The COVID-19 pandemic has created unprecedented challenges for compliance professionals around the world, including those in the UK. The following is a selection of UK and constituent countries actions as well as news and analysis articles compiled by the Thomson Reuters Regulatory Intelligence editorial staff. The selection includes Regulatory Intelligence and Reuters news coverage. More COVID-19 news and information can be found via the TRRI platform's search facility.

Additional COVID-19 resources are also available on the Thomson Reuters COVID-19 Resource Center.

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The Income Tax (Exemption of Minor Benefits) (Coronavirus) Regulations 2020 provide for an exemption from income tax charged under Chapter 10 of Part 3 of the Income Tax (Earnings and Pensions) Act 2003 when employees are provided with coronavirus tests of the type which detect a viral antigen.

The Employment Rights Act 1996 (Coronavirus, Calculation of a Week’s Pay) (Amendment) Regulations 2020 amend The Employment Rights Act 1996 (Coronavirus, Calculation of a Week’s Pay) Regulations 2020 by setting out how a week's pay is to be calculated in the event of an employee who has been furloughed under the Coronavirus Job Retention Scheme.

The Consumer Credit (Enforcement, Default and Termination Notices) (Coronavirus) (Amendment) Regulations 2020

No new actions.

The Health Protection (Coronavirus, International Travel) (England) Regulations 2020

No relevant new actions.

The Health Protection (Coronavirus, Restrictions) (England) (No. 4) Regulations 2020

No new actions.

The Health Protection (Coronavirus, Restrictions) (Self-Isolation) (England) Regulations 2020

No new actions.

The Health Protection (Coronavirus, Restrictions) (Obligations of Undertakings) (England) (Amendment) Regulations 2020

No new actions.

The Health Protection (Coronavirus, Collection of Contact Details etc and Related Requirements) Regulations 2020

No new actions.

Coronavirus Act 2020, UK ST 2020 c. 7 (Royal Assent 25 March 2020)

No new actions.

Financial Services and Markets Act 2000 (Regulated Activities) Order

No new actions.

Financial Services and Markets Act 2000 (Exemption) (Amendment) Order 2020

No new actions.

2 Links to the TRRI Regulatory Guidance Summary for this provision and not the original text of the legislation.
Individual Savings Account Regulations 1998
No new actions.

The Income Tax (Exemption for Coronavirus Related Home Office Expenses) Regulations 2020
No new actions.

Value Added Tax Act 1994
No new actions.

The Taking Control of Goods and Certification of Enforcement Agents (Amendment) (Coronavirus) Regulations 2020
No new actions.

The Value Added Tax (Extension of Zero-Rating to Electronically Supplied Books etc.) (Coronavirus) Order 2020
No new actions.

Accounts and Audit (Coronavirus) (Amendment) Regulations 2020
No new actions.

The Statutory Sick Pay (General) Regulations 1982
No relevant new actions.

The Health Protection (Coronavirus, Wearing of Face Coverings in a Relevant Place) (England) Regulations 2020
No relevant new actions.

The Statutory Sick Pay (Coronavirus) (Funding of Employers’ Liabilities) Regulations 2020
No new actions.

COUNTRIES ACTIONS

Scotland

The Health Protection (Coronavirus) (International Travel) (Scotland) Amendment (No. 23) Regulations 2020 amend The Health Protection (Coronavirus) (International Travel) (Scotland) Regulations 2020 by removing and adding several countries to the list of exempt countries, among other matters.

The Health Protection (Coronavirus) (Restrictions and Requirements) (Additional Temporary Measures) (Scotland) Regulations 2020
No relevant new actions.

Coronavirus (Scotland) Act 2020 asp 7 and Coronavirus (Scotland) (No.2) Act 2020 asp 10 to expire on March 31, 2020.

The Health Protection (Coronavirus) (Restrictions) (Scotland) Regulations 2020
No relevant new actions.
Wales

The Health Protection (Coronavirus, International Travel) (Wales) Regulations 2020
No new actions.

The Health Protection (Coronavirus Restrictions) (No. 4) (Wales) Regulations 2020
No new actions.

Northern Ireland

The Health Protection (Coronavirus, International Travel) (Amendment No. 21) Regulations (Northern Ireland) 2020 amend The Health Protection (Coronavirus, International Travel) Regulations (Northern Ireland) 2020 by removing and adding several countries to the list of exempt countries, among other matters.

The Health Protection (Coronavirus, Restrictions) Regulations (Northern Ireland) 2020
No relevant new actions.

The Corporate Insolvency and Governance Act 2020 (Coronavirus) (Schedule 8) (Early Termination of Certain Temporary Provisions) Regulations (Northern Ireland) 2020
No new actions.

The Business Tenancies (Coronavirus) (Restriction on Forfeiture: Relevant Period) (Northern Ireland) (No 2) Regulations 2020
No new actions.

The Corporate Insolvency and Governance Act 2020 (Coronavirus) (Amendment of Relevant Period for Meetings of Registered Societies and Credit Unions) Regulations (Northern Ireland) 2020
No new actions.

The Business Tenancies (Coronavirus) (Restriction on Forfeiture: Relevant Period) (Northern Ireland) Regulations 2020
No new actions.

The Rates (Coronavirus) (Emergency Relief) Regulations (Northern Ireland) 2020
No new actions.

The Statutory Sick Pay (Coronavirus) (Funding of Employers’ Liabilities) (Northern Ireland) Regulations 2020
No new actions.

The Working Time (Coronavirus) (Amendment) Regulations (Northern Ireland) 2020
No new actions.

Isle of Man

Emergency Powers (Coronavirus) (Entry Restrictions) (No.2) Regulations 2020
No relevant new actions.

Proclamation by the Governor in Council
No new actions.

**Emergency Powers (Coronavirus) (Information Sharing) Regulations 2020**

No new actions.

**REGULATORS – COVID-19 UPDATES**

**Financial Conduct Authority (FCA)**

**FCA Confirms Support for Mortgage Borrowers Impacted by Coronavirus** (November 17, 2020)

The FCA has now confirmed updated guidance to firms setting out enhanced support that should be available to mortgage borrowers experiencing payment difficulties as a result of COVID-19. The guidance will be fully in force from November 20, 2020, but the FCA encourages firms that are able to start providing this enhanced support sooner to do so.

For more information see the [link here](#).

**Statement on Certain FCA Work in Light of Coronavirus and Changing Market Conditions** (November 13, 2020)

The FCA has provided an update on the work it intends to either stop or postpone in light of the ongoing impact of the COVID-19 pandemic. The FCA is now aiming to consult on Duty of Care and potential alternative approaches in Q1 2021. It has decided to stop work on proposals to simplify and improve competition in the cash savings market by introducing a Single Easy Access Rate (SEAR). In addition, the FCA has stopped work on the barrier created by exit fees when consumers try to switch to a platform that better meets their needs.

For more information see the [link here](#).

**Bank of England’s Prudential Regulatory Authority (PRA)**

**Letter to General Insurance Firms ‘Insights From PRA Review Work on Reserving and Exposure Management’** (November 13, 2020)

The PRA has shared their insights from recent supervision review work across the general insurance sector. The review focused on reserving and exposure management, including some observations on contract uncertainty in light of the COVID-19 crisis. The PRA has issued this release to help firms prepares for year-end reserving exercises and plans for the 2021 underwriting year.

For more information see the [link here](#).
General insurers must address COVID-19 contract and reserving issues, says PRA in 'Dear CRO' letter

(TRRI News) - General insurers should address contract certainty and reserving concerns in the light of COVID-19 as specified, the Prudential Regulation Authority (PRA) told chief risk officers (CROs) in a 'Dear CRO' letter. The PRA expects the letter to be discussed at the board risk committee, it said.3

"COVID-19 has demonstrated that even those perils (e.g. pandemics) that are in many ways well identified can contain a severity potential that is not well understood," Lisa Leaman, head of division, London market insurance supervision, and Vishal Desai, acting head of division, general insurance risk specialists, PRA, said in the letter to PRA-regulated general insurers on Friday.

"These events have the potential to expose insurers to unintended and unmonitored aggregations across several lines of business. They can give rise to disputes over interpretations of contract wordings, and in turn increase uncertainty to both insurer and policyholder," they said.

The PRA encourages firms to consider whether current risk and capital management frameworks sufficiently address the risks from contract certainty and unintended exposures, Leaman and Desai said. In particular, it may be useful to consider the identification, definition and monitoring of all risks related to contract wording, they said in the 'Dear CRO' letter.

The pandemic has given rise to additional complexity and uncertainty in estimating ultimate losses in four areas, Leaman and Desai said. The first area is data, where some firms have not been able to accurately identify and track policies exposed to COVID-19, leading to unexpected losses. Firms should ensure this uncertainty is reflected in reserve estimates and, where possible, procedures are put in place to identify and track exposed policies, they said.

The second area is discontinuities in historical trends, they said. For some classes of business, due to impacts of lockdown on claims reporting and settlement or delayed pandemic losses, the 2020 claims trends may not reflect future claims experience. Some firms' estimates for COVID-19 losses on casualty classes may be optimistic. The PRA encourages firms to make sufficient allowance for the uncertainty.

The third area is the appropriateness of common reserving methodologies. Because historical claims experience may not be a useful guide to future COVID-19 related losses, alternatives such as benchmarking and exposure-based analyses will be particularly useful to consider alongside more common methodologies, they said.

The fourth area of uncertainty is reinsurance adequacy. It would be prudent to stress-test assumptions related to reinsurance recoveries to understand the impact of reinsurance not responding as expected and then to ensure sufficient allowance is made for this uncertainty when setting reserves, Leaman and Desai said.

3 Alex Davidson, General insurers must address COVID-19 contract and reserving issues, says PRA in 'Dear CRO' letter, TRRI News (November 16, 2020) at http://go-ri.tr.com/gurQVp
In addition, pre-COVID 19 reserve weakening persists in two areas: reserve estimates and possible weakening in case reserve estimates, they said. The weaknesses are particularly noticeable in financial lines.

"You can expect us to sharpen our focus on those firms that have material exposure to financial lines of business, if we consider that adequate measures have not been taken," Leaman and Desai said.

In particular the PRA encourages the board to satisfy itself that the main assumptions on the future claims development rate remain appropriate, that case reserving has not weakened, and there is no unjustified anchoring to optimistic business plan loss ratios, they said.

"You can expect us to seek evidence of the risk function’s involvement in challenging reserving teams, and ensuring that the board is suitably well-informed about the uncertainty the above risks give rise to before it sets the reserves," they said.

**Exposure management**

Exposure management frameworks for non-property classes of business are less mature than for property classes, Leaman and Desai said. The state of man-made catastrophe risk remains significantly behind that of natural catastrophe risk assessment, they said. Firms can expect the PRA to sharpen its focus on firms materially exposed to man-made catastrophe risk and where progress towards better practice remains slow.

Chief risk officers can expect the PRA to discuss with them how they have considered all the points in the letter, Leaman and Desai said. They would expect a discussion of the letter at the board risk committee, alongside any further analysis deemed necessary. They recommended sharing the letter with the holder of the chief actuary function.

**How financial institutions can apply lessons learned on operational resilience following COVID-19**

(Expert Analysis) - The COVID-19 pandemic has proved to be a real-world test of operational resilience for financial institutions. Those in risk, compliance and operational functions have had to rapidly adapt their business continuity and resilience frameworks in response to new risks or changes in existing risks that occurred in different parts of their organisation as a result of the pandemic.4

This, in step with widespread regulatory reforms and a heightened focus on strengthening operational resilience within the financial sector – which came into play even prior to the pandemic – is putting increased pressure on organisations.

In the UK, while there have been various communications from the FCA and PRA during the pandemic setting out their expectations, specific guidance on what operational resilience should look like has been lacking. Over the summer, Norton Rose Fulbright carried out a survey exploring how financial institutions have been managing their operational resilience leading up to and during the pandemic, the findings of which can be found here.

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4 Jonathan Herbst et al, How financial institutions can apply lessons learned on operational resilience following COVID-19, Expert Analysis (November 13, 2020) at [http://go-ri.tr.com/S3s3uP](http://go-ri.tr.com/S3s3uP)
An overwhelming majority of survey respondents noted that it was important to obtain further guidance from regulators on operational resilience before they undertake any, or further, adjustments to their operational business models and controls. Survey respondents noted that they would welcome further supervisory guidance, specifically on applying lessons learned, internal and external communications, and scenario testing. Based on this, the article identifies some important considerations for financial institutions as they navigate how to build resilience and thrive in this new environment.

**Applying lessons learned**

Applying lessons learned, not only from a financial institution's initial pandemic response, but also from past operational incidents as well as scenario testing, is important to drive continuous improvements to operational resilience and, in the case of past incidents, to build trust and confidence with regulators.

In terms of lessons learned from COVID-19, financial institutions should evaluate their pandemic plans which were developed at the start of the crisis and compare intended results with actual results. The evaluation will cover different factors, including: composition and effectiveness of the crisis management team, frequency of meetings and speed of decision making, whether the initial prioritisation and mapping of important business services was correct, and engagement and feedback from internal and external communications.

Financial institutions should also conduct an analysis of what went well and what did not with respect to their technology, people, facilities and third party management. Off the back of this self-evaluation, financial institutions should make a list of action points and decide which processes to keep and what they will do differently next time. Deficiencies, whether identified through scenario testing or through practical experience, should be addressed as a matter of priority, particularly as the pandemic is entering into a second wave in many countries. Financial institutions should prioritise actions to address the risks posed by each deficiency.

To date, COVID-19 related operational incidents in the public domain for financial services have been limited, which indicates that most financial institutions have so far weathered the storm pretty well. It may however take some time for problems to surface as the charge on operational resilience is only starting to gain momentum.

**Internal and external communications**

The ability to communicate effectively is paramount during operational disruptions. Having strong internal and external communication strategies in place allows organisations to act quickly and effectively to reduce potential harm.

Both internal and external communications strategies should begin by identifying groups of stakeholders on which to target communications and an analysis of the current state of the business. Using the PEST (political, economic, social, technological) and SWOT (strengths, weaknesses, opportunities, threats) analysis tools is an effective way to assess the situation. The PEST analysis would be a review of facts about the crisis or disruption against each of the PEST categories; while the SWOT analysis allows the financial institution to assess how it may respond, working out organisational objectives and deliverables.

Internal communications plans should follow a top-down and bottom-up approach. This includes the board taking an active role, having upward and timely reporting measures in
place, effective management information to inform decision-making, listening to the concerns of staff across the business, and ensuring individuals know what, when and how to communicate to their teams, customers and third parties. It is important to have engagement across the business and communication across teams and locations to ensure the financial institution takes a services and/or consumer focussed approach.

For external communications plans, proactive, consistent and clear messaging is vital. Keeping external stakeholders informed, even if the whole picture is not clear, will provide assurance that the situation is under management and the financial institution is in control of unfolding events. Financial institutions should provide updated action plans on new developments as early and as often as possible.

An effective and well executed external communications strategy should leverage technology to deliver planned multi-channel messaging, whether through email, voice, video, SMS or social media. Moreover, it is not enough to just send one-way communications, there needs to be a system in place to track receipt, to allow the receiver to respond as needed and escalate when required. Engagement surveys and active feedback requests are often good methods to help execute this.

In terms of communications with regulators, financial institutions should document their crisis response planning and decision-making to be able to demonstrate to the relevant supervisory authority that they are meeting their responsibilities in respect of operational resilience if required.

Scenario testing

Scenario testing as part of business continuity and disaster recovery often focuses on short-term disruptions posed by technology failures or the unavailability of a single asset. In contrast, scenario testing for operational resilience builds and demonstrates a financial institution's capacity to anticipate, prepare for, respond to, and adapt to both incremental changes and sudden shocks to its operating environment from an external event.

Understanding if the financial institution can withstand stressed conditions and be resilient requires a holistic approach. The first step is to identify and map important business services and the main systems and processes involved, as well as any underlying dependencies. That is, to identify what is critical to the continuing delivery of the service. The next step is to consider impact tolerances – the maximum tolerable level of disruption to an important business service that can be tolerated.

Scenario testing should be expanded from considering single points of failure to considering a broad range of severe but plausible scenarios of varying duration to test whether the financial institution is able to remain within its impact tolerances. Different contingencies should be deployed together, such as extraordinary workarounds alongside more conventional business continuity and disaster recovery procedures, to meet impact tolerances. This approach forces financial institutions to accept that disruptions to business services are inevitable and need to be actively managed.

Almost no one anticipated a crisis of the scale of the disruption caused by COVID-19 but financial institutions which regularly ran comprehensive and detailed pandemic scenarios were better prepared than those that had not. Financial institutions should be currently testing severe but plausible scenarios on additional waves of COVID-19. These scenarios should be run and tested on an ongoing basis and should include scenarios with even more impact than the pandemic seen this year.

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The future of operational resilience

Operational resilience is rapidly moving up the supervisory agenda. Notably, the proposal for a regulation on digital operational resilience in the EU financial sector is making its first steps through the EU legislative process. This proposal, which would introduce a detailed legislative framework on operational resilience for financial institutions in the EU, has entered negotiation phase and member states are discussing different aspects of the framework. New or enhanced rules are expected to come into force next year in many countries.

BoE's Cunliffe says COVID-19 market volatility to prompt global reforms

(Reuters News) - Global regulators will set out potential reforms to markets and funds after stresses surfaced during extreme market volatility in March as many countries were entering pandemic lockdowns, Bank of England Deputy Governor Jon Cunliffe said on Thursday.5

A pending review from the Financial Stability Board, a body that includes central banks and regulators from the Group of 20 Economies (G20), will outline how funds and markets fared in March, Cunliffe said in a speech.

Markets swung wildly as investors and companies sought to build up cash defences by making hefty redemptions from money market funds and other types of funds.

Central banks had to inject liquidity into markets to prevent the flow of credit to the economy seizing up.

The FSB review will set out a "comprehensive work plan of specific and cross-cutting issues that need further attention at the international level, including identifying areas where policy changes may be needed", Cunliffe said.

Bank dealers and margin calls from clearing houses appear to have had the "greatest relevance" in supplying market liquidity to leveraged non-banks such as hedge funds, he said.

"This is not to say that there will be a single explanation of the ‘dash for cash’ and that we will find it in the amplification dynamics of leveraged non-banks," Cunliffe told the Managed Funds Association (MFA), a hedge fund industry body.

"Leveraged non-banks do not operate in isolation. Their activity is interconnected with many parts of the market-based finance system, linking to banks, other non-banks and financial market infrastructure."

MFA head of international affairs Michael Pedroni said hedge funds had been resilient in March and able to withstand the force and speed of Treasury market turmoil.

"The data are clear that hedge fund positions in the Treasury market were too small to cause the volatility experienced during this time, which is why the Federal Reserve

5 Huw Jones, BoE’s Cunliffe says COVID-19 market volatility to prompt global reforms, Reuters News (November 13, 2020) at http://go-ri.tr.com/N6G69P
concluded that the evidence is ‘weak’ that funds were the ‘primary driver’ of the turmoil in March,” Pedroni said.

**UK state-backed COVID lending rises to 65.48 billion pounds**

(Reuters) - Britain’s government has given banks guarantees on 65.48 billion pounds of lending to businesses hit by the coronavirus as of Nov. 15, up from 61.93 billion pounds a month earlier, finance ministry data showed on Thursday.6

The biggest part of the lending is to small businesses, for which banks receive a 100% state guarantee on the 42.18 billion pounds of loans that have been made.

**UK inflation ticks higher as pandemic pushes up some prices**

(Reuters) - British inflation picked up by a little more than expected in October as the COVID-19 pandemic continued to affect the cost of goods, with clothing and food prices rising during the month, official data showed on Wednesday.7

Consumer prices rose 0.7% in annual terms, after a 0.5% rise in September, the Office for National Statistics said, still far below the Bank of England’s 2% target.

A Reuters poll of economists had pointed to a reading of 0.6%.

Unlike last year, food prices rose in October when people stocked up on potatoes and fruit.

Previously published shopping surveys had pointed to renewed stockpiling as health restrictions spread through the United Kingdom.

Paul Dale, an economist at consultancy Capital Economics, said there had been “pockets of pandemic-induced inflation”.

“But we suspect that the weak economy will prevent a sustained period where inflation is above the 2% target, unless there is a no-deal Brexit,” he added.

In that case, Dales said inflation could rise to 3% or 4%, pushed higher by a fall in the value of sterling.

Other economists saw potential for more inflation as cuts to sales taxes and energy bills are likely to be reversed next year.

Earlier this month the Bank of England said it expected to hit its 2% inflation target in two years’ time.

Its main focus has been on supporting Britain’s economy through one of the worst years in its history.

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7 Andy Bruce, UK inflation ticks higher as pandemic pushes up some prices (November 18, 2020) https://uk.reuters.com/article/uk-britain-economy-inflation/uk-inflation-ticks-higher-as-pandemic-pushes-up-some-prices-idUKKBN27Y0O1
The ONS said prices for clothes rose in October, returning to their normal seasonal pattern after disruption this year caused by the coronavirus lockdown.

Recreation and culture represented the biggest drag on inflation last month, as prices of package holidays and cinema outings fell. By contrast, prices of computer games rose.

A new energy price cap also tempered the rise in inflation in October.

The ONS said house prices rose by 4.7% in the 12 months to September, the biggest increase in nearly three years and the latest evidence of a post-lockdown boom in the housing market.

The average price of a house in the United Kingdom hit a record high of 245,000 pounds while prices in London were more than double that at 496,000 pounds, also a record high.

Finance minister Rishi Sunak suspended a tax on house purchases in July to help the economy through the coronavirus shock and demand has also been stoked by a surge in interest in bigger homes with more access outside space after the lockdown.

**BoE's Haldane sees 'materially brighter' outlook for 2021**

(Reuters) - Bank of England Chief Economist Andy Haldane said the economic outlook for 2021 was “materially brighter” than he had expected just a few weeks ago despite short-term uncertainty from a renewed COVID-19 lockdown in England.²

Britain’s economy shrank by almost 20% in the second quarter of 2020 - more than any of its peers - and at the end of September it was still 8.4% smaller than it was a year earlier, again a bigger shortfall than in other large economies.

Haldane, in an online speech to the financial sector trade body TheCityUK on Wednesday, struck a relatively positive note, in line with his previous assessments of Britain’s recovery.

“The three R’s - recovery, rebalancing, revitalisation - are more important than ever. So too is the need for optimism about the opportunities this crisis will serve up, as all crises do,” he said.

Haldane said he believed third-quarter growth had surpassed expectations, though the immediate outlook for the fourth quarter was darkened by a four-week lockdown in England and similar measures in other countries of the United Kingdom.

Further ahead, prospects for 2021 were strengthened by recent news on vaccines, Haldane added.

Last week he described the development as a boost for businesses which had feared a persistent stop-start cycle of lockdowns.

BoE forecasts earlier this month came before drug companies reported successful COVID vaccines, but did factor in a lessening in the impact of the pandemic over next year.

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² David Milliken, BoE's Haldane sees 'materially brighter' outlook for 2021 (November 18, 2020) https://uk.reuters.com/article/uk-britain-boe-haldane/boes-haldane-sees-materially-brighter-outlook-for-2021-idUKKBN27Y18C

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BoE Deputy Governor Dave Ramsden said on Tuesday the vaccine news was positive, but did not necessarily warrant an upward revision to the BoE’s forecasts.

The BoE is also in the middle of a review into the feasibility of cutting interest rates below zero in Britain, as central banks have done in the euro zone and Japan.

Haldane said that in the longer term, a digital currency issued by the BoE could make steps like this easier.

“To be clear, what I am discussing here is a structural shift in the monetary regime and carries no implications for the costs and benefits of negative interest rates in the shorter-term,” he said.

“Nonetheless, I believe it is important these potentially large macro-economic benefits of a digital currency are explored when evaluating the case for a new monetary order. So far, that has not been the case,” he added.

**Insurers are trying to escape COVID-19 liability, watchdog tells UK Supreme Court**

(Reuters) - Insurers are trying to escape liability for pandemic-related business losses with counter-intuitive arguments that go against the essential purpose of insurance, Britain’s markets watchdog told the UK Supreme Court on Tuesday.9

A lawyer for the Financial Conduct Authority (FCA), which brought a test case against insurers on behalf of policyholders, said insurers had reached an “extraordinary conclusion” that business losses were largely uncovered during the coronavirus pandemic because of the widespread havoc it has caused.

“(Insurers) are saying: ‘We insure perils but not ones that are going to cost us a huge amount of money. We never contemplated that’. Well, that isn’t an answer,” Colin Edelman, the FCA’s lawyer, told the second day of a four-day appeal, watched by thousands of businesses brought to their knees during the pandemic.

Small businesses from holiday cottage firms to restaurants and night clubs had to shut down or restrict trading after government-ordered lockdowns and say they face ruin after insurers rejected claims for business interruption cover.

The case revolves around whether 21 policy wordings, affecting potentially 700 types of policies, 60 insurers, 370,000 policyholders and billions of pounds in claims, should cover disruption caused by responses to the virus.

The wordings cover business interruption when insured premises cannot be accessed because of public authority restrictions, in the event of a notifiable disease within a specified radius and hybrid wordings.

Tuesday’s hearing focused on how insurance law clauses, such as a so-called “but for” test, disease, composite peril, prevention of access and trends, should be applied in the case.

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A lower court in September found largely in favour of the FCA and the Hiscox Action Group, a policyholder action group that represents hundreds of policyholders that has joined the lawsuit, when judges ruled some insurers were wrong to reject claims.

But the FCA, the action group and six insurers -- Arch ACGL.O, Argenta HNRGn.DE, Hiscox HSX.L, MS Amlin, RSA RSA.L and QBE QBE.AX -- are all challenging elements of the ruling they lost.

Insurers, which have said they are paying valid claims, argue that most disease or “prevention of access” clauses in insurance policies do not cover the pandemic and that any pay-outs should reflect the wider economic downturn caused by coronavirus.

“An expansionist approach to the construction of insurance clauses is ... not an appropriate or principled solution,” John Lockey, a lawyer representing Arch, told the hearing.

Jonathan Gaisman, a lawyer for Hiscox, said prevention of access clauses were designed only for closure by a public authority in situations specific to a business premises, such as the presence of rats or mice, food poisoning or drainage problems, as well as certain diseases.

“Lockdown in the case of a worldwide pandemic is totally different,” he said.

**BoE's Bailey urges banks to commit to post-COVID recovery**

(Reuters) - Britain’s economy is undergoing lasting changes as a result of the COVID-19 pandemic and the financial services industry must make a “major commitment” to support the investment that will be needed, Bank of England Governor Andrew Bailey said.10

While the pandemic was unlikely to prompt the huge shifts in Britain’s industrial makeup that took place in the 1980s and 1990s, Bailey said there was no room for complacency.

“None of us have good answers yet to how much these changes will persist, or even increase. But my best guess is that there will be lasting changes,” Bailey said in a speech to TheCityUk, a financial services industry group.

The changes brought by COVID, and the challenge of addressing climate change, would require a “major commitment” from the financial services industry, Bailey said.

They also underlined the importance behind a drive at the BoE to look at how the financial system can spur more productive investment.

Bailey warned that authorities would keep an eye on risks from higher debt levels.

“While the current low level of interest rates supports the sustainability of UK corporate debt, higher leverage would make the corporate sector more vulnerable to interest rate or earnings shocks,” he said.

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Britain’s economy on course for its worst year in a century and Bailey pointed to a muted outlook for investment next year because of the pandemic but also uncertainty about Brexit.

But the recent news about positive COVID-19 vaccine trials represented “some light at the end of the tunnel,” he said.