of reputation and brand value – 29%
5. Cybersecurity and cyber incidents – 27%
6. Macroeconomic developments – 26%
7. Health and mental wellbeing of employees – 19%
8. Shortage of skilled workforce – 17%
9. Market developments – 16%
10. New and changing tech – 16%

Unsurprisingly, public health events such as pandemics were named as the single biggest risk to businesses of all sizes and will no doubt be at the forefront of risk thinking for the foreseeable future.

COVID-19

When asked by Aviva on the top risks caused by Covid-19, 51% of business leaders named economic and market risks, closely followed by operation disruption (48%) and employee and customer health and wellbeing (48%).

Additionally, 69% of businesses predicted that the long-term impact of Covid-19 will be negative, compared to 18% anticipating a positive outcome.

With plenty of businesses adapting to the pandemics and changing their offerings, all businesses must update their insurance cover to check that they are fully covered in the event of any other issues.

During the pandemic, insurers have tried to support business in being far more flexible with cover provision for these challenging times. This has caused huge internal pressure where up to 35% of property exposure during lockdown have been classed as ‘empty buildings’ which normally would be restricted in cover, but insurers have provided full cover. Whilst most insurers have seen a reduction in their traditional frequency affected lines of business in liability and motor due to furloughed staff and vehicle volumes on the road reduced, overall performance has not improved greatly. Therefore, there is a lot of concern that when the economy starts moving again, there will be a return to pre-pandemic performance which will cause greater loss performance and even more tightening of capacity and flexibility.

Climate Change

The most common causes of business interruption in the last five years have been traditional weather-related issues, but increasingly climate change and cyber-attacks are causing more business interruption than ever before.

Climate change and global weather events not only can affect the business physically, but also can affect the availability of raw materials, equipment and machinery which can affect entire supply chains.

Cyber Security

It is estimated that there were a third more attacks on internet-enabled business in Q1 2020 than there was in Q1 2019 showing an increase in this risk.

Traditional Property and Crime Insurance doesn’t cover cyber losses, so the importance of Cyber Business Interruption Cover is an increasing need for all businesses. Cyber Insurance should not only protect against the financial impact, but should also provide access to a range of experts in order the reduce the damaging impacts of the event.

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Market Commentary

Brexit

Brexit created an unknown for most of 2019 and 2020 due to the anticipation of what would happen once the UK exited the EU. This has caused a lack of long-term planning along with short-term metrics, which has hampered any real investment and a thorough review of both non-UK exposures and placement strategy. It has also had a significant impact on investment return for insurers, which has put more pressure on costs saving and writing for profit which leads to its own issues.

Leaving the EU will have vastly different effects on different industries. However, 1 in 4 SMEs haven’t made a material change to at least one sum insured in over four years. All businesses should look to their insurers and brokers to ensure the correct cover is in place.

Resource

Many insurers have now been in a recruitment embargo for the last 12 months, most activity has been in merely replacing roles, although many have not been filled. Insurers are also now looking at different internal structures to potentially reduce headcount. This has resulted in an environment where most composite insurers are under-resourced with a significant increase in enquiry volumes so it's more important than ever for insurers to pick the right risks and brokers to work with.

Reinsurance

Re-insurers are now seeing growth in profit on their traditional markets, where costs are increasing, along with putting downward pressure on primary insurer net line. Most primary insurers are now needing to increase their budgets on re-nsurance costs at both Property and Casualty season, along with considering whether to retain more of their net line exposure which is already under profit pressure. Additionally, after the imposition on 'pandemic exclusions' imposed by re-insurers on both Property and Casualty lines, there will undoubtedly be more pressure exerted in the upcoming negotiations in 2021 and beyond.

Solvency II

Following the introduction of the Solvency II requirement, insurers are now needed to retain far more liquidity and cash in relation to committed liabilities. This has also impacted reserving and the need to maintain and manage claims costs, with a greater focus on claims validation. It has dissuaded many insurers from looking at new areas to develop in, preferring to 'buy in' specialisms or looking to outsource more or have a growing reliance on third-party supplier deals.

FCA/BI Ruling

This ruling will undoubtedly put more pressure on the Net Line of insurers, along with the reputational damage that it will cause. It will be some time before the full financial impact is known, but it will mean more difficult conversations when it comes to reinsurance season and consideration of strategy, as well as further pressure on Net-Line retention and wording changes.

Capacity/Binder Acceptance

Primary markets are under extreme pressure to make a profit for shareholders. Low investment return has made the mantra of 'profit is king' the most relevant key deliverable to underwriters which will only lead to a more cautious and vertical application of pressure on capacity. This will have the same impact on binder capacity, where MGA/Lloyds binders consider carefully in how they deploy their capacity.

Unrated Insurers

With such challenges across the insurance market, it can be tempting to consider all options for premium savings, including incepting cover with insurers who do not carry a minimum financial security rating. Whilst the premium savings can seem beneficial, there are a concerning number of insurers who have become insolvent in recent years, leaving policyholders exposed with little financial protection – often having to pay twice for their cover and having valid claims not settled. Many finance agreements, commercial mortgages and contracts will not allow parties to use unrated insurers for that very reason.


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Insurer Performance: Q1 2021

1. Aviva

Resilient financial performance with progress in their strategic transformation

- Operating profit: £3,161 million (2019: £3,184 million)
- IFRS profit: £2,910 million (2019: £2,663 million)
- Core business operating profit: £2,492 million (2019: £2,558 million)
- Cash remittances: £1,500 million (2019: £2,597 million)
- Solvency II shareholder cover ration: 202% (2019: 206%)
- Expect £1.7bn debt reduction in H1 2021
- First major insurer globally to target Net-Zero greenhouse emission status by 2040

2. AXA

Minimal loss reflecting relevant of strategic choices and business mix

- Total revenues down 1%
- Gross revenues down 7% to €97 billion (2019: €103 billion)
- Underlying earnings: €4.3 billion (2019: €6.5 billion) with €1.5 bullion Covid-19 claims unchanged
- Net income: €3.1 billion (2019: €3.8 billion)
- Solvency II ratio at 200% benefitting from the inclusion of AXA XL in the Group's internal model

3. Allianz

Resilient performance in an unprecedented year

- Total revenues decreased by 1.3% to €140 billion (2019: €142.4 billion)
- 2020 operating profit of €10.8 billion including negative Covid-19 impact of €1.3 billion (2019: €11.9 billion)
- 2020 net income attributable to shareholders down 14% to €6.8 billion (2019: €7.9 billion)
- Return on equity: 11.4% (2019: 13.6%)
- Earnings per share: €16.48 (2019: €18.90)
- Strong Solvency II capitalisation ratio of 207 per cent at the end of 2020 (2019: 212%)
- Board of Management proposes a dividend at the prior-year level, €9.60 per share
- 4Q 2020 total revenues stable year-on-year, 4Q 2020 operating profit up 8.2 per cent; 4Q 2020 net income attributable to shareholders down 2.2%
- 2021 operating profit target of €12 billion, plus or minus €1 billion

4. RSA

Strong performance with limited Covid-19 related impacts

- Group business operating result £751m up 15%
- Group underwriting profit £550m up 36%
- Group combined ratio 91.1%; underlying EPS 51.2p per share
- Statutory profit before tax £483m
- Underlying ROTE 18.2%
- Underlying profit before tax £718m up 15%
- Statutory profit before tax £483m down 2% due to market impacts from Covid-19

4. Zurich

Excluding the impact of Covid-19, strong increases in profitability and efficiency Group:

- Business operating profit of $4.2 billion, down 20% driven by Covid-19 related impact and higher catastrophe losses

UK:

- 73% drop in UK business operating profit to £111 million (2019: £413 million) due to Covid-19 impacts
- Property and Casualty top-line growth of 11%
- Life and Savings up 2%
- Total of £1.8 billion paid out to P&C and Life customers
- Gross written premium up 11% to £2,742 million (2019: £2,480 million)
- Combined ratio of 97.8% up 6.8% (2019: 91%)
- Life and savings protection annual premium equivalent of £128 million up 2% (2019: £125 million)
- Life and savings new business value decreased to £37 million down 18%

Conclusion

The past 12 months have presented severe challenges to the global economy and forced businesses to adapt quickly to the changing environment. With the vaccine roll out bringing much needed optimism, the global outlook is at least starting to look more positive. That said, for many, the scars from the pandemic will remain for some time and the impact on the insurance sector will continue to present challenges for some over the cost and availability of cover at least for the remainder of the year.

“Hard” insurance markets are not new, and history will tell us that the impact is often sudden and severe. The return to softer markets will happen, but at a much more gradual pace and shallower decline than we have seen through the hardening of the past 12/18 months. The industry is not out of the woods yet, and there are a range of factors that could adversely effect insurers yet to come – the potential impact of liability claims particularly in the Care Sector, the Government Credit Reinsurance withdrawal at the end of June and the gradual rolling back of furlough support will present challenges for many businesses, and their insurers in turn.

Like every other sector, the insurance industry has had to learn fast and adapt quickly over the past year. The pandemic has transformed the industry and we must use this opportunity to improve on what we do.

The accelerated pace of change will bring benefit to the industry and its customers and we remain confident that these will bring value to businesses as we emerge from the pandemic. There is clearly a shift in how we engage with customers and a growing awareness of both social and environmental responsibility.

There are certainly reasons to be cautious, but also many to be optimistic.

Thomas Carroll Group Subsidiaries & Trading Companies

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- Thomas Carroll Brokers Swansea Limited

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PERSONAL INSURANCE AND PROTECTION

- Thomas, Carroll Private Clients Limited

Thomas, Carroll Private Clients Limited is registered in England no 4072637. Thomas, Carroll Private Clients Limited is an Appointed Representative of Thomas, Carroll (Brokers) Limited. Thomas, Carroll Private Clients Limited is authorised and regulated by the Financial Conduct Authority and is entered on the FCA Register (www.fca.gov.uk/register) ref 534775. Trading Styles of this Company: Club Signature; Club Signature Insurance Service

WEALTH MANAGEMENT AND EMPLOYEE BENEFITS

- Thomas, Carroll Independent Financial Advisers Limited

Thomas, Carroll Independent Financial Advisers Limited is registered in England no 2142023.Thomas, Carroll Independent Financial Advisers Limited is authorised and regulated by the Financial Conduct Authority and is entered on the FCA Register (www.fca.gov.uk/register) ref 450497. Trading Styles of this Company: Thomas Carroll Employee Benefits, Thomas Carroll Wealth Management

HEALTH, SAFETY AND EMPLOYMENT LAW

- Thomas, Carroll Management Services Limited

Thomas, Carroll Management Services Limited is registered in England no 5860158. Thomas, Carroll Management Limited is an Appointed Representative of Thomas, Carroll (Brokers) Limited. Thomas, Carroll Management Services Limited is authorised and regulated by the Financial Conduct Authority for consumer credit and is entered on the FCA Register (www.fca.gov.uk/register) ref 724707.Trading Styles of this Company: Thomas Carroll Health, Safety, HR and Employment Law