

COVID-19 insurance update – 18th December

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.

18 December 2020

Summary

- FCA releases draft guidance and consultation on proving COVID-19 presence in insurance claims
- Drivers planning 13m trips to see friends and family this Christmas but a fifth won't be travelling because of COVID (RAC)
- Lloyd's & Parsyl partner on COVID vaccine distribution initiative (Reinsurance News)
- Extent of decline in UK car insurance claims revealed (Insurance Business)
- Beazley warns of rising cyber threat (Insurance Business)
- London to remain global cyber insurance hub post COVID-19 (Insurance Business)
- Blanket broker PI exposure is overhyped (Insurance Times)
- Commercial premiums are rising dramatically (Insurance Times)
- M&A activity is more frenetic now than it's ever been (Insurance Times)
- Brokers demand better service from insurers (Insurance Times)

Analysis

Merry Corona-mas and a happy new tier

With London plunged into tier 3 last Wednesday and two-thirds of England's population now living under the highest COVID-19 restrictions, 2020 is set to be the most unusual Christmas in living memory. After the brief interlude that followed the 2nd lockdown, rising cases and the extension of support such as the Furlough scheme to April suggest that Coronavirus will be here to stay with us well into 2021. Despite this, it is heartening to see that insurance is doing its bit to support the roll out of COVID-19 vaccines with Lloyd's of London launching a public-private collaboration to provide insurance coverage and risk mitigation services for the vaccine.

The Oxbow Partners view

This is now our 40th COVID-19 note and will be our final update of the year (we are sure nobody wants to read about COVID news on Christmas Day). While all the government wants for Christmas is for everyone to stay in their own bubbles, the insurance industry will also be reasonably happy with the reduced number of people set to be driving home for Christmas this year. Our hope that lockdowns would be a 2020 phenomenon have already been dashed (Northern Ireland is going into lockdown on Boxing Day) but there is still hope that a speedy roll-out of the vaccines will bring normality back in 2021. Have a very merry Christmas and happy new year. 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 7375 401 873

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

Oxbow Partners is a specialist management consultancy for the insurance industry spanning strategy, operations, technology and M&A. Our [Market Intelligence team](#) provides data, analysis and tools to the management teams of global reinsurers and UK insurers in various formats to keep them better informed and make superior strategic decisions.

FCA releases draft guidance and consultation on proving COVID-19 presence in insurance claims

Following its widely followed Business Interruption test case, the FCA has now released draft guidance on how to prove the presence of COVID-19. The draft guidance details the types of evidence and methodologies which policyholders can use when attempting to prove the presence of coronavirus as part of their claim. It should be noted that the High Court declarations covered by the draft guidance are not under appeal and not likely to be impacted by the Supreme Court's upcoming ruling. Alongside the release, the FCA is also launching a short consultation due to run until the 18th January 2021 with the guidance expected to come into force following this and cease to have effect on 31 December 2021.

[Read more](#)

Drivers planning 13m trips to see friends and family this Christmas but a fifth won't be travelling because of COVID (RAC)

Research from RAC Breakdown suggests that 13 million people are planning car trips during the coronavirus 'travel window' between 23 and 27 December, with 3.1 million of these taking place on the first day the restrictions are eased. Despite this, Christmas traffic is expected to be 28% lower this year as many choose not to visit family and friends. The most dramatic drop in journeys this year is expected on boxing day where only 1.6 million journeys are predicted compared to an average of 4.5 million in 2019.

[Read more](#)

Lloyd's & Parsyl partner on COVID vaccine distribution initiative (Reinsurance News)

Lloyd's of London has partnered with supply chain data platform Parsyl to launch an insurance initiative for the distribution of COVID-19 vaccines. The public-private collaboration includes 14 global re/insurers and aims to address the risks involved with COVID-19 vaccines and other related health supplies. The endeavour will involve the launch of a Global Health Risk Facility which will provide insurance coverage and offer risk mitigation services run through a separately funded platform (Risk Management Accelerator) supported by AXA XL.

[Read more](#)

Extent of decline in UK car insurance claims revealed (Insurance Business)

UK car insurers are expected to save a staggering £4.4 billion in 2020 pay-outs due to the coronavirus-related decrease in driving. According to HelloSafe's estimates of 500,000 policyholders, London and the South East of England will see the largest savings. We have already seen insurers take steps to return some of these savings to policy holders but HelloSafe's chief executive, Antoine Fruchard, stated that, "with fast-deteriorating economic conditions, Brits are likely to question their 2021 premiums" and may expect discounts to compensate for the experience of 2020. On related note home and motor insurers in the UK are also due to extend their pledges of coronavirus-related support for policyholders. Originally due to end on December 31, pledges will now run for a full year until March 19, 2021.

[Read more](#)

Beazley warns of rising cyber threat (Insurance Business)

Specialist insurer Beazley has announced that ransomware attacks increased in both severity and cost this year compared to 2019 and are now the biggest cyber threat facing organisations. In its latest its Insights report, the insurer revealed that the total cost of ransom payments had doubled year-on-year during the first six months of 2020 as cyber-attacks have evolved in the wake of a boom in remote working. This comes as ransomware attacks have increased in sophistication and are more likely to threaten the release of stole data. In response, Beazley recommends that companies should not only be trying to prevent ransomware attacks through regular training but be prepared with multiple layers of security in case they do occur.

[Read more](#)

London to remain global cyber insurance hub post COVID-19 (Insurance Business)

According to a study conducted by the City of London Corporation and Accenture, cyber insurance is set to be a key area of growth for London as cyberattacks grow to become one of the greatest threats to the global economy. Data from the National Cyber Security Centre showed that from September 2019 to August 2020, there was a 10% increase in cyber incidents with 194 identified as COVID-related. However, the report says that London is well placed to meet the growing demand for cyber insurance and outlines how the industry can collaborate to build London's cyber security ecosystem which in turn will benefit the wider UK economy.

[Read more](#)

Blanket broker PI exposure is overhyped (Insurance Times)

As a result of the fallout from Covid-19 claims being refused in many cases there is concern that customers may turn their attention to brokers and claims against their professional indemnity coverage. Aaron Le Marquer, Partner at Fenchurch Law believes that there is likely to be some exposure but not in all cases and therefore the talk of the whole industry being at risk is overhyped. The key point will be establishing negligence, and this is likely to be difficult for claimants to prove within the context of business interruption claims.

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

Commercial premiums are rising dramatically (Insurance Times)

Mactavish (an independent outsourced insurance buyer) has highlighted the rapid rise in commercial insurance premiums in response to Covid-19. The company estimates increases of 34% to 800% across commercial lines and is warning that this also comes at a time when the extent of the cover being offered is being reduced. Ultimately Mactavish believe that this could lead to companies not being able to afford the cover that they need and causing closures and layoffs.

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

M&A activity is more frenetic now than it's ever been (Insurance Times)

Ethos Broking believes that the pandemic has accelerated conversations around broker M&A as business owners look to de-risk and get some security in the uncertain economic environment. Investment interest, particularly from the US is creating a seller's market and many broking firms are open to the idea of selling up for a decent price. This has been exacerbated by the uncertainty caused by COVID and there is more activity in broker M&A than ever before.

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

Brokers demand better service from insurers (Insurance Times)

Insurance Times has spoken to a number of brokers in the North of England where Tier 3 restrictions have been in place for some time. The brokers are concerned that the level of service from insurers has not been as good as it should have been during 2020 and the ongoing restrictions will be another excuse for poor service. The brokers believe that insurers have not responded as well to home working arrangements as the brokers have themselves and as such the level of contact and communication has reduced. They highlight that at times of hardening rates, communication between brokers and insurers is even more important and earlier engagement is key.

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