

New travel insurance data sheds light on the market

Michael Adie & Sam Harvey | November 2016 | Insurance & Financial Services

Summary

Recent data released by the Insurance Council of Australia and the Department of Foreign Affairs and Trade ('DFAT') has shed new light on the travel insurance industry. Whilst the data confirms what has been long understood within the industry, it does present areas of growth and development for travel insurers as more and more Australians travel overseas. Insurers should take note of this data when implementing new business development strategies to maximise the benefits available to customers whilst lowering the risk of potential disputes.

Background

The Insurance Council of Australia and DFAT have recently published a report into the behaviour of Australians in relation to travel insurance. This report confirms beliefs held by travel insurers that whilst overseas, many Australians tend to exhibit a propensity for risky behaviour, that there is a lack of understanding of the policy benefits, and that there is a perception that travel insurance is a luxury rather than a necessity when travelling. However, the report also highlights growth areas for insurers not only to increase the current product knowledge within their current customer base but to also expand their consumer base.

Survey Results

The survey of just over 1000 travellers within the last 12 months has produced some results which insurers should note. For insurers the top three results were:

- 50% of insured travellers engaged in risky behaviour on their last trip. Of that 50%, 74% of 18-29 year olds engaged in risky behaviour on their last trip.
- There is a consistent lack of knowledge across all age groups as to what their policies actually cover.
- Whilst overseas, 24% of all travellers (insured and uninsured) experienced a loss that would be covered by most travel insurance policies.

Perhaps the finding of most concern in the survey results was the finding that only 42% of travellers surveyed were properly insured. That is, they were covered by travel insurance, they did not have any undeclared medical conditions and they did not engage in risky behaviour.

The full results of the survey can be viewed at: http://foreignminister.gov.au/releases/Pages/2016/jb_mr_161019.aspx?w=tb1CaGpkPX%2FIS0K%2Bg9ZKEg%3D%3D

Implications

This data can be used to assist travel insurance providers as the industry continues to grow and develop.

Most travel insurance policies exclude coverage where the insured has engaged in 'risky behaviour' (for example being under the influence of alcohol, some extreme sporting activities, consuming illicit drugs etc). Such exclusions are routinely accepted by the Financial Ombudsman Service ('FOS') as grounds to decline cover for a claim.¹ Of those surveyed, and regardless of whether insurance was taken out, 50% would at some stage engage in risky behaviour. The drinking of alcohol was the most common activity, which again should remind insurers of the importance of obtaining toxicology and blood test results when intoxication and/or drink spiking appears to be a factor. This data also serves as a reminder

to insurers that if they are to respond appropriately to suspicious claims, they must undertake full and thorough investigation at the earliest opportunity.

The survey found that 58% of travellers when purchasing their policy did not look at the policy exclusions and that 26% of travellers did not look at their policy documents. For insurers this is particularly concerning for two reasons. Firstly, insured customers may be failing to take full advantage of the benefits under the policy. Secondly, a lack of clear coverage knowledge exposes insurers to higher levels of potential coverage disputes. If travellers do not fully understand the policy terms, limitations and exclusions, insurers run the risk of insureds asserting that they did not fully understand the policy terms and conditions, which can lead to disputes at the FOS. These disputes can range from allegations that the wording is misleading or deceptive² to allegations that the insured considered their existing medical condition to be automatically covered.³

Insurers should therefore maintain and promote easy to understand policy documentation to avoid misunderstanding of policy coverage.

The survey data suggests that potential for sales growth for insurers, particularly in the 18-29 year old market, exists in two forms. Firstly, by providing a platform to make reading and understanding the policy easier, insurers can attract customers and avoid adverse publicity that might arise from unnecessary internal and external disputes on coverage. This can be achieved by making the PDS available across a range of platforms including online, through mobiles and tablets and through easy to carry hard copies. Secondly, by offering avenues for this market to easily purchase travel insurance, insurers can better access and provide cover to the nearly 1 in 7 18-29 year olds who travel overseas without travel insurance.

As Australians continue to travel overseas in increasing numbers the travel insurance industry will continue to grow. This data serves as a timely reminder to all insurers that with changes to the market the products and services offered must adapt.

¹ FOS Determination 399537.

² FOS Determination 433629.

³ FOS Determination 416701.

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