

COVID-19 insurance update – 10 July

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 July 2020

Summary

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- 🕒 Critical illness claims fall 37% during May (Aegon)
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- 🕒 Zurich offers customers rebates on travel insurance
- 🕒 22% rise in flat-screen TV claims during lockdown (Zurich)
- 🕒 Car insurers saved £1.3bn in claims during lockdown (Hello Safe)
- 🕒 US insurance industry rift deepens over pandemic cover (FT)

Analysis

No agreement

This week's theme seems to be the lack of agreement. In the UK we have the FCA test case on BI claims that has taken its next turn with the FCA flatly denying the defences laid out by the insurance companies taking part. The case is moving at pace and the businesses waiting for some resolution hopefully have only got a few more weeks to wait before the case is heard. The insurance industry needs a resolution to this as well. The rebuilding of trust for small commercial customers will take time and energy from the whole industry and it feels like that process cannot fully start until the FCA gets a ruling on who is right. In the US, insurance companies and regulators are already looking ahead to the next pandemic and how small businesses could be better protected. Unfortunately, the insurers cannot even agree among themselves what the right approach is, with some saying that the risks are simply uninsurable.

The Oxbow Partners View

We are not "all in this together". Despite that being an early mantra of the UK government, the pandemic has not been equal in its impacts. The division has been evident on many levels in society and insurance is no different. Motor insurers have seen up to £1.3bn less claims during lockdown but life insurers have sadly been paying out more than ever. In BI claims we could see small wording differences cost companies millions in claims. Lockdown is easing but the impact from COVID-19 is far from over. Stay safe out there.

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FCA publishes its reply to BI claims defences

The FCA's test case for BI insurance claims has hit another milestone this week with the regulator publishing its [reply to the defences](#) from the insurance companies involved in the case. The FCA received more than 90 detailed submissions from policyholders and other stakeholders before drafting its reply. The FCA states that the defences of the defendants are, in general terms, rejected. The defences are said to rely upon "*adopting unduly restrictive meanings of particular words*" and attempting to reduce the scope of the coverage to a point that does not "*reflect what the reasonable person in the position of the parties would understand*". The defences also fail to take account of the fact that many of the claimants are unsophisticated purchasers of insurance as they are small businesses and the policies have been bought off the shelf. The case is set to begin on 20 July.

[Read more](#)

Leicester lockdown could complicate defence of BI claims (Insurance Times)

The Insurance Times highlights that the local lockdown introduced in Leicester could cause issues for the defences submitted by some of the insurers in the FCA's business interruption test case. Insurance Times specifically mentions the defence documentation of Ecclesiastical and MS Amlin which have rejected BI claims on the basis that COVID-19 is a pandemic affecting the whole of the UK (and indeed the rest of the world). The localised nature of the lockdown this time around could make that defence more difficult to use for businesses that were allowed to reopen from the UK wide lockdown and then forced to close again at the end of June.

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

COVID impact on investments has been nearly erased (Reinsurance News)

Willis Re believes that the bounce back in global equity markets means that the impact on capital of the reinsurance industry is now only around 7%. Global loss announcements related to COVID-19 are only \$13bn if you include the estimated full year losses released by reinsurers. This is significantly below the \$30-\$100bn industry loss estimates. Reinsurance News states that analysts do not currently see COVID-19 as a capital event for the industry given the lower reported losses and rebound in the asset-side impact from market movements.

[Read more](#)

Customers favour digital claims amid COVID-19 crisis (Insurance Business)

Minster Law has conducted a survey of customers who received remote medical assessments as part of motor-related injury claims. The majority of customers (78%) were satisfied with the assessment and 88% found the appointment either easy or very easy. The fact that customers have been very happy with remote assessments during the lockdown could pave the way for greater digitalisation of the claims process in the future. Minster Law believe that the industry has a responsibility to digitise the claims journey in order to make things more convenient for customers and also cut down on missed appointments.

[Read more](#)

Floods could cause a double disaster during pandemic (Zurich)

Zurich UK has called on the government to overhaul the £5k flood grant scheme that can be accessed only after households have been flooded. Zurich's research indicates that for each £1 spent on prevention £5 can be saved on future losses. The insurer has warned that 3.5m households could be hit by the 'double disaster' of extreme wet weather on top of dealing with COVID-19. One in twelve of the properties are at high risk of flooding and the government grants come too late as they can only be accessed once the flooding has already occurred.

[Read more](#)

Critical illness claims fall 37% during May (Aegon)

Aegon has released statistics on the rate of critical illness and life insurance claims it has received during the lockdown. In May 2020, the company received 37% fewer claims for critical illness than in the same month in 2019. April claims volumes were also down by 17%. Cancer continues to be the main cause of critical illness claims but the insurer believes that many people may have delayed visiting their GP during lockdown to be mindful of overburdening the NHS. As one might expect, the number of life insurance claims in April (+83%) and May (+58%) have increased significantly due to the impact of the pandemic with around a third of claims received relating to coronavirus.

[Read more](#)

Chubb sees \$1.4bn of COVID-19 claims in Q2 (Carrier Management)

Insurance giant Chubb released its Q2 loss estimates on 6th July. They estimate a total loss of \$1.8bn before tax, including around \$1.4bn relating to the COVID-19 pandemic. \$605mn of these claims are expected to come from BI, Accidental & Health, and travel insurance products, and a further \$553mn from liability insurance.

[Read more](#)

Zurich offers customers rebates on travel insurance

Zurich UK have announced plans to return £300,000 to travel insurance customers who were unable to travel during lockdown. This includes a full premium refunds to those with trips arranged between the 12th of March and the end of June and a pro-rata refund for multi-trip policy customers.

[Read more](#)

22% rise in flat-screen TV claims during lockdown (Zurich)

Zurich reports a rise in household claims related to accidental damage during the lockdown period. The rise includes a 22% increase in claims for flat-screen TVs and a 57% increase in accidental damage to glass. The insurer comments the involvement of children as a common factor: "With schools closed for the majority of children and families spending more time at home, accidents are to be expected".

[Read more](#)

Car insurers saved £1.3bn in claims during lockdown (Hello Safe)

The aggregator, Hello Safe, estimates the UK insurance industry has avoided £1.3bn in motor claims during the lockdown period. Using a model based on data from the ABI, WTW, third-party providers, and thirteen insurers: Safe gives estimates for the expected and actual motor claims costs during lockdown by UK region.

[Read more](#)

US insurance industry rift deepens over pandemic cover (FT)

The FT has reported on the ongoing debate in the US regarding how the insurance industry might be able to help businesses get through the next global pandemic. The industry is split between those who believe that pandemics are fundamentally uninsurable (the National Association of Mutual Insurance Companies) and those who argue that the industry has a role to play as long as there is a government backstop in place (Chubb). This week Chubb set out a plan for a public-private partnership to cover pandemics. The idea floated by Chubb includes insurers taking the first \$30-\$60bn of exposure while the government would cover up to \$1.1tn of losses.

[Read more \(requires FT subscription\)](#)