Coronavirus Related Event Cancellations Creating Exposure for Insurers

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Last week, the insurer Hiscox confirmed that it has begun to receive notifications of coronavirus related claims.

Hiscox has said that it is still too early for it to determine the potential impact of the virus on its business. However, it cites events cancellations, travel and personal accident cover as the main areas of its exposure. Hiscox added that it only covers insurance for a pandemic in a “very small part of the portfolio”.

Moody’s has also predicted an increase in trade credit and event cancellation insurance claims as a result of the virus. The financial analyst also stated that insurers are likely to face losses arising from claims, but also on solvency ratios, which are sensitive to volatility in the financial markets.

Most event cancellation insurance policies do not cover loss incurred from contagious diseases – unless cover is sold as an add on. Even then, the cover is often only triggered when the relevant government bans an event, rather than when
an organiser cancels an event or attendees drop out.

Conference organisers of the Mobile World Congress that was due to be held in Barcelona, recently experienced this when dozens of exhibitors began to drop out of the event, which expected to see 100,000 attendees from 20 countries. Although the organisers had insurance, this type of loss was not covered by their policy. Had the Spanish government declared a national health emergency prior to the event being cancelled, the organisers may have been able to claim on their policy. The Geneva Motor Show was cancelled after the Swiss government banned gatherings of more than 1000 people. It is presently unknown, but it may be that the organisers will, in this instance, be able to claim on an relevant insurance policy.

The virus has now infected more than 100,000 people around the world and killed 3,300. Major trade events have been cancelled, manufacturing supply chains have faced disruption and losses on world stock markets are mounting up.

If more governments introduce bans on large public gatherings, insurers are likely to find themselves facing more claims. Edel Ryan, Head of Entertainment, at Marsh JLT, observed that “...from January most insurers have now introduced specific exclusions over COVID-19 in communicable disease cover”. It will therefore be difficult for events companies to now be able to buy specific cover against cancellations arising from the coronavirus.

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