

## Market Survey

The BMS Property Practice Group performed a survey to gauge how the market is responding to the Coronavirus. We spoke with over 20 companies, representing in excess of \$50b of (re)insurance capital. About 80% of the market representatives we spoke with were senior treaty property underwriters who we place business with on a regular basis, including: Domestic, Lloyds, and Bermuda companies. The other 20% were senior property insurance underwriters. Our approach was to access the practitioners of the business who have the best view of what is really happening right now, swear anonymity, and garner honest results without hyperbole or corporate spiel. We asked each underwriter four multiple choice questions designed to isolate the impact of Coronavirus from any other factors influencing their work lives, risk appetite and/or capacity.

State of the Property Market Survey		
Survey Question	Response Percentage	Average (1 to 3)
<b>Rate your underwriting continuity:</b>		
1. Business as usual, just from home	85%	1.2
2. A few minor hiccups (e.g. IT), but firing on all cylinders now	10%	
3. Tough going, expect delays with approvals and referrals	5%	
<b>Any change in (property) risk appetite or capacity related to Coronavirus?</b>		
1. No change	80%	1.2
2. Slight change	20%	
3. Major change	0%	
<b>How concerned are you about governmental agencies "extending" coverage on property policies irrespective of the policy language?</b>		
1. Not concerned	10%	2.1
2. Somewhat concerned	75%	
3. Very concerned	15%	
<b>Do you think the Coronavirus will have a long-term impact on the insurance industry?</b>		
1. This is just a blip	0%	2.75
2. Definitely short term impact, but not long-term	25%	
3. Absolutely, long-term impact	75%	

Although the survey required markets to choose one of our preset responses, we acknowledge that answers to multiple choice questions almost always come with a "but" or an asterisk. Once they were forced to choose a response based off our questionnaire, we allowed the conversation to flow freely and looked for general themes from our discussions.

### Underwriting Continuity

The biggest theme stemming from the first question is we all need to give a giant pat on the back to our IT departments. With very little notice, every company transitioned to working from home and 95% of those polled were running without a hitch within a couple of days. Some went as far as to question the need for expansive office space in the future and whether partial working from home would become a lasting outcome from this situation.

## Risk Appetite

In general, risk appetites are not being directly influenced by the Coronavirus. Bear in mind the scope of our survey was strictly property (re)insurance; we recognize other lines of business will be impacted differently. While underwriters were quick to say they are not amending their risk appetite, reinsurers are asking questions about underlying policy terms and conditions, and various versions of pandemic exclusions are being batted around. Most of the property versions seek to reinforce the notion that losses directly or indirectly stemming from a pandemic, including government mandated closures, are not covered by reinsurers. There is definitely not a consensus form yet or even consensus on whether to include an exclusion. Several underwriters mentioned the Catch-22 aspect of adding an exclusion for something that was already not covered could imply previous coverage.

## Government Invalidation of Policy Language

Underwriters struggled with the thought of lawmakers retroactively amending policy language to provide coverage for BI without a physical damage claim from a covered peril, but the massive implication of such a move led the majority of underwriters to select “somewhat concerned” as a response. We can appreciate this concern given three states thus far have introduced bills on this very topic.

## Long-Term Implications

We framed the question concerning long term implications by providing examples such as how 9/11 and unprecedented wildfire seasons led to changes in how we measure and insure against perils that were previously farther down the list of underwriting concerns. Although we recognize neither 9/11 nor wildfires are comparable to the current Coronavirus pandemic, they are each recent examples that have had lasting impacts to the insurance industry. Every respondent believes that pandemic exposure will be moving up the list of concerns and changes will be coming, but the specifics are to be determined. In the meantime, renewal meetings have gone virtual, underwriting and broking continues and communication seems to be at a higher level than ever before, partially driven by captive audiences trapped in basements and quiet corners of homes rather than on planes and in conference rooms.

# BMS Property Specialty Practice Group

BMS Re US has a team of dedicated professionals that specifically focus on property insurers and their reinsurance needs. Our team employs tailored analytics and creative solutions to enable growth and profitability for our clients.

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