

Opinion letter



COVID-19: What are P&C insurers currently doing to help?

“A premium freeze for 2020, why not?”

Over the past 40 years of my career in the insurance industry, I have witnessed many situations resulting in significant imbalances, both in terms of human lives and financial impacts. Yet, the COVID-19 crisis is unprecedented given its global impact on human populations and the economic turmoil it has caused on financial markets. Unfortunately, the consequences are far from over. We will feel a shock wave for many years to come.

In response to the scale of the crisis, governments have taken extraordinary measures to ensure society recovers from the crisis.

- Government of Québec: More than \$2.5 billion in financial support for individuals and businesses through Investissement Québec and coordination with banks and financial organizations to offer grants, interest-free loans, lines of credit, etc.
- Caisse de dépôt et placement du Québec: \$4.0 billion in programs to provide additional support to companies with which the Caisse has ongoing business ties. The Caisse works closely or remotely with 750 Québec businesses.
- Government of Canada: \$200 billion in various types of financial support, including financial subsidies of more than 75% of salaries for people who have lost their jobs.
- Canadian Banks and the Cooperative Movement: Flexibility over time on mortgage payment remittances and simplified access to credit conditions.

WHAT ARE P&C INSURERS DOING?

Except for very few exceptions related to specialty insurance coverage (event cancellation, credit insurance, etc.) and certain other policies with handwritten clauses, insurers have never intended to cover the risks associated with pandemics, as this would threaten the full viability of the industry. Regrettably, most property and casualty insurers are simply not doing enough in the current situation.

The proposed measures focus more on a "case-by-case" approach, minimizing the financial impact on the insurer itself. It does not commit them to the extent of the other financial players. Moreover, there is

nothing unusual about some of these solutions, since they are standard measures that insurers normally offer. For instance, some insurers offer premium reductions due to a change in vehicle usage as measures to ease the financial burden on individuals or businesses. Adjusting the premium according to the use of a vehicle, therefore the risk, is what we expect from our insurer. It's like a restaurant owner saying, "I won't charge you for the soup you didn't order".

On top of that, insurance premium increases resulting from insurers' pricing adjustments initiated in the fall of 2018 are still rising. Appearances matter, perhaps now more than ever. When the world is taking a break and under financial duress, companies that do not bend and appear to profit instead of helping may leave a permanent sour image in the global community. Everyone is going to lose something during this crisis; we must all accept that fact.

This pricing adjustment is related to a decrease in premiums as a result of the strong competition between insurers over the past 15 years. This has weakened the financial strength of these companies' balance sheets; consequently, the upward revisions were necessary to reinforce and stabilize the financial resources of the market as a whole, as well as on a global scale.

Having seen more than 15 months of premium increases and enhanced profitability (according to official reports from several Canadian insurers and Lloyd's of London), it is now urgent that the industry do its part in the collective effort and stop demanding premium increases for all policyholders, individuals and businesses, **by offering guaranteed renewals at 2019 rates for the remainder of 2020**. Clearly, exceptions should be made for cases involving the frequency and severity of abusive claims in the last five years.

Individuals and businesses need to protect their personal and business assets by obligation, not by choice. Insurers must take concrete action by removing uncertainty and supporting their policyholders in such a critical time. I repeat, a premium freeze is the solution!

There will always be time for insurers to review their clients' files and make the necessary adjustments once the crisis has passed. For now, let's just agree that is not the time to do so! Not only is this a matter of ethics, it is also and above all a matter of collective morality in these troubled times for everyone.

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