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Business Interruption Insurance: Can trust be restored?

As lockdown eases and the economy attempts to rebound from COVID-19, insurers will be left with not only the financial fallout but the significant task of restoring their reputation and rebuilding customer trust, confidence and satisfaction whilst under the FCA “spotlight”.



Independent assurance demonstrating that COVID-19 related Business Interruption claims were ultimately resolved fairly and promptly could be a first step in combatting reputational damage.

With the FCA, Financial Ombudsman Service and media likely to use the outcome of the FCA test case in the High Court as a benchmark for assessing an insurer’s behaviour, independent validation of adherence to the ruling and consistency of claims approach will help align interest for shareholders, the FCA and the media.

Insurers will need to establish and document their governance and review procedures around the policy wording and claims received. At the same time, it is critical that the claims already received and processed are linked to specific policy wordings and clauses. This will enable an insurer to readily update the analysis for findings from the test case, particularly for any claims either rejected or in progress where the test case calls for a different outcome. Claims should be distinctly categorised into test case claims; guidance claims; and unaffected claims. The FCA has imposed response times for insurers, following the outcome of the test case, which must be met.

“With so much to do, can insurers do more?”

Is this enough? What else should insurers be considering now?

What are the implications of SMCR?

Insurers must ensure that proper reporting and oversight is in place, nominate the right stakeholders at a sufficiently senior level, that they have the competence/authority to make decisions and that the right information is shared, at the right time. Typically, Risk, Legal, Operations, Sales and Finance/Controlling functions will need to be involved in the claims process.

What does my reinsurance programme look like?

Reinsurance recoveries may not be a simple case of “follow the fortunes”. Modelling the technical aspects of the programme now is beneficial. Often reinsurance programmes will have specific wording on cumulation of losses, and the impact on how the event is defined can have a dramatic impact on recoveries; reinsurance contracts may also have an “hours clause” so the evaluation of the inward loss may differ from that on the outwards side. There may also be issues of ex-gratia payments to contend with. It is advisable to treat the reinsurance analysis with the same level of diligence that would apply to a commercial negotiation of comparable size.

Do I have capacity in my claims team?

Determine if there is sufficient bandwidth in your claims teams to handle the Business Interruption claims alongside BAU claims. Also, review the current contingency plans to ensure all claims can be efficiently handled if workload should increase due to an

unforeseen event. If using a third-party administrator, ensure they are fully informed of your position, time constraints and reporting requirements.

With so much to do, could insurers do more?

During this short interim period until the test case is resolved, there is time for insurers to delve deeper into their portfolios and further develop their claim strategy, particularly focused on the type of settlement which may be beneficial to both insured and insurer. Data analytics may provide insight into the potential trade-offs between faster cash payments and protracted settlement discussions. Could settlement discussions be influenced by insurers’ wider relationships with brokers and risk managers and linked to renewal negotiations and new terms offered?

The final picture will take time to emerge but will be complex for the sector to navigate successfully. As we move forward into the post COVID-19 period, innovation, agility and pace will be crucial for the market.

FTI Consulting is helping companies review their claims and navigate decision-making in light of the COVID-19 challenges.

Learn how insurers can build resilience here:
<https://ftimea.to/winningrebound>
#WinningOnTheRebound

“Claims operational agility will be paramount in responding to both BAU and the demands of business interruption claims.”

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