

ABI Briefing on Insurance and COVID-19

March 2020

The spread of Coronavirus is unprecedented in modern times and we understand this is an incredibly difficult time for families and businesses. **Throughout the crisis the ABI has been working closely with our members, Government, regulators, and wider industry stakeholders as well as EU and sister international trade associations to provide updates and accurate information on how insurers are supporting customers.**

This briefing provides an update on insurer activity and the main areas of interest related to insurance and the virus outbreak. Insurers have agreed important pledges on home, motor and travel insurance to help and support customers and **expect to pay out a record £275million in travel insurance claims**. We have been working to support the NHS with the use of the private health sector and individual members have been working in their communities to provide increased cover for NHS and key workers.

Business interruption cover

- The spread of Coronavirus is unprecedented in modern times and we understand this is an incredibly difficult time for families and businesses. **No insurance market in the world provides widespread insurance coverage for pandemics and the UK is no exception.** For such cover to be available at affordable prices for businesses would require a very significant subsidy from the state given the scale of business disruption we have seen with the COVID-19 pandemic.
- Instead, standard commercial insurance policies – the type the vast majority of businesses purchase – provide cover against a wide range of day to day risks including damage caused by fire, flood, theft and accidents involving employees.
- **Insurers pay out £22m each day to firms through these policies, supporting millions of businesses across the UK each year.**
- Only a very small minority of businesses choose to buy any form of cover that includes local closure due to an infectious disease. An even smaller number will have cover enabling them to potentially claim on their insurance for the presence or impact of the Coronavirus pandemic. The Government's clarifications will help some of these policyholders claim if the other terms and conditions of the policy are met.
- **We strongly recommend that every business should check with their insurer or broker if they wish to confirm the type of cover that they have purchased.** More information [can be found on our website](#).

Business interruption and notifiable diseases

- **Only a very small number of businesses choose to buy any form of cover that includes business interruption due to a notifiable or infectious disease.** Usually these extensions list very specific diseases that are covered, not any notifiable disease that may emerge such as COVID-19. Co.
- **An even smaller number will have cover where the notifiable or infectious disease is unspecified enabling them to potentially claim on their insurance for the presence or impact of the Coronavirus pandemic.**

Business insurance and support while premises are unoccupied

- If a business has to temporarily close because of COVID-19, where customers are taking the appropriate steps to mitigate the risk of damage to the property whilst unoccupied, **insurers will be flexible around the period of un-occupancy specified on the policy document.**
- Policies will often include conditions that are intended to ensure good practice in protecting buildings of damage caused by the risk of fire, theft and escape of water, which are often increased when a building is empty. **It is important that business owners continue to follow risk management advice and ensure they understand what steps they need to take.**
- Some insurers have also waived requirements for their business customers to immediately notify them of their unoccupied status, (depending on the individual business circumstances). This should help those customers concentrate on managing their businesses and allow insurers' call centres to focus on managing the significant number of insurance claims being processed.
- **If there are any specific requirements as part of an insurance contract that businesses are unable or unlikely to be able to comply with, such as on-site security, they should speak to their insurer or insurance adviser/broker.**
- Even in a time when a business is unable to operate as usual due to the impacts of COVID-19, **it's important that businesses remain covered for standard risks, many of which may be more likely when the property is unoccupied**, such as vandalism of the property, theft of stock or equipment, or even loss of information or damage to IT systems and networks.

Travel Insurance Record Pay-outs

The unprecedented step from the FCO to advise against all non-essential travel abroad has provided welcome clarity for our customers and the industry. Generally, insurance cancellations or travel disruption will relate to FCO advice. **This decision will therefore allow policyholders with cancellation or travel disruption cover in place to claim for cancelled trips that were already booked and cannot now go ahead.** The best advice for anyone affected by travel disruption is to first seek a refund with airline, their travel, accommodation or credit card provider before speaking with their travel insurer, if needed, to recover costs.

Latest ABI figures estimate that travel insurers will **pay out £275 million and handle 400,000 cancellation claims** – a record level of claims and pay-outs, beating the £148million paid out in cancellation claims in 2010. For schools that have had to cancel trips, either in the UK or overseas, **they should first seek a refund from the venue or tour provider and then speak to their insurer if needed.**

Six things to know about travel insurance:

ABI travel insurance members have pledged to:

- Ensure that customers are **provided with, or directed to, the most up-to-date information around the Coronavirus outbreak and publish clear information at the point-of-sale** around the valid coverage of their policies.
- Work closely with customers to **signpost them to where compensation may be received for cancelled transport, holidays or an inability to travel abroad** e.g. airlines, travel providers and travel agents.
- **Consider all valid travel insurance claims quickly and fairly** for costs not recoverable from elsewhere arising from cancellation, travel curtailment or disruption so that customers receive a fair outcome.
- Upon notification from their customers, **help them consider their options for transferring their travel insurance to cover a new destination** should people wish to make alternative travel plans.
- Implement business continuity plans to be able to continue to handle travel insurance claims in challenging circumstances.
- **Be understanding of the difficulties customers may have** in getting medical certification and consider, where appropriate, alternative evidence that customers may be able to provide.

Private Hospital sector deal with NHS

In this national crisis, the private health sector will do what it takes to help the NHS have the resources it needs. Freeing up beds in private hospitals will help the NHS treat more patients affected by the virus and save

lives. During this time private medical insurance customers will continue to be supported through a range of virtual online health care services. **Any customers with private medical insurance who have any concerns, should speak to their health insurer for further information.**

Home and Motor Insurance Pledges

ABI Home and Motor insurers have made the following pledges to support home and motor insurance customers during the COVID-19 crisis.

1. **Support those who need to make a claim.** Insurers have implemented business continuity plans and work closely with service providers to do everything possible in these challenging circumstances to continue to handle claims and support their customers. We recognise there will be many customers who will need additional support and insurers will prioritise those in vulnerable circumstances.
2. **Support those who are working from home.** If you are an office-based worker and need to work from home because of government advice or because you need to self-isolate, your home insurance cover will not be affected. You do not need to contact your insurer to update your documents or extend your cover.
3. **Support those who cannot work from home.** If you have to drive to your workplace because of the impact of Covid-19, your insurance policy will not be affected. You do not need to contact your insurer to update your documents or extend your cover.
4. **Support those who use their cars to help their communities.** If you are using your own car for voluntary purposes to transport medicines or groceries to support others who are impacted by Covid-19, your cover will not be affected. You do not need to contact your insurer to update your documents or extend your cover.
5. **Support our key workers.** If your work is critical to the national response to Covid-19 and you need to use your own car to drive to different locations for work purposes because of the impact of Covid-19, your cover will not be affected. You do not need to contact your insurer to update your documents or extend your cover.

Cross-industry collaboration launched to protect access to justice in wake of COVID-19

- A new '**Coronavirus (COVID-19) Personal Injury Protocol**' has been launched [by the ABI and Thompson's solicitors](#), to ensure personal injury solicitors - both defendant and claimant - and insurers work together to mitigate the impact of the coronavirus in England and Wales .
- There are currently hundreds of thousands of active personal injury claims in the UK, and the ABI and Thompson's **are calling for law firms and insurers to sign up to a protocol to ensure that neither party in a personal injury claim is unfairly impacted by coronavirus (COVID-19) disruption.**
- The protocol specifically targets any practical or procedural opportunism presented by coronavirus (COVID-19) related disruption. **It calls for a flexible and pragmatic approach**, whether that is to limitation periods, delays in submitting medical evidence or a defence, and **seeks to recognise restrictions on attending hearings while social distancing guidance is in place.**

Income protection

Income protection policies, whether provided by an employer to employees or bought by individuals, will pay out a proportion of a customer's income if they fell out of work due to ill health or injury.

These policies typically cover short- and long-term absence and have a waiting period before money is paid out. Such policies are unlikely to cover people self-isolating as they probably won't be off work longer than the waiting period and may not be too ill to work. However, some policies with a short payment term are designed to kick in with either no waiting period or only a period of one week, and so may cover people who are self-isolating based on medical advice and are unable to work. **Those with any questions should speak with their insurer or income protection provider.**

Key workers and insurance

Following Government advice for schools to close, the ABI and our members have been engaging with HM Treasury, the Scottish Government and the FCA to **ensure that insurers are able to continue to processing claims in a timely efficient manner.** This is particularly important for insurers and loss adjusters where the recovery is ongoing to **support those home and business customers affected by the flooding from**

Storms Ciara and Dennis in February 2020. Given the ongoing need for alternative accommodation to help those affected by the flooding the ABI also supports some hotels remaining open where possible through the crisis. Insurers will continue doing everything possible to support customers with payment and advice to ensure that they can continue with their normal lives as much as possible during this difficult period.

Supporting your constituents

We understand that this is a very challenging time for families and businesses. If you are receiving constituent queries on insurance and COVID-19 please contact the [public affairs team](#) and we will endeavour to find out more and provide a response. The ABI has also produced a [consumer Q&A](#) on our website which gives more information on the main insurance queries around the COVID-19 outbreak for businesses and households.