

COVID-19 insurance update – 25 September

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.

25 September 2020

Summary

- Business interruption test case: High Court sets consequential hearing (Insurance Business)
- Insurers could slash investments as pandemic hits hard (Insurance Business)
- Broker to insurer: "Accept your liabilities" (Insurance Business)
- Beazley doubles COVID-19 claims cost to \$340m (Reinsurance News)
- UK economy's rebound cools amid coronavirus worries (City AM)
- Admiral's COVID emails impress customers most (YouGov)
- Most workers want the flexibility to work from home (YouGov)
- EC starts work on pan-European pandemic risk transfer solution (Commercial Risk)
- COVID-inflated credit hire claims a 'big issue' for insurers, according to law firm partner (Insurance Times)

Analysis

Winter is coming

As was predicted by many, the onset of a second wave of infections appears to be coming. All the home nations have been bringing in additional measures to reduce the spread of the virus. The positive news for those insurers impacted by the business interruption test case is that at the moment the government seems to be doing all it can to keep businesses open which could limit a second wave in terms of insurance claims. However, the economy is already showing signs of struggling and therefore the longer-term issue for many insurers could be the impact of recession on their clients rather than the threat of new claims.

Event cancellation is a different issue. We have seen this week Beazley doubling its estimate of COVID related losses from \$170m to \$340m. This shows how much there is still to go in terms of the overall claims for the pandemic. The question is how many other companies have been too optimistic in their assumptions about when things might return to normal. Many major events have been moved back to 2021 but there is no guarantee they will be able to go ahead next year either at this point.

The Oxbow Partners View

In other news this week we have seen that customers like it if you give them money. Admiral's move to give premium rebates during lockdown made its communications the most positively received by customers out of 30 major brands. It is rare (if not unheard of) for insurers to be seen so positively by customers but it seems providing some financial help during a very worrying time was exactly what people needed. Not all companies can give back premiums but building customer trust is something that will be required more than ever as we get through to the new-normal, whenever that is. Stay safe out there.

Paul De'Ath (Head of Market Intelligence)
pdeath@oxbowpartners.com
+44 7799 416 704

Jake Harrison Woods (Analyst)
jharrisonwoods@oxbowpartners.com
+44 737 540 1873

Chris Sandilands, ACII (Partner)
csandilands@oxbowpartners.com
+44 203 947 8624

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Business interruption test case: High Court sets consequential hearing (Insurance Business)

After the High Court ruled in favour of policyholders during the FCA BI Test Case, it has now been confirmed that the 'consequential' hearing is due to take place on 2nd October. This will involve submissions from the parties on the appropriate declarations to be made by the court and on any applications for appeal. The hearing is due to be live-streamed with details to be published in due course.

[Read more](#)

Insurers could slash investments as pandemic hits hard (Insurance Business)

Experts have projected that the COVID-19 pandemic will accelerate the withdrawal of insurers from hedge fund investments. Insurers which had banked on funds making a healthy return this year may be concerned to hear that future outlook looks negative. According to data from Hedge Fund Research (HFR), the industry lost an average of 3.5% in annual returns in the first six months of 2020. This position is backed up by Zurich's CIO who said hedge funds 'would not be good investment' and their poor performance had been a contributing factor to the company's declining profits in the first half of the year.

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Broker to insurer: "Accept your liabilities" (Insurance Business)

Following the High court's landmark ruling, UK leisure & hospitality broker NDML and the Night Time Industries Association (NTIA) have called on Hiscox to pay out relevant BI claims without further delay. In an open letter to Hiscox, NMDL and NTIA argued that Hiscox had an ethical duty to pay its policyholders and it would be reasonable for the insurer to pay 50% of each claim now with a further 25% on 1st December. Such a pay-out would provide a crucial lifeline to keep businesses afloat during ongoing pandemic measures.

[Read more](#)

Beazley doubles COVID-19 claims cost to \$340m (Reinsurance News)

Specialty insurer Beazley has increased its estimated cost of COVID-19 claims from \$170 million to \$340 million. This has been driven almost exclusively by event cancellation losses as Beazley's first party business was forced to abandon its earlier estimates which had assumed events would resume in September. Despite this, Beazley saw areas of improved growth thanks to rate improvements and does not expect to be impacted by the FCA test case's judgement on BI wording.

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UK economy's rebound cools amid coronavirus worries (City AM)

The UK's economic recovery from COVID-19 lockdown has "lost some of its bounce" in September as the government begins to wind down its support for individuals and employers while consumers continue to worry about coronavirus safety. With the end of the 'Eat Out to Help Out scheme' and Boris Johnson announcing new restrictions, the rebound of sectors such as hospitality could be placed in jeopardy after the economy contracted by a record 20.4 per cent in the second quarter of the year. Companies also announced job cuts at a rapid pace in September with many citing the end of the furlough scheme in October as a major factor in their decisions.

[Read more](#)

Admiral's COVID emails impress customers most (YouGov)

A YouGov poll of nearly 6000 people has found that Admiral's emails around COVID-19 garnered the most positive response from customers. The survey used emails from 30 brands and asked customer how they felt about the brand based on the communications during the pandemic. Admiral's emails telling customers they would receive £25 rebate on their car

insurance premiums were the most positively received with an 80% net positive response. Other brands high on the list were Sainsbury's, Domino's pizza, and Boots Opticians. Only 1% of respondents had a negative view of Admiral's communications. Whether this positive response will translate into better retention of customers over the medium term will be the acid test of the success of the policy.

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Most workers want the flexibility to work from home once coronavirus is over (YouGov)

Before the pandemic 68% of British workers never worked from home but once the crisis is over 57% of workers want to be able to continue to work from home. 18% want to be able to work from home all the time. 39% would like to work from home on a part time basis. The survey by YouGov echoes the views in our own analysis that those who have been able to work from home during the pandemic are much more likely (91%) to want to be able to do so at least some of the time post crisis. Conversely, for those who have continued to work but not from home during the pandemic, working from home is not an option in the future either with 73% saying they never want to work from home. We expect that this is because many of the professions that have not moved to homeworking do not realistically have the option to do so.

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EC starts work on pan-European pandemic risk transfer solution (Commercial Risk)

The EC has reportedly set up a working group to explore risk transfer solutions for pandemics and other catastrophes which will consider a pan-European public-private pool with EU funding. This represents the first concrete step towards such a solution after multiple calls from insurers that, given the sheer scale of potential losses, non-damage business interruption risks cannot be effectively covered by the private sector alone. The move has been backed by the Federation of European Risk Management Associations (FERMA) and other buyer representatives who have put forward similar proposals over the last few months.

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COVID-inflated credit hire claims a 'big issue' for insurers, according to law firm partner (Insurance Times)

The COVID-19 pandemic may be boosting income opportunities for credit hire firm – accumulatively, this could end up being a big financial hit for insurers. According to Ian Davies, partner at law firm Kennedys, credit hire organisations are using the ongoing Covid-19 pandemic to reap further income opportunities, for example in additional COVID-19 cleaning costs which could impact insurers. Davies also expects further delays to the whiplash reforms' Litigation in Person portal, which has already been pushed back to April 2021. In addition to this, court backlogs due to Coronavirus may affect insurers' financial stability and Davies believes fraud will be an ongoing concern as fraudulent claims inevitably rise during a recession.

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