



Federación Interamericana De Empresas de Seguros

FIDES SECOND STATEMENT COVID-19

The COVID-19 pandemic has affected to a greater or lesser extent all the countries of the world. Negative consequences are observed for health, the circulation of people, and commercial operations. These events have determined that individuals and companies face unforeseen costs and losses and, in some cases, the expectation has been generated that insurers, through their various coverages, will take care of them.

In this sense, the Inter-American Federation of Insurance Companies (FIDES), as an entity that brings together and represents the Spanish-American insurance sector, considers it appropriate to emphasize that the legitimate and well-founded expectations of the insured must be based on the coverage and conditions defined in the respective insurance policies purchased.

In this regard, we have learned that in some countries in the region there are initiatives to implement the refund of premiums in automotive policies, arguing that the vehicles have been used less than normal, generating an eventual reduction in risk and therefore a lower loss ratio that would make such a return appropriate.

FIDES considers that the analysis of this issue should be addressed jointly with the entities that represent the insurance sector of the different countries and that it should consider relevant issues such as, the loss behavior not only during quarantines, but also after them, where the motor vehicles will be used more frequently than normal and more frequently on routes and highways, generating without a doubt a higher accident rate. An early refund of premiums will generate a weakening of the solidarity premium fund necessary to face the claims of all the insured. It is also pertinent to point out that the automotive insurance market worldwide is characterized by its high competitiveness. In this sense, it will be the market itself who, at the time of the renewal of the policies, will grant, if applicable, the pertinent discounts for the reduction in the claims rate of the past term.

Likewise, FIDES observe with concern the emergence of other approaches that in our opinion collide with the legality and rationality of the insured coverage. We refer promptly to business interruption,

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fire and store coverage in which there are requests for refund of premiums for an alleged risk reduction. We are also aware of the existence of requests for the insurance sector to cover business interruptions due to the pandemic, being that its activation, in practically all cases, requires the prior existence of material damage covered by the policy. insurance issued.

FIDES considers that the establishment of retroactive coverage or provisions aimed at the establishment of any premium refund scheme not agreed within the insurance contracts or the applicable laws of each country, represent a breach of the insurance contract, the breach of legal certainty and the rule of law that must be respected in all countries.

Within the analysis of the impacts on the insurance sector by the COVID 19 Pandemic worldwide, FIDES exposes the vital importance of not only considering the branches in which favorable impacts have been generated for insurers, but also the branches in which the impact has been and will continue to be overwhelmingly negative, as is the case in the branches and coverage of health, life, funeral and unemployment, among others. It is also pertinent to note that, in most countries, many insurers are voluntarily covering the impacts of COVID-19 on health policies despite their being excluded from coverage.

Finally, FIDES note that insurance companies are important institutional investors in all the countries in which they operate and that the economic crisis generated by the Pandemic has caused a significant drop in the values of companies' fixed and variable income investments, causing them significant financial losses. There has also been high delinquency in the payment of premiums by the insured, which is why the insurers have voluntarily granted in most of them, a refinancing for the payment of premiums, further increasing the economic impact in your financial statements.

In this crisis we must be aware of the importance of facing it with a global approach and analysis of the functioning of the insurance sector. The stability of the insurers requires great caution in the decisions that are intended to be made. Expedited decisions that violate current contracts and alter the insurance technique will only weaken the solvency and stability of the insurance sector, putting its survival at serious risk.



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Once the crisis is over, it will be the opportune moment to work together with the public sector in search of new coverage and other measures that allow a better transfer of risks such as those that we will be facing in the future. At that time, we will have more information and statistics that allow us to make better and more appropriate decisions.

FIDES, May 2020

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