



COVID-19 Perspectives Series

Q&A with David Priebe, Chairman, Guy Carpenter

David Priebe offers COVID-19 insights on economic and legislative issues, (re)insurance renewals and brokers' and carriers' roles, in an interview with *The Insurer* held on March 30. This is Part One of a three part series.

1. With politicians and commentators upping the rhetoric against insurers relying on exclusion clauses, is there a danger that insurers could become portrayed as the “new banks”?

The risk transfer sector often does itself a disservice in failing to communicate the huge value of (re)insurance and I feel that this is actually an opportunity to demonstrate the benefit our industry brings to societies and businesses. Insurers cannot be held responsible for the current situation in the way that banks were following the global financial crisis. Moreover, (re)insurers are largely focused on being responsible and helpful. Ultimately, risk carriers excluded pandemic risk from all-risk policies years ago because price adequacy to achieve an appropriate spread of risk would have precluded most companies from buying it. As events move from theoretically defined scenarios to real-world application, coverage interpretations become critical and actual coverage gaps may arise. Fundamentally, though, paid losses must follow contract terms in order to maintain a healthy marketplace.

2. If this is a concern, what can the industry do to influence opinion formers and demonstrate that the industry is a responsible member of the global economy? Is the industry doing enough to lobby and speak with one voice?

The industry should take a course of action similar to the one it took following the global financial crisis by: 1) paying legitimate claims (in the most difficult of circumstances) to support policyholders and communities; 2) investing in real assets to rebuild economies and financial investment to support corporate growth and government borrowing; and 3) continuing to assume risks to enable commerce, societies and daily life to get back up and function normally again.

But we can do more... I recognize that is simple to articulate, but politically complicated to achieve. We have made a promising start though. A tremendous amount of work is being undertaken between insurance industry leaders and governments worldwide to respond to this crisis. Various trade groups and industry associations have been in close dialog to assist communities impacted by COVID-19. Equally important, there has been an impressive focus on creating solutions to both mitigate and protect communities and business from potential future events. Future pandemics are a manageable risk, provided governments, policyholders, intermediaries and carriers work together.

3. Is there a danger that some courts or lawmakers may look to undermine exclusion clauses? What could happen if this were to occur?

This is a serious concern in times of crisis. Certain state legislatures are considering proposals that would expand coverage, particularly business interruption coverage, beyond the original policy terms. While some of the extreme measures seem to have been tabled for the moment, the sector must ensure that contract rights are honored. Some insurance policies will include coverage for COVID-19 claims while others will not – the important point is to respect contracts. Any erosion of contract rights — whether by legislatures or by courts — is bad for our entire economic system.

4. What impact is the Covid-19 crisis having on upcoming insurance and reinsurance renewals and how is your business responding to ensure continuity for clients?

This is an unprecedented situation, and it poses both logistical and transactional challenges for near-term renewals. Technology has helped overcome the logistical difficulties. Guy Carpenter, our clients, and reinsurers were all up and running very quickly as we moved from our traditional office environments to remote working locations. Many April 1 renewals have already been bound or are expected to be completed in the very near term. Mid-year renewal meetings are being handled via video conference, and we do not foresee any timing issues here. We are proud of how the industry has responded to the unprecedented challenges we are facing.

From a transactional perspective, it is too early for ceding companies to understand the full impact of COVID-19 on their portfolios. As we move from April 1 to mid-year renewals, carriers' focus will be centered on portfolio impact, positioning and underwriting actions. Guy Carpenter looks forward to working with clients and reinsurers to assist with these issues, and bring transactions to successful conclusions.

5. What are brokers and carriers doing to adapt coverage and provide extensions and other solutions to insureds as they manage temporary shutdowns and other Covid-19 related changes to their business operations?

Again, it is important to stress that stakeholders within the world of reinsurance, whether they are insurers, reinsurers or other professional capital providers and risk takers, have broadly transitioned to remote working without major delays. Business continues to be conducted effectively. But the grave situation globally inevitably means our clients may be dealing with greater disruptions in their primary business. Guy Carpenter is focused on working with each company individually to address its needs. Given the impressive response of the (re)insurance industry, we do not think it is necessary to extend contracts unless there are specific reasons. The (re)insurance industry is open for business and we will trade through this crisis.

About Guy Carpenter

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