



EXPERTISE

FULL YEAR REVIEW 2019

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Simon McGinn, General Manager, Commercial & Personal, and Neil Clutterbuck, Chief Underwriting Officer, reflect on key events in what was a busy twelve months for both the UK, and the insurance industry.



Simon McGinn,
General Manager,
Commercial and Personal



Neil Clutterbuck,
Chief Underwriting Officer

Over the last twelve months it seems as if the world has been watching to see how events play out in the UK. Ongoing political instability has seen a change of Prime Minister, a general election and yet still no resolution for Brexit. The topic of climate change has also taken centre stage, with protestors gathering nationwide in October

for Extinction Rebellion, plus mounting pressure on businesses and individuals to adopt 'greener' measures (more of this on page 3.) All of these events have affected the insurance industry in some way or another and this review will take a closer look at the opportunities and challenges the industry now faces as a result.

ALLIANZ UPDATE

Closer to home at Allianz we've had our own busy year, with the restructuring of our business; firstly through acquiring 100% of LV=GI and also through the purchase of Legal & General's general insurance business. Validation of the hard work came with our customer and broker surveys which showed we maintained strong positions during this period of change. Some additional acknowledgement came at the British Insurance Awards in July, where we won 'Transformational Deal of the Year' for our partnership with LV=, plus both 'General Insurer' and 'Commercial Lines Insurer of the Year'.

In September we were proud to partner with World Para Swimming as the title

sponsor of the London 2019 World Para Swimming Championships, with many of our employees volunteering at the event. Our new corporate charity partnership with leading mental health charity Mind was announced; a cause whose worth is highlighted in a year when it was reported that over 600,000 people in the UK experienced work-related stress, depression or anxiety.¹

Finally, we ended the year on an extremely positive note when Allianz became the number one insurance brand in the InterBrand Best Global Brand Rankings. Certainly an eventful year!

Allianz 

LV=
LIVERPOOL VICTORIA



¹ <https://www.iosh.com/more/news-listing/hse-clarification-work-related-stress/>

PI DISCOUNT RATE AND WHIPLASH REFORMS

We were one of the many insurers disappointed by the announcement in July regarding changes to the Personal Injury Discount Rate (also known as the Ogden Rate). The revised rate of -0.25% which came into effect in August was only a marginal increase from the previous rate of -0.75% and not in line with the figure of 0% - 1% previously indicated by the government. Based on this indication, insurers had based claims costs on this figure in order to keep premiums lower for customers.

We maintain our stance that this figure does not go far enough. As the revised rate is lower than anticipated, it's likely insurers will have to increase the money they set aside to pay future claims, which in turn increases the pressure on premiums. This is an unwelcome outcome for customers and brokers, as well as insurers.

Further, despite the General Election result, doubts remain over the April 2020 deadline for implementation of



the whiplash reform measures. It seems there is a significant amount of work to be undertaken to ensure the reforms are fit for purpose and will deliver the desired result. Whilst the technical build of the claims portal is reportedly on track, uncertainty remains around a number of other factors, such as how the

alternative dispute resolution process might work; or what is covered in terms of rehabilitation and credit hire. Until such time that the MOJ says anything differently, we'll prepare for an April 2020 implementation date; however, confirmation one way or another would be welcomed by Allianz and the market.

CLAIMS INFLATION TRENDS

Claims inflation continued to be a key agenda item for insurers throughout 2019, particularly across motor and property-based classes of business. Such trends often reflect pressures on the economy and we've observed other behavioural patterns which tend to emerge during recessionary periods; these include a rise in violent and organised crime, resulting in higher severity incidents of theft of stock, contents and cash.

One contributory factor in property claims inflation is the rising cost of building materials, attributed to both depreciation of the pound and a high demand in international markets, making parts and

materials more expensive to import and resulting in longer lead times. Rising energy costs and wages and expenses are also having an impact. In the construction sector, there have been reports of companies stockpiling materials ahead of Brexit, such as cladding systems.² This has implications for the policyholder, since increased stock necessitates a higher sum insured.

Across motor lines, inflation is being driven in part by improvements in vehicle technology, such as LED matrix headlamps and LiDAR (Light Detection and Ranging). The high price tag of such gadgets leads to higher repair and labour costs.

Whilst we'll be keeping a close eye on drivers behind claims inflation, we don't anticipate any imminent let-up in this trend. Insurers and brokers can play their part in supporting customers in keeping claims costs down, through risk management expertise and guidance.

You can visit
www.allianz.co.uk/riskmanagement
 for a wealth of information.

SUMMARY

Undoubtedly much activity and resource was focussed on Brexit in 2019, with the strain felt across UK plc companies as they struggled to prepare for an uncertain outcome. Hopefully, the fact we now have an election result will allow businesses and individuals to turn their attention to other key areas of focus. At Allianz, that will certainly involve continuing to seek ways to improve our

customer journey at every touchpoint, through investment in our people and our technology, plus a continued focus on our sustainability targets.

Allianz exists to provide customers with confidence in an uncertain world and it seems that in our current political climate, never has this been more apposite.



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