

# London Market Insurance Dashboard: 2020 Results

## 2020 Profits Cancelled Out by Pandemic-Related Losses

The majority of London market insurers reported either a loss or only a very small profit in 2020 as coronavirus pandemic-related losses offset most underwriting and investment profits. Returns on equity were negative or only marginally positive. Investment returns recovered well in 2H20 after a dramatic fall in 2Q20. However, returns were not sufficient to compensate for underwriting losses.

## Pandemic-Related Costs Substantial, but Expected to Reduce

London market insurers incurred substantial pandemic-related losses, leading to combined ratios well over 100% in 2020. For example, the impact of pandemic-related losses on the combined ratio for Hiscox Ltd and Brit Ltd were 17pp and 16pp of net earned premiums, respectively.

The main drivers of losses were event cancellations and business interruption (BI) policies, with the impact on individual insurers dependent on their portfolio composition. Beazley plc and Brit were mainly affected by event cancellation losses, while Hiscox was hit harder by BI claims, including the effect of the [FCA BI test case](#).

Fitch Ratings expects pandemic-related losses to reduce in 2021 given the conclusion of the FCA BI test case and a smaller exposure to BI and event-cancellation claims through policy language adjustments. However, the impact of pandemic on third-party claims is still unknown. We expect these claims to start developing in 2021 and 2022 and these could negatively affect the profitability of the market, but these claims are slow to materialise and even slower to settle.

## Pricing Improvements Accelerated

Rates have been increasing for the past three years and increased even more in 2020, with many insurers reporting double-digit rate rises. This reflected the magnitude of pandemic-related losses and the ultra-low investment returns, which lead to increased focus on underwriting profitability.

Many insurers withdrew from certain lines, while others reassessed their risk appetites and raised capital in 2020 to take advantage of the favourable pricing conditions in 2021. Despite increased capital and competition, we believe 2021 pricing conditions will be favourable, supported by the focus on improving underwriting performance in the Lloyd's market.

## Sector Outlook: Improving

Fitch's sector outlook for the London market for 2021 is improving. This reflects our expectations of continued improvements in pricing conditions, which would benefit the underlying underwriting performance of the market. However, challenges remain, including uncertainty over the ultimate costs of pandemic-related claims, the recessionary macroeconomic impact on the sector and ultra-low investment yields.

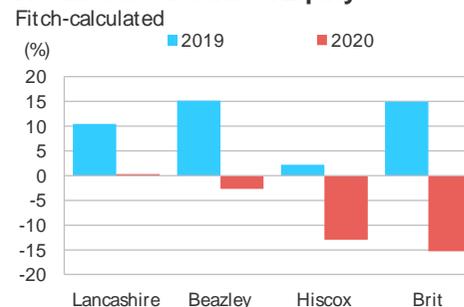


**Ekaterina Ishchenko**  
+34 91 793 6798  
[ekaterina.ishchenko@fitchratings.com](mailto:ekaterina.ishchenko@fitchratings.com)



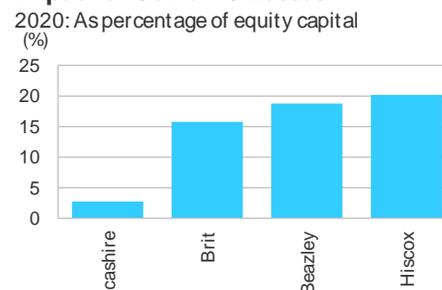
**Graham Coutts**  
+44 20 3530 1654  
[graham.coutts@fitchratings.com](mailto:graham.coutts@fitchratings.com)

## Net Income Return on Equity



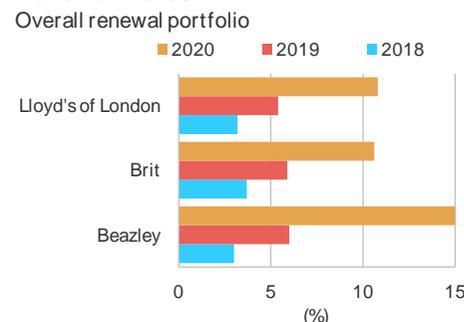
Source: Fitch Ratings, Companies' reports

## Impact of Covid-19 Losses



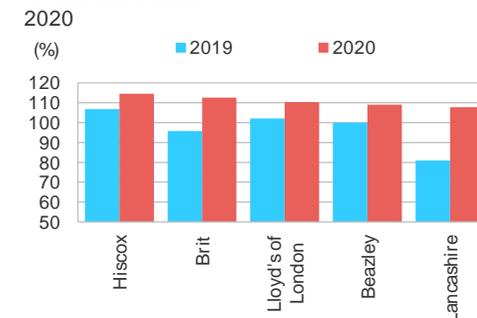
Source: Fitch Ratings, Companies' reports

## Renewal Rates



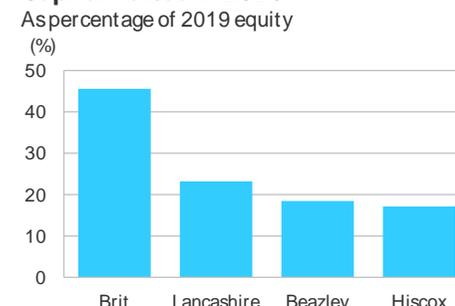
Source: Fitch Ratings, Companies

## Combined Ratio



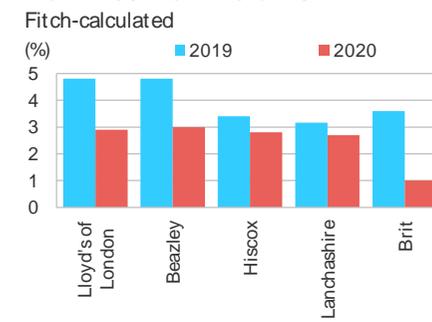
Source: Fitch Ratings, Companies' reports

## Capital Raised in 2020



Source: Fitch Ratings, Companies

## Net Investment Returns



Source: Fitch Ratings, Companies

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