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

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Dear Mr Stride

Thank you for the opportunity to inform the Treasury Select Committee on the UK insurance industry response so far to the Covid-19 pandemic. I wrote to you on 27 March with an interim reply and this letter now encloses an annotated list of answers to the questions you asked based on an extensive survey of ABI members who have worked hard to respond to the Committee's questions.

In enclosing these answers, I should highlight two important notes of caution. Firstly, these are the ABI's working estimates based on the latest available data supplied by its members. Each insurer will have made assumptions in assessing claims payable, for example on how long business interruption may last or travel restrictions may be in place. It is important to treat all data on this subject as indicative only at this stage and likely to change. Secondly, a significant number of claims relating to Covid-19 will be made through the London Market; the Chairman of Lloyd's has said publicly he expects at least 14 different types of policy to be triggered with a 'large number of claims.' Lloyd's has said it expects to provide an update of its expected claims in May and so a total UK industry-wide view will only be possible when the ABI working estimates and those of Lloyd's can be put together. The ABI will keep the committee informed of any material adjustments to the top level working estimates in this letter.

ABI members estimate they will pay £1.2 billion in claims to policyholders as a result of Covid-19 covering losses by customers for business interruption, travel, events, weddings and school trips. Working estimates of the breakdown of the £1.2 billion are £900m for business interruption, £275m for travel insurance and £25m for events, weddings and school trips. If the period of business closures and travel restrictions continue well into the summer it is reasonable to expect this number would rise further. This £1.2bn of expected claims paid is on top of the estimated £363m that will be paid to business and homes affected by Storms Chiara and Dennis earlier this year.

Having reviewed product changes as a result of Covid-19, ABI members report that 4% of products have been withdrawn in March 2020 and 10% of products have seen changes to policies. It is worth noting that this is an ongoing process throughout any business cycle

and some of these changes will be unrelated to Covid-19. Further details on ongoing availability of insurance products and how we have defined the is enclosed but it is worth noting that the operation of the global reinsurance market will be a key factor in the extent to which firms can continue with existing coverage or have to withdraw it.

The biggest concern for many customers in recent weeks has been whether their insurance cover can adapt to the much-changed circumstances we all find ourselves in. ABI members have made significant customer commitments across a range of products to ensure flexibility for policyholders and peace of mind at this stressful time. Motor policies have been extended to cover NHS volunteers and to accept MOT deferrals, Home insurers have clarified cover for unexpected home working, Pet insurers have waived requirements for updated vaccinations, Travel insurers have extended cover for customers stuck abroad, Commercial insurers have accommodated unoccupied business premises and Protection insurers have acted to reduce pressure on GP surgeries by adjusting medical validation requirements. These are just some examples of the ways in which the sector has responded to tackle challenges and acted collectively to provide maximum reassurance to customers. Full details of ABI member customer pledges are enclosed.

However, we are also painfully aware that the majority of businesses are uninsured for global pandemics, as is the case throughout continental Europe and North America. Although ABI members expect to pay £900 million in business interruption claims, most policyholders are not covered for pandemic losses. We recognise this is a very worrying time for those businesses and agree strongly that the UK should examine public-private partnership models to find a lasting solution that can provide more extensive and more affordable coverage in future for businesses wishing to purchase insurance against pandemics.

As explained to your committee clerks we will be sharing this response with HMT the FCA, PRA and FOS. Due to the market sensitivities of the data collected we will also be releasing our response into the public domain on Friday (24 April) embargoed into Saturday (25 April).

I hope you and the committee find the detailed answers to your questions helpful and we stand ready to assist further

Yours sincerely



Huw Evans
Director General