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Dear CEO

Travel insurance cover for Covid-related risks

This letter highlights the increased challenges to customers buying travel insurance cover for Covid-related risks and firms designing and selling travel insurance, as well as reminding firms of some of the key steps and requirements that firms need to consider. This includes the design, monitoring, marketing and selling of insurance and Covid guidance we have issued. The pandemic has had a significant impact on the way in which people travel. The risks associated with travelling have changed and naturally the insurance against those risks has also changed. This means that, when buying travel insurance, customers cannot rely on their pre-pandemic knowledge and experience. Firms should consider this when designing, marketing and selling travel insurance.

Design

Insurers, and other firms involved in manufacturing products, must have a product approval process for new products and significant adaptations of existing products. As part of this, firms must identify the product's intended target market and ensure the product is compatible with their needs, interests, characteristics and objectives.

Once a product is approved, manufacturers must monitor and regularly review their products to identify events that could materially impact them. This includes both ongoing changes to the product and other events that could impact whether the product remains consistent with the needs of the target market. Firms must select appropriate distribution channels and then monitor them to ensure that the product is only reaching those within the defined target market.

The firm's Board or other governing body is ultimately accountable for its product approval process.

Firms should consider the cover that customers might require for pandemic-related risks and define their target market accordingly. As part of their ongoing monitoring, we expect firms to consider available information (such as the number of, and reason for, claims being declined) which could indicate that the product is not delivering the cover that customers expect. Where a product does not provide cover which customers might expect to be covered, firms should consider whether the existing target market and distribution strategy remain appropriate.

Firms may make the decision that they no longer wish to cover risks relating to Covid or pandemics, or to only provide cover on more limited terms. In the current situation, we consider that any change to an existing product to remove or limit cover for Covid or pandemics is likely to be a significant adaptation. Firms will need to put their amended product through a full approval process, and ensure that the product changes are reflected in the revised target market. The target market for the adapted product is likely to be smaller for the adapted product, and this may need to be reflected in the distribution strategy.

Marketing

Firms should ensure that their communications with customers are clear, fair and not misleading. In particular, firms should not use terminology that customer's might not understand.

For example, we have seen firms advertising products which have 'Covid cover' or 'enhanced Covid cover'. These terms do not have a commonly understood meaning and can reflect very different types of cover depending on the firm.

Sales standards

Firms selling travel insurance must ensure that customers are given appropriate information about a policy so that can make an informed decision. The level of information will depend on the complexity of the policy and type of customer and will include the main exclusions where claims cannot be made. 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.

It is important that travel insurance customers have a clear understanding of the extent to which their policy covers them for pandemic-related eventualities, including but not limited to whether the policy provides cover if:

- an airline or other travel provider postpones or cancels travel arrangements but will only offer a rebooking or credit and not a cash refund;
- an airline or travel provider ceases to trade without being able to meet their obligations regarding travel arrangements;
- after booking travel arrangements, the Foreign, Commonwealth and Development Office (FCDO) advises against travel to the destination in question;
- local or national lockdown prevents a customer from travelling;
- a customer can't travel because they have to self-isolate;
- a customer is diagnosed/test positive with Covid;
- a customer requires overseas medical treatment for Covid.

Firms must only offer customers travel insurance that meets their demands and needs. This should be determined on the basis of information obtained from the customer. Where a customer needs cover for a particular eventuality, a firm should not propose a contract which does not provide this cover.

Firms should consider the outcome of their monitoring and, if they discover that customers do not understand that particular eventuality is not covered, they should amend their sales processes accordingly.

FCA Covid guidance

We have previously issued relevant guidance on insurance and Covid, including for travel insurance, that firms should consider. This includes:

- [Insurance and coronavirus: our expectations of firms](#);
- [Product value and coronavirus: guidance for insurance firms](#);
- [Insurance and coronavirus: information for consumers](#); and
- [Coronavirus cancellations: Getting a refund and claiming on insurance](#);

We expect firms to review their processes under this guidance and in light of this letter, and to take appropriate action if they identify any problems.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Brewis', with a stylized flourish at the end.

Matt Brewis
Director of Insurance & Conduct Specialists