Market Intelligence
by Oxbow Partners

COVID-19 insurance update – 11th 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.

11 December 2020

Summary

- AXA France CEO hits out at government pressure to freeze premiums (Insurance Business)
- Cyber threats from insider action now more common than outside threats (Insurance Business)
- CII offers guidance on closing the customer expectation gap (Insurance Business)
- Campaign calls for government intervention amid insurance unavailability (Insurance Business)
- Munich Re to halt event cancellation cover for pandemics (Reinsurance News)
- Improved pricing sees $6bn raised by re/insurers across Q4 (Reinsurance News)
- The ICA to appeal against BI test case ruling (Reinsurance News)
- Major League Baseball files lawsuit against insurers for billions of dollars in losses (Insurance Journal)
- COVID-19 heightens risks of fraud and director liability (CMS Law)

Analysis

A jab a day keeps the COVID away

As the government rolls out its ambitious plans to vaccinate as many people as possible against COVID-19 the claims for pandemic related losses continue to mount up. Australia has seen its own BI test case go against insurers in New South Wales which the Insurance Council of Australia intends to appeal. While over in the US, we have seen Major League Baseball and all of its teams file a multi-billion-dollar suit against their insurers for lost revenues from fans not being allowed into the stadiums. Given that Fenway Sports owns both the Boston Red Sox and Liverpool F.C. it wouldn't be much of a stretch to imagine that football teams in the UK may try to recoup some of their lost match-day revenues too. Much will depend on whether the same 'all risk' policies have been taken out by the Premier League clubs. However, the numbers involved for insurers would likely be much lower due to less teams and less games impacted by the pandemic.

The Oxbow Partners view

With the prospect of going "out out" finally on the horizon again, there are concerns within the industry that a lack of COVID-19 cancellation insurance could prevent some events from taking place. Hopefully the government extends the same support given to cultural businesses and will act as underwriter so we can get back to seeing live events in 2021. As always, 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 be better informed and make superior strategic decisions.

AXA France CEO hits out at government pressure to freeze premiums (Insurance Business)

French in insurers have agreed to a premium freeze over the next year following pressure from finance minister Bruno Le Maire which threatened impose a €1.2 billion tax on insurers if they did not agree to the freeze. Le Maire has repeatedly clashed with insurers over the course of the pandemic who he believes have not done enough to help businesses and individuals. However, AXA CEO Jacques de Peretti has attacked the Senate's tax amendment calling the move "scandalous" and a form of "blackmail." This comes after AXA recently announced a hit to its 2020 results due to COVID-19.

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Cyber threats from insider action now more common than outside threats (Insurance Business)

According to a report by cybersecurity vendor Netwrix, cybersecurity threats to firms are now more likely to come from internal actions than external ones. Since COVID-19 has forced may organisations to switch to remote working, four of the top six types of cybersecurity incidents experienced by organisations were caused by internal users. These include accidental mistakes by admins (27% of respondents), accidental improper sharing of data (26%), misconfiguration of cloud services (16%) and data theft by employees (14%). 79% of CIOs are now concerned that users are now more likely to ignore IT policies and these figures are made more worrying as "incidents related to inside actors are among the hardest to detect."

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CII offers guidance on closing the customer expectation gap (Insurance Business)

Following prominent examples such as the FCA Test Case, COVID-19 has highlighted the vital need for insurers to effectively manage customer expectations. In response the Chartered Insurance Institute has released guidance on how insurers can remove the gap between customer expectation and reality. The guide highlights five key actions insurance professionals should take including:

1. Enhancing the clarity of wordings
2. Erring on the side of customers where there are matters of interpretation
3. Welcoming internal and external feedback on communication during the customer experience
4. Ensuring all reading material can be understood by those with a reading age of 13 or less
5. Varying guidance and offerings to customers based on their levels of knowledge and experience

Overall, the CII asserted that insurance professionals should not prioritise sales speed at the expense of customer understanding.

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Campaign calls for government intervention amid insurance unavailability (Insurance Business)

The Let LIVE Thrive campaign, which includes members such as insurance investor Rivertrade Ltd, EC3 Brokers and Hiscox, has called on the government "to underwrite a COVID-19 contingency insurance product" to protect events planning next year. The lobbying initiative has highlighted how the "coronavirus has decimated the viability of the contingency insurance market for insurers, meaning that event organisers are unable to access COVID-specific cover." This comes after the government has already taken unprecedented steps to support cultural businesses and Let LIVE Thrive is calling for this to be extended to the events industry.

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Munich Re to halt event cancellation cover for pandemics (Reinsurance News)

Reinsurance giant Munich Re has confirmed that it will stop writing coverage for events cancelled due to pandemics. This was announced as part of Munich Re's 'Ambition 2025' growth plan which aims to deliver a return on equity of 12-14% by 2025 and a combined ratio of approximately 95% in P&C reinsurance. Earlier this month Munich Re added a further €1.1 billion in COVID-19 related losses bringing its total up to €3.4 billion to date. The cancellation and postponement of events like the Tokyo Olympics have hit particularly hard especially as Munich Re was the leader in P&C contingency lines before the pandemic.

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Improved pricing sees $6bn raised by re/insurers across Q4 (Reinsurance News)

A new report from Willis Re estimates that reinsurers globally have raised $6 billion across the fourth quarter of 2020. This would bring the year-to-date total to $19 billion, with a further $3 billion being contemplated or in progress. Willis Re also expects further capital raises related to COIVD-19 claims and puts its current estimate of global re/insurance losses at $20 billion. However, pending legal rulings such as those recently reached by the New South Wales Supreme Court will certainly see re/insurers add to their losses into 2021.

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The ICA to appeal against BI test case ruling (Reinsurance News)

The Insurance Council of Australia (ICA) has announced its intention to contest the recent New South Wales Court of Appeal's ruling that landed in favour of Covid-19 impacted businesses. Contention over the ruling hinges on policy wordings which included an outdated extension known as The Quarantine Act which was repealed in 2015. The IAC argues that premiums were not collected to reflect the cost of cover for pandemics and intends to file a further test case that explores other policy issues foreshadowed with policyholders but not dealt with in the first test case.

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Major League Baseball files lawsuit against insurers for billions of dollars in losses (Insurance Journal)

All 30 of the Major League Baseball teams in the US and the league itself are suing their insurers for billions of dollars of lost revenues due to Covid-19. The teams have been refused payouts by their insurers AIG, Factory Mutual and Interstate Fire and Casualty for unsold tickets, concession revenues, parking and other income related to the normal running of the 162 regular season games. The restrictions on fan numbers have reduced the season to 60 games and only a few games over the course of the season have seen any fan in attendance. The teams believe that this should be covered by their all risks policies that are in place. The scale of the potential claim is significant, as is the fact that even an industry with significant resources, such as MLB is looking to recoup COVID losses from their insurers. It will not have escaped the attention of UK insurers that The Fenway Sports Group own both the Boston Red Sox and Liverpool F.C. The question is whether they have the same insurance arrangements in place across all of the businesses in the group.

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COVID-19 heightens risks of fraud and director liability (CMS Law)

The WTO has predicted two years of economic hardship stemming from the Covid-19 crisis and CMS Law advises companies to put in robust risk-management systems to counter the increased risk of fraud. In times of crisis fraud is often committed out of need as company directors are under increasing pressure to keep their businesses afloat. Strain theory suggests that pressure can lead to more flexible morals and less consideration of the consequences of one's actions. In cases of intentional fraud the D&O policies will not pay out and individual directors will be required to pay claims personally.

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