

May 2025 update:
This letter is historical. See our [supervisory correspondence page](#) for more information and current views.

15 April 2020

Dear CEO

Insuring SMEs: Business Interruption

Over the past few weeks we have seen significant efforts being made by the insurance sector to deal with the impact of the coronavirus pandemic (Covid-19). For example, it has carried out important work to deal with customers' queries at a time when the number has increased exponentially. In such unprecedented circumstances, the FCA's approach is to be pragmatic wherever we can to assist firms to help their customers and to engage extensively and constructively with them and their representative bodies.

On 19 March we set out our expectations for insurance firms following the Covid-19 pandemic (<https://www.fca.org.uk/firms/insurance-and-coronavirus-our-expectations>). We outlined our expectation that firms should consider very carefully the needs of their customers and show flexibility in their treatment of them. While this statement is true for all insurance products sold to SMEs, the purpose of this letter is to focus specifically on conduct in relation to business interruption (BI) insurance.

Insurers and brokers have an essential role to play in supporting their customers who may be unclear whether they have appropriate cover in place. Clear, accurate and timely communication is crucial, which we expect firms to deliver. The FCA is also collecting information from firms in order to assess how they are interpreting policies.

Based on our conversations with the industry to date, our estimate is that most policies have basic cover, do not cover pandemics and therefore would have no obligation to pay out in relation to the Covid-19 pandemic. While this may be disappointing for the policyholder we see no reasonable grounds to intervene in such circumstances.

In contrast, there are policies where it is clear that the firm has an obligation to pay out on a policy. For these policies, it is important that claims are assessed and settled quickly. A key objective of the FCA is to ensure that financial pressures on policyholders are not exacerbated by slow payment, rather, such claims should be paid as soon as is possible. This is consistent with the wider objective of the authorities to support business and consumers during the current crisis. If there are reasonable grounds to pay part of a claim but not to make the payment of such claims in full, we would like you and your Board to adopt an approach of making an interim payment. Many firms are already doing this. If you disagree with doing so, we would like you to send to us the grounds for reaching that decision including how you believe it represents a fair outcome for customers. Your firm's decision is likely to help inform our assessment of its culture.

Payment of some policies may be disputed. Where a policyholder is a small business with an annual turnover below £6.5m, and fewer than 50 employees or an annual balance sheet below £5m, it is likely to fall within the jurisdiction of the Financial Ombudsman Service. This can offer the prospect of faster decisions (on claims of up to £355,000) than a Court Process and, where appropriate, more timely payments that help firms recover from the impact of the Covid-19 pandemic. In due course, the ombudsman will share details of the approach it will be taking to deciding complaints about business interruption insurance, most likely through a series of "lead cases". In the meantime, the ombudsman is working closely with financial businesses and their representative organisations to ensure it has a good understanding of the types of complaints it might receive.

Finally, from today the FCA has established a new small business unit, headed by one of our senior leadership team, Andrew Wigston. It will be overseen jointly by Jonathan Davidson (Executive Director of Supervision – Retail and Authorisation) and Sheldon Mills (Interim Executive Director of Strategy and Competition). This unit will coordinate the activities of the FCA across small business issues, in terms of ensuring regulated firms are supported through the challenges posed by the current crisis, gathering intelligence about the treatment of small businesses by financial services firms during the crisis and ensuring a co-ordinated response by the FCA to any issues identified. We will also continue to co-ordinate closely with the Financial Ombudsman Service.

Yours sincerely

Christopher Woolard
Interim Chief Executive