

COVID-19 insurance update – 17 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.

17 July 2020

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Analysis

Are we nearly there yet?

This is it folks, we are now entering the final stages. Unfortunately, I am not referring to the coronavirus pandemic, but the FCA test case on BI claims. The case begins on Monday and both sides have set out their arguments this week. The FCA has published a 46-page list of all the policies that it believes will be affected by the outcome of the case including those from other insurers that are not defendants in the case. The FCA has estimated that this case will impact 370,000 policyholders in the SME space. The case can be watched live and I am sure there will be many insurers and policyholders watching closely to see how their side is getting on as the case develops. Looking forward, the industry is set to tighten policy wordings and raise prices in a number of areas to ensure this level of accidental coverage doesn't happen again.

The Oxbow Partners View

We are now fully into staycation mode with the 'summer holidays' starting in earnest and many parents will be hearing the 'Are we nearly there yet?' refrain coming from the back of the car. With a significant increase in car use there are likely to be more claims, some of which could be avoided if drivers check their cars before heading out. Many vehicles haven't been used much during lockdown and may need a little TLC before safely getting out on the road. Speaking from the experience of a 400 mile round trip this week, my car is in need of a trip to the garage, though in its case that may have more to do with old age than being sat on the drive for months. Stay safe out there.

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Hays offers COVID travel insurance (Insurance Times)

The independent travel firm, Hays Travel, is offering its customers travel insurance that includes medical cover if they contract COVID-19 while on holiday but also cancellation cover if they contract the disease before they leave. A number of other insurers are offering the medical cover element now that travel is opening back up, but most do not offer any cover for cancellation of the trip due to COVID. With an ongoing threat of a second wave on the horizon, many insurers are wary of offering policies that have a high risk of paying out. The Hays Travel policy has been supplied by Allianz and Rush Insurance services.

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

COVID-19 to wipe \$3trn from global trade (Reinsurance News)

The Russel Group has conducted analysis that suggests that COVID-19 will reduce global trade by \$3trn in 2020. The group estimates (based on shipping and aircraft movements) that global trade will reach \$7.45trn in the first half of the year and \$8.55trn in H2. The \$16trn total is \$3trn lower than the level seen in 2019. The predicted 16% drop in global trade will likely have a knock-on impact on premiums in all facets of commercial insurance.

[Read more](#)

Skeleton arguments published in FCA test case on BI claims

In the latest update from the FCA regarding the BI claims test case, all parties to the case have now set out their skeleton arguments ahead of the start of the case itself on Monday 20 July. In the [FCA's argument](#) the regulator sets out that the response of the UK Government to COVID-19 was a single intervention which hindered access and use of business premises and interrupted business activities and therefore in many cases this should have activated the policy trigger and the flat denial of claims should not be allowed. The other claimants in the case (Hospitality insurance Group Action and the Hiscox Action Group) have also set out their skeleton arguments. The defendant insurers have published their arguments and also a number of joint arguments on the [principals of contractual construction](#) and causation. Finally, the FCA has also published a [list of affected insurers and policies](#) covering all policies that might be affected by the outcome of the case, not just those issued by the defendants.

[Read more](#)

What lines of business will harden or be most exposed by COVID? (Insurance Times)

Insurance Times has asked a number of industry experts what lines of business might further harden, and which could be the most exposed to COVID. The consensus is that a harder market had already arrived before the onset of the pandemic which has caused some issues for insurers and brokers as they had to increase prices while customers were feeling the multitude of impacts from the coronavirus. D&O premiums, travel insurance and business interruption cover are all seeing either higher premiums or reduced coverage as insurers look to protect themselves from getting hit by a second wave or further pandemics that may be on the horizon.

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

Zurich offers staff free antibody tests (Insurance Business)

Zurich will be introducing free (optional) COVID-19 antibody tests for all employees and families living in the same household (over the age of 18). Following a successful pilot in Switzerland, the plan is to roll out a full-scale offering globally; the move is the latest in a string of benefits being offered to employees in the wake of the coronavirus. The insurer has partnered with BUPA to provide and administer the testing service on Zurich's behalf.

[Read more](#)

54% of P&C professionals think insurers will avoid paying BI claims (Insurance Journal)

The P&C insurance industry remains divided on the expected outcome of current legal and political attempts to force insurers to pay out on COVID-19 BI claims. A slight majority (54%) believe the court and legislative efforts will fail, while only 15% are certain that insurers will be forced to pay out. However, the same survey revealed 55% respondents believe the industry should accept the presumption frontline workers who contracted COVID-19 did so through their work and are therefore eligible for workers' compensation benefits.

[Read more](#)

Pandemic-proofing: Insurance may never be the same again (Reuters)

Insurers are creating products for a world where virus outbreaks could become the new normal after many businesses faced significant disruption, losses, and increased risks during the COVID-19 crisis. The providers include big insurers and brokers adding new products to existing coverage, as well as niche players that see an opportunity in filling the void left by mainstream firms that categorize virus outbreaks like wars or nuclear explosions. Interestingly, we may see an increase in more bespoke cover options as businesses are only now realising how outbreaks can affect them.

[Read more](#)

Second wave could impact reinsurers capital buffers (Reinsurance News)

S&P has warned against the possible impact of future waves on reinsurers' capital buffers, as they trigger increased asset losses and insurance claims. With second waves now emerging in several countries, we can expect to see more in the coming months. The severity of the impact depends largely on how effectively these waves can be controlled.

[Read more](#)

Moody's expects €50-€80bn of COVID claims globally

Moody's announced on 15th July that they predict €50 - €80 billion in additional P&C claims due to COVID-19. Most of these claims are expected to come from event cancellation, business interruption and travel insurance.

[Read more \(requires registering with Moody's\)](#)

Aviva urges drivers to carry out basic safety checks (Insurance Business)

As 80% of car drivers return to using their vehicles regularly, Aviva is concerned that many people aren't taking the necessary safety precautions. According to a recent survey of 2,000 people more than a quarter of motorists have not performed any safety checks during lockdown.

[Read more](#)