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Dear Terence

I am writing in response to the FCA's latest consultation on the impact of coronavirus on consumers. Which? welcomed the measures the FCA recently confirmed for insurance customers who may be suffering financial difficulties as a result of coronavirus. We agree that as well as supporting those in financial difficulties, further scrutiny of the impact of coronavirus on the value of insurance products is required. So we broadly welcome the FCA's proposals for firms to have to review the value of their insurance products.

The FCA's proposed guidance rightly reminds firms of their obligations towards customers in terms of product value, including requirements to treat customers fairly. Which? has found widespread use of exclusions relating to coronavirus that potentially undermine the value of insurance products. Below we set out some of the examples that firms and the FCA should review further.

The considerable impact of coronavirus on insurance products means the issues we have uncovered are broader and more pressing than the terms of the FCA's proposed product value reviews. We therefore also make recommendations as to how the FCA's proposed requirements for firms to review product value should be broadened, speeded up, and made more transparent.

### **The scope of the reviews**

As well as requiring firms to review the value of their products where claims are no longer possible, the FCA should require firms to review the value of their products where the likelihood of a customer making a claim has changed significantly due to coronavirus. This can also fundamentally affect the value of insurance products. Some firms have already chosen to refund existing customers to reflect changes in the likelihood of claims, which we welcome. By broadening the scope of the proposed reviews, this will ensure that all firms will set out their assessment of the impact of coronavirus on the likelihood of claims and how they plan to approach any related issues with the value of products.

### **The timetable**

While we understand that firms need time to formally review product value, certain aspects should be reviewed much more quickly than the FCA's proposed six-month deadline. This should include any new coronavirus-related exclusions. We are concerned by exclusions across a range of different types of insurance, including:

- **Travel insurance:** Some travel insurers have added new wide-ranging coronavirus-related exclusions for policies, which may mean that many customers are unable to claim against these policies. It also means that for an indefinite period, customers cannot buy insurance for future travel confident that it will have value. Furthermore, 17 of the 27 travel insurance policies that we have reviewed state in their wording that they will not rebate any of the policy's cost if it is cancelled after the cooling-off period. Such cancellation policies can further undermine the potential value of insurance policies given the likelihood of the need to cancel due to coronavirus. We understand that some insurers are making temporary exceptions, but all firms with these exclusions should review and clarify their approach.
- **Income protection:** Some providers of income protection policies have added exclusions and restrictions around coronavirus and respiratory diseases to newly-sold policies, as well as suspending the sale of certain aspects of cover and increasing minimal deferred periods. Many have also suspended the sale of unemployment or redundancy cover.
- **Wedding insurance:** At least one wedding insurer has introduced an explicit coronavirus exclusion. Some other existing policies include exclusions against claims caused by pandemics or 'notifiable diseases'. Another insurer advises that existing customers will be able to make claims where their wedding venue has been specifically closed by the government, but not if a change in law prohibits large assemblies of people.

## Transparency

The FCA should require firms to publish the outcome of their review/s of product value, including their plans to address any identified issues. This would further promote trust in the sector, and help consumer groups and others to provide guidance to consumers. Where firms identify major issues with the value of their products, the FCA should also require them to communicate with any affected customers to summarise any identified issues and key remedies.

If you have any questions regarding this response, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink that reads "Alastair Reed".

Alastair Reed  
Principal Policy Adviser, Money  
Which?