

Insights

COVID-19 AND TRAVEL INSURANCE: THE FCA UPDATES ITS EXPECTATIONS OF GENERAL INSURANCE FIRMS

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SUMMARY

The FCA, on 19 July 2021, updated its [webpage](#) setting out its expectations of general insurance firms in the light of COVID-19 to clarify its expectations about travel insurance. Although the FCA had previously published details of its expectations of firms in this field, the latest update provides further colour on the steps that the FCA expects general insurance firms to be taking (or to have taken) and the practices that it does not regard as appropriate.

FCA'S UPDATED EXPECTATIONS IN RELATION TO TRAVEL INSURANCE

General insurance firms should be aware of the following updated expectations that have now been set out by the FCA:

1. Fair, clear and not misleading customer communications during the marketing and sales processes.

The FCA has emphasised that:

- Firms should not use terminology that customers might not understand. In particular, the FCA notes that some firms have been advertising and selling products that have "coronavirus cover" or "enhanced COVID-19 cover". The FCA is concerned about this, as these terms do not have a commonly understood meaning and can reflect very different types of cover depending on the firm.
- Firms should provide customers and prospective customers with clear information and ensure they have a clear understanding of the extent that travel products will protect them against COVID-19-related risks. Firms selling travel insurance must ensure that customers are given appropriate information about a policy so that they can make an informed decision. This will include providing clear information about the policy, including the main benefits, limitations, conditions and exclusions including those relating to COVID-19, regardless of the

"sophistication" of the customer and whether they have previously bought a travel policy from the firm. Where exclusions are in place, they should be sufficiently clear so that customers understand the impact and situations in which the policy will not pay out.

2. Demands and needs.

The FCA has reiterated its emphasis that firms should only offer customers travel insurance that meets their demands and needs.

3. Product governance:

In relation to product governance requirements, the FCA has clarified that:

- It considers that changes to an existing travel insurance product to exclude the insurer's liability for risks relating to coronavirus are likely to amount to a significant adaptation of that product, therefore triggering a new product approval process.
- Further to its guidance on "[Product value and coronavirus](#)", it now expects product manufacturers to have reviewed their travel insurance products and to have identified if coronavirus has affected their intended value.
- As part of ongoing product monitoring, it expects firms to consider available information on travel insurance products – such as the number of, and reason for, claims being declined. It notes that this information could indicate that the product has distributed outside of the identified target market or that the customer experience does not match what the firm had anticipated.

CONCLUSION

Many of the FCA's updated expectations in relation to travel insurance will not come as a surprise to general insurance firms and many firms will, no doubt, already be acting in accordance with these. However, in circumstances where consumer protection is at the top of the FCA's agenda, and particularly the protection of consumers who are in a vulnerable position because of the COVID-19 pandemic, they do provide some insight into where the FCA's enforcement focus is likely to be in respect of travel insurance. Firms would be well advised, therefore, to re-assess their product governance, marketing and sales processes in relation to travel insurance to ensure that they do not fall short of these expectations.

MEET THE TEAM



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