

FCA confirms measures for insurance customers facing financial difficulties

AT A GLANCE

May 2020

What's new?

- The FCA issued [guidance](#) on 14 May 2020 for firms offering general insurance and pure protection contracts, setting out its expectations for dealing with customers experiencing temporary financial difficulty as a result of coronavirus (COVID-19).
- The new guidance comes into force from 18 May 2020 with the aim of prompting firms to help customers reduce the impact of financial distress and to ensure that customers continue to have insurance cover that meets their demands and needs.

Contacts

Hannah Swain
Director

T: +44 (0) 7803 590553
E: swain.hannah@pwc.com

Anirvan Choudhury
Senior Manager

T: +44 (0) 7483 423721
E: anirvan.choudhury@pwc.com

What does this mean?

- The FCA urges insurers to show as much flexibility as possible when dealing with customers experiencing temporary financial difficulty as a result of COVID-19, to ensure continuity of cover for policyholders. The purpose of the FCA's guidance is to ensure that firms are properly balancing commercial interests with considering the vulnerabilities of consumers and the continued need to treat them fairly during the pandemic.
- The FCA expects firms to adjust insurance covers taking into account temporary changes in the customer's circumstances. For shorter-term adjustments firms are expected to take steps to ensure that they reassess the customer's situation when that temporary period comes to an end to avoid the risk of underinsurance.
- Where amendments to the insurance cover do not help alleviate payment difficulties for customers paying their premium in instalments, the FCA expects firms to grant customers a payment deferral. The payment deferral should be granted for a period of between one and three months, though firms can go beyond three months should they wish to, and if it's in the customer's interests. The FCA notes that customers should be able to request a payment deferral at any point during the period up to 18 August 2020.
- The FCA also urges insurers to consider a range of other options to reduce financial pressures on customers including waiving administration and cancellation fees, relaxing charges or interest incurred for missed payments, and partly refunding premium payments where the whole amount has been paid up front.

AT A GLANCE

May 2020

What do firms need to do?

- Firms should reassess the risk profile of their consumer, taking into account any vulnerabilities due to COVID-19 and consider whether there are other products the firm can offer which would better meet the customer's needs. Firms should work with consumers in financial distress to avoid the need for cancellation of necessary cover.
- Senior management and boards should review their Vulnerable Customer Policy and their existing approach to dealing with customers to ensure that it remains fit for purpose in light of the FCA's new guidance.
- Firms should establish appropriate controls and monitoring procedures to ensure customer needs are considered at this time and that in the event of any future regulatory scrutiny they are able to demonstrate to the FCA that decisions taken during the pandemic were in the customer's best interest.
- Firms should make clear in their communications the different solutions available to customers, including the impact of the different options to enable them to make informed decisions if they are experiencing financial difficulty as a result of COVID-19.
- Firms should take steps to make it as easy as possible for customers to contact them. In doing so firms should establish different communication methods (e.g. for those needing to communicate through channels other than telephone) to ensure customers can easily access the information they require.

Contacts

Hannah Swain
Director

T: +44 (0) 7803 590553
E: swain.hannah@pwc.com

Anirvan Choudhury
Senior Manager

T: +44 (0) 7483 423721
E: anirvan.choudhury@pwc.com

Next steps

This new guidance will be reviewed in the next three months, at which point the FCA may revise the guidance if appropriate. Insurers should also review FCA's recent guidance on product value in light of COVID-19 which is expected to be confirmed soon.

