

Consultation Response

Financial Conduct Authority CP19-23: Signposting to travel insurance for consumers with medical conditions

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About this consultation

This consultation sets out proposals to help consumers with pre-existing medical conditions (PEMCs) who can struggle to access affordable travel insurance that covers their medical conditions.

Key points and recommendations

- Signposting will be very helpful for some consumers and should go ahead, but overall FCA's signposting proposals are an inadequate response to a much broader set of problems, which need a more detailed response.
- In addition to implementing signposting, we would like to see FCA carrying out an active programme to ensure that consumers in this marketplace are treated fairly. This should include work on standard underwriting questions to ensure that they are properly defined and people can answer them correctly; that terms and conditions are properly explained and highlighted; and work to ensure that people's desperation to get cover is not exploited by poor sales practices and unfair charges.
- We recommend that the industry and Government should consider developing some sort of risk-pooling scheme for consumers who are fit to travel but costly to insure, along the lines of the 'Flood Re' scheme for properties at risk of flooding.
- FCA should also set out how it intends to work with the Equality and Human Rights Commission (EHRC) to ensure that compliance with the Equality Act is monitored, and should consider the overlap between age and disability in the insurance market.
- The success of any signposting system should be evaluated on the basis of the outcome for the consumer, not just whether someone was successfully referred.

Introduction

1. Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.
2. Age UK regularly receives queries and complaints about difficulties finding travel insurance. For example, a caller to our advice line said:

Looking for a bit of advice please and I'm hoping you can help? My Grandad who is 71 had cancer a few years ago and had one kidney removed. The cancer came back about 2 years ago to his lung and he is currently on treatment for it via daily tablets. Last week he found out the treatment seems to be working well and some of the nodules appear to be reducing quite a bit. He called up a couple of insurance companies in the hope that to celebrate he could have a week away [abroad]. Unfortunately, they quoted him £490.00. I'm just wondering if you could advise what elderly people usually do in these situations.

3. This response is also informed by a small-scale mystery shop (further details of which are available on request). While we do not take this as a guide to the market-place as a whole, it has exposed a number of concerns.

Questions 1 and 2: Do you agree with our signposting proposals? Q2: If you disagree, what would be your proposed approach and why?

4. Signposting will be very helpful for some consumers, but overall the FCA's signposting proposals are an inadequate response to a much broader set of problems, which requires a much wider range of solutions. It is important to make clear that our mystery shop did encounter helpful and sensitive staff and did produce some quotes, albeit costly. But we also found the following problems:
- Signposting, whether from a general market provider or a broker, often ended up referring to the same major specialist, so a signposting system could end up reinforcing the dominance of the Pre-Existing Market Conditions (PEMC) market by a couple of major specialists. In these circumstances, it is likely to be difficult for smaller entrants to gain traction.
 - A reluctance from some providers to send out written quotes or policy documents during the quotation process, on the grounds that prices could change, and therefore recommending that the consumer should buy immediately and rely on the 14-day cancellation period to cancel if the product is unsuitable.
 - Failure to really spell out the implications of some terms and conditions. For example, multi-trip policies are available, but require customers to disclose changes in health conditions throughout the term of the policy, with the possibility of an increase in premiums. Customers really need to understand the implications of this, or risk travelling with a false sense of confidence and possibly without cover.
 - Terminology that is not defined or explained. For example, a standard question is 'Has a terminal diagnosis been received?'. Yet call centre staff often fail to explain what that means and even if they do definitions vary wildly.
 - We acknowledge and welcome BIBA's commitment to set up and run their 'Find a broker' service, but brokers themselves do not necessarily have access to many more providers than those who sell direct. Our mystery shop found some brokers whose staff were surprised to hear they were on the list, others who handled requests helpfully and sensitively but still didn't manage to find a provider, and others who simply referred back to the 'big' provider. It is vital that any referral system is evaluated on the basis of outcome for the consumer, not just whether or not the process works.
 - Prices which are likely to be unaffordable to many and which are difficult to compare. We note that one broker in our mystery shop separated the cost of the policy into the 'basic' price and the cost of the medical loading. It would be helpful if this practice were standard, to help ensure that excess profits are not taken on the 'basic' cost of the policy.

5. A fundamental issue, we believe, is the question mark around the capacity of the marketplace as a whole, which undermines traditional remedies such as increasing competition and consumer pressure. Even specialist providers will want to pick and choose their customers and manage their exposure to risk. This raises the question of whether there will ever be enough capacity in this highly cyclical insurance marketplace where profits can be low, particularly at a time when Brexit is likely to increase insurance costs through uncertainty over reciprocal healthcare agreements. In these circumstances, we recommend that the industry and Government should consider developing some sort of risk-pooling scheme for hard-to-insure customers, such as the 'Flood Re' scheme for properties at risk of flooding.
6. In the meantime, in addition to implementing signposting, we would like to see the FCA carrying out an active programme to ensure that consumers in this marketplace, who are likely to be quite vulnerable, are treated fairly. This should include work on the standard underwriting questions to ensure that they are properly defined and people can answer them correctly; that terms and conditions are properly explained and highlighted; and work to ensure that people's desperation to get cover is not exploited by poor sales practices and unfair charges.
7. FCA should also take a more considered approach to the equality impacts of this system. A signposting system for older people seeking insurance has been in place for some time, and certainly age alone is now rarely an issue in provision of insurance (though it remains an issue in other areas of financial services). However, part of the apparent success of this policy is likely to be because insurers have simply moved to declining people on the basis of their PEMCs, combined with their age. While this is certainly fairer than underwriting on age alone, it does mean that two protected characteristics, age and disability, are intertwined in this debate. The Equality Act has important exemptions for risk-based financial services, if the provider can show that age or disability affects the risk, based on proper evidence. Yet there is very little transparency on the evidence, and no way that the consumer can judge whether the price is 'fair'. Disclosing the cost of the medical loading separately would help, but FCA should also look at the wider implications and work with the EHRC to improve enforcement. The FCA should also consider whether firms' practices are in any way increasing vulnerability - it can be extremely distressing to find that so few insurers are prepared to quote. This is not just a matter for the Money and Pension Service and the proposed directory, but needs attention throughout the industry.

Q3: Do you agree with our proposal for the trigger points for disclosure for consumers with PEMCs? Q4: If you disagree, what would be your proposed approach and why?

8. We are pleased that the FCA is proposing referral to an independently-produced directory, rather than just an individual provider. On balance, we believe it is more important to publicise the directory widely, so we would like to see the directory mentioned whenever a PEMC is declared. We don't think this is likely to deter too many people from their current customer journey, which is more likely to be determined by price and the simplicity of the process itself.

Q5: Do you agree with our proposed guidance on exclusions?

9. Yes. Firms should be encouraged to offer different options.

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

10. While we welcome the reference to firms' need to comply with the Equality Act, we think the FCA also needs to set out a clear programme of joint enforcement with EHRC.

Q7: Do you agree with our proposals for the directory?

11. We are concerned that FCA expects only a few firms to apply to be listed on the directory. This raises questions about whether this is likely to be due to a lack of capacity in the market, as discussed above; firms' desire to maintain their underwriting flexibility; or a lack of willingness to go through the hoops to be listed. However, we would be concerned if the directory simply ends consolidating the power of a few major providers. This should be monitored.