

COVID-19 insurance update – 13 November

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.

13 November 2020

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Analysis

Normality by Spring?

Clearly the biggest COVID story this week was the fact that Pfizer and BioNTech are very close to have a working, licenced vaccine that could start being delivered before the end of the year. This has seen some experts opining that life could be back to a state of normality by Spring 2021. It still seems a bit unlikely that things will return completely to normal so quickly, but it does at least herald the potential for 2021 to see higher levels of activity and financial output than might have been expected last week. This should be welcomed by all in society but also the insurance industry. The hardest hit subsectors of Travel and business interruption insurance could start to see some return to normal business in 2021 which would be a huge relief for many in the industry. Motor insurers may need to brace for greater claims levels in the new year once lockdowns are (hopefully) assigned to the annals of history as a 2020 phenomenon.

The Oxbow Partners View

This is our 35th weekly COVID-19 update, how many more before this is all over? The impacts of COVID on many facets of the insurance industry will be around for some time to come. This is before considering wider changes to society caused by what will be at least 12 months of unprecedented change. After a year of change, the new normal is within sight and insurers need to step up preparations for what that might be. Stay safe out there.

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FCA test case latest: Supreme Court appeal hearings set (Insurance Business)

After being granted a 'leapfrog' appeal to the Supreme Court, the next instalment of the UK's business interruption test case battle is set to take place this coming Monday 16th November. The FCA announced that the appeal hearings will take place from 11am to 4pm on Monday and from 10:30am to 4pm on the following days until the 19th. These are due to be live streamed via supremecourt.uk/live. The Hiscox Action Group remains an intervener while the appellant insurers involved include Arch, Argental Syndicate, MS Amlin, Hiscox, QBE and RSA. However, after RSA's decision not to contest the ruling in respect of Resilience policy wordings, the Hospitality Insurance Group Action will no longer be taking part in this next stage of proceedings.

[Read more](#)

No move to find in favour of customers in business interruption cases (Insurance Times)

In a recent case (TKC Limited vs Allianz Insurance), heard shortly after the FCA test case judgement from the High Court, the court struck out the claim made by the customer, a Kensington based creperie. The ruling of the court was based around the fact that the deterioration of stock due to the pandemic related closure was not an event that could be claimed for under the policy. Nothing accidental had happened and so the claim was struck out. This indicates that just because the FCA test case found broadly in favour of policyholders, future decisions will not follow any general public policy approach of finding in favour of customers in business interruption disputes.

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

Two judges in the supreme court test case presided over the Orient Express case (Insurance Times)

Ahead of the appeal hearing of the FCA test case next week, the Insurance Times points out that two of the supreme court judges who will hear the case presided over the Orient Express Hotels vs Assicurazioni Generali case that many of the insurance companies used as a defence argument during the original ruling. Legal experts have highlighted this as 'relevant' and 'interesting' given the High Court ruling made significant reference to the Orient Express ruling and essentially believed it to be wrong. There is no suggestion that the supreme court judges will be anything other than impartial, however.

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

Zurich reveals financial results – including COVID-19 impact (Insurance Business)

In its Q3 financial results released yesterday, Zurich appear to have held strong against the impacts of the coronavirus pandemic. P&C gross written premiums were up by 3% over the first nine months of the year compared to the same period in 2019, standing at US\$27,258 million (around £20,658 million). However, the Life business took a stronger hit at US\$2,573 million (around £1,950 million) – an 8% fall on the prior year. Despite this, the group highlighted that sales recovered in Q3 with the annual premium equivalent up 7%. Breaking its P&C results down by region reveals Europe, the Middle East and Africa to be the strongest performers at 7% GWP growth, with the UK highlighted as particularly strong. Conversely, there were falls in both Asia-Pacific and Latin America – down 11% and 7% respectively. While Japan saw growth, this was largely offset by the loss of travel insurance premiums due to the pandemic.

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Skyscanner, Cover Genius to roll out COVID-19 insurance in Europe (Insurance Business)

Travel marketplace Skyscanner and global insurtech Cover Genius have teamed up to introduce a COVID-19 travel insurance package including medical, trip cancellation, and airline insolvency coverage. The new policy will be sold through Skyscanner and is set to be rolled out in the UK, France, Germany, Italy, the Netherlands, and Spain with plans to expand further. Benefits of the new cover will include round-the-clock emergency medical assistance; repatriation and expenses cover; trip cancellation insurance for prepaid travel costs and even causes such as failing a temperature check on arriving at a destination.

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Aviva ramps up customer support amid coronavirus pandemic (Insurance Business)

With the onset of new lockdown restrictions, insurance giant Aviva has responded with a new package of measures designed to support customers through this difficult time. These include free breakdown cover, enhanced home insurance and free courtesy cars for NHS workers, financial hardship support allowing customers to defer monthly payments and waive cancellation fees; and enabling easier policy changes to help customers who no longer need certain levels of cover. Travel insurance customers will also be helped with pro-rata refunds to those no longer able to travel; and the chance to extend cover for those working from home. Likewise, business customers are due to be supported by extending the same level of cover to companies now carrying out business activities from employees' homes or who are forced change their model to meet the new circumstances.

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Pandemic shock less severe than feared for re/insurers: Swiss Re (Reinsurance News)

A new sigma study by Swiss Re is forecasting global insurance premium growth of 3.4% in real terms in 2021, following a contraction of 1.4% this year due to the impact of the COVID-19 pandemic. This is less severe than the 2.8% drop predicted by Swiss Re earlier this year, and the reinsurer believes that premium growth will recover swiftly over the next two years, supported by hardening rates. When considering global non-life premiums alone, growth is expected to be at 1.1% this year with volumes expected to be back above pre-pandemic levels by the end of next year leading to an average annual growth rate of 3.6% in 2021 and 2022. Asia and the US are forecast to help drive this as a hard market in commercial insurance will boost premiums. China is set to remain the fastest growing market with premiums up an estimated 10% annually over the next two years, largely thanks to a strong health business. Growth and profitability will also be supported by pricing increases which are likely to continue through next year. While the re/insurance industry may have fared better than expected against the pandemic, Swiss Re's outlook for the larger global economy is more bleak with the UK, Japan and the US set to see the biggest hit to fiscal buffers among the larger economies.

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COVID losses "by no means over," warn experts (Reinsurance News)

Executive panellists at the S&P Global Reinsurance Conference have warned that re/insurance industry losses due to COVID-19 are "by no means over." Charles Mathias, Group Executive Director and Group Chief Risk Officer at Fidelis Insurance Holdings, noted that reporting of casualty losses had been inconsistent between firms and many companies may have reserved on the assumption that the pandemic would be over by now. Heading into Q4 Mike Sapnar, President and CEO of Transatlantic Holdings, also asserted that COVID-19 losses are inevitable as many continental firms with significant exposure have not reported claims or have only just begun to report catastrophe claims.

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The ABI believes motor insurers should avoid reputational damage from COVID (Insurance Times)

Speaking at the ABI motor insurance conference, Assistant Director Mark Shepherd said that he believes the actions from motor insurance during the pandemic should help to maintain their reputation with customers. The concern is that insurance will be lumped together in the eyes of consumers and those with refused business interruption claims will tar all insurers with the same brush. Less trust in the industry is bad for everyone, not just those directly impacted by the business interruption, but the view is that motor insurers have done enough to set themselves apart.

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

One in five customers has cancelled insurance due to financial pressure caused by COVID (Insurance Times)

Research by Premium Credit has found that 19% of UK consumers has cancelled or cut back on insurance policies because of the additional financial pressures caused by COVID-19. As one would expect, Travel has seen the biggest impact, but customers are also cutting back on Home, Motor, Pet, Health and Life Insurance due to financial constraints.

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

Professional Liability Underwriters Feeling Pressure From COVID: AM Best (Insurance Journal)

According to a new report by AM Best produced in conjunction with the Professional Liability Underwriting Society (PLUS), COVID-19 is creating varying levels of disruption for writers in the U.S. professional liability insurance market. From a survey of PLUS members, two-thirds reported COVID-19 had severely impacted directors and officers liability cover (D&O) with hardening renewal rates, restrictive terms and conditions and more than half of respondents reporting price hikes of more than 20%. Errors and omissions liability has not been greatly affected by the pandemic; however, medical professional liability has been highly impacted, though the full extent of this will not become clear for some time due to the time delay in malpractice lawsuits being processed. Finally, cyber liability cover has become more important during the pandemic with increased remote working but remains a relatively small portion of the overall market.

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