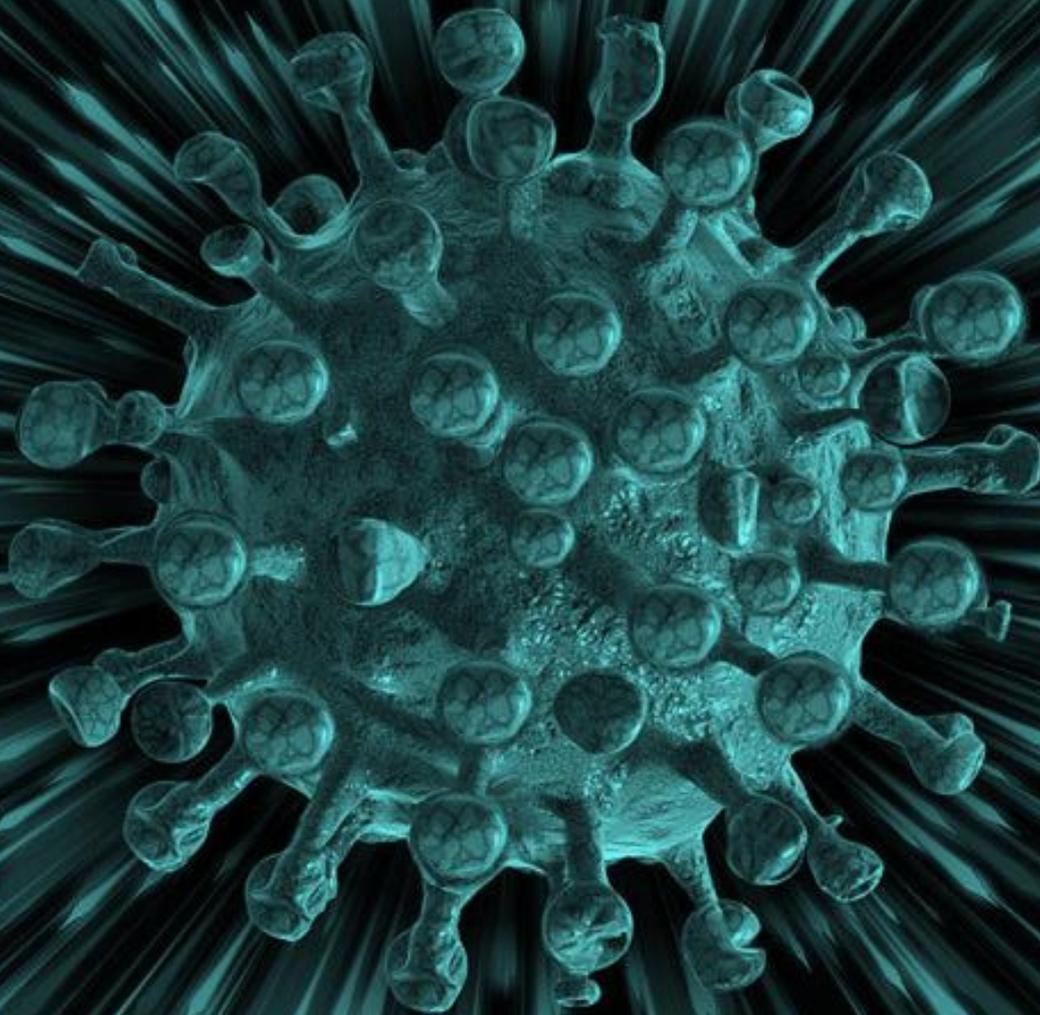


COVID-19 Newsletter

Edition 9

26th May 2020



Beach

SEE FURTHER

General Outlook

The World Economic Forum has released its preliminary mapping document regarding the risk outlook from COVID-19. The report taps into 350 senior risk professionals and asks them to look at the next 18 months to rank their concerns. Top of the rankings – prolonged recession of the global economy. Consensus seems to be forming that economic recovery from the impacts of the Coronavirus outbreak will not track to the prophesied v-shaped rebound. US Federal Reserve Chairman Jerome Powell warned that economic recovery might not take hold fully until the end of 2021, meaning more of a ‘swoosh’ progression. The gradient of said swoosh will be predominantly decided by the vaccine development timeline.

So, what lies at the end of the swoosh for the insurance industry? A number of senior figures have begun pointing towards an environment of opportunity for new capital to enter the insurance market once the viral dust has settled. This may be in the form of fledgling companies, or the acquisition of distressed incumbents. Historically, conditions have been most opportune for new entities following loss events that are broad in their impact. The Coronavirus outbreak will take its toll across a number of lines of business and indeed on the investment portfolios of insurers, which may lead some to seek a way out. C-suites remain wary given the significant uncertainty of the road ahead, such unknowns lead to significant enhancements to deal complexity and valuation. Many may choose to stick to their knitting, at least in the short to midterm.

Business Interrupted

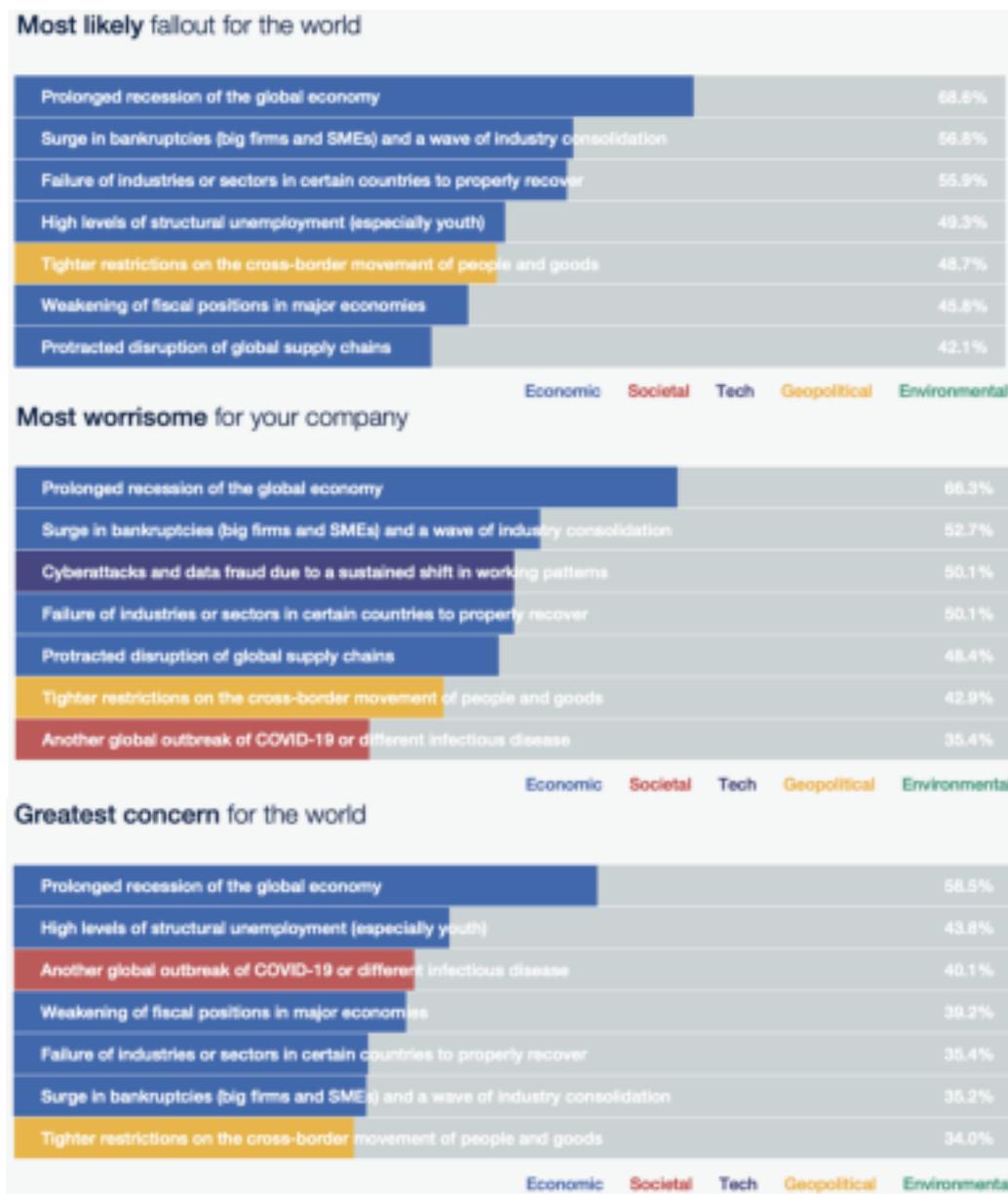
The Hiscox Action Group has kicked up a gear, having been given the green light to begin legal proceedings this week. This comes as the UK Financial Conduct Authority continue to take inputs for their High Court test case, with their focus directed towards details of policies that are thought to have not responded to the scenario as expected. As such, the target is to help insureds who feel their product is not responding as they had hoped. Interestingly, the ABI are readying themselves to lobby the government to release £1bn in reserve funds from Pool Re to aid with COVID-19 payments. We unpick this all in more detail later.

So it Begins

Tropical Storm Arthur formed late last week, making it the first named storm of the 2020 Atlantic hurricane season. On the forecast track, Arthur is expected to move near or just east of the coast of North Carolina on Monday. Tropical storm warnings have been issued for parts of the North Carolina coast. It is a rare circumstance that the hurricane season will play second fiddle to another loss event in the same year. It will be closely watched by all, and perhaps presents a pure exemplification of the industry’s societal value.

The Beach 2020 Hurricane Season Report is due out shortly providing more in depth analysis on this matter. If you would like to receive a copy of this report and other Beach Hurricane notifications please contact a member of the Beach team and they will ensure you are included.

The following graphics display the results from the World Economic forum report¹ on the greatest concerns facing 350 senior risk professionals.



Our intro has been a little morbid this week, so now for a booster shot of good news. Thailand’s rare sea turtles are having a baby boom through the pandemic. International travel restrictions have meant that beaches have been left clear of tourists and open for nesting. Authorities in Phuket have found 11 leatherback turtle (the world’s largest turtle) nests, the highest number for 20 years – this comes after 5 years of no nests being found.

¹ Source: http://www3.weforum.org/docs/WEF_COVID_19_Risks_Outlook_Special_Edition_Pages.pdf

Business Interruption Update

As time goes on it begins to become clearer how firms are treating business interruption claims arising as a result of the coronavirus outbreak – the dominant factor is whether it can be proven that relevant ‘physical damage’ has occurred at the insured’s premises. Many claims may fall at this first hurdle, especially where extensions of cover are not present.

Hiscox Action Group Given the Green Light

In the first half of April, Hiscox hit the headlines for their response to Business Interruption claims. The Hiscox Action Group was established by a group of SMEs with the collective goal of seeking legal action against Hiscox for its denial of BI claims as a result of Covid-19 (please see Edition 4 of this newsletter for more detail on how this was initially reported).

Following over a month of discussions around this matter, it was announced on Monday morning that the group has been given the all clear to proceed with their legal action – at the time of writing the formal claim was due to be submitted in the coming days. According to Mishcon de Reya, the Silver Circle law firm leading the case, over 400 policyholders have signed up with an aggregate of £40m being claimed.

In an attempt to avoid further costly legal disputes, the FCA is taking a test case to court to attempt to obtain legal guidance for all affected. To make the test case as effective as possible the FCA has asked that insurance companies provide “information on their BI policies and wordings, and their intentions and decisions in relation to claims on these policies”². The deadline for firms to provide this information was last Friday, in addition to the deadline provided to policyholders of 20th May, for them to provide details of their policy disputes. The outcome of the test case will not prevent policyholders from seeking their own legal action, but will look to it as a guide for the interpretation of similar policy wordings and claims in future court cases.

The result of the test case will be legally binding on the insurers that are parties to the test case, in respect of the representative sample considered. It will also provide persuasive guidance for the interpretation of similar policy wordings and claims, that will be able to be taken into account in other court cases, both by the Financial Ombudsman Service and by the FCA, in looking at whether insurers are handling claims fairly.

The importance of ‘damage’

David Murphy of Elborne Mitchell LLP Solicitors noted in a recent publication³ that the fundamental requirement of a link to ‘damage’ was at the forefront of claims disputes in April 2010, when an Ash cloud from an Icelandic volcano caused the highest level of air travel disruption since WWII. Airlines and other businesses could not claim on their BI policies as they were missing this fundamental factor.

However, determining whether Covid-19 is physically present in the specific location is not straightforward. We can only tell whether the Ribonucleic Acid (RNA) is present but not whether it is

² Source: <https://www.fca.org.uk/news/statements/business-interruption-insurance-during-coronavirus>

³ Source: http://www.elbornes.com/pub_category/publications-articles/covid19-and-bi-insurance/index.html

viable to infect someone – the presence of viral RNA alone does not mean it is sufficient to infect someone, you need the full viral composition. This therefore gives rise to the possibility of false negatives, both in testing for presence of the disease on people and when determining whether it is safe to return to a workplace. A summary of the length of times that viral material remains viable on different surfaces is provided below.

Environmental Condition*	Viability/Stability	Half-Life
Aerosol	3 hours	1.1 – 1.2 hours
Plastic	72 hours but virus titer reduced from 10 ^{3.7} to 10 ^{0.6} /ml	6.8 hours
Stainless Steel	48 hours but virus titer reduced from 10 ^{3.7} to 10 ^{0.6} /ml	5.6 hours
Copper	After 4 hours – no viability	1.0 hours
Cardboard	After 24 hours – no viability	3.8 hours

Another concern being raised by business owners and insurers alike is the possibility of concurrent losses. If a small fire were to break out, or a water leak to occur, there would ordinarily be someone to hand to raise the alarm or step in to prevent further damage. However, with many businesses lying vacant this is no longer the case – these are termed non-occupied risk enhancements.

Contact Tracing – too many hurdles?

In this series of newsletters we have previously spoken about the introduction of contact tracing apps and their merits in helping to alleviate the hardship caused by this crisis. As time has gone on, more thought has been given to this idea and in general it paints a bleak picture for those hoping the apps might provide the solution.

It is now being argued that these apps should be treated as if they are an untested medical invention, and thus should face the same level of scrutiny that a potential vaccine for Covid-19 would face. Many doubt the accuracy of the apps, as despite their goal being to register if the user has come into contact with someone that has contracted the virus, radio signals that the app relies upon are too heavily affected. Keeping a phone in your pocket for instance will yield different results to a phone being held. If the signals are too sensitive you risk false positives, not sensitive enough and transmissions may go undetected.

The uptake is another hurdle that is proving difficult to jump. Uptake has been highest in parts of Europe, but even here the uptake has not been great enough for the apps to prove effective. Many people still do not have mobile internet subscriptions, notably the elderly who are most at risk. If these apps are to prove successful in the coming months there is still a considerable amount of work to be done.

Acrisure Launch Cyber Product

On May 14th we launched [Acrisure Cyber](#), delivering a market-leading cyber insurance policy under the Acrisure brand. Acrisure Cyber is the first in a new suite of products specially designed by and for our AP's and clients, under the banner of "Acrisure Advantage". In this instance, the Beach Cyber Team worked closely with Acrisure Partner Solutions to design and launch this ground breaking cyber program.

We have partnered with cyber insurance pioneer, [CFC](#), to bring their market-leading cyber product to the entire Acrisure partner network delivering:

- Market-leading cyber coverage (Admitted + E&S)
- Streamlined quoting
- Full sales & marketing support
- Standard 21% commission

Visit the [Acrisure Cyber webpage](#) where you can watch a video about the offering and [register your interest](#) in the program.

That's all for this week

As always, if you have any questions about any of the content in this newsletter or you might have any enquires regarding the suite of services offered by the Beach team, please do not hesitate to contact any member of the team on the contacts page below. Stay safe.

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