



IAIS

INTERNATIONAL ASSOCIATION OF
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IAIS facilitates global coordination on financial stability and policyholder protection during Covid-19 crisis

The Covid-19 pandemic has created a global public health emergency with severe human and economic consequences. Insurance is an essential service at this time of distress, providing protection against the heightened uncertainties created by the pandemic.

For insurers to play this role, and to contribute to economic recovery, the stability of the sector is vital. To this end, the IAIS has been closely monitoring developments and actively coordinating with other standard-setting bodies and the Financial Stability Board (FSB) to assess the impact of Covid-19 on the global insurance sector. The IAIS is also committed to supporting the FSB's recently published principles for ensuring international cooperation and coordination of responses to Covid-19¹. Moreover, the IAIS is facilitating the sharing of information and discussion among its broad membership on supervisory responses to the impact of Covid-19.

The IAIS discussions of the supervisory responses to Covid-19 have highlighted the importance of effective policyholder protection and fair customer treatment at this difficult time. The IAIS welcomes the variety of proactive steps taken by insurance supervisors and insurers in support of policyholders. Such efforts include implementation of alternative, non-face-to-face distribution and servicing arrangements, enabling flexible arrangements for premium payments, premium rebates and discounts on policies with significantly lowered risk exposure and voluntarily enhancing cover/reducing premiums for essential workers.

In circumstances where pandemic risks are covered by a policy, it is important that insurers pay out such claims in a prompt and efficient manner. Efficient claims handling and clear communication with policyholders regarding coverage for losses arising from Covid-19 should help deepen confidence and trust in the insurance sector and contribute to longer-term economic recovery efforts.

At the same time, the IAIS cautions against initiatives seeking to require insurers to retroactively cover Covid-19 related losses, such as business interruption, that are specifically excluded in existing insurance contracts. In such cases, the costs of claims against losses have not been built into the premiums that policyholders have paid for their insurance. Requiring insurers to cover such claims could create material solvency risks and significantly undermine the ability of insurers to pay other types of claims. Such initiatives could ultimately threaten policyholder protection and financial stability, further aggravating the financial and economic impacts of Covid-19.

¹ <https://www.fsb.org/2020/04/fsb-publishes-report-on-international-cooperation-to-address-the-financial-stability-implications-of-covid-19/>



Relatedly, this widespread pandemic has highlighted the limits on the types of coverage that can reasonably be offered by the insurance sector alone. Under such circumstances, the pooling and diversification of risks necessary to support viable insurance cover are difficult to achieve. The IAIS, therefore, encourages efforts seeking potential solutions to protect businesses and individuals against these types of risk, and stands ready to help facilitate these discussions at the international level.