



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Huw Evans, Director General
Association of British Insurers
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25 September 2020

The deduction of government grants from business interruption claims

Dear Huw

Thank you for your letter of 25 September, giving a commitment from many insurers that they will not be making deductions from business interruption insurance claims payments to account for the Coronavirus Small Business Grant Fund; the Retail, Hospitality and Leisure Grant Fund; the Local Authority Discretionary Grant Fund; and their equivalents in the devolved nations.

The impact of the current crisis on businesses and citizens is unprecedented, and the nature and scale of Government support measures are exceptional. It is the Government's firm expectation that grant funds intended to provide emergency support to businesses at this time of crisis are not to be deducted from business interruption insurance claims. The principle of these grants is to provide emergency support and help businesses survive. The practice of making these deductions would mean that taxpayer funds are being channelled into savings for insurers, rather than supporting businesses to ride out the disruption brought on by this pandemic.

As such, I commend the signatories to your letter for this commitment not to make these deductions, and to review settlements where they have already been made. These insurers are ensuring small businesses retain the support that they need to navigate this crisis, protect jobs and help our economy bounce back. I am grateful for the work of the ABI on this matter.

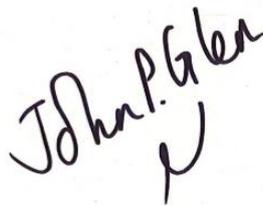
It is disappointing that not all insurers have signed up to this approach, when these deductions are quite clearly not in line with the intention of the support schemes. I strongly encourage those insurers who are making these deductions to follow this example, to respect the spirit of these government support schemes, and to consider the difficulties being faced by businesses during this time.

I would appreciate the ABI's continued support on this issue, both where deductions have already been made and in future claims settlements.

I note that the FCA has also recently written to relevant insurers asking that they consider very carefully the appropriateness of any deductions in the context of individual insurance policies and providing clarification on how government support should be treated in claim calculations. The Government supports the FCA's role in regulating the conduct of UK insurance providers and in ensuring customers are treated fairly throughout the Covid-19 pandemic.

I am sure most firms will now abide by the intention of these support schemes. Nevertheless, if grant deductions continue to be made, the Government will consider further action to protect the financial support being issued to businesses.

I welcome your suggestion that officials meet to consider the treatment of future government grants in insurance claim settlements.

A handwritten signature in black ink that reads "John P. Glen" with a stylized flourish underneath.

JOHN GLEN