

## COVID-19 insurance update – 12 June

### 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.

12 June 2020

### Summary

- 🕒 Nearly two-thirds of businesses have had coronavirus-related BI claims rejected (Insurance Times)
- 🕒 Dentist group secures funding to take legal action against QBE (Insurance business)
- 🕒 IOC in discussions with insurers over Tokyo 2020 delay (Insurance Asia News)
- 🕒 Impact of Covid-19 could take 5 years to be understood (Reinsurance News)
- 🕒 Insurance fraud has been increasing during the pandemic (Insurance Business)
- 🕒 Why Covid-19 will put broker schemes under pressure (Insurance Times)
- 🕒 Is pandemic insurance set to become mainstream? (Insurance Times)
- 🕒 Broker survey shows consensus view on industry reputation damage (Insurance Business)

### Analysis

#### Investigating the source of the pain

It has been a relatively quiet week for COVID-19 related news: while we haven't seen any big re/insurer announcements or updates from the regulators, the BI claims saga has continued to rumble on and attention has turned from counting the cost to investigating its cause. In most cases the dispute over BI claims is down to policy wording, where the insurer has not intended to provide cover, but the policy wording has left room for interpretation. Looking to avoid a repeat if we are hit by a similar situation in the future, broker schemes have come under pressure as market perception sees this as the source of the loose policy wordings that have enabled disputed business interruption claims.

#### The Oxbow Partners View

As the industry comes to terms with the events of the last few months, more thought is being given to the wider impacts of COVID-19. We are increasingly seeing a shift in re/insurers moving away from reactive decisions formed by the crisis and generating a refreshed long-term strategy on how to move forward. While Munich Re may see a scalable opportunity for mainstream pandemic insurance, growth depends on customers' confidence in the industry. With two thirds of brokers of the view that the industry has damaged its reputation with its handling of the pandemic, consumer confidence in insurance is likely to be at an all time low. Stay safe out there.

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### **Nearly two-thirds of businesses have had coronavirus-related BI claims rejected (Insurance Times)**

The Alliance for Insurance Reform has conducted a survey of over 2,000 of its members in Ireland and found that 63% of BI claimants have had their claims rejected by their insurer. 33% of respondents had filed a BI claim and of these 33% were still waiting for a final decision. This suggests very few of the claimants have had any payouts on BI claims so far. The survey also asked about forbearance, requested by 40% of participants but declined by insurers in 18% of cases. The AIR believe that the Irish government needs to take meaningful action to help Irish businesses struggling to deal with Covid-19.

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

### **Dentist group secures funding to take legal action against QBE (Insurance business)**

Mishcon de Reya is set to represent a group of dental practices in a group litigation against QBE. Insurance Business reported this week that the legal firm has received agreement in principle from a well-capitalised litigation funder to back the group's claims. The litigation funding works in a similar way to a no-win-no-fee lawyer in a personal injury case and therefore pursuing the legal action bears limited financial risk for any dental practises wishing to get involved.

[Read more](#)

### **IOC in discussions with insurers over Tokyo 2020 delay (Insurance Asia News)**

The international Olympic Committee (IOC) is in discussions with its insurers to seek compensation for the one-year delay to the Tokyo 2020 Olympics. The IOC is believed to hold \$800m of cancellation coverage but it is unclear whether this will also cover the delay to the games caused by Covid-19. The IOC is already utilising its own funds (\$650m) to cover the additional costs of the delay.

[Read more](#)

### **Impact of Covid-19 could take 5 years to be understood (Reinsurance News)**

Reinsurance News has published the results of its second survey into the impact of the Covid-19 pandemic on the (re)insurance industry. 60% of respondents believe that it could take up to 5 years for the full impact of the pandemic to be known. The majority of those surveyed also believed that the reinsurers are more concerned about the underwriting impacts of the virus rather than the investment side. 85.3% of participants believed that the pandemic was more of an issue for non-life insurers rather than the life players. Encouragingly for the insurance industry, less than 15% of respondents believed that the legal action regarding BI claims was likely to be successful – though the majority of those surveyed are in the insurance industry and therefore have some bias in this.

[Read more](#)

### **Insurance fraud has been increasing during the pandemic (Insurance Business)**

Allianz and BAE systems have spoken to Insurance Business about the potential for increased fraud during the Covid-19 crisis. While the ability for fraudsters to stage cash for crash claims has reduced due to the lockdown, organised fraud rings still exist and have moved their focus to other areas such as government payments and fines for breaking lockdown. Tough economic times also increase the risk of inflated or fake claims. Insurers need robust anti-fraud processes that work in real time in order to limit the scope of exposure.

[Read more](#)

### **Why Covid-19 will put broker schemes under pressure (Insurance Times)**

Insurance Times believes that there is a perception in the market that looser policy wordings within schemes are at the heart of the problem of disputed business interruption claims. Schemes are a key part of the business model of many brokers and many have played a part in constructing the policy wordings. Insurance Times believe that post-Covid-19, insurers will tighten up control of policy wordings on schemes and some may pull back from writing schemes business as they perceive a greater risk from having less control over the distribution and underwriting process.

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

### **Is pandemic insurance set to become mainstream? (Insurance Times)**

Prior to the Covid-19 outbreak there were very few pandemic insurance products and those that did exist were only taken out by a small number of large international businesses. One exception to this was the Wimbledon tennis tournament which received £114m payout on its £1.5m annual pandemic policy that has been in place for 17 years. This is probably because the championship is such a focused event, with the vast majority of income coming from the 2 weeks of the tournament. Going forward pandemic insurance is expected to become more mainstream as businesses realise that having some form of cover, especially on business interruption. Munich Re believes this is a “scalable opportunity”.

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

### **Broker survey shows consensus view on industry reputation damage (Insurance Business)**

A recent UK broker survey run by FWD Research shows two-thirds of respondents believe the insurance industry has damaged its reputation with its handling of the coronavirus crisis. Its findings show this stems from the industry not reacting well to ensure customers and businesses have the adequate cover they need to navigate the coronavirus pandemic. Nearly all brokers who took part expressed that insurance wording needs to be reviewed after COVID-19 and nearly all think that business interruption cover is important to their book of business.

[Read more](#)