Regulatory Update

Coronavirus and customers in temporary financial difficulty: guidance for insurance and premium finance firms (FS20/5)

15 May 2020

About the publications

On 14 May 2020 the FCA published guidance outlining what actions firms should (or in some instances must) take in order to support customers in financial difficulties, caused by COVID-19. As with most things, fair treatment of customers, customers' best interest and appropriate record keeping needs to remain the core of decisions.

Which firms are captured?

The rules and guidance affect a range of firms including:

- **insurers,**
- **insurance intermediaries,**
- **finance lenders and brokers,**
- **debt collectors, and**
- **other regulated firms involved in insurance/finance activity**.

What firms should do?

In summary, the targeted measures require firms to consider what options they can provide to customers who are in a financial difficulty due to COVID-19. These options can include:

- **Reassessing the risk profile of customers** - This may have changed because of coronavirus and there may be scope to offer customers materially lower premiums.
- **Considering alternative products** - If alternative products better meet the customers' needs, firms should revise the existing cover or alter the cover completely. For example, a motor insurance customer might no longer need associated add on cover such as key cover or could be moved from fully comprehensive cover to third party fire and theft.
- **Considering waiving fees** - firms should consider waiving cancellation and other fees associated with adjusting customers' policies.
- **Payment deferrals** – firms should consider (subject to customers' best interest) to offer payment holidays.

All firms impacted by the guidance should conduct a review to evidence compliance, even if no action is needed.

Regulatory Update: Customers in temporary financial difficulty

FAQs…

What type of customers qualify for the relief measures?

- Whilst firms are encouraged to support all stakeholders under the Principles of Business, the insurance element of the guidance published are specific to only customers who are deemed to be “eligible complainants” under the DISP rules; therefore including individuals and small firms.

What insurance contracts are captured by the Guidance?

- The guidance only captures non-investment insurance and pure protection contracts. Re-insurance and investment-based contracts are excluded.

What to consider in case of payment deferral?

- the remaining term of the credit agreement and the customer’s ability to repay the accrued debt within the remaining term once the payment deferral period ends,
- whether it may be possible for the customer to get an extension to the insurance policy and credit agreement, and the impact of the payment deferral period on the customer’s ability to get credit to pay for an insurance policy in instalments in the following year

For more information, including FAQ, please visit our website.

Note section

You may use this section to take notes of key actions or assessments and file it for your record keeping.

Key Publication

- **FCA:** FG20/5: Coronavirus and customers in temporary financial difficulty: guidance for insurance and premium finance firms (click here)
- **RRCA:** Short-read on key regulatory expectations from insurance and consumer credit firms (click here).

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