

COVID-19 insurance update – 2nd October

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.

02 October 2020

Summary

- FCA offers business interruption case update – it's not over yet (Insurance Business)
- Hotel's lawsuit against insurer and broker gets admitted to fast-track court (Insurance Business)
- Covid-19 accelerates need for parametric insurance model says InsTech London (Insurance Times)
- Zego reveals plans for partnership with Bravo Group's networks (Insurance Times)
- P/C insurers at risk from pandemic, cat losses in H2: Fitch Ratings (Reinsurance News)
- Capital buffers proving resilient despite COVID-19: S&P (Reinsurance News)
- SMEs more likely to purchase cyber cover since pandemic: GlobalData (Reinsurance News)
- COVID-19 Charity support fund reaches £100m target (ABI)
- German court rules insurer must pay restaurant's lockdown claim (Reuters)
- H&M to close 250 stores as pandemic accelerates shift online (City AM)

Analysis

Winning the battle but not yet the war: FCA consequential hearing live until 4pm

Those hoping the High Court's ruling on the FCA Test Case would bring the matter to a swift conclusion may be disappointed to hear that the case is likely to be 'leapfrogged' to the Supreme Court. Ahead of today's much anticipated consequential hearing (which is being live streamed until 4pm and can be accessed through the [FCA website](#)) both the FCA and Hiscox have confirmed that a formal application for this has been made and the FCA has published a skeleton argument for consideration. With the threat of a second Coronavirus wave and tougher government restrictions seeming more likely by the day, the outcome of the Business Interruption case will be a key legal precedent for both insurers and policyholders going forward.

The Oxbow Partners View

POTUS has COVID. While this goes to show that no-one is immune to the effects of the virus it may also herald increased volatility in equity markets over the next few weeks until President Trump comes out of isolation. The markets are likely to react to any updates on the President's condition from the White House. The US indices, and particularly the Nasdaq have performed better than most over the course of the pandemic, but insurance investment portfolios may need to brace for turbulent times ahead. 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

Oxbow Partners is a boutique advisory firm exclusively serving the insurance industry in Europe. We provide our clients with management consulting services as well as market-leading insights products. Our consulting engagements span strategy, operations, technology and M&A.

To subscribe to the Oxbow Partners' Market Intelligence service please contact the team.

FCA offers business interruption case update – it's not over yet (Insurance Business)

With the 28th September set as the deadline for parties in the FCA business interruption test case to file a 'leapfrog' application to appeal to the Supreme Court, both Hiscox and the FCA have now confirmed that such application has been made ahead of a high court hearing today. The FCA has reportedly [filed a skeleton argument](#) and said it will be asking the High Court, during the consequential hearing (2nd October), to issue a certificate to apply to leapfrog the case to the Supreme Court. If this is granted, as is likely, the controversy over COVID-19 BI claims is far from over and those who hoped for a quick resolution may be sorely disappointed.

[Read more](#)

Hotel's lawsuit against insurer and broker gets admitted to fast-track court (Insurance Business)

Dublin based hotel, The Devlin, is suing Arachas Corporate Brokers Ltd and RSA Insurance Ireland DAC over the latter's denial of the hotel's COVID-19 business interruption insurance claim. According to the Irish Times, in a turn of events similar to those of the FCA test case, the legal action has been admitted to Ireland's fast-track commercial court. Premier Dale Ltd -who operate the hotel- have reportedly accused the insurers of breach of contract, negligence, and negligent misrepresentation. This represents just one of a growing number of high profile BI legal cases now taking place across the globe.

[Read more](#)

Covid-19 accelerates need for parametric insurance model says InsTech London (Insurance Times)

With a second lockdown on the horizon, InsTech London is predicting that parametric insurance could plug the insurance protection gap for individuals and businesses. This is according to a new report which highlights parametric insurance as a key theme to focus on in the industry's future. Moreover, this week also [saw Lloyds team up with provider Parametrix](#) to offer 'off the shelf' business interruption IT downtime policies tailored towards small- and medium-sized enterprises.

[Read more](#)

Zego reveals plans for partnership with Bravo Group's networks (Insurance Times requires subscription)

The ongoing Covid-19 pandemic and the need for social distancing to be in place, the UK is driving less and that has meant a turn to more usage based policies, with this in mind Zego's director of enterprise, Gianluca Uberti has told Insurance Times about the Insurtech's latest partnership. The partnership aims to allow Zego to distribute its fleet proposition to more independent brokers across the UK and is also looking to support alternative modes of transport such as electric vehicles and e-Scooters.

[Read more](#)

P/C insurers at risk from pandemic, cat losses in H2: Fitch Ratings (Reinsurance News)

According to ratings agency Fitch, the full-year outlook for 2020 in P/C remains negative due to continued earnings uncertainty. While P/C insurers have absorbed many of the losses resulting from the pandemic, its most damaging effect was in losses from equity investments and a market sell-off in H1 resulting in market volatility and a reported 25% Year-on-Year decline in net income. Fitch believes premium revenues will show effects from the pandemic over the next 12-18 months with uncertainty for underwriting performance expected to extend well into 2021.

[Read more](#)

Capital buffers proving resilient despite COVID-19: S&P (Reinsurance News)

S&P Global Ratings has released a report showing that insurers' capital buffers are proving resilient, despite the COVID-19 pandemic. Estimates that COVID-19 could have wiped out up to 85% of the global insurance industry's capital buffer at the beginning of 2020, have proved to be excessive and a significant cushion remains in place. Insurance losses are now

expected to be contained within earnings and S&P did not account for the recovery of financial markets which it believes may absorb much of the impact of a potential second dip.

[Read more](#)

SMEs more likely to purchase cyber cover since pandemic: GlobalData (Reinsurance News)

According to GlobalData, 8.5% of SMEs said they were more likely to purchase cyber insurance since the start of the pandemic, and among medium-sized SMEs this figure rose to 33%. As such, the data and analytics company has recommended that cyber insurers should focus on larger small and medium-sized enterprises following COVID-19. However, the majority of sole traders (88%) said their likelihood of purchasing cyber cover had not changed, meaning they should be less of a target. This comes as cyber fraud has adapted to the changing nature of work and is utilising the vulnerabilities of employees working from home to their advantage.

[Read more](#)

COVID-19 Charity support fund reaches £100m target (ABI)

The ABI has announced that the charity support fund set up by the insurance industry has reached its target of £100m, making it the largest sector fund in the UK. £84m has been raised by voluntary donations from companies within the insurance sector. The Department for Digital, Culture, Media and Sport has also matched £20m of funding provided to the Charities Aid Foundation. The Covid-19 Support Fund is supported by members of the Association of British Insurers (ABI), British Insurance Brokers' Association (BIBA), The London Market Group (LMG) and the International Underwriting Association (IUA).

[Read more](#)

German court rules insurer must pay restaurant's lockdown claim (Reuters)

The Munich Regional Court ruled on Thursday that Versicherungskammer Bayern had to pay out €1.01 million to the operator of the Augustinerkeller, one of the city's largest beer gardens for losses caused by the state-imposed COVID-19 lockdown earlier this year. This the first such prominent case in Germany in which the court found in favour of the plaintiff and adds to the growing number of global disputes over COVID related BI claims.

[Read more](#)

H&M to close 250 stores as pandemic accelerates shift online (City AM)

H&M has announced plans to close around 250 stores globally next year as Coronavirus has led to a slump in bricks-and-mortar sales and the Swedish retailer looks to bolster its online presence. The announcement comes after H&M has already shut 50 stores permanently this year and will likely add further layoffs to the thousands already caused by the Pandemic.

[Read more](#)