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IRL

INSURANCE RESEARCH LETTER

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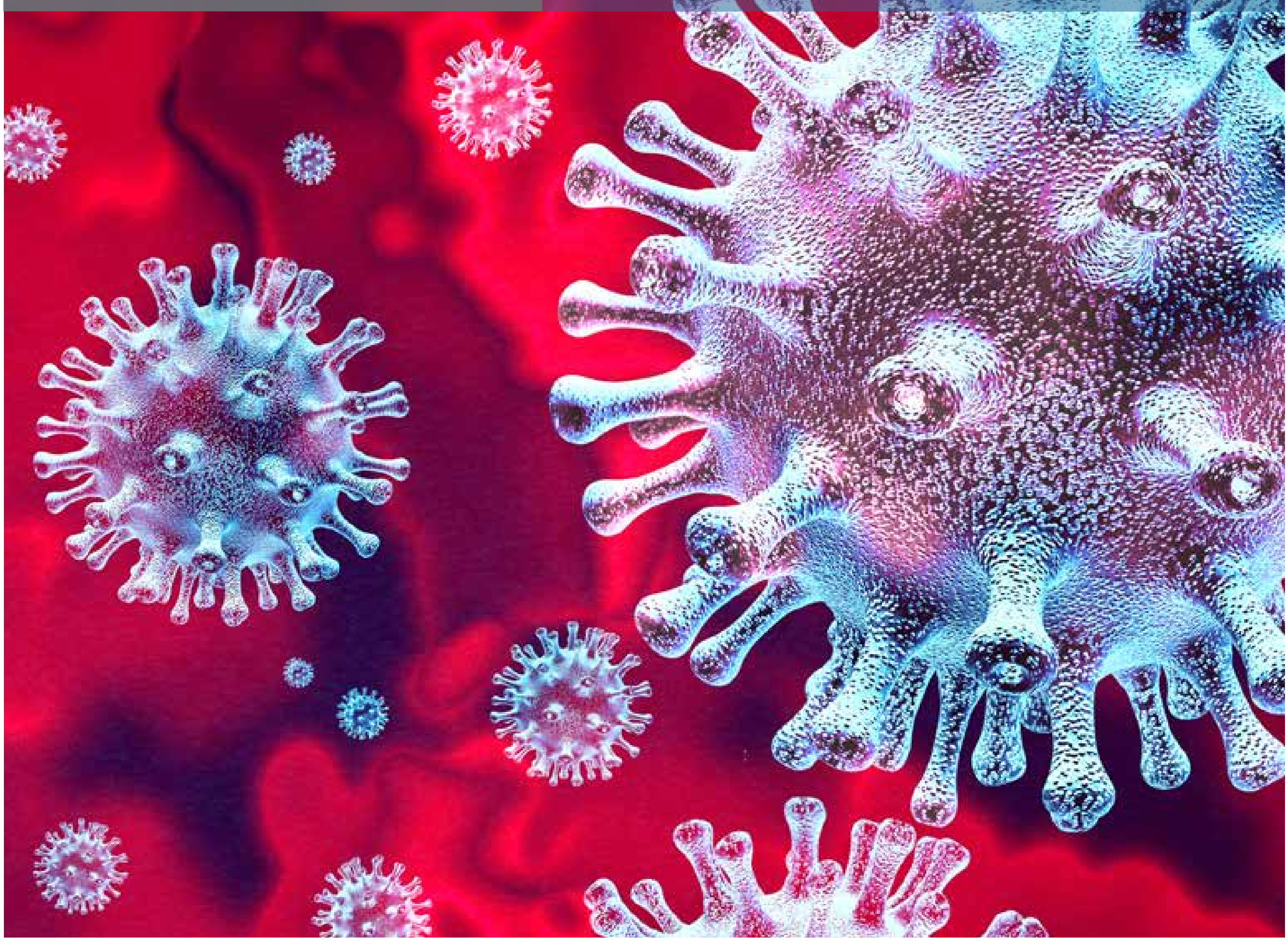
Insureds Likely Face Uphill Battle in Seeking Coverage for Coronavirus Losses

~ by Peter E. Kanaris, Scott M. Seaman, Judith A. Selby Page 14



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Editor's Letter

COVID-19 Information Resources

As the world battles this new coronavirus (COVID-19), there is so much 'news' it's difficult to sift through. In a social media world and in a state of heightened anxiety, it is very easy for rumors, partial truths, or even outright falsehoods to spread quickly and pervasively.

Following is my attempt to point you to sites I believe are reliable and offer the latest news and developments. Stay safe and healthy everyone.

Aon: COVID-19 Response Site

Aon's Infectious Disease Response Task Force has established this resource site to support organizations in mounting effective infectious disease (pandemic) response, and in planning for impacts that may confront businesses, their employees, and the communities in which businesses operate and employees reside. This resource site is designed to present practical solutions that are actionable, timely and relevant to client needs and contains content that outlines the impacts that might be expected as an infectious disease event evolves while also helping to connect Aon global subject matter experts with clients to shape decision-making. **Corona Disease COVID-19 Response site** > https://www.aon.com/event-response/coronavirus.aspx

John Hopkins University Coronavirus Resource Center

Johns Hopkins experts in global public health, infectious disease, and emergency preparedness have been at the forefront of the international response to COVID-19. This website is a resource to help advance the understanding of the virus, inform the public, and brief policymakers in order to guide a response, improve care, and save lives. https://coronavirus.jhu.edu/

RIMS: Coronavirus Information Center
https://www.rims.org/covid-19

Sick Map

Additional information can be obtained from the following sources:

USA
US Centers for Disease Control and Prevention (CDC)

WHO
WHO situation update (daily)
WHO advice for international travel and trade
WHO coronavirus knowledge base

UK
Foreign and Commonwealth Office travel guidance
Public Health England – latest guidance

Italy Italian Government

Australia
Foreign Ministry
Dept. of Health

Canada
Foreign Ministry
Dept. of Health

France
Ministry of Health

Germany
Foreign Ministry

Indonesia Ministry of Health

Japan Foreign Ministry

Singapore
Foreign Ministry
& Ministry of Health

The dogs are barking again, big news but not unexpected

In my long career in the brokerage business, whenever a broker (usually my firm) bought a sizable competitor, trade publications and groups cried foul on behalf of risk managers claiming competition is being stifled and fewer choices will result. This is patently untrue. While taking a competitor ought of circulation may narrow the field, it does make for stronger and smarter companies to offer services and products to the risk management community. I know because I worked at Aon and over the years we bought just about anything with a price tag on it.

Risk managers that still believe playing one broker off on another missed the train long ago. Large brokers no longer 'trade' large accounts amongst each other. In fact pure brokers no longer exist – technology-enabled global professional services firms focused on risk, retirement and health are the new normal.

Final thought

Because of social distancing, we have taken to FaceTime to have cocktails with friends and family… but you all are probably doing that too. Be safe and healthy

Highlights

IRL Strong Recommendation

Take advantage of this free information for 39 jurisdictions (others available for a charge). Insurance & Reinsurance Laws and Regulations 2020 (see link in Recently Published section following)

We all need a break so don't forget to look at the BackPage℠

COVID-19 will test insurance industry's resilience in the Andean Region

Coronavirus infections in the Andean Region will continue to spread for the coming weeks and months. It's clearer than few weeks ago that this situation is going to get worse before it gets better, and we are going to be living under coronavirus quarantine based on looking at historical data and regulating it to fit future scenarios. Read which coverages are being impacted on page 12

Smart Technology Driver for the Motor Insurance Industry in LatAm

Learn why Latin American drivers are still underinsured and what progress that regulation is making to address this issue, and how smart technology can help on page 13

COVID Infects TECH

My how things change. In an eyeblink, the social media and tele-work sector went from being perceived Privacy and Information Vampires to the salvation of business and quarantined individuals. Just one pandemic and suddenly you see who your real friends are. In all seriousness, the telework industry leapt ahead ten years in the space of a week with forced school, office building, public space and other closures. Page 14

Insureds Likely Face Uphill Battle in Seeking Coverage for Coronavirus Losses

As the coronavirus, COVID-19, continues to spread, organizations around the globe are facing mounting business disruptions and economic losses. Some of these entities may seek coverage for these losses under a variety of insurance policies. Coverage under any form will depend, of course, on the facts of the claim, policy wordings, and the applicable law. Here, we highlight some policy wordings insurers should keep in mind when evaluating coronavirus-related claims under various coverage forms. Page 14

NYDFS Instructs Insurers to Provide Explanations of Coverage for COVID-19 Losses

In light of anticipated losses arising from the outbreak of COVID-19, the coronavirus, New York State's Department of Financial Services (NYDFS) has instructed property/casualty insurers to prepare explanations for their policyholders concerning "commercial property insurance" written in New York that might be implicated by coronavirus-related losses. NYDFS considers commercial property insurance to include business owners, commercial multiple peril, and specialized multiple peril policies, along with substantially similar insurance. Page 15

Many Liability Insurance Policies May Provide Coverage for Losses from Coronavirus

As the Coronavirus losses mount, a burning question for many businesses concerns the insurance coverage available to ease these losses. Insurance companies can be expected to push back, disclaim coverage and point to exclusions. But coverage exists for various forms of loss from this pandemic. A review of typical insurance policies held by businesses shows that coverage in multiple lines should be investigated. And as the government and public response continues to unfold, coverage terms should be revisited. Page 15

COVID-19: Insurance sector shares the burden of Coronavirus impacts

It is a global pandemic, the like of which none of us has ever seen. It impacts every person, every family, every business, every sector of the economy and every country. It has dislocated every aspect of normal life and the insurance industry is no exception. It is having to make decisions that have profound impacts on the lives of individuals and the financial security of businesses without any experience of expertise to fall back on. The UK insurance sector has found this an enormous challenge so far. It hasn't always been helped by the British government's stumbling responses to the crisis with many inevitable decisions delayed for no obvious good reason. Page 16

Coronavirus and developments in the UK

By the middle of March, the novel coronavirus (COVID-19) was making a serious impact on insurance in the UK. Before that, events in China had been viewed with concern and when it started looking bad in Italy, one or two companies in London started to get nervous. Once Italy closed major regions in the north of the country on the 9th March, several carriers closed their offices in the City and staff began working from home. Read this first hand account on page 16

EU liabilities for Firms Post-Brexit

With the UK's formal departure from the European Union set for 31 December 2020 (the end of the transition period), the PRA has recently sent out a letter to insurers reminding them to have contingency plans in place to ensure they can service their EU liabilities post-Brexit. The letter reminds insurers that they should have conducted a thorough analysis of their run-off business profile. While some firms may intend to rely on EU run-off regimes to do this, if they can, other firms may seek to rely on the Part VII transfer regime to transfer a book of business to an authorised entity inside the EU, but there is no guarantee that any Part VII transfer will be sanctioned by the UK Court, or that it will be sanctioned within the insurers' intended timeframes. Page 17 •

Contributors

Idan Cabello

COVID-19 will test insurance industry's resilience in the Andean Page 12

Smart Technology Driver for the Motor Insurance Industry in LatAm Page 13

Idan has been Risk Prevention Manager at CONTACTO (1st local insurance broker in Peru) since September 2013. He has more than 11 years of experience in the Insurance market and industry, both locally and internationally. Prior to CONTACTO, Idan was Risk Engineer at REHDER (1st local insurance broker until it was acquired by MARSH in June 2013). Over the course of 3 years in Europe, he held safety engineer positions in LOUIS VUITTON and MICHELIN. Idan also worked in GLENCORE and MAPFRE. A qualified engineer with a deep understanding of the Peruvian insurance market. Idan is result-oriented with a proven track record for leading a dynamic team of professionals which has allowed to develop the unique value offer in Peru that integrates risk engineering with occupational health and wellness in order to provide accurate information to business owners. He earned a Master Degree in Risk Management (France). Idan is also Monthly contributor at Insurance Research Letter LATAM and mentor in StartUp UNI (technology-based business incubator).

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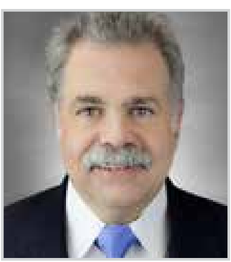

Scott M. Seaman

Insureds Likely Face Uphill Battle in Seeking Coverage for Coronavirus Losses Page 14

NYDFS Instructs Insurers to Provide Explanations of Coverage for COVID-19 Losses Page 15

Scott is a Partner at Hinshaw in Chicago. Scott Seaman is Co-Chair of the firm's global Insurance Services Practice Group. The group is ranked in Chambers USA: America's Leading Lawyers for Business, Insurance: Dispute Resolution Illinois and earned a National Tier 1 rating in the Best Law Firms list published by *U.S. News – Best Lawyers* as well as Tier 1 regional ratings in Chicago, Los Angeles, and Miami.

As a commercial litigator and trial lawyer with more than 32 years of experience, Mr. Seaman has had the privilege of working with some of the most dedicated and talented senior management, legal counsel, and insurance and reinsurance claims and litigation professionals in the world and of serving as counsel in precedent setting cases involving some of the most challenging contemporary coverage and reinsurance issues confronting the insurance industry.

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George Worsley

Coronavirus and developments in the UK Page 16

George has been involved in the international insurance industry for more than 35 years. Having worked with Commercial Union (now Aviva), Delta Lloyd, Bekouw Mendes and Alexander & Alexander (now Aon), The St Paul Companies (now Travelers) and WBN, he currently runs his own firm, Worldwide Risk Solutions. He has vast experience in working in different cultural and business environments, speaks several languages and is widely travelled. He has lived in New Zealand, Belgium, the Netherlands, USA and now England. He has in-depth knowledge of the global insurance industry. With effect from 2006 he has been advising individuals and firms around the world and facilitating global business strategies and international business development. This involves intensive contacts with retail, wholesale and reinsurance brokers and agencies, access to training, skills and expertise in handling insurance and risk management projects in many countries. George was closely involved with structuring networks such as Brokers Link, has completed projects with Assurex, HLA (now Wells Fargo), UNiBA, UNISONBrokers and WING, to name a few. He advises many firms on a one off basis and remains on the contact list of brokers in more than 100 countries around the world. George is married and has three children. He is an ardent sports fan, loves cooking, gardening, reading, history and listening to music.

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Rhonda D. Orin

Many Liability Insurance Policies May Provide Coverage for Losses from Coronavirus Page 15

Rhonda is the managing partner of the firm's Washington, D.C. office. Rhonda represents policyholders in coverage cases nationwide, including cyber liability, third-party tort and environmental liability claims, first-party property damage and business interruption claims, directors & officers liability, errors & omissions liability, fidelity bonds and alternative risk transfer arrangements, including for employee benefit plans. She has served as lead counsel in multiple jury and bench trials, argued before the highest courts of several states, and appeared in two cases before U.S. Supreme Court. Through jury verdicts, summary judgment decisions and confidential settlements before and during litigation, she has recovered hundreds of millions of dollars for policyholders, including nine-figure recoveries.

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Ian D'Castro

EU liabilities for Firms Post-Brexit Page 17

Ian has experience working with, and advising insurers, brokers and other third party insurance intermediaries especially MGAs. His expertise is in start-ups, corporate transactions and dealing with wider ranging commercial and regulatory areas including corporate re-organisations, acquisitions and disposals in the insurance sector, transfers of business, distribution and broker arrangements. He has commercial experience of matters relating to a s166 investigation and a past business review of how retail customers were being treated which involved working with customer facing areas of the business, and with compliance monitoring, QA and internal audit. Ian has also been involved in large corporate projects relating to M&A transactions and insurance portfolio transfers. When time permits, he like to play the odd round of golf and hit a few tennis balls, as well as watching from the touchline his children play hockey, netball and lacrosse.

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Judy Selby

Insureds Likely Face Uphill Battle in Seeking Coverage for Coronavirus Losses Page 14

NYDFS Instructs Insurers to Provide Explanations of Coverage for COVID-19 Losses Page 15

Judy is a Partner at Hinshaw in New York City. For more than 25 years, Judy Selby has served as a trusted advisor to insurers across a wide variety of industries. Focused primarily on insurance coverage matters, Judy represents clients in all phases of large scale, complex first and third party insurance issues. She has extensive experience handling insurance coverage trials in the U.S. and international arbitrations in London. Judy also helps clients navigate insurance due diligence in connection with mergers and acquisitions, as well as run off and adverse development cover transactions. In recent years, Judy has also expanded her practice to accommodate emerging technology risk, by focusing on matters involving cyber and data privacy. Operating at the intersection of cybersecurity and insurance coverage, she has counseled clients on cyber policy adoption, and also provided compliance advice regarding privacy and cybersecurity laws and regulations.

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Many Liability Insurance Policies May Provide Coverage for Losses from Coronavirus Page 15

Dan is a partner in Anderson Kill's Washington, D.C. office. He started his career with Anderson Kill and then served over five years as a Trial Attorney with the U.S. Department of Justice, Tax Division. He appeared as lead trial counsel in federal and state courts across the country, received numerous Outstanding Attorney awards and served as the E-Discovery Coordinator for the Tax Division. Dan currently is the Co-Chair of Anderson Kill's Cyber Insurance Recovery Practice Group, and a member of the firm's Technology, Media and Distributed Systems and Regulated Products Groups.

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David Worsfold
COVID-19: Insurance sector shares the burden of Coronavirus impacts Page 16

David has 30 years experience as a journalist, mainly covering the insurance industry, financial services and politics but also writing on a wide range of other subjects. In addition, he has a broad experience of editorial management in large and small publishing companies, launching and re-launching publications, and brand development through the launch of conferences, awards and websites and of overseeing production and design services. David has extensive experience of re-aligning content creation and delivery for the modern, multi-platform, mobile world, especially working with publishing teams that need to move from a print-centric environment to the web first world of today. A key part of this was developing effective strategies for delivering content through Apps. This includes a wide knowledge and understanding of the role social media plays in modern media. He was also responsible for developing video and audio content for Incisive Media's websites through two top quality in-house studios.

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Peter E. Kanaris
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Peter is a Partner at Hinshaw in Chicago. Peter has served as a trusted advisor for professionals and corporations for more than 30 years, both nationally and internationally. As part of his extensive complex, multi-party litigation and appellate experience, Peter has tried cases and argued appeals in state and federal courts throughout the U.S. Focusing primarily on insurance coverage disputes, his practice includes handling first-party insurance, reinsurance, and subrogation as well as cyber and extra-contractual matters. Peter also works with clients involved in commercial, construction, and environmental litigation, defending the interests of professionals—including accountants, attorneys, architects, and engineers—facing liability claims. As part of his efforts to help clients mitigate risk and stay out of court, Peter has represented both insurance companies and professional firms in numerous arbitrations.

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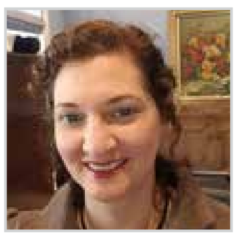

Marci De Vries-Todtz
COVID Infects TECH Page 14

Marci is the CEO of Fraud Sniffr, Inc., a software company that locates, downloads & distributes social media content about WC/liability claimants to their adjusters. Her online technical and linguistic algorithm skills predate Google, which has allowed her to launch and sell two search technology companies prior to starting Fraud Sniffr. She was also an adjunct professor of Marketing & Social Media for six years at The Johns Hopkins University Whiting Engineering School. Fraud Sniffr has been one of the 50 fastest growing companies in Maryland for the past three years.

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Many Liability Insurance Policies May Provide Coverage for Losses from Coronavirus Page 15

Stephen is a partner in the Washington D.C. office of Anderson Kill. A seasoned trial lawyer and litigator with extensive experience in insurance recovery, Stephen also has significant hands-on software development and design experience. He is co-chair of Anderson Kill's recently launched Blockchain and Virtual Currency group, a cross-disciplinary team providing counsel to Blockchain entrepreneurs and investors in areas including litigation, trial practice, insurance coverage, tax, intellectual property, corporate/transactional and employment law. Stephen has written and been quoted widely on legal issues arising from the use of Blockchain technology, with appearances in both print and television media.

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David Coupe
EU liabilities for Firms Post-Brexit Page 17

David has been practising corporate commercial law for many years, principally around the London and Lloyd's insurance market. Prior to founding EC3 Legal, he has been a partner at two of the best known London insurance and commercial legal practices. He advises and supports insurance brokers, underwriting agents, MGAs and other service providers, and those looking to invest in the market including venture capital funds, business angels and (re)insurers. David is a founder of the Managing General Agents' Association (MGAA) and sits on their Regulatory and Compliance Committee, and has regular contact with the UK Financial Conduct Authority (the UK regulator of brokers and insurance agents) in such capacity.

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Synopsis

Volume 31, Number 4, April 2020

Companies

Lloyd's

IMPORTANT NOTICE: The Lloyd's Underwriting Room in London will be closed with effect from 16:00GMT 19 March in line with UK Government advice to avoid all non-essential contact. Following a successful resilience test on 13 March, Lloyd's is confident that its emergency trading protocols will enable the market to continue trading during the closure. Lloyd's will review this decision on a weekly basis. Lloyd's said you can read the latest news about the COVID-19 outbreak here; however, at the time of this writing (March 24) Lloyd's hasn't updated its site since March 10 which is curious.

Lloyd's in better days

AIG taps ex-Aon to help optimise capital strategies and create new ILS products

AIG has hired Gero Michel from Aon to lead the risk analytics function across its Validus, Alphacat, and Talbot brands.

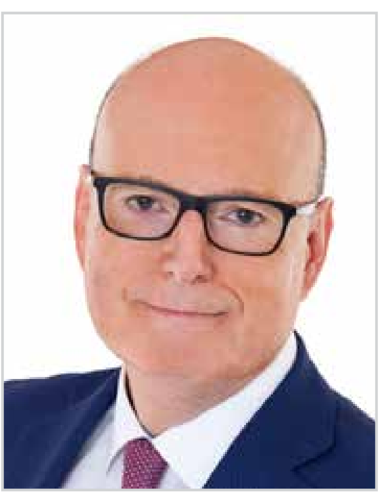
AIG Appoints Jon Hancock Chief Executive Officer, International General Insurance

AIG announced that Jon Hancock has been appointed Chief Executive Officer, International General Insurance. In this role, Mr. Hancock will lead the International operations of AIG's General Insurance business. He will report to Peter Zaffino, President & Global Chief Operating Officer, AIG, and Chief Executive Officer, General Insurance, and serve on the General Insurance Executive Leadership Team. Since 2016, Mr. Hancock served as Director of Performance Management at Lloyd's, where his portfolio included responsibility for overseeing performance and risk management globally across the Lloyd's market. Mr. Hancock will join the company this spring – however…

IRL note: Lloyd's announced that to provide senior leadership support, Jon Hancock has agreed to defer his leaving date from 31 March to 31 May 2020.

Perrigo Joins MarketScout Professional Liability Division

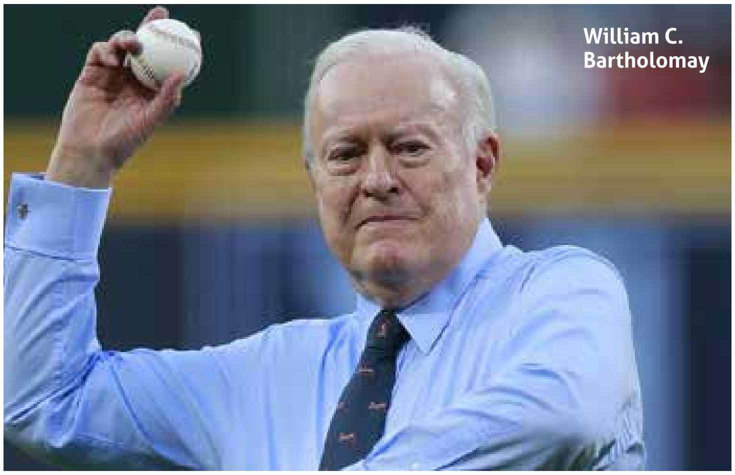
MarketScout, the national electronic insurance exchange and specialty MGA headquartered in Dallas, Texas, announced professional liability broker Bobbie Perrigo has joined the firm. Perrigo will be based in the corporate office headquarters in Dallas, Texas. Perrigo will assume all of the current professional liability business in place and implement new processes for growing a profitable division. Perrigo joins the professional liability practice with over 16 years of underwriting and broking experience. She serves as president-elect of the Tarrant County Insurance Professionals, a local chapter of the Federal Insurance Women of Texas. •



Gero Michel

Jon Hancock

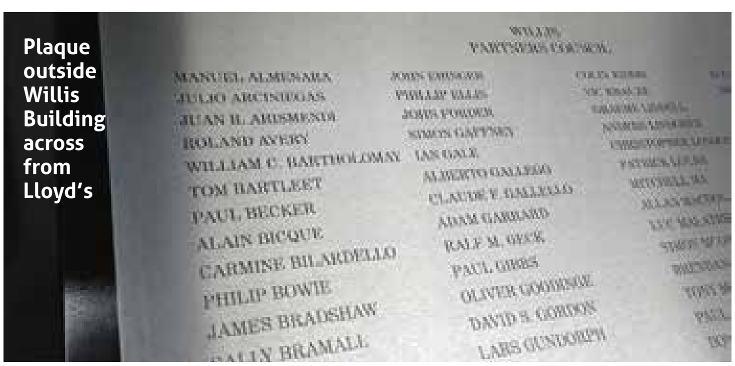
Agent, Broker, Consultant & Risk Manager Review



William C. Bartholomay

William C. "Bill" Bartholomay (1928 – 2020)

Bill Bartholomay, who brought the Braves to Atlanta in 1966, has died. He was 91. Bartholomay "died very peacefully" at New York-Presbyterian Hospital after "a brief illness," his daughter Jamie Bartholomay Niemie said. Doctors described the illness as "a respiratory infection that was not the coronavirus COVID-19," she said. The Chicago insurance brokerage executive led a group that purchased the Milwaukee Braves for $6.2 million in 1962, decided in 1964 to relocate the franchise to Atlanta and fought Wisconsin court battles to complete the move in 1966. Bartholomay's group sold the Braves to Ted Turner for $11 million in 1976, partly because some of his partners' enthusiasm for their investment had waned. But Bartholomay's enthusiasm for baseball - and especially for the Braves - remained strong four-plus decades after selling the team. He loved opening day, which he often would describe as "New Year's Day for me." Bartholomay held leadership positions with several large insurance firms over the years, including: vice chairman of global insurance broker Willis Group Holdings; president of Near North National Group; and president and vice chairman of Frank B. Hall and Associates.



Plaque outside Willis Building across from Lloyd's

Aon to Merge With Willis Towers Watson in All-Stock Deal Valued at $30 Billion

Shareholders will receive 1.08 Aon shares for each Willis Towers Watson share

Aon will own about 63 percent of the combined company, while existing Willis Towers Watson shareholders will own about 37 percent. Aon shareholders will continue to hold the same number of shares in the combined company after the deal's completion. Aon has a market valuation of $66.8 billion while Willis Towers Watson has a market value of $34.52 billion. The combined company will be named Aon and maintain its headquarters in London. **John Haley**, the chief executive and director of Willis Towers Watson, will become the executive chairman and focus on growth and innovation strategy, Aon said. Aon Chief Executive Greg Case will lead the combined firm alongside Chief Financial Officer **Christa Davies**.

U.S. commercial insurance prices accelerate again, as carriers report changes of over 6%

U.S. commercial insurance prices accelerated during the fourth quarter of 2019, as the aggregate price change reported by carriers exceeded 6 percent, according to Willis Towers Watson's Commercial Lines Insurance Pricing Survey (CLIPS). This is a continuation of the acceleration observed in recent quarters. The survey compared prices charged on policies underwritten during the fourth quarter of 2019 to those for the same coverage during the fourth quarter of 2018. Data for nearly all lines indicated significant price increases, headlined by commercial auto, property, excess/umbrella liability, and directors' and officers' liability, where price increases exceeded double digits. Price changes were much larger for mid-market and large accounts than small accounts. Specialty lines price increases also trended upward materially in the fourth quarter. The survey continued to indicate price reductions for workers compensation in contrast to all other surveyed lines, though reductions are smaller than the recent past.

People

George Williams appointed Global Head of Client Support Services for Guy Carpenter

Guy Carp announced that George Williams has been appointed as Managing Director, Global Head of Client Support Services, effective immediately. In this role, Mr. Williams will be responsible for setting the strategy for Guy Carpenter's global client service organization with a focus on digital transformation and client engagement. George has over 20 years of experience in operations, product management and client service in the insurance and banking industries. Most recently, he served as Chief Operating Officer of North America General Insurance, AIG, where he led end-to-end customer process oversight for the property and casualty business in the region. He also served in several global and regional roles, including General Manager for the insurer's business in Germany, Austria and Switzerland.

George Williams

WTW appointed Susan Finbow as Global Head of FINEX Financial Institutions

Willis Towers Watson announced the appointment of Susan Finbow as Global Head of FINEX (Financial, Executive and Professional Risks) Financial Institutions. Based in Toronto, Susan will be responsible for the direction and servicing of FINEX Financial Institutions teams and client portfolios worldwide. She will oversee the development of a FINEX Financial Institutions community worldwide, will develop creative risk solutions for Willis Towers Watson clients across the FINEX product lines, and will be responsible for driving business growth. •

Susan Finbow

Recently Published

Fitch Ratings says global reinsurance sector outlook negative on coronavirus concerns

Fitch Ratings has revised its outlook for the underlying fundamentals (sector outlook) of the global reinsurance sector to ***negative from stable***. The sector outlook revision is due to increased concerns over COVID-19, the disease caused by the coronavirus, and related impacts on the credit quality of reinsurers.

Insurance & Reinsurance Laws and Regulations 2020

The ICLG to: Insurance & Reinsurance covers common issues in insurance and reinsurance laws and regulations – including regulatory authorities and procedures, (re)insurance claims, litigation – overview, litigation – procedure and arbitration – in 39 jurisdictions.

A new survey by Next Insurance, the leading digital insurtech company for small businesses, has revealed that 89 percent of small businesses expect to be negatively impacted by the COVID-19 pandemic, with 59 percent having already experienced losses. Additional findings include:

- Only 34% of small businesses believe they are adequately prepared for this crisis
- 41% of small businesses have already started cutting expenses
- 26% have already put their business completely on hold

The full survey findings can be found here along with an infographic (attached) highlighting the key findings.

Coronavirus Won't Have Material Impact on Swiss Re, Says CFO

John Dacey, chief financial officer at Swiss Re AG, discusses the impact of coronavirus on the company, the business strategy and the outlook for the business in 2020. He speaks on "Bloomberg Markets: European Open."

Source: Bloomberg, Feb 20 – Watch and listen to his presentation (5:08) HERE

IRL: This was before this outbreak was named a pandemic – it's worth reporting nonetheless.]

Pierce Wire: TRUMPERONA VIRUS

Oh, some of you are going to go after me for this one. There are a few things I need to cover. Read Jim's latest HERE

P&C insurers positioned well to weather coronavirus pandemic

Property and casualty insurers are uniquely positioned to deal with the potential impacts of the novel coronavirus. And from a claims perspective, the ongoing pandemic may even prove helpful for them to some degree. Government restrictions prompting people to stay home and avoid spreading the virus have resulted in fewer cars out on the road, which some analysts believe may equate to a decrease in accidents. Read S&P Global Market Intelligence report here.

IRL: Problem area could arise

There could be an issue, however, if the government does not require policyholders to pay their premiums at all, or forced insurers to cover things that were not initially written into their policies. In particular, there have been some efforts to have insurers pay out for business interruption policies, even though such policies normally exclude pandemics. •

Global Briefs

Global Marine – Coronavirus poses major challenges for seafarers

The imposition by authorities of travel restrictions and lockdown of cities, provinces and countries across the world is creating significant problems for crew members on cargo vessels globally, reports Intercargo. The association reminded societies and nations that, without merchant ships and seafarers, cargoes could not be transported between continents. "Dry bulk carriers remain the workhorses of international shipping, which transports approximately 90 percent of world trade, serving essential needs such as food and energy: main and minor dry bulks include cereals, grains, agricultural and forest products, as well as iron and other mineral ores, coal and fertilisers, and several other basic goods serving infrastructure for the well-being of populations", Intercargo said.

China – Non-life business of major A-share listed insurers hit harder by coronavirus

The aggregate premium income of China's five major A-share listed insurance companies stood at CNY672bn ($95bn) for the first two months of this year, a year-on-year increase of 4.33 percent. This represented a slowdown from the 7.13 percent growth in January this year, showing the extent of the impact of COVID-19 on the performance of the insurance sector.

India – Indian brokers association asks for lightening of regulations during epidemic

Indian businesses are at risk of having their insurance policies lapse during the government-mandated lockdown, which has forced many businesses to close. According to the *Times of India*, the Insurance Brokers Association of India (IBAI) has approached the Insurance Regulatory and Development Authority of India (IRDAI), to request the extension of existing policies for a minimum of 60 days by paying pro-rated premiums at the current terms and rates. The association also requested for IRDAI to relax the rule that requires insurers to have received the premium before providing cover temporarily. In order to avoid a gap in coverage, companies must pay premiums before the current policy expires.

New Zealand – ICNZ confirms insurers to help customers during New Zealand's Alert Level 4 period

firmation from the New Zealand Government that insurance is one of the identified essential services to New Zealanders during the Covid-19 Alert Level 4 period - in place from 11:59 25 March 2020. More information on essential services can be found at covid-19.govt.nz (https://covid19.govt.nz/government-actions/covid-19-alert-level/essential-businesses/), and the list of insurers and essential supply chain functions can be found on the Reserve Bank of New Zealand website (https://www.rbnz.govt.nz/news/2020/03/covid19-level-4-essential-services-financial-sector).

Nigeria – Port congestion worsens

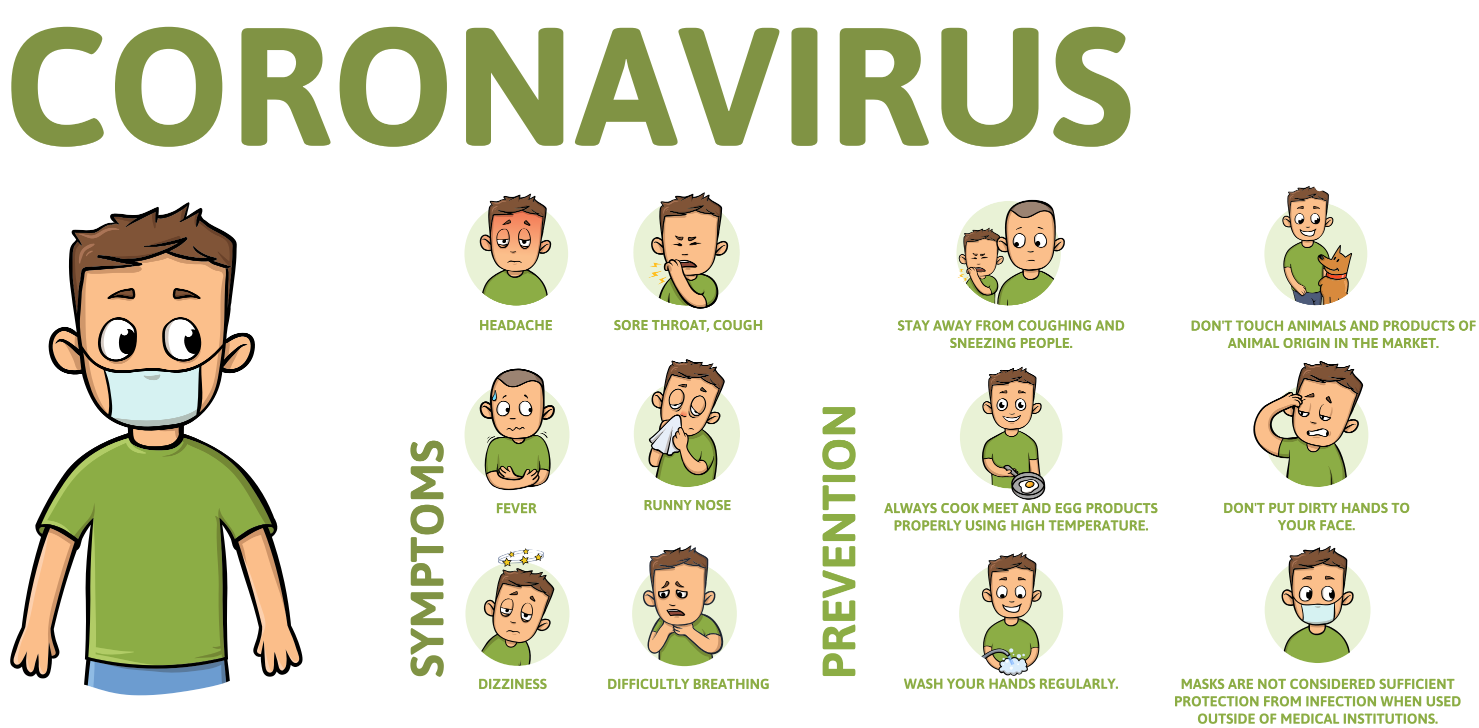
There were indications that vessel congestion at Lagos ports would worsen as a result of the Nigeria Customs Service (NCS) banning the use of barges to convey containers in and out of the ports. Barges had been introduced by the Nigerian Ports Authority (NPA) to reduce congestion at the ports, and this appeared to have had some impact. Waiting periods in Lagos anchorage can now exceed one month. The NCS has said that it was in receipt of intelligence that the use of barges to evacuate containers in and out of our ports was being abused, with containers being diverted to illegal warehouses.

Poland – PZU will hand over 200 cars to medical services to help fight against coronavirus

PZU will hand over two hundred cars to medical services that deal with patients suspected of coronavirus infection. Fast and efficient transport is needed, among others to carry test samples from people in home quarantine. This is another PZU initiative in the fight against coronavirus. In connection with the epidemic, PZU allocated over six million zlotys (~EUR 1.4 million) for the purchase of medical equipment, personal protective equipment and sanitary materials for hospitals.

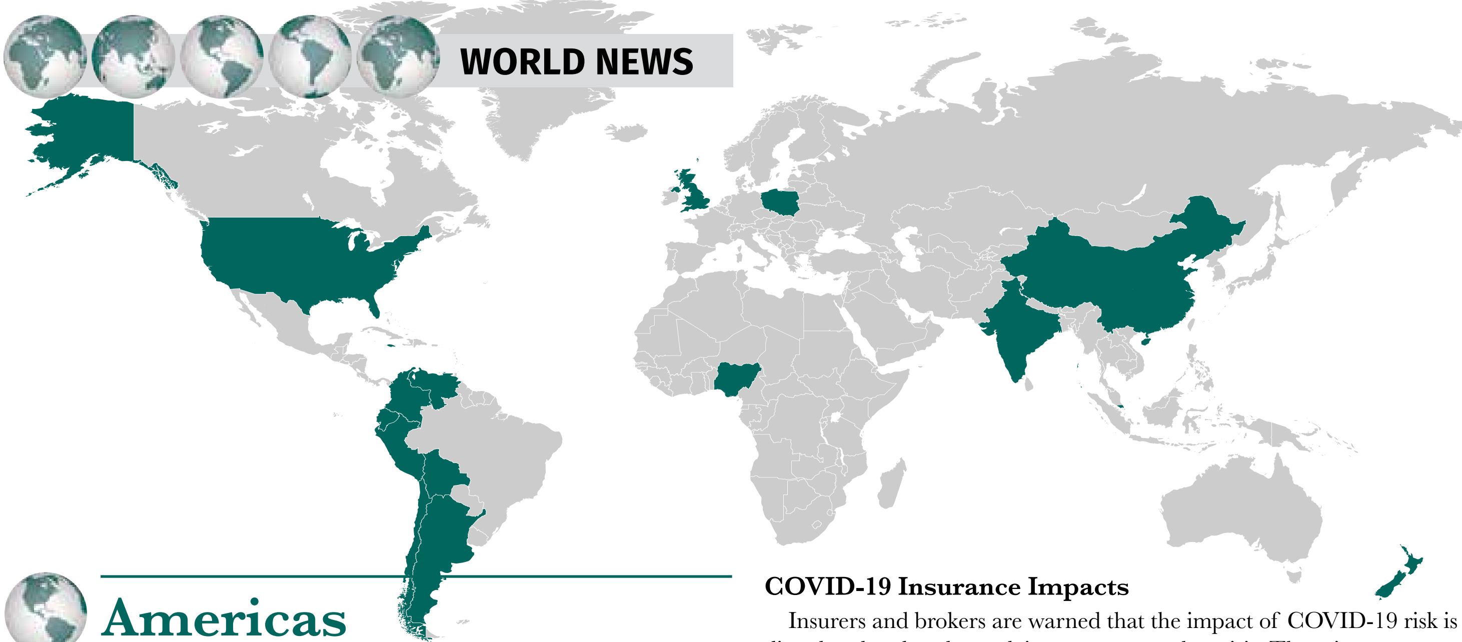
Singapore – General insurance market sees underwriting loss in 2019

The general insurance market in Singapore recorded an underwriting loss of S$28m ($19.4m) last year, compared to an underwriting profit of S$36m in 2018, according to the General Insurance Association of Singapore (GIA). The main reason for the underwriting loss was a 12.2 percent rise in total claims to $159m •



World News: Americas

WORLD NEWS



Americas

LATIN AMERICA

COVID-19 will test insurance industry's resilience in the Andean Region

By Idan Cabello

Introduction

Coronavirus infections in the Andean Region will continue to spread for the coming weeks and months. It's clearer than few weeks ago that this situation is going to get worse before it gets better, and we are going to be living under coronavirus quarantine based on looking at historical data and regulating it to fit future scenarios.

The Andean Region will face lower revenues as prices of various commodities fall, but also because the reduction in key agricultural exports, and the manufacturing slowdown that will spreads to service.

Country Situation

The Andean region has had time to implement prevention and mitigation measures. The distance from Asia and Europe, allowed governments to save time.

Governments in the region are taking a wide range of measures (from preventive to reactive) against the new coronavirus. Although necessary, this will decrease economic activity in many sectors for at least the second half of 2020, with a rebound once the epidemic is contained.

COVID-19 Insurance Impacts

Insurers and brokers are warned that the impact of COVID-19 risk is directly related to the evolving response to the crisis. These insurance coverages are currently being impacted:

A. Workers' Compensation Coverage

Nonessential businesses have been forced to close immediately due to the COVID-19, this lead to a drop of the frequency of claims. However, there will be a large increase in the number of claims arising from:

- Injuries and claims associated with remote employees.
- Health-care workers since they are putting themselves at high risk from COVID-2019 and mental illness.
- Essential activities conditions are pushing teams to work under pressure during this emergency.
- Police and other first responders.

B. Business Interruption Coverage

This coverage is generally triggered where there is direct physical loss or damage to the business' property. Therefore, is usually provided in combination with property insurance. In addition, most of insurance policies contain language that expressly excludes coverage for business interruption caused by contamination because of viruses or bacteria.

However, if the building (surface) is contaminated by an infected personal or animal, those circumstances may trigger coverage depending on how long the novel coronavirus survives on a determined surface. This will lead to a wide discussion of the policy language.

C. Cyber Risk

With employees working remotely, an increasing in the number of hackers targeting workers that are new to telecommuting is attended.

Note 1: For reference, the indicator for Italy, USA, UK and Chile are 1333, 258, 172 and 56 respectively.
Note 2: Source https://www.ghsindex.org/

COUNTRY	CONFIRMED CASE PER ONE MILLION PEOPLE (MARCH 26TH) SEE NOTE 1	GOVERNMENT RESPONSE – NATIONAL EMERGENCY / QUARANTINE (DAYS SINCE THE FIRST CONFIRMED CASE OF COVID-19)	GLOBAL HEALTH SECURITY INDEX GLOBAL RANK - INDEX SEE NOTE 2
Venezuela	4	3	Not evaluated
Colombia	10	18	65 - 44.2
Ecuador	80	17	45 - 50.1
Peru	15	9	49 - 49.2
Bolivia	5	11	Not evaluated
Chile	68	Progressive	27 - 58.3
Argentina	13	16	25 - 58.6

The Global Health Security (GHS) Index is a comprehensive assessment of health security and related capabilities across 195 countries. This benchmarking is organized across six categories (Prevention, Detection and Reporting, Rapid Response, Health System, Compliance with International Norms, Risk Environment).

Now, with everyone focused on the COVID-19 pandemic and how its impact will hit some countries harder than others, people are getting a lot of information and theories at a time where crisis is generating stress in the population and it has an influence at every stage of our decision-making process.

Final Thoughts

Insurers sometimes set their rates annually and payroll and insured values will decrease significantly. That's why insurance rates should be adjusted at renewal even if that means lower premiums collected so the financial consequence to policyholders will be limited.

Insurers and brokers must contribute to build confidence in the insurance market in response to this unprecedented market conditions that are impacting the most vulnerable groups of our society.

Insurers are currently receiving claims resulting from COVID-19 consequences and the restrictions imposed in each country. In these times of critical uncertainties, Risk Management and Claims departments will provide useful advice to clients. Then, business owners will certainly evaluate the relationship with their broker in order to protect their employees and businesses.

Smart Technology Driver for the Motor Insurance Industry in LatAm

Interview by Idan Cabello

Interviewed: **Antonio Morales**, CEO LOCATION WORLD - ECUADOR

The evolution driven by user demand is clear and nowadays drivers are gradually more interested in reducing the likelihood of an accident and being rewarded with a better insurance premium. While risk takers want to better manage and price the risk inherent in their contracts.

Usage based insurance (UBI) experiences can help to do both by providing a better way to assess risk and offer additional benefits such as crash assistance, discounts on an oil-change with a preferred partner and roadside assistance discounts.

Although Latin America encompasses more than 30 countries, in this issue we will focus on the outlook of the six largest countries in Latin America: Mexico, Colombia, Peru, Chile, Brazil and Argentina.

1. Insurance concentration still the norm in many countries in LATAM and creates fewer choices, and this lack of competition led to increased costs and reduced coverage, Insurance Research Letter reported it last year. In your opinion:

Why Are Latin Americans Still Underinsured?

Antonio Morales

There are several cultural, social and public policy conditions that make the vehicle insurance market in LATAM not developed like the US or Europe.

In LATAM there are several countries such as Mexico and Ecuador, which do not yet have mandatory vehicle insurance, although the contribution of mandatory insurance in more regulated and mature countries such as Colombia, Peru and Brazil, represent 41 percent, 23% percent and 8 percent respectively.

It should be noted that auto-insurance accounts for a quarter of total premiums and 29.2 percent of total claims paid in the region where we also find a fleet of more than 230MM vehicles, where more than 25 percent correspond to motorcycles, which are the cause of 50 percent of fatal accidents.

On the other hand, the low digitalization of insurance and the low capillarity of financial services mean that channels such as banks (Bancasurance) do not reach all segments of the population.

Data taken from the Movernos Seguros study prepared by IDB-2019.

2. Many trends such as Telematics, Mobility and Connected Cars are creating the perfect storm for further disruption in the insurance sector. We must ask ourselves:

Can you tell us about the progress that regulation is making to address this issue?

Antonio Morales

Although the trend of connected cars from the factory is already a reality in several OEMs in the US, Asia and Europe, in LATAM things are different. First, because vehicles do not leave the factory connected, that is, a small portion are connected through telematics devices with external modules installations, mainly driven by UBI (Usage Based Insurance) programs promoted by specific insurance carriers, especially in markets such as Argentina, Mexico, Ecuador, Peru, Chile and Brazil. Regulators are very late in understanding the dynamics of these types of programs (UBI) and the impact on risk selection, pricing and service models (claim management). However, countries like Argentina or Mexico are working on a Sandbox for this type of projects, with a collaborative approach.

3. Insurers are often reminded that it's challenging keeping their clients loyal. Especially, motor insurance is a very competitive market where pricing is not the sole benefit insurers are seeing to remain on top. Given that less than 30 percent of LATAM car owners have insurance, we must ask ourselves:

How can smart technology help on reducing such finanical exposure?

Antonio Morales

Clearly, technology can help increase the penetration of car insurance, mainly in the following ways:

- Apification: Ability for an insurer to provide alternatives to increase access to insurance by opening its core-platforms to: agents, retail, bancassurance and insurtechs, so they can create new value propositions, compete and reach more segments of the population.
- Use the car data to develop rear Business Models type: PAYD = Pay as you Drive, PHYD = Pay How You Drive, PHYS = Pay How You Speed, and TBYB = Try Before You Buy.
- Use artificial intelligence to automate Claim Management processes, generate a better experience and service transparency, and at the same time reduce fraud.

At the end, technology like telematics and data analytics is a tool to generate a better Lost Ratio with a new value proposition.

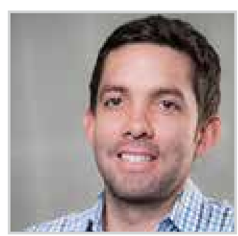
4. Large companies are becoming more comfortable with new technologies and are more open to forming partnerships with InsurTechs.

What advice would you give to insurers as they face the reconfiguration of the innovation ecosystem?

Antonio Morales

The incumbent insurers must re-invent themselves by changing the focus of the business towards the user (user centric) and leaving the comfort zone in terms of product, distribution channels, and risk selection.

Insurers must work more closely with Insurtechs (more tech focus than insurance focus), unlearn from the past methodologies, and learn to work in an agile and collaborative way, where they can make co-investments, open their APIs and explore new business models. •



Antonio Morales
Smart Technology Driver for the Motor Insurance Industry in LatAm

Antonio is a serial entrepreneur in digital business in LATAM. After several years of experience in the corporate world in companies such as Telefónica and Coca-Cola, he co-founded start-ups such as Location-World with SaaS products like fleet management and connected car platform CarSync (www.carsync.com) and participated in innovative projects such as Waze (www.waze.com), when he was the Growth Leader for LATAM markets at an early stage period. Now Antonio is managing a new venture in Spain in the insurance industry (InsurTech) to disrupt the insurance value chain. Antonio has an MBA from the IDE Business School in agreement with the IESE Business School in Spain, and several specialization programs in the digital field, also he is a mentor and Endeavor entrepreneur. LinkedIn: https://www.linkedin.com/in/antoniomorales/

UNITED STATES

COVID Infects TECH

By Marci De Vries-Todtz

My how things change. In an eyeblink, the social media and tele-work sector went from being perceived Privacy and Information Vampires to the salvation of business and quarantined individuals. Just one pandemic and suddenly you see who your real friends are.

In all seriousness, the telework industry leapt ahead ten years in the space of a week with forced school, office building, public space and other closures. For the technologists behind the scenes it was a natural disaster of technical requirements. "Cloud meeting" platforms like Zoom, posted huge increases in traffic. According to CNBC, "Employees on Zoom's engineering operations team have been adding servers and other equipment inside every one of the company's 17 data center locations. Two more [data centers] were planned to go online within a week or two." https://www.cnbc.com/2020/03/18/zoom-cfo-explains-how-the-company-is-grappling-with-increased-demand.html

Facebook is helping isolated workers stay in touch, showing 50 percent increased usage in its messaging platform and 100 PERCENT increase in video calling, and neither of these services is monetized within Facebook. https://www.theverge.com/2020/3/24/21193094/facebook-coronavirus-covid-19-messaging-service-reliable-strain-outages This means Facebook is scaling up for usage that doesn't generate revenue, meanwhile their tech teams are also trying to figure out how to transition Facebook's own in-office staff to telecommuting.

And don't forget Slack – According to Marketwatch, Slack CEO Stewart Butterfield said, "the more "real" the pandemic got, the more companies and individuals began signing up for Slack. Butterfield noted that on Tuesday, March 10, Slack hit 10 million simultaneously connected users; that's up from 1 million in October 2015. Less than a week later, it hit 11 million. As of Wednesday night, it was counting 12.5 million simultaneously connected users."

The technologists responsible for keeping these platforms up and running deserve a parade. This is very, very hard work that was done 'in real time' with no idea what kind of numbers would be on the other end of the usage spike.

The other side of the coin is this: with all these novel users in the telecommuting space, a lot of critical data is at risk of being lost or compromised.

Because the telecommuting change was made "overnight" (literally, in many cases), corners may have been cut in the way companies archive data as it flows between teams and customers. We also have thousands of users who are not accustomed to using these platforms, and therefore might miss out on critical archiving protocols. Add these factors together and the possibility for loss of critical communication about deliverables, payment schedules, and work product somewhere in the ether between email, slack, Zoom and Facebook chat seems like a real possibility. This proliferation of data platforms has been a main driver of quashed telework programs in the past.

We also see risk in the simple fact that several new data centers and work platform setups were done in a heartbeat. Companies can anticipate data privacy issues in the next six months due to configuration mistakes may have crept into the setup. When you're building new systems that fast it's practically unavoidable.

However, now that telework is necessary, we are all eager to see how information usage and capture is reshaped in this new business landscape. My sincere hope is that all goes smoothly, and employees now have a whole new option for work/life balance available to them.

And in the meantime, consider sending a pizza to your data architects and network engineers. They could use a little recognition right now.

Insureds Likely Face Uphill Battle in Seeking Coverage for Coronavirus Losses

By Peter E. Kanaris, Scott M. Seaman, Judith A. Selby

As the coronavirus, COVID-19, continues to spread, organizations around the globe are facing mounting business disruptions and economic losses. Some of these entities may seek coverage for these losses under a variety of insurance policies. Coverage under any form will depend, of course, on the facts of the claim, policy wordings, and the applicable law. Here, we highlight some policy wordings insurers should keep in mind when evaluating coronavirus-related claims under various coverage forms.

It is highly unlikely that a coronavirus claim would be covered under a named peril property insurance policy, but insurers may receive business interruption and contingent business interruption claims under all-risk property forms. Those coverages, however, do not come into play in the absence of direct physical loss or damage to property. Insurers should also consider whether the policy contains a contamination or other similar exclusion. Coverage for lost income or profits should be examined under a Civil Authority or Ingress/Egress coverage extension, if applicable. (See below)

As businesses continue to experience economic losses related to the coronavirus, allegations that directors and officers did not properly plan for, manage, or disclose coronavirus-related risks may emerge. Coverage for such claims under D&O forms, however, may be precluded by bodily injury and conduct exclusions. Commercial general liability policies may contain exclusions applicable to both Coverage A and Coverage B for claims arising out of communicable disease. Pollution and other exclusions should also be examined.

Coverage for business income losses under a Communicable Disease Endorsement typically will require the actual, not suspected, presence of a communicable disease at an insured location and a mandatory governmental order. Coverage under a Civil Authority coverage enhancement will likely require off-premise property damage, as well as a civil authority order. An Ingress/Egress coverage enhancement may not require an act of a civil authority, but physical loss or damage caused by a covered peril to property that prevents or hinders ingress to or egress from the insured's business will be required. Supply Chain coverage is triggered by business interruption resulting from a disruption or delay in the receipt of products, components, or services from only a named supplier or supply. Physical damage may not be required, but the relevant suppliers and supplies must be scheduled, unless the form provides blanket coverage. In either case, coverage may be subject to a communicable disease exclusion.

Event Cancellation policies may contain an express coronavirus exclusion[1] and/or a communicable disease exclusion. In addition, coverage may be excluded for any voluntary cancellations. Compliance with the policy's notice provision—which typically requires prompt notice following discovery of any event likely to give rise to a claim—should be carefully considered in light of the well-publicized impacts of the coronavirus. Event Cancellation policies also typically contain a mitigation requirement, which may be relevant in certain circumstances.

Final Thoughts

In view of the potential large losses, companies may aggressively seek coverage under these and a wide variety of additional policy forms such as travel, workers compensation, and errors and omissions policies. Of course, coverage under any specific policy form may be barred by certain policy terms, conditions, and exclusions. Please contact the authors to discuss coverage issues that might arise in relation to coronavirus claims.

[1] Some carriers introduced coronavirus exclusions in January 2020.

NYDFS Instructs Insurers to Provide Explanations of Coverage for COVID-19 Losses

By Scott M. Seaman and Judith A. Selby

In light of anticipated losses arising from the outbreak of COVID-19, the coronavirus, New York State's Department of Financial Services (NYDFS) has instructed property/casualty insurers to prepare explanations for their policyholders concerning "commercial property insurance" written in New York that might be implicated by coronavirus-related losses. NYDFS considers commercial property insurance to include business owners, commercial multiple peril, and specialized multiple peril policies, along with substantially similar insurance.

Insurers are required to provide each policyholder a detailed explanation for each policy type, including business interruption, contingent business interruption, civil authority, and supply chain coverage, and explain whether those coverages are implicated by a contamination-related pandemic. Insurers are specifically required to explain what types of damage or loss constitutes "physical loss or damage" under various policy forms and to describe the workings of applicable waiting periods. The explanation should be clear and concise, suitable for policyholder review, and provided to NYDFS by March 18, 2020.

NYDFS acknowledges that the coverages implicated by COVID-19 may change as the situation evolves, but noted that it considers insurers' "obligations to policyholders a heightened priority." NYDFS also stated that it is important for insurers "to continue to assist policyholders with the [required] information as developments concerning COVID-19 unfold."

Insurers are urged to carefully consider their analyses and explanations of coverage issues in light of the exact policy wordings at issue—as well as the relevant facts and applicable law—and to be mindful of potential long-term ramifications.

Hinshaw is well-positioned to assist insurers in their review of the NYDFS's instructions and the preparation of these important coverage explanations. Please contact the authors for assistance.

Many Liability Insurance Policies May Provide Coverage for Losses from Coronavirus

By Daniel J. Healy, Stephen D. Palley and Rhonda D. Orin

As the Coronavirus losses mount, a burning question for many businesses concerns the insurance coverage available to ease these losses. Insurance companies can be expected to push back, disclaim coverage and point to exclusions. But coverage exists for various forms of loss from this pandemic. A review of typical insurance policies held by businesses shows that coverage in multiple lines should be investigated. And as the government and public response continues to unfold, coverage terms should be revisited.

Most articles and guidance from coverage lawyers right now concern property coverage. That coverage is important. However, liability coverage will likely loom large somewhat later as individuals and businesses look to shift their losses by making claims against others.

Liability Policies May Be Increasingly Important Over the Long Run

Many businesses will face claims involving infection, exposure and COVID-19-related losses. Some property owners and other businesses operating in various locations may not shut down or will only shut down after there is a COVID-19 infection associated with their property or operations. Claims based on exposure to COVID-19, or allegations thereof, may allege bodily injury or property damage.

Typical coverage terms are for "all sums" a business owes for damages from bodily injury or property damage. Certainly, sickness from COVID-19 would be a bodily injury. While some policies contain exclusions for communicable or transmitted disease, other policies contain coverage extensions expressly for such disease. Policies with these types of provisions need to be read carefully. They may provide coverage, not exclude coverage or, in some cases, exclude coverage. If a tower of coverage is involved, that puts more variations in play.

Insurance companies will point to exclusions, including those for mold, bacteria and pollutants. Courts have limited the application of these exclusions and held they not apply in various situations, however. Depending on policy language such exclusions may well not preclude coverage for COVID-19 losses. For example, courts have held that Legionnaires' disease was not excluded by pollution exclusions.

Policyholders should be prepared to demonstrate the harm caused by COVID-19. Skeptical insurance companies in post-loss scenarios may argue that COVID-19 could not have caused physical damage to property. But the same policies often cover liability stemming from air quality issues at a property.

Additional Layers of Claims

As claims progress, professional liability and E&O policies may be relevant. Such policies may exclude coverage for bodily injury that is better suited for general liability policies, but they may provide coverage for economic loss suffered from advice, consultation or services provided relating to a COVID-19 response.

Many businesses are engaged in active responses to the COVID-19 outbreak. Some will suffer losses traceable to steps taken. Loss and liability from the virus that can be tied to those steps may fall under such coverage. Even if claims prove meritless in the end, defense and litigation costs are important coverages to have.respond when seeking coverage for losses relating to COVID-19 and be prepared to resist defenses against coverage that their own analysis deems invalid.

For businesses that suffer losses, shareholders, investors and other claimants may make claims that fall under D&O policies. Some companies will suffer worse effects from the COVID-19 outbreak and some may not survive the economic downturn associated with the outbreak. Enforced social distancing precautions have more severe effects on certain types of businesses, such as airlines and hotels. Shareholders may believe that management took wrong steps or should have taken different steps to mitigate loss. Lawsuits based on such claims may be covered by D&O policies. Responsive coverage could include coverage for claims for alleged breaches of management's duties.

Conclusion

The viability of coverage for liability stemming from the COVID-19 will be fact-specific and dependent on the particular terms of the policy in question. Policyholders should carefully analyze all policies that may respond when seeking coverage for losses relating to COVID-19 and be prepared to resist defenses against coverage that their own analysis deems invalid. •

1 Westport Insurance Corp. v. VN Hotel Group, LLC, 761 F. Supp. 2d 1337, 1343-44 (M.D. Fla. 2010), aff'd, 513 Fed. Appx. 927 (11th Cir. 2013) (finding that neither a pollution exclusion nor a mold/bacteria exclusion excluded coverage for losses from Legionnaires' Disease).

2 *Essex Ins. Co. v. BloomSouth Flooring Corp.*, 562 F.3d 399 (1st Cir. 2009).

Europe

UNITED KINGDOM

COVID-19: Insurance sector shares the burden of Coronavirus impacts

By David Worsfold

It is a global pandemic, the like of which none of us has ever seen. It impacts every person, every family, every business, every sector of the economy and every country. It has dislocated every aspect of normal life and the insurance industry is no exception.

It is having to make decisions that have profound impacts on the lives of individuals and the financial security of businesses without any experience of expertise to fall back on. The UK insurance sector has found this an enormous challenge so far. It hasn't always been helped by the British government's stumbling responses to the crisis with many inevitable decisions delayed for no obvious good reason.

It has been hit with massive claims from travel insurance with initial estimates already pushing towards £300m, way beyond anything that it has ever had to deal with in the past. The delays in the UK government clarifying its advice on where to travel did not help and prompted many insurers to stop selling travel insurance altogether.

This is just a taste of the challenges to come. Class-by-class insurers will have to evaluate the risks they have underwritten, calculate their liabilities and exposures. Often they will have to do this against a legacy of policy wordings that were simply never designed to cope with a global pandemic.

The contingency market is going to be badly hit, especially those insuring major events such as the Olympics. There will be complex issues of liability thrown up as events large and small are cancelled. Many policies will be clear on the cause needing to be governmental action, others may be less clear. Large events with complex relationships with venues and a range of suppliers, as well as multi-million pound revenues from a variety of sources, will be fertile ground for disputes as the claims mount up.

UK commercial insurers were caught out by the shut down of businesses, especially in the leisure and hospitality sector. It unleashed a barrage of hostile headlines about the way insurers were treating small businesses over their business interruption cover. We knew the time would come when we would have to start shutting down a wide range of normal activities and that the travel, hospitality and leisure sectors would face enormous jeopardy. But there was no evidence of insurers pro-actively explaining how business interruption cover worked or how they would try to support policyholders. These would not have been easy conversations because for most policyholders the news is not good but to run away from those conversations just invited the negative headlines.

Instead its response was leaden-footed, clumsy, almost insensitive and seemingly divorced from the grim realities many policyholders were grappling with.

The government did not help. Too many of its announcements have not been backed up with the detail needed to make sense of them until days later. The advisory shut down of pubs, clubs and restaurants was just one example. It took a day for the Chancellor of the Exchequer, Rishi Sunak, to even acknowledge there might be a problem with business interruption cover. He should have known and addressed that up front.

Elsewhere the market is having to get used to operating in a very different way, especially Lloyd's and the London Insurance Market where electronic placement is a work in progress rather than a deeply embedded reality.

Lloyd's closed its underwriting floor in advance of the wider government-mandated shutdown of non-essential businesses. It has left some people with a major challenge as only around 70 percent of the cover is currently being placed electronically.

This has not gone unnoticed by the ratings agencies. Fitch has been quick to downgrade the entire London specialty market from stable to negative as a result.

The pressures on the entire industry will come in many forms as one very experienced analyst, Dr Bob Swarup of Camdor Global Advisers, commented:

"This is a rare double whammy for the general insurance and specialty lines market. They will have significant claims, the prospect of extended litigation as people argue over force majeure clauses, and a hit to the asset side as spreads have blown out. The danger is of a steady attrition across lines and a steady bleed across asset classes, all aggregating into a significant balance sheet hit at the top level."

The pressure on the investment side cannot be underestimated. All asset classes are extremely volatile with many suffering huge depreciation. Insurers already operating on tight margins are going to feel the pain and they will not be high in the thoughts of governments when it comes to post-crisis bail-outs of the sectors of the economy most damaged during the pandemic.

Many lines are going to see significant uplifts in claims just at a time when their asset values are being savaged. Solvency margins will be down to the bare bones.

Brokers will become risk adverse and as a consequence there is likely to be a flight to quality. They will not take risks with their clients' businesses, many of which will be in a parlous state at the end of this. Blue-chip, top-rated insurers will be first and foremost in their thoughts.

Coronavirus and developments in the UK

By George Worsley

By the middle of March, the novel coronavirus (COVID-19) was making a serious impact on insurance in the UK. Before that, events in China had been viewed with concern and when it started looking bad in Italy, one or two companies in London started to get nervous.

Once Italy closed major regions in the north of the country on the 9th March, several carriers closed their offices in the City and staff began working from home.

On the 13th March, Lloyd's closed the Underwriting Room to test procedures and at 4 pm on the 19th March, the Underwriting Room was closed indefinitely and that decision will be reviewed on a weekly basis.

The Lloyd's Market Association (LMA) had closed its office from the 17th March and it will remain that way until the end of March.

Other carriers, agents, brokers, experts, consultants, etc have since sent their staff to work from home. Footfall throughout the City has dwindled considerably; no-one had ever thought it would resemble a ghost-town but that is now the case.

Working from home has become the norm but despite the pleas and advice from the Prime Minister for people to stay away from pubs and restaurants, the hospitality industry has not yet taken the hit people anticipated.

Surprisingly in this day and age many firms have not taken out Business Interruption insurance. They will be unfortunate losers. Those who did have B I insurance were being told that their policies would only pay loss of income claims where that loss was caused by insured perils such as Fire. That message changed on the 18th March, when the UK government confirmed its advice to avoid social venues now satisfies the forced closure requirements to make a claim on Business Interruption insurance policies.

Similarly, UK insurers have put an end to selling would-be holidaymakers travel protection while reports had suggested some firms are seeking to have the coronavirus deemed an "act of God" in order to avoid pay-outs. That piece of news came out on the 16th March and on the 19th March, the Bank of England's Financial Conduct Authority (FCA) said it expects general insurers to act openly, fairly and flexibly when processing travel, motor, home and medical claims as well as communicating clearly any coronavirus-related policy suspensions and exclusions.

Prime Minister Boris Johnson has been providing informative daily briefings. Developments with the spread and effects of the virus are changing all the time and, to his credit, advice he gave one day is rescinded a day later when he has more news and information and he alters his advice to the nation.

At the time of writing, the UK has not followed Belgium, France and the Netherlands with some of their measures such as closing Hospitality venues and restricting movement of people. Mr Johnson has said, however, if steps are necessary to reduce the spread of the coronavirus, his government will not baulk at that challenge.

It is difficult to say what will be happening next but insurers will be reviewing loss scenarios and trying to gauge the extent of their exposure to claims.

EU liabilities for Firms Post-Brexit

By David Coupe and Ian D'Castro

With the UK's formal departure from the European Union set for 31 December 2020 (the end of the transition period), the PRA has recently sent out a letter to insurers reminding them to have contingency plans in place to ensure they can service their EU liabilities post-Brexit.

The letter reminds insurers that they should have conducted a thorough analysis of their run-off business profile. While some firms may intend to rely on EU run-off regimes to do this, if they can, other firms may seek to rely on the Part VII transfer regime to transfer a book of business to an authorised entity inside the EU, but there is no guarantee that any Part VII transfer will be sanctioned by the UK Court, or that it will be sanctioned within the insurers' intended timeframes. Typically, Part VII transfers are both expensive and time consuming!

Post-Brexit, the risk that insurers face is that a book of business that was written legally on a passporting basis, suddenly becomes unserviceable without a licence. An additional concern is that there is currently no alternative mechanism for commencing transfers of business between EU and UK entities post-Brexit.

The message to insurers is clear – they should reach out to relevant EU authorities to ensure contingency plans are acceptable to them. Post-Brexit structuring requirements and contingency plans should also be at forefront of the minds of brokers and MGAs.

EIOPA

In February 2019, the European Insurance and Occupational Pensions Authority (EIOPA) issued recommendations for the insurance sector in light of the UK withdrawing from the EU. Guidance from EIOPA is not legally binding, and its primary objective is that management of cross-border business should aim to minimise detriment to policyholders. However, there are a number of variations arising between the different EU jurisdictions regarding registration requirements for firms seeking to rely on transitional relief, and requirements regarding notification to policyholders.

The implications of EIOPA's ruling is that brokers will not be able to carry on distribution activities for EU policyholders seeking cover for EU risks, unless they have established and registered an entity in the EU by 31 December 2020. As a result, many UK intermediaries have established, or are planning to establish an EU-authorised intermediary with a UK branch, which is known as reverse branching. However, setting up a subsidiary in Europe may take longer than expected, depending on the jurisdiction, and costs may be prohibitive, so alternative structures such as the "protected cell structure" are becoming more attractive.

Lloyd's Brussels

Lloyd's Brussels has also announced that it has a regulatory obligation to ensure its distribution network is compliant, so brokers need to satisfy Lloyd's Brussels that they are authorised in an EEA country, if they want to continue to place EU business with Lloyd's Brussels.

Some MGAs may take the view that if the insurers have discussed contingency plans concerning residual liabilities post-Brexit with the relevant EU regulator, there is not much more for them to do. However, it is advisable that MGAs should certainly be reaching out to their capacity providers if only to clarify what plans they have in place for dealing with their residual liability of EU risks, and contacting policyholders.

There may be regulatory obligations on MGAs which need to be planned for now, ready for implementation prior to 31 December 2020. In anticipation, Belgium has introduced a new category of insurance agent to help MGAs to carry out business.

If you would like advice on how to continue to service existing EEA policies post-Brexit please contact Ian D'Castro or David Coupe (see Contributors for contact info). •

The Back Page

Quotes

"When fishermen cannot go to sea, they repair nets."

~ **unknown**

"The public health order is not an advisory. It is a mandate. If you violate it, you are subject to a fine of $500. If you continue to violate it, you will be subject to arrest."

~ **Interim Chicago Police Superintendent Charlie Beck**

"It's not just that we're slowing down things. We're actually hitting the pause button, and there is no precedent, there is no mold for that."

~ **Diane Swonk, chief economist at Grant Thornton**

"A bad attitude is like a flat tire; you can't go anywhere until you change it."

~ **unknown**

Working from home...

Of Interest

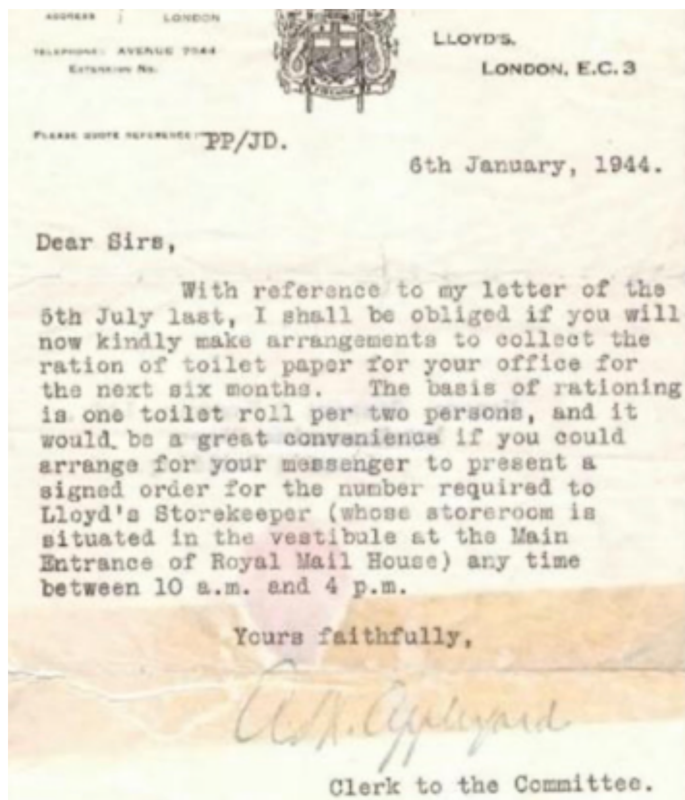
April 15, 2020 Income Tax Day with a laugh

Every year on April 15 in the United States income taxes are due. This year may be different as the U.S. Government has delayed this as a consequence of the Coronavirus but nonetheless, it can be a stressful time for some so a little humor is in order. Here is a tax-related skit from The Honeymooners – Comedy doesn't get better than this:

"One skinny chicken...or tax", The Honeymooners' "Worry Wart" aka "tax" episode

https://www.youtube.com/watch?v=jqB-Uklz2bo

COVID-19 and the run on toilet paper had me scratching my head...history seems to be repeating itself



LLOYD'S.
LONDON, E.C.3

PP/JD.

6th January, 1944.

Dear Sirs,

With reference to my letter of the 5th July last, I shall be obliged if you will now kindly make arrangements to collect the ration of toilet paper for your office for the next six months. The basis of rationing is one toilet roll per two persons, and it would be a great convenience if you could arrange for your messenger to present a signed order for the number required to Lloyd's Storekeeper (whose storeroom is situated in the vestibule at the Main Entrance of Royal Mail House) any time between 10 a.m. and 4 p.m.

Yours faithfully,

Clerk to the Committee.

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