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MFSA's Expectations in the Context of Coverage Under Insurance Policies for Claims Arising Out of COVID-19

The MFSA is closely monitoring developments in relation to the spread of COVID-19 (Coronavirus). The purpose of this Circular is to bring to the attention of all insurance undertakings providing services to retail clients the MFSA's expectations in the context of coverage under insurance policies for claims arising out of COVID-19.

In this regard, it is the expectation of the MFSA that:

1. changes in the terms and conditions relating to policies issued cannot apply retrospectively or mid-term during the policy period;
2. where policies offer cover for consequential loss, insurance undertakings are expected to clarify what would be covered in case of claims arising from COVID-19. Whilst it would be acceptable for undertakings to limit consequential loss for new policies in the case of claims arising from COVID-19, any existing policies should not be subject to such limits. Accordingly, in the latter case, the cover for consequential loss should be that included in original policy wording;
3. for policies which cover medical conditions, a blanket exclusion for claims arising out of COVID-19 is not acceptable and treatment for COVID-19 should be covered insofar as it falls within the limits established by the policy for such cover;
4. Insofar as travel policies are concerned, we understand that cancellation costs covered are subject to the policy holders' obligation to mitigate their loss. Insurance undertakings may remind their policy holders of this obligation;
5. Insurance Undertakings are to ensure that their client-facing processes are sufficient to elicit all the information necessary to determine their underwriting decisions with respect to all types of policies sold. In this regard, undertakings should assess whether they need to change their proposal forms/ underwriting decisions to cater for this situation. For example, for new policies, insurance undertakings may wish to start asking whether the client has been in a high-risk territory.

Changes made to insurance products in the light of COVID-19 should be processed through the insurance undertakings' product approval process which they should have in place as part of their regulatory obligations relating to product oversight and governance. In this context, it is important to note that any changes must take into account the best interest of the client.