

CORONAVIRUS

Insurers fear they will join bankers as hate figures after the coronavirus pandemic

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Oxford Circus is empty of shoppers because of the pandemic — something no insurance policy covers



Insurers risk the public turning against them over coronavirus claims in a similar way to the backlash against banks after the financial crisis, senior insurance industry figures believe.

The sector's message that few policies will pay out for abandoned travel or lost business has been seen as overly negative and unhelpful. There are also fears that after ministers have dealt with the most pressing health and economic problems, they will impose measures on insurers such as a forced pooling of risk for pandemics.

One industry leader said: "I was horrified. There has been no empathy with the situation in which people find themselves. When you compare that to what other business leaders have done, sending letters to customers saying what they can do for customers, in the insurance industry it has all been about what is not covered."

Another insurance figure said there had been internal worries about whether they would face a banks-style backlash. "There is an acute awareness that the sector could look greedy," the executive said. That is not the case. Our people want to help customers."

Insurers have faced a flood of criticism as it has become clear that coverage for coronavirus in policies including travel, critical illness and business interruption is very limited.

Business interruption policies, the largest area of potential claims, will largely not pay out because companies tend to buy cover for day-to-day risks such as fire, flood and employees having an accident.

Companies can pay extra for pandemic cover but many policies only cover a list of “notifiable diseases” spelt out in contracts, which do not include coronavirus as it is new.

The industry feels it was forced into issuing stark statements following confusion created by government announcements, including classifying Covid-19 as a “notifiable disease” on March 5, and last week switching from advising pubs and clubs to close to ordering them to do so. Both were interpreted as measures to help people make claims, prompting the Association of British Insurers to say they did not make a difference to most policies.

Huw Evans, director-general of the ABI, said: “We felt it was important to keep our statements strictly factual to try to clear up the muddle. I can appreciate some customers would also have liked us to have expressed sympathy for their situation at the same time.”

Insurers are themselves battling with problems as a result of the virus. The collapse in global markets has hit their investments, eroding their solvency. Executives said they were trying to find ways to help customers, including potential payment holidays on policies or trying to offer advice. But as policies were not priced to cover pandemics, insurers have said they have not reserved for them and so cannot now pay out.

In the future, the government may require insurers to share risk for pandemics in a way that terrorism and flood is covered through Pool Re and Flood Re. Mr Evans said: “The insurance industry globally will have to have a discussion about how to cover pandemics and it needs to involve governments because a risk of this scale and size cannot be covered by any domestic insurance sector.”