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Rt Hon Mel Stride MP
Treasury Select Committee
House of Commons
London
SW1A 0AA

27 March 2020

Dear Mr Stride

Thank you for your letter regarding the insurance industry's response to the COVID-19 virus outbreak. You have asked for some very detailed industry data, most of which the ABI does not collect on an ongoing basis. We will work with members on a 'best endeavours' basis to answer the committee's questions as fully as we can and will keep your clerks updated on when we hope to send a substantive response. In the meantime, I would like to brief you on the steps insurers have taken so far to help customers during the COVID-19 pandemic. The impact of the virus is unprecedented in modern times and the ABI and our members have been working tirelessly to support customers and respond to this rapidly evolving situation.

Insurers understand that this is an incredibly difficult time for families and businesses, and we are in daily contact with HM Treasury, wider Government and the regulators to co-ordinate our response. The insurance industry deals with an average of £45 million in general insurance claims per day and £40 million in retirement payments and therefore its own operational resilience is critical to continue to be able to serve customers, not least those who are being helped to recover from the recent flooding from Storm Ciara and Storm Dennis. The ABI welcomed the FCA Coronavirus guidance, which provides clarity on essential workers during this global crisis and rightly recognises that insurers are making significant efforts to serve customers in difficult operating conditions.

Insurers have agreed important pledges on home, motor and travel insurance to help and support customers and expect to pay out an unprecedented £275million in travel insurance claims as well as ensuring drivers are not penalised following suspension of vehicle MOT testing and providing cover for cancellation of events and school trips. We have also 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. The industry's response has included:

- **Record Travel insurance pay-outs** - 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 for the volcanic ash cloud in 2010.

- **Travel insurance commitments-** ABI members have signed up to [six commitments](#) to support customers with their travel insurance. The commitments **include considering all valid claims for cancellation and travel disruption where compensation is not available elsewhere as quickly as possible**, and, if necessary, ensuring that extra resources are available to offer prompt help and advice to customers.
- **Home and motor insurance commitments** - The ABI's home and motor insurance members have signed up to further commitments to support customers. The commitments include waiving any requirements to **extend cover for key workers who may need to drive to different locations, people who want to help their communities by transporting medicines or groceries to support those affected by Coronavirus** and office workers who need to work from home.
- **Private Hospital sector deal with NHS** - During this time private medical insurance customers will continue to be supported through a range of virtual online health care services. We are working with Government and our members on any potential impact for existing Private Medical Insurance customers.
- **Key workers** - Following Government advice for schools to close, the ABI and our members have been engaging with HM Treasury 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.
- **Protecting access to justice** - A new '**Coronavirus (COVID-19) Personal Injury Protocol**' has been launched [by the ABI and Thompson's solicitors](#), to ensure personal injury solicitors and insurers work collaboratively together to mitigate the impact of the coronavirus on the civil justice system in England and Wales.
- **MOT Extension** – Following the Government's announcements that MOTs will be extended by six months from 30 March, the ABI has confirmed that insurers will take a pragmatic approach and not penalise customers for something out of their control.

Business Interruption

You raised the issue of business interruption cover and I will cover this fully in my formal reply. It is important to note that 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. Only a very small minority of businesses will have chosen 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.

Instead, business insurance typically protects against day to day risks such as damage to premises, motor accidents, supplier failure and employee harm. Last year, in the UK alone, these types of everyday claims from businesses amounted to approximately £7.8 billion whereas claims for notifiable diseases were negligible. Business interruption is not designed to provide cover for global pandemics and the size and scale of the government support packages and central bank interventions we have seen in recent days demonstrate the

widespread impact on all aspects of the economy; as Sir Charles Bean noted to your committee last week, the state is always the 'insurer of last resort.' We do, however, want to lead a debate with Government about how to protect more businesses and individuals than has been the case with COVID-19 which would require significant state partnership with the insurance sector if coverage is to increase.

Finally, the ABI has produced [a consumer Q&A](#) on our website which is being continuously updated with information and advice on insurance and the response to the crisis. Members of Parliament and their teams have been very helpful in ensuring we are covering the right issues in this Q&A.

We will endeavour to provide a full response to your inquiry as soon as possible and if we can be of any further assistance at this stage please do not hesitate to contact me.

I am copying this letter to the Financial Conduct Authority for information and will be releasing the letter in the public domain.

Yours sincerely

A handwritten signature in blue ink that reads "Huw Evans". The signature is written in a cursive style with a long horizontal stroke at the end.

Huw Evans
Director General