

ABI Briefing on Insurance and COVID-19

April 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 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. Initial ABI estimates **expect insurers to pay out in excess of £1.2 billion in claims** in response to the COVID-19 crisis. This includes **£900million on valid business interruption claims**, a record **£275million in travel insurance claims** and **£25million on cancelled weddings and events**. Our members understand that where cover does apply, assessing these claims and paying out quickly is of vital importance.

Insurers have been managing an unprecedented level of activity in response to COVID-19 with **some members reporting around a 200% increase in query volume to call centres compared to March 2019**. In the face of this crisis insurers expect to pay out an average of £45million in General Insurance claims per day and £40 million in retirement payments and have implemented business continuity plans effectively. Insurers' operational resilience has held up very well with the majority of staff moved to home working without significant disruption to customers. You can read more about insurers response to the crisis in [our submission to the Treasury Select Committee](#).

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.** Whether cover for pandemics can be provided through an insurance model in the future is an important debate. Given the massive, systemic impacts affecting a huge number of businesses at once, it is clear that significant state involvement may be required.
- 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 typically pay out £22m each day to firms through these policies, supporting millions of businesses across the UK each year.**
- **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](#).
- Insurers consider all claims on an individual basis and will engage pro-actively with customers who have cover which extends to the disruption caused by this pandemic – this may include some general infectious/notifiable disease extensions or those which list COVID-19 or where COVID-19 demonstrably closed premises for de-contamination prior to the lockdown.
- As an example of insurers working with business customers during this exceptional period insurers have been pro-active in granting policy extensions and waiving policy restrictions for customers on a range of activities and insurance products.

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.**
- Given the Government guidance to avoid non-essential travel during the lockdown period, commercial insurers are keen to take practical steps to support their customers. Therefore **most insurers have waived the requirement for individuals to check on their temporarily unoccupied SME business premises regularly if they are unable to do so.** This is as long as business owners have followed the risk management advice provided by their insurer and have taken reasonable endeavours to ensure the premises are suitably secure. Some insurers will require cases to be referred before agreeing, as this relaxation may not be appropriate for higher hazard risks.
- 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.

Six things to know about travel insurance:

ABI travel insurance members have pledged to:

1. 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.
2. 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.
3. **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.
4. 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.
5. Implement business continuity plans to be able to continue to handle travel insurance claims in challenging circumstances.
6. **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.**

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 and where costs cannot be recovered from elsewhere.** 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. **Insurers expect the record number of claims to increase as we head into the summer and the virus continues to restrict customers' ability to travel.**

Single Trip Insurance – Cover Extension

ABI members are committed to supporting their customers who are stuck abroad at this difficult time. Most travel insurance policies already automatically extend so that people can continue to be covered against the risk of emergency medical treatment when they are stuck abroad due to ongoing travel restrictions. Sometimes these extensions have a limit of up to 30 days. However, given the exceptional circumstances leading ABI members will look to **extend this protection to cover the risk of emergency medical treatment for up to a minimum of 60 days**, provided customers are making every effort to return home.

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 and NHS patients will be triaged and treated equally according to clinical need, and private medical insurance customers will continue to be supported through a range of virtual online health care services such as online GP's and remote consultations. **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.

Support for Taxi and Private Hire Vehicle Drivers

Insurers have committed to an additional pledge to support taxi and private hire drivers seeking alternative sources of income. Licenced taxi or private hire drivers who have hire or reward insurance in place, as of 8 April, **will not need to contact their insurer to extend their existing cover** while driving this vehicle to carry parcels, medical supplies, household goods, groceries or takeaway meals during the Covid-19 restrictions. This commitment will be in place until the end of the COVID-19 restrictions, or until 31 July 2020, whichever is sooner.

Collaboration with personal injury lawyers to maintain access to justice during lockdown

- A new set of '**Coronavirus Personal Injury Protocols**' has been launched [by the ABI and claimant solicitors](#), to mitigate the impact of COVID-19 on the civil justice system in England and Wales, and in Scotland.
- There are hundreds of thousands of active personal injury claims across the UK legal jurisdictions, so **the ABI and Thompsons Solicitors have reached a historic agreement under a protocol to ensure that**

neither party in a personal injury claim is unfairly impacted by disruption to the courts from COVID-19 in England and Wales. We have a similar agreement with the Association of Personal Injury Lawyers in Scotland and are in discussions about a Northern Ireland agreement.

- The protocol specifically targets any practical or procedural opportunism presented by COVID-19 related disruption. **Signatories agree to adopt a flexible and pragmatic approach in cases**, whether that is the use of limitation as a defence, serving documents, or the exchange of evidence, **and 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 adviser or income protection provider.**

Trade Credit Insurance

We understand how important trade credit insurance cover is for businesses guarding against the heightened risk of supplier failure in these uncertain times. We are continuing discussions with the Government about support that would allow the market to continue to offer sufficient cover given the significant potential for business insolvencies.

Pet Insurance Pledges

To reassure pet owners, ABI member pet insurance companies are offering enhanced help and support to all their customers who may be affected by the impact of Covid-19 and have pledged to:

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.
2. **Work with vets to help customers.** Insurers recognise that access to veterinary surgeries is limited and have agreed that being unable to access veterinary surgeries in person due to Covid-19 restrictions will not invalidate your policy. Insurers will work with veterinary practitioners to do all they can to ensure pets receive the treatment they need now and in the future.
3. **Provide support if your pet needs a vaccination or health check.** Insurers have agreed to provide support to customers wherever they can to ensure pets receive the care they need including by being flexible on policy conditions, in particular the requirement for pets to have up to date vaccinations and regular dental examinations.
4. **Ensure that customers are provided with, or directed to, the most up-to-date information around the COVID-19 outbreak** and publish clear information around the effects, if any, of the outbreak on customers policies through FAQs and direct communications.

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.