

UK Travel Insurers faced with £275M COVID-19 related claims

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Travel insurers in Britain could be hit with a record-breaking estimate of at least £275 million in claims over the Coronavirus outbreak.

This would be the highest pay-out to date for passenger flight cancellations. This is the expected total as pay-outs continue over the coming weeks and months, with the vast majority of claims relating to cancellations, according to calculations by the Association of British Insurers (“ABI”).

Record-breaking figures

The ABI reports that these figures are greater than the £62 million-worth of payments made for cancellation and disruption following the 2010 Eyjafjallajökull volcanic eruption in Iceland. The 2010 eruption produced a vast ash cloud, which caused substantial disruption to flights in Europe and pushed cancellation claims for that year to £148 million, a record at that time.

In this first quarter of 2020, around 400,000 claims are expected solely in relation to the COVID 19 pandemic, compared to the 294,000 cancellation claims relating to the volcanic eruption for the whole of 2010.

Indeed, Direct Line, has already reported that it has experienced a rise of travel related claims from £1 million to £5 million in less than two weeks since the start of the month. You can read our full article on this [here](#).

Mark Shepherd, of the ABI noted: *“At this unprecedented time, travel insurers are helping to soften the financial blow for thousands of customers whose travel plans have been cancelled or disrupted by coronavirus.”* The British Insurance Brokers’ Association considers that it is now *“highly unlikely”* that any cover for cancellation, abandonment or disruption of a trip because of Coronavirus will be available.

Re-definition of product lines

COVID 19 has forced insurers to retreat from product lines ranging from travel insurance to income

protection. Compare the Market, one of the biggest insurance shopping sites in the UK said it had halted sales of income protection, due to fears insurers had effectively hollowed out the cover by introducing Coronavirus related exclusions. Event cancellation policies marketed also now tend to include exclusions relating to Coronavirus.

Comment

Insurance cover is based on assessing the probability of an event occurring. It is therefore no surprise that insurers carefully and critically assess the point at which a risk becomes more of a probability than a possibility, and then make commercial decisions. However, in these difficult times, insurers' responses to this crisis will likely leave a lasting impression on current and potential customers. Therefore, sensitivity and caution needs to be given when dealing with change and reform of product line and policies.

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