



The Money Charity Response - FCA CP19/23 on Signposting to Travel Insurance for Consumers with Medical Conditions (September 2019)

The Money Charity is a financial capability charity whose vision is to empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives.¹

We welcome the opportunity to respond to the Financial Conduct Authority's consultation paper CP19/23, which addresses an important issue concerning fair access to financial services.

In this response, we set out our Key Points, make some overall comments on the issue then answer the questions posed in the Consultation Paper.

¹ See box on back page.

Key Points

1. Our soundings on access to travel insurance for people with PEMCs confirm the issues the FCA is setting out to address. In particular, we have found issues around clarity of cover, terminology, assessment of risk, cost of cover and choosing the right type of policy.
2. We agree with the broad thrust of the signposting proposals, though we think that the concept of a searchable directory is somewhat antiquated when compared with what is supposed to be possible with twenty-first century technology.
3. We have reservations about, and suggest alternatives to, some details of the proposals, in particular in relation to trigger points (Question 3) and high premiums (Question 6). These are explained below.

Overall Comments

From our soundings on access to travel insurance for people with Pre-existing Medical Conditions (PEMCs) we have found a number of inter-related issues. Overall, these suggest that travel insurance for people with PEMCs is a complex area and consumers may often not be clear about what exactly their cover is and why it costs what it does:

The meaning of travelling without cover for the PEMC is unclear

For cost or access reasons, some people make the decision to travel without insurance cover for their PEMC. However, often it is not clear what this means. It is in the nature of medical conditions to be technical with a grey area of potential influence over other illnesses or injuries that may arise in the course of travel. The consumer is often not clear what they are covered for and what they are not covered for, and may not discover the insurance company's interpretation until a claim is made.

The language used in insurance applications may not be clear to the consumer

For example, insurance companies distinguish between 'normal' and 'high risk' pregnancies, but the consumer may not know where the line between the two lies. In relation to cancer, companies ask whether the cancer is in 'remission', but it is not clear whether 'remission' means that the cancer is in remission while treatment continues or whether treatment needs to have finished as well.²

² Medical sources distinguish between 'partial' and 'complete' remission but avoid using the term 'cure': <https://www.webmd.com/cancer/remission-what-does-it-mean>

Coverage of pregnancy can be unclear

Our understanding is that airlines accept bookings until very late in a person's pregnancy (36 weeks) but some insurance companies do not provide cover within eight weeks of the due date.³ However this fact is not always displayed prominently in material about travel insurance. The consumer may find out only when on the phone to a provider. Consumers must also distinguish cover for things not related to pregnancy, cover for normal pregnancy (not regarded as a PEMC), cover for premature labour and cover for complications arising from pregnancy.

Some indicator questions have a variety of meanings

For example, one indicator question is whether the consumer has had hospital appointments in the year prior to travel. But the implications of hospital appointments vary widely. For some, hospital appointments indicate a current health issue. In contrast, a person who has recovered from cancer may have monitoring appointments, without these indicating any current health condition that might affect travel risk.

Some insurance applications ask about the medication an applicant is taking. However, a given medication can be prescribed for widely differing conditions with different implications for travel risk. We are unclear how insurance companies use this information, and whether fair inferences about travel risk are drawn. We suggest this practice be discontinued (by FCA rule if necessary) unless companies show they have the capacity and skills to use the information in a fair and accurate way.

The cost to cover PEMCs seems very high to consumers

Some consumers with PEMCs are faced with travel insurance quotes many multiples of the quote for the same travel without a PEMC. To the consumer, these look excessive. Are such quotes based on true statistical risk, or are they inflated for some reason (for example, a firm not wishing to take the business, or not having a large enough dataset to calculate the risk accurately)? There are many different PEMCs and consumers can be further sub-divided by age, gender, presence of multiple health conditions etc, the combination of which present risk estimation challenges.

A person who has been through a serious illness has often become an expert in their own condition and may feel that the risk of a medical event while they are travelling has been exaggerated by the insurance quote.

³ <https://www.holidayextras.co.uk/travel-insurance/pregnancy-travel-insurance.html>

Family policies and individual policies

Couples may have been insured under a joint policy, but if one of them develops a health condition it may be more cost effective for them to insure separately. This may not be clear to the consumer.

Updating PEMCs on auto-renewal

Some people have annual travel insurance that automatically renews each year. Where a medical condition develops in the course of the year, the consumer may overlook updating their insurance provider, which means they may be underinsured next time they travel.

Answers to consultation questions

Q1 Do you agree with our signposting proposals?

Yes.

Q2 If you disagree, what would be your proposed approach and why?

Our reservation here is that 'signposting consumers to a directory hosted by the Money and Pensions Service' has a rather twentieth century feel to it. With Big Data and AI we think the industry should be working toward a more sophisticated solution giving automated quotes from specialist providers tailored to the precise needs of the consumer, and with accurate assessments of relative risks.

Q3 Do you agree with our proposal for the trigger points for disclosure for consumers with PEMCs?

We agree with the trigger point set out in paragraph 3.7(d) of the consultation paper, ie 'all consumers who receive an additional loading to their base premium due to their PEMC' to be notified of the directory.

We *disagree* with the suggestion in paragraph 3.8 of the consultation paper that, when signposting, 'firms indicate which consumers are more likely to benefit from using [the directory]'. We think this gives firms too much discretion over deciding when a consumer might benefit from shopping around. It is too open to misinterpretation, or even abuse.

Q4 If you disagree, what would be your proposed approach and why?

A better alternative for paragraph 3.8 would be for the firm to indicate the size of the loading in pounds. If the loading were, say, £10, a consumer might feel that it is not worth their time shopping around. However, if the loading were, say, £500 (which happens) they might well feel that it would be a mistake to accept the quote without looking for alternatives.

We suggest the industry should adopt a 'standard form' approach to applications (as happens with the Standard Financial Statement in debt advice) that would have line items showing the cost and loading for each item. This would enable customers to make line-by-line comparisons between quotes and to understand the source of their higher loading.

Finally, where there is a loading applied, this should be disclosed earlier in the customer journey, rather than being shown at the end. This would be similar to quotation searches for credit, which give customers a quick way of finding out whether they are likely to be accepted for a particular loan, and save them unnecessary search time.⁴

Q5 Do you agree with our proposed guidance on exclusions?

We agree with paragraph 3.20 of the consultation paper that firms should tell consumers whether and how PEMC exclusions can be removed.

As indicated in our Overall Comments above, we have found that there is considerable confusion around the coverage of insurance policies where PEMCs are involved. As we have recommended in other consultation responses to the FCA, we think that firms need to improve the way they communicate, using simple and accessible English that as many consumers as possible can understand.

Communications should be market-tested to make sure that consumers actually do understand what firms are intending to communicate.

Q6 Do you agree with our proposed guidance on high premiums?

As evidenced in our Overall Comments, we think that paragraphs 3.21 to 3.26 of the consultation paper identify a real issue that consumers encounter, ie where the premium is excessive to deter the consumer or not based on a statistically accurate risk assessment.

The FCA's proposal (paragraph 3.26) goes part of the way toward a solution, but we

⁴ See for example: <https://www.hddecisions.co.uk/About>

think it should be strengthened by saying that firms ‘should not’ offer quotes that are excessive because they are outside the firm’s risk appetite or not based on an accurate assessment of risk, but should instead refer the consumer to the directory of providers better able to serve the consumer’s needs.

If a firm declines to cover a particular person, it should give them a ‘decline to cover’ response plus an explanation of why cover was declined. This would enable the consumer to understand why their business was declined and inform their search for an alternative provider.

Q7 Do you agree with our proposals for the directory?

We agree with the proposals for the directory set out in paragraphs 3.32 to 3.39 of the consultation paper, subject to the qualification made in answer to Question 2 above, ie that the concept of a directory hosted by a particular organisation with consumers looking up entries has a somewhat archaic, twentieth century feel.

In the twenty-first century, we are supposed to be moving into a future of robotics, AI and Big Data, which should enable the consumer to be guided to an insurance quote by stating what they are looking for, ie it should be faster and simpler than consulting a directory, with automated systems taking care of much of the navigation, using a secure personal profile created by an appropriate IT method.

If the industry is not already working on such a solution, we suggest it should.

Q8 What do you think is an adequate time to implement the rule changes after we publish our final rules and policy statement, and why?

We are happy with the implementation time proposed (three months).

The Money Charity is the UK's financial capability charity providing education, information, advice and guidance to all.

We believe that everyone achieves financial wellbeing by managing money well. We empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.

We do this by developing and delivering products and services which provide education, information and advice on money matters for those in the workplace, in our communities, and in education, as well as through influencing and supporting others to promote financial capability and financial wellbeing through consultancy, policy, research and media work.

We have a 'can-do' attitude, finding solutions to meet the needs of our clients, partners, funders and stakeholders.

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