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J7 BRIEFING

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Winds of change are blowing for the insurance industry

The insurance industry is facing a double wave of change - the first due to Covid-related insurance claims, and the second due to the impact of the pandemic on workplaces.

After action from the Financial Conduct Authority (FCA) on behalf of some 370,000 policyholders, this year began with a Supreme Court ruling that insurers must honour payouts on Business Interruption (BI) insurance claims due to Covid-related losses. Now, recent reports reveal that the world's leading insurance market, Lloyd's of London, is expected to exceed £6bn in claims payments, covering issues such as event cancellations and business interruptions due to the pandemic and government measures taken to contain the spread of the novel coronavirus.

This comes as the industry itself - as with many other office-based white collar industries - reassesses its working methods due to seismic shifts in the working landscape. This 'double wave' has a particularly interesting impact on Lloyd's, whose famed underwriting room is due to reopen in May at a reduced capacity.

Even before the pandemic, eyes were on Lloyd's for changes to its historically strict dress code ("*suits or smart jackets, trousers and ties for men; smart business style for women*") and shift from paper to digital underwriting processes. Now, a pandemic-induced mass shift to remote and hybrid working and a new report from the London & International Insurance Brokers Association (LIIBA) outlining new steps for the future of trade will prompt much debate about what the future holds for the insurance industry - both for external claims payouts, and how it tackles challenge and change in internal working processes.

Balancing Business and Morality

How the West is walking the line between courting trade and condemining injustice

Western relations with China are reaching an inflection point. In the week beginning 22 March, the US, UK, and EU imposed sanctions on China in response to reports of persecution of the Uyghur Muslim minority group in Xinjiang province. Antony Blinken, US Secretary of State, described these sanctions as a demonstration of *“our ongoing commitment to working multilaterally to advance respect for human rights”*. These sanctions specifically target officials and a security organisation connected with internment camps in Xinjiang, and include travel bans and asset freezes.

Secretary Blinken’s words reflect that recent sanctions from the West towards Chinese officials are rooted in morality - not business. Indeed, the UK and Europe are notably pursuing investment from and trade ties with China. According to Eurostat (via the Financial Times), China provides significant FDI to the EU: in 2017 alone, FDI from China to the EU reached upwards of 60 billion euros. The report also notes that China is an important investment destination as European brands from retailers to carmakers are popular there.

More recently, the EU has been working towards the EU-China Comprehensive Agreement on Investment (CAI) - an investment deal which is now in jeopardy due to escalating diplomatic tensions as of March 2021. Across the Channel, the UK’s Conservative party is facing internal conflict with some party members opposing its premier’s decision to seek “deeper trade links” with China as part of its post-Brexit ‘Global Britain’ trade strategy.

These business ties may well be in jeopardy in light of China’s retaliation to new Western sanctions. The People’s Republic has acted rapidly and with force - including a willingness to inflict economic damage. It has placed travel and business sanctions on academic and political individuals and bodies from the EU, including a statement which strongly condemns the EU's actions and reasoning. It asks that the EU reverse these decisions, and states that if this does not happen, *"China will resolutely make further reactions"*. The UK has been dealt a similar riposte, with academics, lawyers, and politicians sanctioned for their criticisms.

In the words of the Wall Street Journal, the UK and EU are *"trying to maintain a delicate—and frequently divisive—balance by confronting China on human rights and other issues while pursuing trade and investment."* Multiple other international media outlets (including Reuters, Politico, and Bloomberg) acknowledge both the importance the West places on trade with China, and China's willingness to respond to Western sanctions with rapid, frank retaliation and potentially significant economic consequences. To date, it appears that both the UK and EU will not be pursuing trade at any cost. How far they are willing to stand by this approach remains to be seen; this is likely to be tested in the coming weeks and months.

By Hannah Ayesha Ritchie in London

THE CEO'S MESSAGE

BY JOHN KAPONI

Is pent-up demand the way we will save the UK economy?

People and companies have been stashing cash throughout lockdown, and this is meant to be the "golden goose" to save the UK economy from oblivion. According to the ONS, *"UK household saving ratio rose to a near record high in the final quarter of last year, fuelling hopes that the extra cash will help boost economic growth when businesses reopen".*

I am not convinced this will be enough – or that it is even correct to rely on savings to restart the economy. Economies grow because of innovation, demand, and confidence in the actions of the current Government to manage the economy and the finances of its nation.

What I am afraid of is that those companies and individuals who have been prudent enough to save money over the last 12 months will be forced by the Government to spend. Yes, this creates a mini boom, but we should be cautious of this leading to higher levels of indebtedness. In short, savings are an unsustainable way to "bounce back".

So what else can we do to fix the immeasurable damage caused by COVID – release more stimulus money from the Government? In terms of communications and general activity by companies in the UK and Europe, there is a trend towards strategic messaging and a very focused approached to targeting stakeholders over the last 12 months. J7 Communications wants to be next to its clients, helping them navigate towards greater business opportunities via effective media relations and communications.

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THE LIME STREET CONVERSATION

Doing Business in Ukraine in 2021

J7 Communications & Peter Teluk of law firm Sayenko Kharenko discuss what 'business as usual' means for Ukraine amid periods of social, political, and economic upheaval.

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