Market Intelligence
by Oxbow Partners

COVID-19 insurance update – 30 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.

30 October 2020

Summary

- Motor insurance costs stay at a four-year low – ABI (Insurance Times)
- 45% of businesses take no action to protect themselves from cyber-attacks – NFU Mutual (Insurance Times)
- New sales surge 150% for Bought by Many amid Covid-19 pandemic (Insurance Times)
- Re/insurers' public COVID-19 losses hit $23.7bn with more to come in Q3 & Q4 (Reinsurance News)
- COVID-19 drags Swiss Re to a $691mn 9 month loss (Reinsurance News)
- AIG announces Q3 cat losses of $790mn; 23% relates to COVID-19 (Reinsurance News)
- London market survey finds just 14% want to return to office (Reinsurance News)
- Nationwide downgrades insurance coverage (Insurance Business)
- Marsh Commercial to administer new Government restart scheme (Insurance Business)
- Half of SMEs cancel insurance policies due to pandemic (Insurance Business)
- WHO to form COVID Insurance Scheme for Vaccine Side-Effects in Poor Nations (Insurance Journal)

Analysis

Things that go Trump in the night

With the US election just 4 days away and continental Europe reimposing national lockdowns, Halloween may be the least scary event this Autumn. President Macron announced yesterday that France would go back into a second national lockdown after daily deaths reached their highest level since April and 33,000 cases were confirmed on Tuesday. This is only likely to add to the woes of insurers and reinsurers who have already begun reporting substantial losses related to COVID-19 for the third quarter of this year. As it stands, Swiss Re today reported improved market conditions over Q3 but a $691 million net loss for the first nine months of 2020. Bringing its total COVID loss & reserve estimate to $3 billion, this is less than Lloyds' $3.9 billion loss but ahead of Munich Re's at $2.7 billion.

The Oxbow Partners View

It is well worth remembering that when France went into lockdown on 16th of March the UK followed suit just a week later (23rd March). Though the government has promised to try and keep businesses open, the threat of a second lockdown looms large as West Yorkshire moved into tier 3 last night. Uncertainty abounds over what further restrictions may yet be imposed. As always, stay safe out there.

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Motor insurance costs stay at a four-year low – ABI (Insurance Times)

In Q3 of 2020, the average price paid for comprehensive motor insurance was £460 – the lowest level in four years, that's according to the ABI's latest Motor Insurance Premium Tracker. With tier three being enforced across much of the UK, driving habits could change once again and the ABI has therefore extended its COVID support to the UK's 27 million private motorists till the end of 2020. Motorists that must drive to and from their workplace due to COVID-19's impact will not see their insurance policies affected; however, these temporary pledges remain under review – with the next review of home and motor insurance due before 31 December.

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45% of businesses take no action to protect themselves from cyber-attacks – NFU Mutual (Insurance Times)

Recent research from NFU Mutual has found that almost half (45%) of businesses have not taken any action to protect themselves from cyber-attacks. Likewise, more than three-quarters (79%) of the businesses that have taken no action to protect themselves, have done so in the belief that because their firm is small the threat of cyber-attacks is lower. Under a quarter (21%) did not understand the protection that is available to their business. In response, the NFUM has extended its free cyber helpline, set up in June, to the end of the year.

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New sales surge 150% for Bought by Many amid Covid-19 pandemic (Insurance Times)

Bought by Many has reported significant growth in sales volume (over 150%) in its financial results for the year ending 31 March 2020, stating that it "had not experienced any negative impact from Covid-19 on its commercial activities". The InsurTech's turnover almost tripled to £17mn in 2020, up from £6m in 2019 and now plans to expand to new territories including Europe and North America. It has also announced that it will change its name in Sweden to "Many Pets" in a bid to simplify things for customers in this territory.

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Re/insurers' public COVID-19 losses hit $23.7bn with more to come in Q3 & Q4 (Reinsurance News)

According to Zurich based advisory PeriStrat, COVID-19-related losses among the largest global re/insurance companies have reached $23.7 billion with increased losses expected to come in Q3 and Q4. Many firms have pre-announced their expected losses, Munich Re reported an additional $800 million in Q3 pandemic losses. Lloyd's of London remains the highest publicly disclosed loss at $3.9 billion and an updated list of total reported losses from re/insurers can be found here. With the FCA's Business Interruption ruling and the prolonged COVID-19 situation triggering further event cancellations, GTPL and D&O.

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COVID-19 drags Swiss Re to a $691mn 9 month loss (Reinsurance News)

Swiss Re has reported a $691 million net loss for the first nine months of 2020, compared to a $1.3 billion profit registered over same period in 2019. This puts Swiss Re in second place (behind Lloyds) for total reported losses ahead of Munich Re who previously occupied the spot after its Q3 pre-announcement. Swiss Re's performance so far in 2020 has been heavily impacted by the COVID-19 pandemic with P&C reinsurance witnessing a $201 million net loss, L&H income is also down. Swiss Re Corporate Solutions saw some improvement registering a net loss of $323 million compared to a $441 million loss in 2019.

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AIG announces Q3 cat losses of $790mn; 23% related to COVID-19 (Reinsurance News)

American International Group (AIG) has announced estimated third-quarter 2020 catastrophe losses, net of reinsurance, of $790 million (pre-tax) within its General Insurance segment. Of this, $185 million, or approximately 23% is for claims related to the ongoing COVID-19 pandemic, primarily in travel, event cancellation, trade credit, property, agriculture, and casualty. The remaining losses are the result of windstorms and tropical storms in the Americas and Japan, as well as wildfires on the U.S. west coast. Alongside its Q3 cat loss estimate, AIG has also announced that it plans to separate its Life & Retirement business from AIG itself.

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London market survey finds just 14% want to return to office (Reinsurance News)

A London market survey conducted by the Professional Liability Underwriting Society (PLUS) has found that just 14% of staff want to return to the office full time. Of its 160 members polled only 16% would prefer to work from home permanently while the vast majority (70%) would ideally want to spend about half of their working hours in the office. According to PLUS, 38% of the members said they were more productive since the outbreak of the pandemic while 44% said their productivity had remained the same and just 18% said they were less productive. This is the latest of several polls predicting a permanent shift in working patterns which may mean that the City of London and other global financial hubs may never be as busy again after the COVID-19 pandemic.

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Nationwide downgrades insurance coverage (Insurance Business)

Nationwide Building Society has announced a major downgrade to its FlexPlus travel insurance. According to the Guardian, the popular insurance which Flex account customers can purchase for £13 per month will no longer cover COVID-19-related cancellations starting January 01, 2021. Currently, customers are covered for cancellations due to changes in a destination's coronavirus restrictions; however, Nationwide will no longer pay out for trips cancelled if the Foreign Office changes its travel advice post-booking or if the individual abandons a trip after being forced to self-quarantine. Cancellation cover will still be provided if the policyholder or a travelling companion is infected with COVID-19 after they have booked a trip and emergency medical expenses will be covered if they contract the coronavirus while travelling abroad.

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Marsh Commercial to administer new Government restart scheme (Insurance Business)

The Government is set to create a £500 million scheme to kick-start the UK's film and TV production sector, as it continues to suffer significant setbacks during the pandemic. The film and TV industry is worth £12 billion yearly to the UK economy and social distancing has created difficulties filming on set, with restrictions including limits placed on the number of crew that can be present. Marsh Commercial will help to administer this effort – known as the Film and TV Production Restart Scheme – as it looks to plug the gap left by a lack of available insurance.

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Half of SMEs cancel insurance policies due to pandemic (Insurance Business)

A recent study by Premium Credit has revealed that many SMEs have been forced to cut back on essential insurance due to the coronavirus pandemic. From a survey of 150 UK SMEs, more than half (51%) reported that they have stopped paying for a range of insurance, with employers' liability insurance topping the list at 26%. SMEs also cut back on business property (23%), professional indemnity (22%), public liability (21%) and product liability (18%) insurance. 19% said they had stopped paying for business interruption cover, which has been at the centre of legal battles between policy holders and insurers in recent months. Perhaps more worrying is that 37% of SMEs have reported borrowing to finance their insurance premiums.

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WHO to form COVID Insurance Scheme for Vaccine Side-Effects in Poor Nations (Insurance Journal)

A vaccine scheme co-led by the World Health Organization is setting up an insurance compensation fund for people in poor nations who might suffer any side-effects from COVID-19 vaccines. The scheme is being set up by the promoters of the COVAX vaccine facility, which aims to distribute at least 2 billion effective shots around the world by the end of next year. This comes after heightened public concern about COVID-19 shots given the record speed at which they are being developed. Under the compensation scheme 92 low-income countries, mostly in Africa and South-East Asia, using COVAX vaccines would indemnify drug makers until at least July 2022. It is hoped the scheme will dissuade potential victims from going through courts to seek compensation, which would result in lengthy procedures and potentially much higher liability costs.

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