

LLOYD'S AND THE LONDON MARKET'S RESPONSE TO COVID-19

CONTACT

To learn more about how AmWINS can help you place coverage for your clients, reach out to your local AmWINS broker.

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Courtesy of AmWINS Group, Inc.

As part of its measure to protect employees from the spread of coronavirus, Lloyd's closed the underwriting floor of its office building March 19 and all syndicates have moved to remote working. The corporation and its syndicates had extensively tested their systems in preparation for this eventuality and the transition to remote working has gone exceptionally well, given the speed and scale of the change.

Despite a smooth transition, there are changes in how Lloyd's is approaching business, at least for the foreseeable future. While there is still much uncertainty, the next few weeks will provide more clarity.

Across all lines of business, we are seeing four consistent themes.

1. Specific COVID-19 insurance is unavailable.
2. Lloyd's is continuing to work on clear guidelines around extensions, payment terms, etc. [THB Group](#), AmWINS' London Broker, along with the London & International Insurance Brokers Association and other industry groups are working closely with Lloyd's at all levels to expedite these communications.
3. As working from home has made responses slower and new business and renewals are taking longer than before, submissions need to be in early, well ahead of the renewal date, with full underwriting information available from the outset. This will give underwriters the entire picture and help ensure quotes are accurate. Negotiation after the fact will prove more difficult.
4. Syndicates are focusing on their existing clients and accounts. Therefore, trying to get new opportunities to them is proving difficult. This may become easier after 4/1.

Additionally, our specialists at THB have compiled the following London updates for specific lines of business that retailers can use to prepare their insureds for upcoming renewals or new business placements.

PROPERTY

One reason for the slowed response on Property accounts is that many Lloyd's syndicates outsource their CAT-modeling to India, which is in now on complete lockdown.

In response to COVID-19, policy wording and sub-limits will be reviewed and underwriters will try to ensure that Property placements are for actual Physical Loss or Damage. They will look for Pandemic coverage, Civil or Military Authority coverage and other coverages that impact Business Interruption to be placed separately.

Additionally, Loss of Attraction and other similar coverages will be excluded or sub-limited to provide very small limits.

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The next issue to arise will be Business Interruption. As an insured sees their business revenue drop, especially in the Hospitality sector, they will look to reduce their limits. Does this mean returned premiums? How can revenue be accurately predicted with the end of the pandemic unknown? There are many questions, but mechanisms will need to be put in place that are fair to both parties as these conditions continue to develop.

PROFESSIONAL LINES

There are mixed responses among carriers to the coronavirus issue. Some have started to decline new business, but the majority are still open. A few syndicates are applying COVID-19 exclusions, however the majority remain silent.

Employment Practices Liability (EPL) markets have withdrawn from new hotel, restaurant, retail and leisure business. We anticipate the EPL market to become more difficult, with higher rates and more exclusions expected if there is a recession. There have been a few notifications made on D&O claims, but nothing compared to the scale of Business Interruption claims in the Property market.

MARINE

U.S. CARGO

Numerous facilities are still writing U.S. Cargo business such as THB Cargo Line Slip, Chubb 100 and A to B, in addition to the other 30 Cargo underwriters in London. Rate increases and changes were taking place before COVID-19 because of market conditions. Wholesale brokers with knowledge of the different appetites of each syndicate/company can help retailers place business accordingly.

HULL & LIABILITY (INCLUDING PORTS AND TERMINALS)

Marine capacity is still available and unchanged for now. Extensions are by no means guaranteed, reinforcing the need for early renewal submissions. Renewals and new business are having a COVID-19 exclusion applied by a majority of Lloyd's syndicates and company markets.

The hardening of the market is expected to continue or even increase as underwriters' investment income drops off with the current economic downturn. As such, accounts with consistent and substantial losses will find it difficult to find new market or alternative quotes. This will be in either the form of increased rating or reduced cover, or both.

U.S. TRANSPORTATION

There are no notable changes in rating for the U.S. Transportation market and we have not seen many requests for policy cancellation thus far during the pandemic. Underwriters have advised that they will review insureds requests for cancellation at pro rata on a case-by-case basis.

LIABILITY

Depending on the class of business and/or exposure type, some underwriters will look to add an "Organic Pathogen" exclusion on new business quotes. This exclusion is a broader version of the Pollution / Mold / Fungi exclusion included on most GL policies.

Contingency and Event Cancellation insurers are seeing claims coming at an alarming rate. Event cancellation insurance can still be obtained, however it will include a COVID-19 / Organic Pathogen exclusion.

AVIATION

As COVID-19 is going to have a significant impact on the aviation sector, it is too early to comment on what effects it will have on market capacity and appetite changes. 2020 premium income will be massively reduced as a result of aircrafts being grounded and this will only reinforce, and likely accelerate, the hard market conditions we have been seeing over the last 18 months.

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Major airline policies are predominately placed on an adjustable basis. Therefore, any premium relief or returns will be taken into consideration at policy expiration. Severe instances are being considered on a case-by-case basis

This will ultimately impact the market as a result of loss of income, outweighing any of the increases applied over the last 18 months and undoubtedly having an indirect impact on capacity and appetite.

CONCLUSION

The COVID-19 pandemic has and will continue to make challenging market conditions even more difficult. While Lloyd's remains open for business and a strong source of capacity for many industry segments, it's important for retailers to prepare their clients for the challenges that lie ahead and begin marketing strategies early to account for changes in coverage and limits offered.

With the uncertainty that lies ahead, AmWINS recommends avoiding policy extensions when possible. Binding the policy in hand and locking in terms now is a better strategy than delaying and potentially facing more difficult conditions down the road.

ABOUT THB GROUP

THB is in continuous contact with our carrier and syndicate partners to stay informed on all changes to the London market's coverage response and positions related to COVID-19. Today's reality is a new way of working, but we remain committed to operating as business as usual and providing our clients with unmatched specialty insurance solutions. Our award-winning claims team is also here to help retailers [navigate the claims process](#) and deliver the best results for their insureds.

THB Group is a specialist international (re)insurance broking and risk management firm. Headquartered in London, THB operates one of the largest and most successful Lloyd's broking operations in the specialty market sector. As part of AmWINS Group, the largest independent wholesale distributor of specialty insurance products in the United States, THB has the commercial and intellectual resources required to meet the most exacting demands of clients around the world.

