

COVID-19 and Insurance (1 of 3): Helping Individuals and Businesses

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Original post [here](#).

Insurance companies face unusual challenges during the COVID-19 crisis. This blog describes efforts by companies and their supervisors to:

- Reduce financial burdens on insurance customers, for example, by allowing them to defer premium payments.
- Resolve the controversy over whether existing insurance coverage extends to businesses that have lost revenue during the crisis.

To date, crisis impacts on insurers have come mainly through financial markets rather than through extraordinary claims. Two later blogs will describe measures providing operational regulatory relief to insurers and measures encouraging insurers to conserve capital and avoid procyclical behavior.

1. Reducing financial burdens on customers

The most visible COVID-19-related interventions in the insurance sector offer protection and assistance to customers, whether individuals or organizations.

Some of these measures allow customers to defer paying their insurance premiums and give them grace periods for renewing their policies. Some expand, modify, or clarify existing policies to better protect policyholders from the brunt of COVID-19. Others seek to resolve the problems of insurers who are overwhelmed by claims while customers demand a quick response. A few countries have also encouraged insurance companies to allow deferred payments on loans they hold as assets.

Perhaps the most important measures have been those directly providing customers with financial relief.

Belgium has taken several measures. For unemployed workers, the [National Bank of Belgium](#) postponed premium payments for death, disability, and hospitalization policies related to employer-contracted insurance until September 30. [Consumers in Belgium who demonstrate](#) that they have faced financial difficulties due to COVID-19 can also suspend paying outstanding insurance premiums linked to mortgage loans until September 30. [Businesses interrupted](#) by COVID-19-related lockdowns can obtain premium suspensions for certain types of insurance.

Hong Kong's government [is directly paying](#) the insurance premiums of bus companies and ferry operators for six months.

India's government allows consumers to forbear on their premium payments for the duration of its lockdown; it offers a more generous forbearance policy for life insurance premiums ([IRDAI Circular 1](#), [IRDAI Circular 2](#)) than for [health insurance or motor vehicle insurance](#). The government has repeatedly extended this policy as it extended the lockdown. [India](#) and the [UK](#) are also [allowing](#) consumers to pay life insurance premiums in installments. [India](#) froze

auto insurance premium rates at their 2019-20 levels, although, with the decrease in automotive traffic, one would have expected motor vehicle insurance premiums to decrease.

Countries have also extended to insurance companies loan-forbearance programs that they had originally created for banks. In Belgium, mortgage borrowers [can now suspend](#) principal and interest payments to insurance companies through September 30. They can also [postpone](#) non-mortgage loan repayments to insurance companies through September 30. [India](#) has a similar mortgage forbearance policy.

Many insurance companies are expanding or offering more generous interpretations of their policies for customers impacted by COVID-19. This is frequently at the urging of supervisors. Insurance supervisors have given insurers breathing room to help consumers with more flexible supervision policies and forbearance measures that incentivize insurers to provide relief to customers.

Some countries have asked insurance companies to expand or modify the coverage consumers have in their existing policies to fit the extenuating circumstances of COVID-19. They attempted to do this while imposing little risk on the insurers, balancing the generosity of relief with the cost to insurers or the government. For example, [Ireland's government](#) negotiated a voluntary agreement with insurance companies to maintain coverage for businesses' buildings that have been left unoccupied. The agreement also allows businesses to change which property is being covered by a policy.

[Thailand's insurance regulator](#) compelled insurers to cover risks relating to COVID-19, so long as the relevant policies were sold before March 17 and the policyholder did not have the disease.

Some regulators have tried to make it easier for customers to acquire insurance. Thailand and India called on insurers to create affordable microinsurance policies related to COVID-19. In India, these plans act as a [substitute for conventional insurance](#), as most of the country does not have health insurance. Thailand is allowing non-life insurers to offer auto insurance policies with less than one-year terms. Thailand's measures have one side effect that may help insurers. They might [bolster insurer income from premiums](#) in the small short-term auto-insurance market.

In Canada, insurance regulators [expanded the eligibility](#) criteria for lenders to access portfolio insurance for their mortgages. This provision also benefited lenders overall, because it made it easier for them to access the government's [Insured Mortgage Purchase Program \(IMPP\)](#).

Many countries have also loosened regulations surrounding policy underwriting and distribution to allow consumers to purchase policies while remaining socially distant. This involves [cutting requirements for complete paper documentation](#) or ensuring that consumers will not have to [pay their premiums in person](#).

As COVID-19 inundated insurers with questions and claims, regulators have tried to ensure that consumers can access their insurance benefits easily and promptly. India issued regulations telling insurers to establish systems that approve or reject claims [within 24 hours](#) and to have all insurance claims related to COVID-19 reviewed by a [claims review committee](#) before they can be rejected. Saudi Arabia [moved](#) the examination of insurance claims online, while [Malaysia's central bank](#) told insurers to facilitate and expedite claims related to COVID-19.

Some regulators have also sought to give insurers some breathing room to respond to the wave of claims. Italy’s regulators gave insurers [additional time](#) to respond to complaints and customer inquiries. While [Peru extended](#) the period of time that policyholders could submit claims to insurers, it also told insurers to prioritize responding to managing and paying claims related to health insurance or life insurance.

2. Resolving the controversy over business-interruption insurance

Business-interruption insurance is a common form of property and casualty insurance in the U.S. and other developed countries. It covers a business’s loss of revenue due to a covered incident, such as a natural disaster. However, business-interruption policies usually require a policyholder to prove physical damage to the business premises, a condition that most businesses affected by COVID-19 lockdowns have not experienced.

Although some policies don’t require physical damage to pay out, they may also exclude pandemics or viruses from their coverage. Many are unclear about their coverage of pandemics or of business closings that government authorities have broadly mandated. That lack of clarity has led to conflicts between insurers and policyholders. (To some extent, this is because a large number of insurance contracts rely on standardized forms that embody “[boilerplate](#)” wording. These forms are then customized to the policyholders’ situation, but the amount of customization and negotiation varies greatly and is often limited to larger customers. Because many policies have common wording, they allow for common interpretations to develop. [However](#), because they are reused so often, one problem can quickly taint an entire group of policies.)

Authorities have taken various approaches to resolve these conflicts. For example, the South African regulator provided [guidelines](#) to insurers and consumers on May 12. Those guidelines noted that the regulator had spoken to regulated insurers and found that most business-interruption policies required physical damage; and even policies that covered contagious diseases didn’t cover government lockdowns.

The Financial Conduct Authority in the UK [announced](#) on May 1 that it was seeking a court declaration to help determine the basis on which insurance firms should decide whether to accept business-interruption claims. On June 1, the authority [said](#) that it had reviewed more than 500 relevant policies and selected a [representative sample of 17 policy wordings](#) to discuss in court.

In the U.S., where states regulate insurance, 28 [state insurance departments](#) have issued guidance to insurers and consumers on business-interruption coverage during the COVID-19 crisis. The NAIC had earlier [asked](#) insurers to provide data about their business-interruption policies, saying that it hoped the data call would help state insurance regulators evaluate the nature of business-interruption coverage, the size of the market, the extent of exclusions related to COVID-19, and claims and losses related to COVID-19. It has not yet published an analysis of the data it received.

Some governments have considered requiring insurers to retroactively cover COVID-19-related losses that policies didn’t cover before the crisis. The state legislatures of Louisiana, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania, and South Carolina have [introduced legislation](#) along these lines, although [none of these bills have passed](#).

The industry and its supervisors have warned against such initiatives, including the [NAIC](#) on March 25, and the [International Association of Insurance Supervisors \(IAIS\)](#) on May 7. The IAIS said such actions could “threaten policyholder protection and financial stability.” On April 1, the [European insurance supervisor](#), in guidance to insurers, said: “As a general principle, imposing retroactive coverage of claims not envisaged within contracts could create material solvency risks and ultimately threaten policyholder protection and market stability, aggravating the financial and economic impacts of the current health crisis.”

As an alternative, some countries are considering using government resources to backstop business-interruption insurance provided by the private sector. (See the [YPFS blog](#)). Proposals vary, but they typically limit the losses a private insurer must cover before the government backstop kicks in.