

COVID-19 insurance update – 24 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.

24 April 2020

Summary

- Admiral launches £25 per policy rebate for motor customers
- PRA requests details of BI exposures (Insurance Insider)
- Hiscox expects \$150m of coronavirus claims
- Beazley estimates claims to be \$170m
- Ministry of Justice delays whiplash reforms to April 2021
- FCA delays pricing review results during COVID outbreak
- Covea UK faces £160m+ BI loss from nurseries (Insurance Insider)
- UK Government considering a backstop for trade credit insurance (Sky News)
- Hannover Re removes earnings guidance but continues with dividend
- Autotrader survey suggests surge in demand for cars after lockdown
- Willis Re expects claims so far to be manageable

Analysis

Delays and repays

As we had expected, the first UK motor insurer has begun offering rebates to customers this week. Admiral's automatic payment of £25 per policy should come as a welcome benefit for their customers and we anticipate others to start offering similar arrangements before too long.

This week, we have also seen the official delay of both the whiplash reforms from the Ministry of Justice and the FCA market study on pricing practices in general insurance. Both of these measures could have significant impacts on the general insurance market in the UK and it is therefore a logical step to push back any implementation until the country is in a more stable position regarding coronavirus.

The Oxbow Partners View

There are so many different aspects of the market that will be impacted by the pandemic and, even more so, the actions taken by governments to stem the tide of the infection. The motor insurance industry is generally doing well and despite concerns about how claims might look once things return to 'normal', it seems the right thing to do is to pass some benefits back to customers. At the same time, the industry as a whole is facing potentially the highest loss event in history and trade credit may be the first of a number of lines where governments will be asked to provide a backstop in order to keep the wheels of industry turning as we progress through to the other side of this crisis. Stay safe out there.

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Admiral launches £25 per policy rebate for motor customers

As we highlighted in a note to our paid subscribers earlier this week, Admiral has announced a set of initiatives including premium rebates, totalling £190m, roughly equivalent to a month's premium income or a third of its 2019 profits. The insurer will be refunding £110m of premiums by 31st May through automatic payments to customers of £25 for each car and van insured as at 20th April, a total of 4.4 million vehicles.

Admiral is the first UK insurer to take the step, following similar moves taken by US and European insurers during the COVID-19 pandemic, in light of the lower claims environment during the current lockdown conditions.

[Read more](#)

PRA requests details of BI exposures (Insurance Insider)

The Insurance Insider has reported that the PRA issued a snap demand to insurers requesting details of BI coverage with just over a week lead time. The deadline for submission is Monday, 27 April. The Insider reports that Lloyd's has instructed managing agents to file a second major claims return for coronavirus including the assessment of BI exposures. This will be fast-tracked in order to meet the PRA deadline.

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

Hiscox expects \$150m of coronavirus claims

Hiscox has issued an update to the market detailing its expected exposures to COVID-19 related claims. Hiscox's announcement focuses on event cancellation, media & entertainment and other areas such as travel where the business is actively settling claims. On the basis that restrictions on travel and other gatherings last for six months (from March 2020), the business expects claims to be \$150m. If the restrictions are extended further, the claims could increase by a further \$25m.

Hiscox continues to believe that its core small commercial package does not cover business interruptions caused by the pandemic. However, the company does state that it will "work with the UK insurance industry, its regulators and its customers to seek means of expediting resolution through the range of independent mechanisms available", though it is unclear exactly what this means for customers.

[Read more](#)

Beazley estimates claims to be \$170m

Beazley has issued a trading statement for the three months ending 31 March 2020 showing strong (+13%) growth in gross premiums written to \$840m. The growth in premiums has been driven by +23% growth in each of Cyber and Executive, Marine and Specialty lines with positive rate changes in most lines of business.

Beazley has made an investment loss of \$55m YTD or -1% return on the portfolio due to the market volatility around COVID-19. In terms of claims, the business expects to see around \$70m of claims in the Political, Accident and Contingency business and a further \$100m across the Marine, Property and Reinsurance lines. Most policies do not cover pandemic risks but where they do, the company aims to pay claims quickly.

[Read more](#)

Ministry of Justice delays whiplash reforms to April 2021

Having already moved the implementation date of the Whiplash Reform Programme to August 2020, the Ministry of Justice announced this week that the reforms will now be delayed until April 2021. This is to allow insurers to focus on delivering a response to COVID-19 and to provide the Government to focus on key services.

[Read more](#)

FCA delays pricing review results during COVID-19 outbreak

The FCA's market study into pricing practices in general insurance has also been delayed further due to the COVID-19 outbreak. At this point, the FCA has not given a proposed date for the publication of the market study (which had already been delayed) but simply states that the publication has been delayed 'beyond June 2020'. The outcome of the study could have wide ranging implications for the UK general insurance market. As with the whiplash reforms, it is a sensible and logical step to delay any changes until after the current situation is under control.

[Read more](#)

Covea UK faces £160m+ BI loss from nurseries (Insurance Insider)

Insurance Insider has reported that market sources believe Covea UK could be facing a loss of at least £160m from BI exposures on a UK nurseries product. This comes as the market considers the fact that the crisis might represent the largest insured loss event in history with the potential for \$80-\$100bn of insured losses, with particular exposures in SME policies.

The Insider believes that Covea's NurseyCare product, distributed to more than 3,700 UK nurseries, includes cover for government or local authority action. The policy extension states policyholders are covered for "interruption or interference with the childcare business in consequence of access to the premises being hindered or prevented as a result of the actions or advice of a government or local authority following an emergency which is likely to endanger life or property".

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

UK Government considering a backstop for trade credit insurance (Sky News)

Sky News reports that the government is in talks regarding the provision of a backstop for trade credit insurance in order to ensure supply chains keep operating during the pandemic. The government is keen to avoid large-scale removal of trade credit insurance cover and could be willing to effectively reinsure a large number of contracts for the period of the pandemic and into the recovery phase. A similar arrangement has already been announced in Germany.

[Read more](#)

Hannover Re removes earnings guidance but continues with dividend

Reinsurer Hannover Re has issued a market update withdrawing its profit guidance for 2020 given the significant uncertainty around the impact of COVID-19. The group stated that the earnings figures for the first quarter were not significantly affected but the outlook remains too uncertain to maintain profit guidance for the full year. The business highlights investment results and property and casualty reinsurance as the main areas of concern. While the profit guidance has been removed, Hannover Re still intends to pay its dividend of €5.5 per share if approved at the AGM on 6 May.

[Read more](#)

Autotrader survey suggests surge in demand for cars after lockdown

Autotrader has compiled consumer research (covering over 3,000 consumers) that suggests many will look to maintain 'transport distancing' once the restrictions on travel are lifted. Their survey indicates that 56% of those who have a driving licence but don't currently own a vehicle are considering buying one post lockdown.

[Read more](#)

Willis Re expects claims so far to be manageable

Willis Re has published a COVID-19 impact report for the global reinsurance industry and expects that the claims in all but the worst-case scenarios to be manageable for the industry. The report highlights that reinsurers have started to de-risk their balance sheets by holding cash in order to minimise the capital squeeze from declining assets and increased claims. This will have an inevitable impact on investment returns.

[Read more](#)