

COVID-19 insurance update – 22nd January

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.

22 January 2021

Summary

- Industry opinion split as reactions pour in over the UK's business interruption test case outcome (InsuranceBusiness, Reinsurance News)
- UK business interruption ruling pushes QBE further into reinsurance cover (Reinsurance News)
- Swiss Re's net loss forecast to hit \$389mn in 2020, says Berenberg (Reinsurance News)
- Aviva to adopt home working as standard practice beyond the pandemic (BBC)
- Holidaysafe attempts to solve COVID-19 pre-departure test fears (InsuranceBusiness)
- Surge in COVID-19 litigation awaits UK companies, warns Gallagher (InsuranceBusiness)
- Insurers must act quickly to compensate BI customers – Insurtech UK (Insurance Times)
- Businesses set to shun D&O cover due to sky-high premiums (Insurance Times)
- ABI back government indemnity scheme for pharmacies and care homes (Insurance Times)
- COVID-19 pandemic exposes brokers' over-reliance on price comparison websites (Insurance Times)

Analysis

The policyholders strike back

Much of this week's news has been dominated by reactions to the Supreme Court's decision to uphold the FCA test case ruling. While insurers such as Hiscox and QBE have been forced to increase their COVID-19 impact estimates, the industry as a whole seems to be grateful for the much needed clarity on the issue (even if many disagree with the ruling). In a similar vein, as we enter 2021 many insurers appear to be taking stock of their future and we have already seen Aviva confirm that it will close several of its offices and retain flexible working beyond the pandemic. Is this a sign of the working world to come? Only time will tell.

The Oxbow Partners View

As life comes to feel ever more like the film Groundhog Day and government figures continue to soar, there seems to be no end in sight for COVID-19. The government continues to put hope in vaccines but Northern has extended its lockdown to March and there is every reason to suspect the rest of UK may follow suit in due course. In a situation such as this all we (and insurance) can do is soldier on and employ the lessons learnt in 2020.

As ever, stay safe out there!

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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.

Industry opinion split as reactions pour in over the UK's business interruption test case outcome (Insurance Business, Reinsurance News)

A poll conducted by [Reinsurance News](#) revealed industry opinion is split on the UK Supreme Court's recent business interruption ruling. Although 40% agree with the decision to uphold the ruling of the High Court, the majority either disagree with the decision (34%) or are unsure (26%). While the British Insurance Brokers' Association described the news as good for businesses, Brokers have been hit with a barrage of enquiries from policyholders, partly owing to generalisations made about the case by the media. [Hiscox has stated](#) that its capitalisation can absorb the additional impact of COVID-19 BI losses after the group increased its estimate by \$48 million. Despite these impacts, the overall mood of observers appears to be one of relief that at the very least the industry now has much needed clarity going forward.

[Read more](#)

UK business interruption ruling pushes QBE further into reinsurance cover (Reinsurance News)

Australia-based re/insurer QBE has said that the UK Supreme Court's verdict will increase the gross cost of its UK BI claims, but the additional expense will be absorbed by its reinsurance cover, meaning the company's net cost will remain unchanged at \$70 million. While the ruling does not directly impact QBE's net profit, the increase in gross UK insurance business interruption claims has the effect of utilising additional aggregate reinsurance limit thereby reducing downside protection. With risk margin strengthening to combat this, QBE's total ultimate COVID-19 allowance is now \$785 million including total risk margins of \$300 million, with pandemic costs in 2020 now expected to be \$655 million.

[Read more](#)

Swiss Re's net loss forecast to hit \$389mn in 2020, says Berenberg (Reinsurance News)

Berenberg is anticipating Swiss Re to register a net loss of \$389 million for 2020, up from the previous \$178 million estimate, with COVID-19 claims driving the earnings downgrade for the year. While Berenberg's analysis covers only Swiss Re, the nature of COVID-19 means that other global reinsurers are likely to be facing similar pressures. Much of these losses are being driven by lockdowns in 2020 Q4 causing continued business interruption and event cancellation claims. Overall, analysts forecast 2020 total COVID-19-related losses of \$2.7 billion, up from \$2.3 billion at 9M 2020, across P&C Re and Corporate Solutions. With other (non-COVID) catastrophe events in Q4, Berenberg believes cat losses for 2020 will be over budget.

[Read more](#)

Aviva to adopt home working as standard practice beyond the pandemic (BBC)

Aviva has confirmed that it is due to close several of its offices, including two in Norwich, as it restructures to make home working a standard practice even after COVID-19. The Insurer, which employs 16,000 people across the UK, insisted there would be no job losses and the move was intended to reduce office space and provide more flexible working arrangements for staff. As well as reducing its Norwich sites, Aviva also aims to consolidate its two York offices into just one in the city centre.

[Read more](#)

Holidaysafe attempts to solve COVID-19 pre-departure test fears (Insurance Business)

Following the government's 'test to release scheme' specialist travel insurance provider Holidaysafe has announced that it intends to cover travellers, "for additional accommodation and return transportation costs should they need to stay overseas in the country they had been visiting for an extra 14 days to isolate." The move by Holidaysafe is designed to give peace of mind to holiday makers worried about becoming stuck abroad after failing a COVID test. However, the cover only applies provided the individual did not travel against government or medical guidance.

[Read more](#)

Surge in COVID-19 litigation awaits UK companies, warns Gallagher (Insurance Business)

According to new research by risk management and insurance broker Gallagher, the UK should be braced for a "surge" in litigation relating to the coronavirus crisis. From a poll of claims management companies (CMCs), 70% have already registered claims and predict there will be a 40% rise in claims litigation compared to previous years. Likewise, 76% of CMCs that have not yet seen claims expect an increase over the coming months. According to the study, possible allegations include workplace/premises-related safety violations and negligence, as well as unfair dismissal. Gallagher noted that the average claim value submitted by employees stands at £5,500 and customers at £7,500; though the legal fees needed to defend from claims run to much higher than this.

[Read more](#)

Insurers must act quickly to compensate BI customers – Insurtech UK (Insurance Times)

Trade body Insurtech UK believes that following the Supreme Court ruling on the BI test case appeals, insurers should act quickly to pay customers with valid claims. This could go some way to restoring trust in the industry that has been damaged by the elongated process of getting clarity on which claims should be paid. Insurtech UK also believes that the pandemic has highlighted the need for the industry to accelerate its digitisation journey.

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

Businesses set to shun D&O cover due to sky-high premiums (Insurance Times)

One of the insurance sectors seeing large price rises due to the pandemic is D&O cover. There is a concern that the premiums are now so high that many companies will opt not to take out any cover leaving senior professionals on the hook for any claims. This could ultimately lead to companies struggling to find directors willing to take on the financial risk of the role as they could be forced to pay out for costly legal expenses to defend even meritless claims. COVID is only one aspect that is pushing up D&O premiums with the risk of insolvency, cyber risk and potential GDPR breaches also adding to the risk. Insurers may need to adjust policy wordings to enable businesses to afford some level of cover in the near term.

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

ABI back government indemnity scheme for pharmacies and care homes (Insurance Times)

The ABI has welcomed an announcement from the Vaccines Minister that the government will fund an indemnity scheme for the administering of vaccines in care homes and pharmacies. The indemnity will provide cover from clinical negligence, employers liability and personal liability in circumstances where the care provider cannot get sufficient cover from the insurance market. It is intended that this is a short-term measure until the end of March 2021.

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

COVID-19 pandemic exposes brokers' over-reliance on price comparison websites (Insurance Times)

The COVID-19 pandemic has exposed the over-reliance that brokers have on price comparison websites for lead generation and customer acquisitions. According to Beyond Clicks, 70% of brokers said they experienced a drop in new business which was worsened by price comparison websites cutting their spend on adverts during the pandemic. Despite this, many brokers have been able to overcome the challenge by taking back control of marketing strategies. This has highlighted a need for brokers to shift some of their reliance away from PCWs in terms of marketing and those who control their own strategies are at a comparative advantage to their competitors.

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