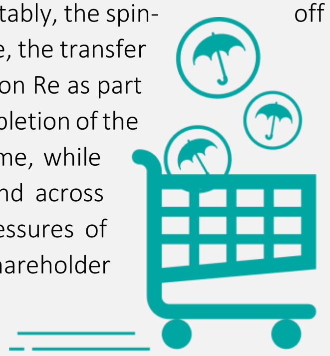
Insurance Market Update

Keeping you up-to-date with our latest thoughts

October 2021

Market Update

The third quarter of 2021 provided slightly more economic certainty as the UK inched towards a post-pandemic and post-Brexit future. **The period gave rise to several key insurance related M&As** notably, the spin-off of the US branch of Prudential plc, Jackson Life, the transfer of a block of Allianz Life insurance to Resolution Re as part of a reinsurance transaction deal and the completion of the sale of Aviva Italia to Allianz. At the same time, while M&As look set for a record year globally and across industries, insurers are reminded of the pressures of regulation, volatility of prices and renewed shareholder activism.



The role of insurers and nature of long-term care products are likely to see drastic changes in the next few years

The past year has provided the market and government an opportunity to revisit the blueprint of social welfare. In early September, Chancellor Rishi Sunak expressed his keenness for insurance firms to play a larger role in the care sector prior to the state intervening. **The role of insurers and nature of long-term care products are likely to see drastic changes in the next few years** – perhaps, ones akin to the pension reforms of 2015.

Insurance Regulation

A recent consultation paper (CP11/21) saw the PRA set out 'phase 1' of its planned amendment of reporting requirements for all UK-based SII firms. The publication, released in July 2021, shared proposals which coincide with HM Treasury's review of SII and subsequently, requested feedback from market participants within a consultation period which ended on Friday 8th October. Following ratification from firms, it is envisaged that this will lead to alterations to the following:

- **Reporting regularity for Minimum Capital Requirements** (part of the PRA Rulebook).
- **SII Supervisory Statements**
  - SS11/15 Regulatory reporting & exemptions
  - SS40/15 Reporting and public disclosure options
  - SS41/15 EIOPA set 2, system of governance and ORSA
  - SS44/15 Third-country insurance and pure reinsurance
- **Statement of Policy**: Interpretation of EU guidelines and recommendations.

All proposals set out in the CP recognise the regulatory environment that now exists following the UK's withdrawal from the EU.

The objective of the CP is to streamline areas of financial disclosure where reporting is less relevant and runs the risk of needless repetition. It is hoped that firms will be able to implement process adjustments quickly that can into effect for quarterly and annual submissions from 31st March 2022.

CP11/12 outlines 'phase 1' of the PRA's review of SII reporting disclosures; with 'phase 2', due to run into 2022, set to be a more detailed assessment of all elements of the UK's regulatory reporting framework. It is envisaged that this second phase will shape the general reporting approach going forwards, facilitating a more bespoke structure befitting the PRA and UK insurance sector.

The objective of the CP is to streamline areas of financial disclosure where reporting is less relevant and runs the risk of needless repetition

[CP11/21](#)
[Review of Solvency II: Reporting (Phase 1) | Bank of England](#)

4-most.co.uk
info@4most.co.uk

Insurance Market Update

Keeping you up-to-date with our latest thoughts

October 2021

Economy

Since our last update in August, the FTSE-100 has remained stable, with a **small decline of 0.05%**. Isolating the insurance companies, again the results are flat with a rise of 0.05%, potentially indicating the release of the UK lockdown has had little effect on life insurance business.

UK Insurance

0.05%

With around **94,000 employees** in the UK insurance industry, this had to be one that was quick to adapt to the pandemic restrictions: moving away from a more traditional office set up, to all employees working from home. We saw little impact to the insurers within the FTSE-100 back in March 2020, and perhaps the stability again now shows the ability of insurance offices to adapt their workforce to continue to offer their services, despite the uncertainty faced over the last 18 months.

FTSE100

(0.05)%

4-most.co.uk info@4most.co.uk

Daniel Gill
Associate Partner

Charlotte McGregor
Associate Director

Dharmesh Roopun
Managing Consultant

Francesca Ferraris
Consultant

Jason Eber
Consultant

4most

Data & AI

Data and AI modelling techniques can give the insurer the **ability to predict and identify changes in risks prior to claim**. Insurers that have access to peripheral data, through items such as smart watches, could potentially enhance existing models to identify alternative risks, offer fairer prices to customers with lower risk, and encourage policyholders to lead healthier lives through the incentive of lower future premiums.

Examples of the data that is being utilised in the industry include telematics in car insurance, step counts and medical examinations in life and health insurance, and diagnostic modelling, such as blood glucose level for diabetic policyholders.

Some of the risks that come with these items are:

- Statistically insignificant homogenous groups due to granular subdivisions.
- Loss of benefit of pooling risk as individuals pay directly for their own risk.
- Customers may view these products as intrusive or an invasion of privacy.

As wearable tracking technology continues to be adopted increasingly by consumers, **we would expect insurers to offer product alternatives that utilise this additional health information**, whilst continuing to offer less invasive products for those policyholders who have no desire to have their daily activities tracked.