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Insurance: FAQs

Summary

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Summary

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The Financial Conduct Authority regulates the insurance industry, although the Competition and Markets Authority may investigate situations where there is a potential threat to competition.

The Financial Ombudsman Service oversees complaints from consumers that insurers can't resolve.

The Association of British Insurers and the British Insurance Brokers' Association are the main industry bodies.

Complaining about insurers

There is a standard approach for complaints about financial services that offers customers an alternative to formal legal action. The customer must raise their complaint with the insurer first. If that doesn't resolve the situation, they may raise the matter with the Financial Ombudsman Service.

Other topics

This paper also covers such issues as:

- finding the best policy –price comparison websites and brokers
- dealing with automatic renewal of insurance policies
- insurance arrangements for subsidence and flooding
- arrangements for driving UK-insured vehicles abroad
- how insurance has responded to the coronavirus pandemic

Please note that the information in this briefing paper is provided to Members of Parliament in support of their parliamentary duties. It is not intended to address the specific circumstances of any particular individual. It should not be relied upon as legal or professional advice, or as a substitute for it.

1 How is insurance overseen in the UK?

1.1 Who regulates the insurance industry and ensures fair competition?

The insurance industry in the UK is **regulated by the Financial Conduct Authority** (FCA). The FCA describes its overall objectives as protecting consumers and financial markets, and promoting "effective competition in the interests of consumers."

The FCA is an independent public body, accountable to the Treasury and to Parliament. All is funding comes from fees paid by regulated firms.[1]

The FCA's website has a detailed section relating to general insurers and insurance intermediaries.[2] This includes the Insurance Conduct of Business Sourcebook (ICOBS) or FCA Handbook,[3] which sets out detailed rules for the general insurance industry in the UK.

The **Competition and Markets Authority** (CMA)[4] is an independent non-ministerial department that "work[s] to ensure that consumers get a good deal when buying goods and services, and businesses operate within the law." The CMA might be involved in insurance issues, for instance, if there are concerns that competition is limited.

1.2 Who oversees complaints about insurance?

The Financial Ombudsman Service (FOS)[5] is **an independent dispute resolution service** that plays a central part in investigating consumer complaints about financial services regulated by the FCA.

It runs a standard complaints process for consumers, as set out in 2.1.

The FOS's service is free to people and businesses who choose to use it. The service is funded by:

- the FCA levy on financial businesses that it regulates

1 The FCA's role is defined in the Financial Services and Markets Act 2000.
2 FCA, General insurers and insurance intermediaries (accessed 28 April 2022)
3 FCA, Insurance Conduct of Business Sourcebook (ICOBS), 4 December 2016 (accessed 28 April 2022)
4 Competition and Markets Authority website
5 Financial Ombudsman Service, Governance and funding (accessed 28 April 2022)

- fees charged to some financial businesses when the FOS considers complaints about them

The Ombudsman's website goes on to emphasise that:

> The way we resolve complaints makes no difference to the funding we receive. This helps to make sure that our decisions are impartial.[6]

1.3 Who represents the insurance industry?

There are two main industry bodies: the Association of British Insurers (ABI) and the British Insurance Brokers' Association (BIBA).

The **ABI** has 200 members and operates as a non-profit organisation that aims to "inform public policy debates", speak for the sector, as well as promote consumer understanding and "a competitive insurance industry".[7]

BIBA represents "the interests of insurance brokers, intermediaries and their customers" and advises "members, the regulators, consumer bodies and other stakeholders on key insurance issues."[8]

BIBA has over 1800 member firms. It also operates the Find insurance service, which can help consumers to find policies that meet their specific needs.[9]

1.4 Where can I get general advice about insurance?

The following organisations provide useful overviews of insurance for consumers:

- Citizens Advice[10]
- Money Helper (formerly the Money and Pensions Service)[11]
- The Association of British Insurers[12]
- The British Insurance Brokers' Association[13]

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6 Financial Ombudsman Service, Governance and funding (accessed 28 April 2022)
7 Association of British Insurers website
8 British Insurance Brokers' Association website
9 As above, Find insurance (accessed 28 April 2022)
10 Citizens Advice, Insurance (accessed 28 April 2022)
11 Money Helper, Insurance (accessed 28 April 2022)
12 Association of British Insurers website
13 British Insurance Brokers' Association website

2 Complaints and concerns

2.1 How do I complain about an insurance company or service?

There is a clear route for complaints about an insurance company's service that customers may wish to use as an alternative to legal action.

The process is basically the same for individuals and businesses (as well as many charities and trusts). But customers should follow every step rather than jumping ahead.

Starting a complaint

Many complaints can be resolved by discussing the matter with the relevant insurer to clarify what the problem is and to determine the background.

If that doesn't resolve the situation, the next step is to follow the company's complaints procedure, which it should make available on request or publish on its website. This will normally ask for complainants to set out their concern and how they'd like to see it resolved.[14]

Various organisations offer further advice about doing this, including:

- the Financial Ombudsman Service (for individuals)[15]
- the Financial Ombudsman Service for small businesses[16]
- Money Helper[17]

The company should reply to the complaint within eight weeks.[18]

If that doesn't resolve the matter

If the company doesn't meet the eight-week deadline or the reply isn't satisfactory, individuals may complain to the independent Financial

14 The regulations underlying this stage are set out in the FCA Handbook, DISP 1.2 Internal complaint handling procedures: general requirements (accessed 16 May 2022)
15 Financial Ombudsman Service, Contact us (accessed 3 May 2022)
16 Financial Ombudsman Service for small businesses website (accessed 3 May 2022)
17 Money Helper, Sort out a money problem or make a complaint (accessed 3 May 2022)
18 FCA Handbook, DISP 1.4 Time limits for dealing with a complaint (accessed 16 May 2022)

Ombudsman Service (FOS)[19], and businesses to the Financial Ombudsman Service for small businesses[20], which also publishes guidance about businesses that are eligible to use the service.[21]

Complaints to the Ombudsman should normally be made within six months of receiving the reply from the company.[22]

The FOS has a very clear process set out on its website[23], as well as an online complaints form[24]. It also has free helplines:

- 0800 023 4567 for individuals
- 0800 032 8000 for businesses, charities and trusts

How the FOS deals with complaints

The FOS will review the complaint and seek any further information that it needs. It will then reply to both parties setting out its decision. If it finds against the company, it will also set out what it should do to resolve the situation.

Both the customer and the company have the right to reject the investigator's recommendation and to ask for it to be reviewed. The FOS will then pass the case to an ombudsman who will consider the case again and issue a 'final binding decision'. If the customer accepts it, the decision is binding on both parties. If they don't, they are free to pursue their complaint by other means, such as through the courts.[25]

The FOS also has a database of earlier cases and decisions.[26] All personal details remain confidential.

If the customer isn't happy with the ombudsman's final binding decision

The FOS offers no right of appeal against the final binding decision. If the customer is unhappy with the **processes** that have been used to come to the decision they may consider taking the case to court for a judicial review. As the FOS explains, though, this would not look at the dispute itself:

19 Financial Ombudsman Service, Contact us (accessed 3 May 2022)
20 Financial Ombudsman Service for small businesses website
21 As above, Who we can help (accessed 3 May 2022)
22 Financial Ombudsman Service, Time limits (accessed 3 May 2022)
23 As above, How to complain (accessed 3 May 2022)
24 As above, Make a complaint online (accessed 3 May 2022)
25 As above, What to expect (accessed 3 May 2022)
26 As above, Ombudsman decisions (accessed 3 May 2022)

> A judicial review usually focuses on the process an ombudsman has used to make their decision, not on the facts and evidence of the dispute itself. You'd probably need to get legal advice before starting judicial review proceedings.[27]

Again, customers may choose to pursue other means of resolution at any stage.

We publish more information about seeking legal advice in:

- Legal help: where to go and how to pay[28]
- Constituency casework: Judicial review[29]

2.2 How do I complain about a loss adjuster?

In almost all cases customers would need to complain via their insurance company and then follow the standard complaints process set out in 2.1. This is because insurance companies employ loss adjusters as their agents.

The Chartered Institute of Loss Adjusters does have a complaints procedure, but this covers breaches of professional behaviour by members. It would not normally cover advice given to insurance companies.[30]

2.3 Can I still complain about PPI (payment protection insurance)?

There was a deadline of 29 August 2019 to submit complaints to the relevant financial business about being mis-sold PPI.[31]

The Financial Ombudsman Service notes, though, that customers may still be able to submit a complaint if there were exceptional circumstances that prevented them from doing so before the deadline.[32]

They may also be able to still submit a complaint if:

- they were sold a PPI policy after 29 August 2017
- their complaint is about a claim being turned down by an insurer.[33]

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27 As above, How we make decisions (accessed 3 May 2022)
28 Legal help: where to go and how to pay, Commons Library briefing CBP-3207
29 Judicial review, Commons Library constituency casework article
30 Chartered Institute of Loss Adjusters, Breach of professional conduct (accessed 28 April 2022)
31 FCA, Payment protection insurance (PPI) (accessed 16 May 2022)
32 Financial Ombudsman Service, Time limits (accessed 28 April 2022)
33 As above

3 Prices and policies

3.1 How can I find suitable insurance policies?

For many people and types of insurance, online price comparison websites (PCWs) offer a quick way to find and compare potential policies. These typically ask customers to enter relevant information. They then return offers based on that information. Choosing one of the offers transfers the customer to a company's website where they may have to provide some further information.

But there are limits:

- PCWs often rely on standardised questions. This means that they may not be able to provide insurance quotes for more unusual situations – or the quotes may be much less competitive.
- They usually return results ordered from lowest price. This can mean that companies may offer low headline prices, but with overall lower levels of cover and higher excesses.
- In many cases, companies may pay for their results to appear first.
- Many companies don't appear on PCWs.

Money Helper offers some useful tips on using price comparison websites.[34]

People with specific insurance needs that a PCW cannot meet may find it useful to use the British Insurance Brokers' Association's (BIBA's) Find insurance service.[35] This identifies specialist brokers who may be able to identify more appropriate and tailored cover.

3.2 What are the rules about automatic renewal?

Many insurance companies set up automatic renewal of policies and payments. This practice began with car insurance policies because of legal requirements to ensure continuous coverage. Insurers then extended this to other products, referring to 'convenience'.

[34] Money Helper, How to find the best deal on your insurance using price comparison sites (accessed 28 April 2022)

[35] British Insurance Brokers' Association, Find insurance (accessed 28 April 2022)

Why do motor vehicle insurance policies automatically renew?

Except in very limited circumstances, all motor vehicles registered in Great Britain must have valid insurance in place at all times.[36] This is known as "continuous insurance enforcement".

To help prevent owners from unintentionally breaking the law, motor vehicle policies automatically renew when they expire unless the owner informs the company otherwise. If owners don't maintain continuous insurance cover they may be denied further coverage or face dramatically increased premiums, as well as legal penalties.

Customers are free to seek alternative cover as long as it is in place by the renewal date.

Problems sometimes arise if the insurance company tries to charge the customer and their means of payment are no longer valid. Normally the insurer will try to alert the customer to payment problems before cover runs out.

What can I do about automatic renewal of insurance policies?

Customers don't have to accept automatic renewal expectations for cover beyond motor vehicle policies. They may ask their insurer to cancel any such renewal arrangements at any stage.

As a result of earlier concerns about the expansion of automatic renewals beyond motor insurance, in April 2017 the FCA imposed new requirements on insurers. Before each renewal, they must:

- remind the customer of the previous premium
- encourage customers to review their cover and to shop around for the best deal
- identify and provide stronger encouragement to customers who have renewed four times or more to shop around[37]

The rules are set out in more detail in the FCA Handbook, which further instructs insurers to:

- send a clear and accurate reminder (usually by post or by email) in time for the customer to make an informed choice and to cancel the renewal if they want to. Most companies send this reminder 21 days or so before the expiry of a contract.

36 Department for Transport, Vehicle insurance: uninsured vehicles (accessed 28 April 2022)
37 FCA, Transparency in insurance renewals, 8 March 2017 (accessed 28 April 2022)

- prompt the customer to ensure that the cover is still right for them – that it takes account of their needs and situation. That might include the level of cover and any changes of circumstances. [38]

These rules are quite general. They don't necessarily stop a renewal taking place. As noted above, customers may still need to ask the insurer not to renew. Policies generally also have a cooling-off period of 14 days. During this time customers may cancel the new arrangement (subject to some costs).[39]

Customers who are not happy with an automatic renewal – or cancellation arrangements – have the right to follow the general complaints process (see 2.1).

3.3 What's been done about higher charges for customer loyalty?

The "loyalty penalty" refers to the practice of increasing premiums for existing customers, keeping the best deals for new customers. The FCA introduced new rules that required all financial businesses – including insurers – to stop doing this by 1 January 2022.[40]

Citizens Advice launched a super complaint to the Competition and Markets Authority (CMA) in 2018 "to tackle the loyalty penalty in essential markets and protect people from being ripped off".[41]

In December 2018 the CMA acknowledged the concerns. It noted that "many people, including those who can least afford it… should not have to be constantly 'on guard' or spend hours negotiating to get a good deal." [42]

The FCA then set up an investigation into pricing practices in the insurance industry.[43]

That review published its final report in December 2020.[44] This found that general insurance markets were not meeting the FCA's objectives of "deliver[ing] good outcomes for all consumers". For instance, some firms engaged in a practice known as 'price walking'. This involves gradually

38 FCA, Insurance Conduct of Business Sourcebook (ICOBS), 6.5 (accessed 28 April 2022)
39 See, for instance, Citizens Advice, Cancelling an insurance policy (accessed 5 May 2022)
40 FCA, General insurance pricing practices market study: feedback to CP20/19 and final rules, PS21/5, May 2021 (accessed 5 May 2022)
41 Citizens Advice, Excessive prices for disengaged consumers: A super-complaint to the Competition and Markets Authority, 28 September 2018 (accessed 5 May 2022)
42 Competition and Markets Authority, 'Loyalty penalty' super-complaint, 1 December 2020 (accessed 5 May 2022)
43 FCA, MS18/1: General insurance pricing practices market study, 28 May 2021 (accessed 5 May 2022)
44 FCA, General insurance pricing practices final report, MS18/1.3, December 2020 (accessed 5 May 2022)

increasing premiums for customers who renewed each year. So loyal customers were losing out and consumers overall were paying more.

The FCA has published an outline of what the rules about loyalty mean for consumers.

To make the market fairer, the FCA published a policy statement in May 2021 that set out "final rules" for the industry.[45] The changes include the following:

- Price-walking would be stopped. Renewal prices should match those offered to new customers (the "ENPB", or "equivalent new business price"), even if this affects some of the competitive strategies insurers have used. This may mean that customers who shop around regularly won't benefit as much as they have done.
- Firms may calculate equivalent rates in line with the "distribution channel" originally used by the customer. So prices may differ between policies marketed directly by the insurer and those offered through price comparison websites.
- Insurers need to consider the effects of incentives (such as discounts, toys or chances to win prizes) offered to new customers to ensure that they don't "mimic" price-walking.
- Firms must ensure that they make it easy for customers to opt out of auto-renewal arrangements at any stage. They should pay particular attention to the needs of vulnerable users and design communications accordingly.

The FCA expected insurers to have implemented the new rules by 1 January 2022.

3.4 Can insurers use gender to calculate premiums?

Using gender as an indicator to calculate risk and premiums in insurance was made illegal in the UK in 2012.

The UK Government and the Northern Ireland Executive changed legislation[46] after a test case at the European Court of Justice found in 2011 that using

45 FCA, General insurance pricing practices market study: feedback to CP20/19 and final rules, PS21/5, May 2021 (accessed 5 May 2022)

46 See the Equality Act 2010 (Amendment) Regulations 2012 S.I. (2012/2992) for Great Britain and the Sex Discrimination Order 1976 (Amendment) Regulations (Northern Ireland) 2012 N.I.S.R. 2012/462 for Northern Ireland.

gender as a factor in calculating insurance risk was incompatible with gender equality. [47][48]

The Financial Services Authority (the predecessor to the FCA) predicted that the change would have the most marked effect on:

- motor insurance;
- term life insurance;
- private medical insurance;
- critical illness insurance; and
- annuity products.[49]

Do men pay more for motor vehicle insurance than women?

All other factors being equal, individual men and women should be charged the same for motor vehicle or any other type of insurance.

But reviews since the 2012 changes have found that overall differences in **average** prices paid by men and women have persisted – or indeed widened.

- A study by the price comparison website comparethemarket.com reported that "between June and August 2017 the average car insurance policy for a man was nearly 27% higher than that for a woman", whereas in January 2013, the average male driver paid "almost 20% more" than female drivers.[50]

- More recently, MoneySuperMarket reported that "the median cheapest annual price for car insurance between January 2018 and January 2020 was £581.28 for men and £460.15 for women – a £121.13 difference (26%)."[51]

How is this difference legal?

Insurers use a wide range of indicators to help calculate risk. They often rely on correlations between individual circumstances and increased claims. This suggests that they have identified factors that tend to be associated with a

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47 EUR-Lex, European Court of Justice, Judgment of the Court (Grand Chamber) of 1 March 2011. Association Belge des Consommateurs Test-Achats ASBL and Others v Conseil des ministers (Case C-236/09), (accessed 6 May 2022)

48 European Commission, EU rules on gender-neutral pricing in insurance industry enter into force (press release), 20 December 2012 (accessed 6 May 2022)

49 Financial Services Authority, Gender directive, January 2012 (pdf)

50 The Money Pages, "Men pay £170 more on average for car insurance than women", 25 September 2017 (accessed 6 May 2022)

51 MoneySuperMarket, "Why is women's car insurance cheaper?" (accessed 16 May 2022)

higher risk. It shouldn't be taken to imply that those factors necessarily **lead to** increased risk.

Those correlations may well be unexpected and are often subject to commercial secrecy. But there are no legal restrictions on taking account of factors other than equality characteristics in assessing risk, and actuaries and insurance companies find them reliable enough to use.

Judgements that have led to and maintained the **average** difference in premiums are not publicly available. But it's likely that heavier weighting of other factors has **indirectly** led to higher average premiums for men overall. For instance, the MoneySuperMarket review found that:

- 16% of men worked in the 100 occupations with the highest premiums, compared with 1% of women.
- Men were more likely to drive "rare, powerful and more expensive" car makes and models. While the difference was less pronounced than with occupations, the much higher premiums for such cars may have had a strong effect on the overall results.[52]

It's important to note again that the gender differences mentioned are **average** rather than **absolute**. Individual men and women who report the same details should be charged the same, but men **as a group** are more likely to report other factors that insurers consider to be a higher risk.

3.5 Can insurers ever use equality characteristics to discriminate?

Equalities legislation generally outlaws discrimination on the basis of specified characteristics, but there are some exceptions for insurance services.

England, Scotland and Wales

There are specific exceptions outlined in the Equality Act 2010 for both age[53] and disability[54].

Both of those provisions permit insurers to charge customers more if they can demonstrate that their age or disability (including health conditions) means that they are more likely to make a claim. Such judgements have to be "relevant" and "reasonable".

So, for instance:

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52 MoneySuperMarket, "Why is women's car insurance cheaper?" (accessed 16 May 2022)
53 Equality Act 2010, Schedule 3, para 20A
54 As above, para 21

- Motor vehicle insurers are allowed to charge younger drivers more on the basis of statistical evidence that they are much more likely to claim.
- Travel insurance providers may legally charge older customers more on the basis that older people are more likely to become ill during the course of the policy.
- Travel or health insurers may ask customers about relevant health conditions and disabilities. They may charge more if they can demonstrate with actuarial evidence that those conditions are more likely to lead to claims.
- Life assurance providers may take age and health conditions into account on the grounds that these are likely to help determine how long a customer will live. They may adjust premiums accordingly.

Nevertheless, the situation can be complex. Citizens Advice has published an overview of when discrimination is allowed in insurance services in Great Britain.[55]

Northern Ireland

The situation in **Northern Ireland** is slightly different.

Insurers may take account of health and disability in similar ways to arrangements in Great Britain.[56]

But Northern Ireland equality legislation does not generally prohibit providers of goods, facilities and services from discriminating on the grounds of age.[57]

55 Citizens Advice, "Insurance services – when is discrimination is allowed?", undated (accessed 6 May 2022)

56 The Disability Discrimination (Service Providers and Public Authorities Carrying Out Functions) Regulations (Northern Ireland) 2007 N.I.S.R. 2007/473, Part 2, Regulation 4

57 Equality Commission for Northern Ireland, Age discrimination law in Northern Ireland: A short guide, 2016 (PDF), p9

4 Building and property insurance

4.1 How do insurers deal with subsidence?

"Subsidence" is the effect of ground movement that leads to instability of land and buildings. A local history or evidence of risk of subsidence will almost certainly lead to higher buildings insurance premiums, excesses or specific terms and conditions.

The ABI has published useful information about dealing with subsidence and insurance.[58]

BIBA notes that most UK buildings insurance policies cover damage arising from new (and unexpected) episodes of subsidence, although there are often high excesses.[59] BIBA's Find insurance service[60] can also help people to find cover for properties that have previously been affected by subsidence: many people report difficulty in finding suitable cover or new providers.[61]

There is more information and more specific support available in **coal mining areas**. The Coal Authority can provide thorough reports to individuals (and indeed insurance companies).[62] It runs a compensation scheme for property owners in relevant areas who are affected by subsidence, including damage to buildings and ground collapse.[63]

More generally, any **known** information about subsidence should be included in property surveys, and **physical** surveys should identify any potential problems. BIBA highlights the importance of getting fully physical surveys before buying a property.[64]

58 ABI, Subsidence (accessed 6 May 2022)
59 BIBA, Subsidence (accessed 6 May 2022)
60 As above, Find insurance (accessed 28 April 2022)
61 See, for instance, "I've got that sinking feeling over finding insurance for my flat", The Guardian [online], 10 June 2021 (accessed 17 May 2022)
62 Coal Authority, Find out if a property is affected by coal mining (accessed 28 April 2022)
63 As above, Claim for subsidence damage caused by coal mining (accessed 28 April 2022)
64 BIBA, Subsidence (accessed 6 May 2022)

4.2 How do insurers deal with flooding and flood risk?

Properties in areas at risk of flooding almost certainly face higher premiums – for both building and contents cover. As well as the risk from rivers and streams, high tides and storm surges can directly or indirectly cause damage. Coverage for 'flooding' in policies also applies to such matters as burst water mains – so it is also relevant to properties not apparently at risk of 'natural' flooding.

Flood Re for household policies

See our briefing paper Household flood insurance: Flood Re for more background to the scheme.

In the past, flooding led to large and unmanageable rises in premiums for customers. As a result, the Government and insurers developed a new scheme, Flood Re. This manages the increased costs for both insurance companies and most of their **domestic** customers.[65]

While owners of properties at risk are still likely to pay more, Flood Re helps to limit levels of premiums and excesses. This is because it is a system of re-insurance, in which companies take out further levels of insurance to limit their own exposure.

In brief, household insurers pay into the Flood Re scheme – and **all** household insurance policies are likely to pay something towards this, whether the property is at risk of flooding or not. Insurers can then choose to pay a fee to Flood Re so that it covers the flood risk element of individual policies.

This means that insurance companies decide how to manage the risk of increased costs behind the scenes, rather than leaving it up to customers.[66]

In the UK, individuals and businesses are responsible for ensuring that they have suitable and adequate insurance coverage, so all customers should always check before agreeing to a policy.

65 Flood Re website (accessed 28 April 2022)
66 As above, How Flood Re works (accessed 28 April 2022)

BIBA, the ABI and Flood Re have published an online tool to help both residential and commercial customers to find insurers who specialise in flood risk.

Exclusions from Flood Re

It is important to note that Flood Re does not cover all policies. In those cases, premiums may be much higher or the insurance contract will specifically exclude cover for flood damage. Flood Re has published an outline of specific inclusions and exclusions.[67]

For instance, **Flood Re doesn't cover commercial customers or leaseholders in buildings with more than three properties**.

In most cases it only covers buildings constructed before 1 January 2009. The Government and the insurance industry wanted to ensure that new housing development would avoid flood risk areas or take adequate precautions.[68]

Customers who are or may be excluded are likely to benefit from contacting a specialist broker.[69] For commercial cover, BIBA has also developed a scheme intended 'to provide BIBA members with comprehensive cover at highly competitive terms'.[70]

Customers who believe that they were not warned of any such exclusion may follow the standard complaints procedure (see 2.1).

In addition, **Flood Re will end in 2039**, with reviews along the way. As part of this, it will promote awareness of and resilience to flood risk to enable a move to "free market for flood risk insurance". This could involve changes to the way the scheme works and the cross-subsidies involved. Flood Re highlights the importance of householders to become more aware of flood risks and to take steps to mitigate it.[71]

How can I find out if I live in an area at risk of flooding?

Government agencies provide more detailed maps and information, through:

- Defra and the Environment Agency, for **England**[72]
- DfI Rivers, for **Northern Ireland**[73]
- The Scottish Environment Protection Agency, for **Scotland**[74]
- Natural Resources Wales / Cyfoeth Naturiol Cymru for **Wales**[75]

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67 Flood Re, Qualifying policies which may be ceded to Flood Re (accessed 6 May 2022)
68 Defra, Water Bill: Part 4 - Flood Insurance: Scope of Flood Re (pdf),March 2014, p1
69 BIBA, Flood insurance directory (accessed 26 May 2022)
70 As above, Commercial property with flood cover (accessed 28 April 2022)
71 Flood Re, Our future (accessed 28 April 2022)
72 Defra, Check the long term flood risk for an area in England (accessed 16 May 2022)
73 Department for Infrastructure, Flood maps (accessed 28 April 2022)
74 Scottish Environment Protection Agency, Flooding (accessed 28 April 2022)
75 Cyfoeth Naturiol Cymru / Natural Resources Wales, Flooding (accessed 28 April 2022)

Insurers may however use different sources.

Further information and advice on flood insurance

As well as the national agencies listed above:

- The ABI has a webpage outlining issues and further sources.[76]
- BIBA, the ABI and Flood Re have published an online tool to help customers find insurers who specialise in flood risk. It includes specialists in domestic and commercial properties, covered by Flood Re or not.[77]
- BIBA's Find insurance service also publishes some general information and links to further resources.[78]
- The National Flood Forum offers independent advice on finding insurance and flood prevention measures in England and Wales. It is also available on 01299 403055.[79]

[76] Association of British Insurers, Accessing flood insurance (accessed 28 April 2022)
[77] BIBA, Flood insurance directory (accessed 26 May 2022)
[78] As above, Find insurance (accessed 28 April 2022)
[79] National Flood Forum website (accessed 28 April 2022)

5 Motor vehicle insurance

5.1 What is 'black box' car insurance?

Insurance using 'black boxes', also known as 'telematics', is an emerging approach in the motor vehicle insurance industry. It aims to overcome some of the guesswork and perceived unfairness involved in assessing risk by focusing more directly on individual driving behaviour.

The consumer agency Which? provides an overview of how this approach works. A GPS box (or a smartphone app) gathers and sends real-time information about aspects of individual driving behaviour – such as speed, braking, and when and how far the vehicle is driven.[80]

The approach was first introduced to help reduce premiums for younger drivers but is now more widely available. Which? notes that although telematics may benefit careful or infrequent drivers, it's important to take account of extra costs, such as connection and discontinuing services. In addition, some telematics approaches may attach higher risk scores to such behaviour as night driving because there are comparatively more accidents at night. Which? also emphasises that insurance cover based on this approach is not necessarily cheaper than standard policies.[81]

Nevertheless, the price comparison website Comparethemarket.com reviewed its own data from 1 April to 1 July 2021 and found that average savings for young people who took out telematics policies were:

- £1,118.41 for those aged 17-20
- £382.79 for those aged 21-24[82]

Price comparison websites may include telematics policies in search results or as a search option. Many PCWs also publish their own advice about telematics.

80 Which?, How black box car insurance works (accessed 26 October 2021)
81 As above
82 Comparethemarket.com, Black box insurance (accessed 26 October 2021)

5.2 I own a car but my disability means that I can’t drive. Can I find insurance that allows others to drive it for me?

Standard car insurance policies (as represented on price comparison websites) assume that the owner of the car is the main driver and ‘registered keeper’. While standard policies can include **additional** drivers, they don’t tend to make provision for vehicle owners who depend on others to drive them.

Such customers are likely to benefit from seeking specialist advice. The Find insurance service may be a good place to start.[83]

Disabled Motoring UK provides some general guidance and names of insurers who specialise in disability, although their advice tends to focus on the needs of people who are driving vehicles with adaptations.[84]

Finally, as needs and conditions may vary, vehicle owners may find it useful to speak to organisations that represent or advocate for people with relevant conditions.

5.3 What are the rules about driving UK-insured vehicles abroad?

There is further useful information in our Insight Driving in the EU after Brexit and in the Department for Transport’s Driving abroad webpages.

All UK motor insurance provides the **minimum third-party cover** required for driving in most European countries (including all EU member states). Drivers do not need to produce an insurance green card (see below) to prove they are insured.[85]

Brexit meant that the UK lost **automatic** membership of the Green Card Free Circulation Area (GCFCA).[86] But its membership was effectively reinstated by the European Commission in 2021 (as a third country).[87] So drivers of UK-registered vehicles do not need to carry a green card when they drive in GCFCA countries, which include:

- All member states of the EU
- Andorra

83 British Insurance Brokers’ Association, Find insurance (accessed 28 April 2022)
84 Disabled Motoring UK website (accessed 28 April 2022)
85 Department for Transport, Vehicle insurance (accessed 6 May 2022)
86 Motor Insurers’ Bureau, Green Card information for the public (accessed 28 April 2022)
87 Department for Transport, Roads - motor insurance framework, CP 539, September 2021

- Bosnia and Herzegovina
- Iceland
- Liechtenstein
- Norway
- Serbia
- Switzerland[88]

The Government advises that drivers of **vehicles registered and insured in the UK** may need a green card to drive in:

- Albania
- Azerbaijan
- Belarus
- Moldova
- Russia
- Turkey
- Ukraine[89]

For other countries, drivers should speak to their insurer and check the Government's Foreign travel advice.[90]

EU rules require drivers to register and insure their vehicle car in the country they normally live in. If they don't their insurance cover may not be valid.[91]

What should I do if I have an accident abroad?

For accidents in EU and EEA[92] countries, the Government advises the following:[93]

> [Y]ou should, in the first instance, contact your insurance provider.
>
> Any legal proceedings against either the responsible driver or the insurance provider of the vehicle will need to be brought in the EU or EEA country where

88 Department for Transport, Vehicle insurance: driving abroad (accessed 28 April 2022)
89 As above
90 FCDO, Foreign travel advice
91 Your Europe, Car insurance validity in the EU (accessed 28 April 2022)
92 The additional non-EU countries are Iceland, Liechtenstein and Norway.
93 Department for Transport, Driving in the EU: what to do if you're involved in a road accident, 28 September 2021 (accessed 28 April 2022)

> the accident happened. You might have to make your claim in the local language.
>
> You will not get compensation in some countries if the accident is caused by an uninsured driver or if the driver cannot be traced.
>
> Get legal advice if you need more information about this.

For other countries, drivers should speak to their insurer and check the Government's Foreign travel advice.[94]

What's a green card and how do I get one?

A green card is a confirmation that a driver and vehicle have effective cover when driving in another country.

The green card system is overseen by the international Council of Bureaux, which coordinates the activities of National Motor Insurers' Bureaux that represent motor insurers in 48 countries in Europe, North Africa and the Middle East.[95]

The relevant UK agency is the Motor Insurance Bureau (MIB), which is in turn an independent agency funded by all UK motor insurers.[96] The MIB publishes an overview of how the Green Card system works.[97]

- Drivers who need a green card –or are not sure – **should contact their own insurer in the first instance, and at least six weeks before they travel**.
- Drivers who intend to drive in a country that isn't part of the Green Card Free Circulation Area are unlikely to have automatic third-party cover, so they'll need to arrange this with their insurer, who may however decline to offer it.[98]
- Drivers will need to show their green card when they enter the relevant country. If they can't produce it or don't have one, they **may** be able to buy 'border insurance', but this is likely to be more expensive.[99]

As rules and coverage may change, it is always important to discuss and agree arrangements with insurers.

Neither the Government nor the MIB has the power to extend coverage.

94 FCDO, Foreign travel advice
95 Council of Bureaux website (accessed 28 April 2022)
96 Motor Insurers' Bureau website (accessed 28 April 2022)
97 Motor Insurers' Bureau, Green Card system explained (accessed 28 April 2022)
98 As above, Green Card information for the public (accessed 28 April 2022)
99 HC Library correspondence with the Motor Insurance Bureau.

6 Insurance and Covid-19

6.1 How has insurance dealt with the coronavirus pandemic?

The coronavirus pandemic brought many new challenges for insurance customers and the industry. Many issues continue.

The Financial Conduct Authority set out a set of "expectations" for insurance providers. It said that it expected firms to consider customer needs "very carefully" and to be flexible in dealing with them. It noted that customer behaviour was likely to change – for instance, more working from home – and expected firms not to disadvantage people "impacted by circumstances over which they have little control." It also called on insurers to "clearly communicate any policy exclusions that may impact the cover and use of individual policies", whether new or existing.[100]

The Association of British Insurers has maintained a coronavirus hub with further information about how the industry deals with different types of policy.[101]

Dealing with specific questions

Policies vary, so customers should always review what their policy says. If in any doubt, they can speak to their insurer to clarify the situation, and ask for confirmation in writing.

What if I disagree with my insurer?

Customers may wish to refer to the standard complaints procedure (see 2.1).

What if I wasn't covered or didn't have insurance?

Depending on how they bought a good or service, there could be other solutions. For example, suppliers might offer a refund or change a booking if asked. It might be possible to get a refund if the customer paid with a credit card.

100 Financial Conduct Authority, Insurance and coronavirus (Covid-19): our expectations of firms (accessed 28 October 2021)

101 Association of British Insurers, ABI coronavirus information hub, 11 January 2022 (accessed 28 April 2022)

What happens with renewals and new policies?

Many new or renewal policies may be harder to find. Prices may have risen and in many cases details of coverage and exclusions may have changed. This is likely to be particularly marked in travel insurance.

6.2 What's the situation with business interruption insurance?

Our briefing paper Coronavirus: business interruption insurance provides further detail.

What happened?

Many businesses found that their business interruption insurance didn't cover closure resulting from the pandemic. But many also disputed their insurers' interpretation of policy wording.

Our briefing paper Coronavirus: business interruption insurance sets out an overview of what happened and how the industry, Government and regulators have responded.[102]

Many disputed claims were resolved by two court cases, as discussed in our briefing paper and our Insight The business interruption insurance court case: how much of a victory is it?.[103]

But the judgment only applied to a minority of policies – the FCA estimated that it would benefit 370,000 out of the almost six million businesses in the UK.[104]

The judgment was binding on the policies considered – a full list is available on the FCA webpage, which also notes:

> The judgment also provides authoritative guidance for the interpretation of similar policy wordings and claims. It can be taken into account in other court cases, including in Scotland and Northern Ireland, by the Financial Ombudsman and by the FCA in looking at whether insurers are handling claims fairly. [105]

What about other business interruption policies?

The decision was unlikely to affect many other business interruption claims. But customers who aren't happy with how their claim has been handled may

102 Coronavirus: Business interruption insurance, Commons Library briefing CBP-8917
103 The business interruption insurance court case: How much of a victory is it?, Commons Library insight
104 Financial Conduct Authority, "Supreme Court judgment in FCA's business interruption insurance test case", 15 January 2021 (accessed 26 May 2022)
105 Financial Conduct Authority, Business interruption insurance, 26 July 2021 (accessed 28 April 2022)

be eligible to follow the standard complaints procedure for financial services (see 2.1).

How have insurers dealt with Government support when calculating payouts?

In brief, there is no simple answer. Individual policy wording differs so many cases would have to be argued in court.

But there is a wider tension between the risk of **paying policy-holders twice for their loss** and that of **allowing the taxpayer to subsidise costs to insurers**.[106]

Nevertheless, the Economic Secretary to the Treasury said in November 2020 that "it is the Government's firm expectation that [such relief payments] are not to be deducted from business interruption insurance claims" and that he would continue to monitor the matter.[107]

The FCA's guidance – updated on 24 March 2021 – effectively reiterates the position that it has promoted since at least August 2020: that insurers should review the circumstances of individual policies and claims, and that it is unlikely that simplistic approaches would be appropriate.[108]

But some insurers decided not to deduct particular types of government support. As the FCA reported:

> Ageas, Allianz, Aviva, Axa XL, Axa, Chubb, Covea, Direct Line Group, Ecclesiastical, Hiscox, NFU Mutual, QBE, RSA and Zurich have agreed not to deduct the following grants:
>
> - Local Authority Grant
> - Small Business Grant
> - Leisure/Retail/Hospitality grants
> - Local Restrictions Support Grant (closed)
> - Local Restrictions Support Grant (open)
> - Additional Restrictions Grant (ARG) and
> - Local Restrictions Support Grant (LRSG (Closed) Addendum)

106 For a summary of arguments for and against deduction see James Moorhouse, Society of Claims Professionals, "Furlough payments", 10 March 2021 (accessed 6 May 2022)

107 UIN 118652

108 Financial Conduct Authority, Updated statement on non-damage BI settlements and deductions made for government support, 24 March 2021 (accessed 28 October 2021)

> or their equivalents in Scotland, Wales and Northern Ireland. Our view is that the Scottish Pivotal Enterprise Resilience Fund is an example of an equivalent grant.
>
> Even if your policy is with a different insurer to those listed above, our views about the appropriateness of deducting small business grants still apply.[109]

So the situation remains complex, and businesses that are not happy with how an insurer has managed their claim may wish to consider following the standard complaints procedure for financial services (see 2.1).

109 Financial Conduct Authority, Updated statement on non-damage BI settlements and deductions made for government support, 24 March 2021 (accessed 28 October 2021)