

COVID-19 insurance update – 5th February

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.

05 February 2021

Summary

- Beazley Plc takes massive blow in year-end results (Insurance Business)
- FCA rolls out business interruption insurance policy checker (Insurance Business)
- Reinsurers to bear more BI costs as COVID losses mount (Reinsurance News)
- Re/insurers' Q4 results to show effects from COVID (Reinsurance News)
- Hannover Re's COVID-19 hit rises to \$1.44bn for 2020 (Reinsurance News)
- Berenberg lowers global COVID claims estimate to \$40 - 60bn (Reinsurance News)
- 2021 set to be less profitable year for insurers (Insurance Times)
- COVID recession could lead to more third party claims against insurers (Insurance Times)
- Cyber insurers see strong growth after a spate of online scam during lockdown (Insurance Times)

Analysis

Tickets, passport, travel money...vaccine passport?

The UK and a number of other European countries are looking into the prospect of using vaccine passports to allow quarantine-free travel in the summer. Denmark and Sweden have announced plans for digital vaccine 'passports' and Greece is apparently also leading the way indicating that it will let tourists into the country from May onwards if they can prove that they have been vaccinated against COVID-19. This could prove a shot in the arm for the travel insurance industry as it could free up the pent-up demand for foreign holidays for UK travellers. It remains to be seen, however, what volume of travellers will be able to meet the requirement of having had both doses of the vaccine before travelling given the 12-week window that the UK vaccination plan is working towards. This may be good news for insurers focused on the over-50 market and SAGA has already begun offering holidays for vaccinated over-50s with amendment guarantees if your vaccine is delayed.

The Oxbow Partners View

The subject of vaccine passports is a controversial one that raises many questions around the societal impact. Should people receive different levels of freedom or are we 'all in this together'? Even with vaccine passports, this still leaves a significant portion of the population with money burning holes in their pocket who are unable to travel and therefore not buying travel insurance, hiring cars or relieving pressure on business who will either be forced to claim on BI policies or simply go under. 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.

Beazley Plc takes massive blow in year-end results (Insurance Business)

Specialist insurance group Beazley Plc has suffered a major blow in its full-year results for 2020 with a heavy impact from COVID-19. From a pre-tax profit of \$267.7 million in 2019, Beazley has posted a pre-tax loss of \$50.4 million (around £36.8 million) this time around. The 250% plunge came despite the growth in Beazley's gross written premium which grew from \$3 billion in 2019 to \$3.6 billion in 2020. The insurer has also said its combined ratio of 109% was "heavily impacted" by the unprecedented volume of claims related to COVID-19 but believes it can return to growth in 2021.

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FCA rolls out business interruption insurance policy checker (Insurance Business)

Based on the outcome of its high-profile Business Interruption test case, the FCA has instituted [an online checker](#) for small businesses to see if their BI losses are covered. All policyholders will reportedly need is their insurance policy schedule and the tool helps to check whether the policy wording is the same as, or very similar to, the 21 policies in the 'representative sample' considered during the High Court case. However, it should be stressed that the test case and therefore the checker does not cover the particular details of each policyholders' claim and each will still need to be considered on their individual merits.

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Reinsurers to bear more BI costs as COVID losses mount (Reinsurance News)

Analysts at AM Best have warned that reinsurers are likely to bear a higher proportion of business interruption claims as COVID related losses mount for insurers. Following the Supreme Court's decision to uphold the test case ruling in favour of policy holders, many insurers have announced that they expect to make significant loss recoveries through reinsurance. However, these recoveries could spawn potential disputes which will delay insurers realising the full impact of the pandemic well in to 2021.

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Re/insurers' Q4 results to show effects from COVID (Reinsurance News)

Analysts at Barclays predict the Q4 2020 results season will show continuing effects surrounding COVID-19 losses, pricing and dividends. Uncertainty surrounding COVID-19 losses and dividends should start to decrease throughout 2021 while retail motor insurers are expected to see earnings upgrades and could perform better in the first part of the year owing to material lockdown-related frequency benefits. Barclay's expects natural catastrophe and COVID-19 losses to remain largely within budgets offset by frequency benefits on activity-based lines. Cumulatively, the global re/insurance industry has reported c.\$30.4 billion of COVID-19 losses, largely incurred but not reported, which suggests the risk of further adjustments remains.

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Hannover Re's COVID-19 hit rises to \$1.44bn for 2020 (Reinsurance News)

Hannover Re has this week announced an additional €350 million (USD 420mn) of losses across its property and casualty and life and health operations from the ongoing COVID-19 pandemic. Of this loss increase, the majority has been seen in P&C (€250 million) with L&H rising by €100. All in all, Hannover Re estimates total claims related to COVID-19 of around €1.2 billion (USD 1.44bn) for the group in 2020. The group's combined ratio stood at 101.6%, which would be around 97%, excluding the exceedance of the large loss budget. Despite this, the reinsurer also announced preliminary key figures for 2020, including group net income of €883 million.

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Berenberg lowers global COVID claims estimate to \$40 - 60bn (Reinsurance News)

Analysts at investment bank Berenberg have decided to lower their estimate for global COVID-19 claims to a range of \$40 billion to \$60 billion, down from their previous range of \$50 billion to \$70 billion which was released in June 2020. This is due to publicly reported COVID-19 losses still only amounting to around \$30 billion as of February 1st prompting analysts to downgrade their initial estimates. Berenberg noted that although this is far from the lower end of the range of \$40bn, 2021 will undoubtedly see reporting edge closer to this figure and beyond. Consequently, COVID-19 crisis could yet prove to be a positive catalyst for the insurance and reinsurance markets, helping to fuel rate increases and tighten terms and conditions.

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2021 set to be less profitable year for insurers (Insurance Times)

Fitch ratings believe that while there may be some frequency benefits in 2021 they will not match the benefits seen in 2020 due to the level of lockdown in the economy. The starting assumption from Fitch is that 2021 will be less profitable than 2020 as the vaccines are rolled out and activity within the economy returns to pre-pandemic levels. In addition to the COVID-related frequency impacts, Fitch has highlighted FCA pricing fairness, elevated claims inflation and high level of price competition as other reasons why 2021 might see lower levels of the earnings in the non-life insurance sector.

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COVID recession could lead to more third party claims against insurers (Insurance Times)

Law firm Weightmans have highlighted the possibility that the Third Parties (Rights against Insurers) Act 2010 could see increased claims against insurers where the original insured party has become insolvent. The COVID-induced recession over the coming years could increase the number of insolvencies amongst insurance clients. The third parties act allows claimants to bring claims directly against insurers rather than an insolvent defendant.

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Cyber insurers see strong growth after a spate of online scam during lockdown (Insurance Times)

With many people working from home at the moment, the increasingly digital world has increased the demand for cyber security and insurance cover. Guidewire Software's European head of Risk and analytics solutions has highlighted that 73% of people rated online identity as quite or extremely important. The increase in online scams during lockdown has driven interest in policies that cover losses from identity theft, social engineering, cyber bullying, systems compromise and financial fraud – as part of home insurance policies. This has been an ongoing issue in the commercial space but there is also increased demand in the personal lines space.

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