

03 July 2020

MFSA's Expectations with respect to Product Approval and Oversight Requirements in the Context of Coverage Under Insurance Policies for Claims Arising Out of COVID-19

Background

Reference is made to the Circular issued by the MFSA on the 20 March 2020, at the beginning of the COVID-19 pandemic, wherein the Authority had brought to the attention of all insurance undertakings providing services to retail clients its expectations in the context of coverage under insurance policies for claims arising out of COVID-19.

Product Oversight and Governance Requirements

The MFSA is still monitoring the developments in this context, and would like to re-iterate its expectations as indicated in the abovementioned circular. In particular, the Authority expects that 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 to policies must take into account the best interest of the client.

In this context, the attention is also drawn to the [Circular issued by EIOPA on the 1 April 2020](#), wherein it was stated that insurance undertakings are expected to continue applying product oversight and governance (POG) requirements, taking into account the impact of the Coronavirus/COVID-19 outbreak and where necessary carry out a product review. Product reviews should be aimed at assessing, where relevant for the product, the impact of the Coronavirus/COVID-19 outbreak on the main features of existing products to assess whether they remain consistent with the needs, characteristics and objectives of the identified target market and, if not, take relevant measures.

While insurers are encouraged to develop new products responding to insurance needs, they should adequately define the target market and assess how such products fit the target market's needs, objectives and characteristics.

In the light of the above, the Authority expects that insurance undertakings who intend to include a COVID-19 exemption in their policies contact the Authority to share their product approval process in this regard.

Way Forward

Whilst the Authority will neither approve the amended product nor the process leading to its adoption, it requires sight of the process to ensure that the insurance undertaking has abided by its regulatory requirements in the context of product oversight and governance. To this

end, Insurance Undertakings are required to allow at least 5 business days for the Authority to review the documentation submitted and to engage with them as necessary prior to the launch of such amended products.