

COVID-19 insurance update – 10 April

Oxbow Partners Coronavirus Coverage

We have introduced a weekly note consolidating all Coronavirus-related news relevant to the UK insurance industry. This will be published on Friday mornings for the foreseeable future. [Click here](#) to sign up to the mailing list.

10 April 2020

Summary

- 🕒 UK insurers suspend dividends
- 🕒 US and French motor insurers announce premium rebates to customers
- 🕒 Bupa promises to give excess profits to customers
- 🕒 NFU Mutual sets out measures to help customers and the community
- 🕒 Insurance industry concerned about BI claims legislation (Reinsurance News)
- 🕒 Claims notifications at bodyshop businesses down by 70% (Insurance Times)
- 🕒 COVID-19 could cost US small businesses \$431bn per month (Insurance Insider)
- 🕒 Hiscox seeks to hold line on BI claims as it comes under fire (Insurance Insider)

Analysis

Pains and gains

It has been another busy week in terms of COVID-19 insurance news with a number of insurance companies suspending dividends and the pressure building in both the US and the UK for insurers to pay out on BI claims for smaller businesses, despite the huge burden this would place on the industry.

The other big story of the week is the move by a rapidly increasing number of US motor insurers to offer customers rebates on their premiums during lockdown. As we highlighted in our note on Monday, there is likely to be public and political pressure for the UK to do something similar and UK motor insurers need to be prepared to react if this comes to the UK market.

The Oxbow Partners View

The sheer scale of the potential BI claims from small businesses (\$431bn *per month* in the US alone) could cripple the industry. Insurance serves a valuable purpose in society. It is not in the public interest for insurers to be bankrupted paying claims for risks that were never insured. A difficult message to hear if you are one of millions of small business owners about to lose everything. The US insurers move to give back premiums where “excess” profits *might* be being made feels like the responsible thing to do. We will not know the true picture until we get back to ‘normal’ but rebates should help to improve the public image of the industry during this crisis. We continue to believe that it is only a matter of time before we see similar moves in the UK. Stay safe out there.

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UK insurers suspend dividends

On 2 April EIOPA, the European insurance regulator, issued a press release stating “EIOPA urges that at the current juncture (re)insurers temporarily suspend all discretionary dividend distributions and share buybacks aimed at remunerating shareholders”. Following this guidance, this week [Direct Line](#), [Aviva](#), [RSA](#) and [Hiscox](#) all suspended their 2019 final dividends. Understandably these decisions were not taken well by income-focused shareholders, but we expect that other companies may follow suit in due course.

[Read more from EIOPA](#)

US and French motor insurers announce premium rebates to customers

As we highlighted in our Newsflash report on Monday, a number of US motor insurers have taken the decision to return or rebate premiums to customers in light of the lower claims environment during the current lockdown conditions. As we suspected, in recent days, more US insurers and a French Mutual have also announced premium rebates. This confirms our view that UK management teams need to prepare a response for when a UK motor insurer announces premium refunds.

So far, we have seen announcements from the following companies:

- [Allstate](#): Returning 15% of customers April and May premiums
- [American Family](#): Giving back \$50 per vehicle
- [GEICO](#): 15% credit to customers on renewal
- [Liberty Mutual](#): Refunding 15% of premium for two months
- [Farmers](#): 25% reduction in April premiums
- [Progressive](#): 20% credit of premiums in April and May
- [Travelers](#): 15% credit on April and May premiums
- [USAA](#): 20% credit on two months of insurance
- [MAIF \(France\)](#): Reimbursing €30 per vehicle to customers

Bupa promises to give excess profits to customers

Outside of the motor insurance space, Bupa has announced a plan to pass back any exceptional financial benefit arising from COVID-19 to its UK health insurance customers via rebates or other “appropriate means”.

[Read more](#)

NFU Mutual sets out measures to help customers and the community

NFU Mutual has announced a package of measures to help its customers and the wider community during the coronavirus outbreak. The measures include £24m of changes to insurance covers to include COVID-19 on personal accident and Group personal accident extensions for new and existing Home and Business insurance customers.

[Read more](#)

Insurance industry concerned about BI claims legislation (Reinsurance News)

Reinsurance News has published the results of its survey of market participants in the global reinsurance industry. The survey indicates that just over half of the respondents were either very or extremely concerned about the risk of legal action forcing insurance companies to pay business interruption claims. However, 85% of respondents also believed that the pandemic would have firming effect on reinsurance pricing.

[Read more](#)

Claims notifications at bodyshop businesses down by 70% (Insurance Times)

Insurance Times has reported the results of its UK Body Repair Covid-19 Survey which indicates that nearly half of the bodyshops surveyed have had to suspend trading during the pandemic lockdown. The survey covered over 500 sites across the country. 72% of those surveyed said that claims notifications were down by more than 70%, which is to be expected given the reduction in vehicle use since the lockdown measures have been introduced. The difficulty for insurers is that the full benefits of the lower claims environment may not be realised as the cost of repairs could also increase due to the closure of repair shops and the difficulty in sourcing paint and parts.

[Read more](#)

COVID-19 could cost US small businesses \$431bn per month (Insurance Insider)

The American Property and Casualty Insurance Association (APCIA) has increased its estimate of monthly losses to small businesses in the US due to the coronavirus pandemic to a range of \$255bn to \$431bn per month. This compares to \$71bn of insurance premiums per annum collected by the market and shows the potential impact on the industry if insurers are forced to pay claims for business interruption. The APCIA estimates only relate to businesses with less than 100 workers.

[Read more](#) (requires Insurance Insider subscription)

Hiscox seeks to hold line on BI claims as it comes under fire (Insurance Insider)

The Insurance Insider (II) has reported that Hiscox's CEO has been holding calls with major UK brokers to insist that its standard small business policies do not provide cover for BI claims from COVID-19. A number of brokers have told the II that they believe the SME policy wording from Hiscox should provide cover due to government closure as the wording is wider than that used by commercial peers such as Aviva, RSA and Zurich. Hiscox remains adamant that their policies do not cover the "extraordinary circumstances caused by this pandemic".

[Read more](#) (requires Insurance Insider subscription)