



ASIC
Australian Securities &
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To: Directors of general insurance companies

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Dear Directors,

ASIC's expectations about general insurers' responses to the Covid-19 pandemic (the Covid Pandemic)

ASIC is committed to working constructively and pragmatically with general insurers to help Australians affected by the Covid Pandemic to recover, and to aid the general functioning of the economy. We recognise the importance of engaging with the Insurance Council of Australia and general insurers directly in order to achieve this and, where possible, to establish consistent approaches on key areas such as assisting consumers in financial difficulty.

On 14 April 2020, [ASIC released an update on its regulatory work and priorities in light of COVID-19](#). In doing so ASIC also conveyed our overall expectations of regulated entities during this time. Namely, that despite the challenges posed by COVID-19, ASIC expects entities to treat customers fairly, avoid adding further financial harm or burden to consumers, and act to maintain the integrity and efficiency of markets. Given the unprecedented scale of the Covid Pandemic's effect, ASIC thought it would be helpful to expand on those expectations as they relate to general insurers. As a starting point, ASIC expects insurers to consider their conduct in light of the current circumstances and to act in a fair, professional manner that is in line with the duty of utmost good faith.

Insurers' code commitments

Now more than ever, it is important that general insurers stand by the commitments made in the 2020 General Insurance Code of Practice (the 2020 Code): to provide value, transparency and fairness; and promote trust, integrity and respect. While we recognise that ICA members and other Code participants are transitioning to comply with the new commitments by 1 January 2021, now is a time when many more, if not most, of the general insurance industry's customers are in a vulnerable position and may be suffering financial hardship and require additional support. Therefore, a

commitment to meet the additional consumer protections contained in the 2020 Code, particularly those related to vulnerability and financial hardship, is important at this time.

We also expect that you, as directors, will seek affirmation through board reporting that the Code commitments are being met.

Flexibility when dealing with consumers

Insurers will need to be flexible in dealing with consumers' specific circumstances. Where consumers are no longer able to pay premiums due to reduced income, insurers should consider how they can best respond to this issue in order to help consumers continue to maintain key insurance coverage to protect essential assets. This might include, where appropriate and reasonable, measures including premium 'holidays', deferrals, or reductions for a reasonable period of time. Insurers should not automatically cancel or lapse policies for non-payment of premiums but continue cover for those policies for a reasonable period of time, while working through further options that may be available for the consumer to retain their cover.

ASIC also expects insurers to consider whether outcomes will be fair for consumers if they have to actively 'opt in' or make a request in order to receive any benefit insurers offer in response to the Covid Pandemic. For example, consumers who are struggling to pay their insurance premiums may simply allow the policy to lapse rather than contact their insurer to cancel it. If an insurer relies on consumers to contact them to discuss options for retaining their cover, this can result in inconsistent and unfair outcomes for policyholders. Vulnerable consumers will be under considerable stress and would benefit if the insurer automatically extends the cover and undertakes proactive contact with the consumer, without the need for any action by the consumer.

Insurers should consider the needs and vulnerability of their consumers when deciding whether to offer renewed cover or when making changes to policy terms and price. Whilst we recognise that insurers need to manage their exposure to risk, we ask insurers to act flexibly to ensure that changes are fair to consumers, taking into account the individual circumstances. For example, consumers currently overseas with travel insurance cover who are delayed or unable to return to Australia will be particularly vulnerable. Insurers should be cognisant of this when considering requests to extend travel insurance taken out prior to the known event.

We would welcome the opportunity to discuss further approaches to support Australian policyholders who are currently suffering hardship and financial distress, including any consideration that insurers have given to reducing or refunding premiums on policies where the risk of loss has fallen significantly as a result of the Covid Pandemic. This would include, for example, travel insurance for future travel that can no longer be undertaken, and motor vehicle insurance where the motor vehicle is being used much less.

Handling claims and complaints

ASIC expects insurers to handle insurance claims with utmost good faith and to deal with complaints genuinely, promptly, fairly and consistently. ASIC also

expects that you as directors seek affirmation through board reporting that this is happening.

Insurers must ensure that their staff do not, either intentionally or inadvertently, discourage consumers from making claims. In the context of the Covid Pandemic this will be particularly important for travel insurance claims where there are differences between policies and insurers about when the Covid Pandemic became a 'known event'. ASIC expects insurers to encourage consumers to lodge their claims, so that it can be fairly and thoroughly assessed.

Insurers should be flexible in their treatment of consumers whose personal and/or working conditions have changed as a result of the Covid Pandemic. We expect that a consumer's ability to make a claim or have their claim handled in a timely manner, should not be affected by insurer requirements which conflict with Government requirements or recommendations in place because of the Covid Pandemic. For example, we expect insurers to:

- not deny claims solely because a consumer's circumstances change because of the Covid Pandemic and they do not notify the insurer. Examples include changes to working arrangements or the usage of a motor vehicle due to the Covid Pandemic;
- take reasonable steps to manage claims efficiently and effectively within best practice timeframes, noting the constraints of 'social distancing' and staff working from home;
- take all practical steps to source repairers and parts to help ensure that property and motor vehicle repairs are not avoidably delayed by travel restrictions;
- waive or alter requirements that are impractical due to the effects of the Covid Pandemic. For example, requirements that consumers attend face-to-face interviews for motor claims under investigation; and
- not refuse to assess or pay claims because the consumer is unable to pay the excess up front rather than have it deducted from the claim settlement. This practice would disadvantage consumers who are experiencing financial difficulty.

In particular, insurers should proactively apply the Urgent Financial Need of Benefits provisions in section 7.7 of the 2014 Code for all affected claimants, including travel insurance claims made by customers overseas and unable to return to Australia.

Communication to consumers about coverage

ASIC expects general insurers to communicate proactively, clearly and accurately with consumers about their insurance cover, recognising the rapidly changing situation they are facing. Any new and significant Covid Pandemic related exclusions on policy renewal should be clearly disclosed; and these policies should not be offered to people who are unlikely to be able to claim under them.

Information about key coverage limitations in existing products such as waiting periods and exclusions for pandemics must be clearly and prominently disclosed.

Data on Covid-19 claims

Mindful of the demands on insurers, ASIC does not currently intend to seek data on claims connected to the Covid Pandemic over the coming months. However, we envisage that we will seek data as the operational impact of the pandemic subsides. Insurers should, at a minimum, identify claims under a general insurance product where the loss event is connected to the effects of the Covid Pandemic. We will engage with the ICA and insurers shortly to discuss our likely data requirements. We will, of course, continue to work closely with the ICA and insurers to ensure that the regulatory burden placed on insurers by our data requirements is minimised.

We note that the expectations outlined in this letter are examples, rather than an exhaustive list, and we expect to engage with industry on an ongoing basis as and when further matters arise.

We will continue to work closely with APRA with the intention that we manage Covid Pandemic work in an efficient and effective way.

I would be pleased to discuss these issues further; please contact me if you would like to do so.

Yours sincerely,



Emma Curtis
Senior Executive Leader – Insurers
Acting Executive Director – Financial Services Group