

Travel Insurance Review

Call for evidence by HM Treasury

February 2007



Response to Call for Evidence

Introduction

1. MAMMA would like to enter this debate under the 'other welcomed potential options'. By asking simple questions and providing some answers MAMMA has a proposal which could potentially benefit all – travellers, businesses and HMG.
2. No-one should demur from the principle that the purpose of travel insurance is, first and foremost, to **benefit the travelling consumer**. It does this by offering financial compensation and (by the nature of insurance) 'peace of mind'. Although these two aspects can be inherently complementary, there is a fundamental difference.
3. Insurance as a product seeks to return the consumer to the position he would have been in had the accident or loss not happened. So if luggage goes missing or a holiday cancelled, the consumer is financially compensated. 'Peace of mind' cannot be quantified so easily and will depend on an array of different factors, not least how wealthy the consumer is. Those with a restricted income will be given more 'peace of mind' by insurance than the affluent traveller.
4. All too often, the glaringly obvious is overlooked. MAMMA makes no apology for the simplicity of the following questions. They're intended to separate the chaff from the wheat allowing what is really important to surface.

Questions

5. Who travels abroad?

Holiday makers, expatriate workers, people on gap years (and nowadays these are not necessarily pre-university students) as well as Britons who've retired in other countries.

6. Who buys travel insurance?

Not everyone who leaves the UK even though the FCO advises every traveller to do so.

7. Why isn't travel insurance bought by everyone?

Perhaps because they believe nothing will go wrong (they'll risk it), they're wealthy enough to absorb any mishap, maybe they believe their employer will

cover problems like delayed journeys, maybe they're too old, maybe their health history precludes insurers from wanting to take the risk and so on.

In other words, for a variety of reasons – not least because they don't have to!

8. Is 'comprehensive travel insurance' available? NO. Why not?

Many traumatic incidents and crimes, as well as people, are uninsurable in existing travel policies. Most have exclusion clauses of one form or another. For example, some exclude terrorist activity, others won't insure travellers over a certain age and yet more refuse to cover travellers with existing health problems.

9. What is meant by 'traumatic' incidents?

The same sort of traumas that happen in the UK ... unexpected accidents, illnesses, murders, disappearances, abductions, terrorism attacks, other crimes, kidnapping, forced marriages....

By leaving the UK, support services such as the National Health Service, the Police and our legal system are also left behind. Conventional travel insurance can only provide, if at all, a limited response to such traumas.

10. Who will help the traveller if something untoward happens overseas?

Tour operators are the obvious first port of call if the trip is a packaged one. With the increasing use of dynamic packaging, online booking and cheap air flights, this is not a viable option for many, if not the majority.

Employers are another avenue. No doubt if the company is large and values its reputation, then appropriate steps will be taken. The other side of the coin is the company at fault in some way. Companies which ignore corporate and legal responsibility will take advantage of the difficulties an individual faces if litigation is necessary within the international sphere.

There is a widely held assumption that one of the roles of British Embassies is to provide help to Britons in trouble abroad. The FCO has stated that individuals are responsible for themselves when overseas and explicitly extols the expediency of obtaining comprehensive travel insurance¹. The FCO does not have the jurisdiction, remit or the resources (staff, experience or finance) to provide the support Britons believe is theirs by right².

It comes as an enormous shock to travellers and their families when a traumatic event, such as murder, overwhelms them abroad and they suddenly realise that there is little help available – all the more so when coupled with inappropriate and inadequate travel insurance.

¹ Foreign and Commonwealth Office's Report: 'Support for British Nationals Abroad: A Guide'.

² National Audit Office's report: 'Consular Services to British Nationals'.

Present Debate

11. The travel industry is made up of a number of disparate groups. The following are a few headlines from Travelmole.com which depict some of the present controversial issues:

- CAA says dynamic packaging still need ATOLs
- FTO calls for dismantling of ATOL system
- ATOL protection levels decline by 5.7%; failures nearly doubled
- OFT 'disappointed' at ABTA financial protection scheme changes
- ABTA must by-pass Westminster and look to Brussels
- ATIPAC – industry in a state of confusion over consumer protection
- Agents 'mis-selling' travel insurance face regulation

12. Does the average traveller know of, or realise the impact of, any of these issues?

13. Have we lost sight of the real reasons why travel insurance is necessary?

Present travel industry discussions have the effect of clouding consumer protection and travel insurance with various peripheral concerns. This diverts attention away from the fact that travel insurance does not adequately cover the important risks associated with travelling abroad. How, where or who sells the insurance is not the most important aspect – getting the insurance 'right' in the first place is.

14. As travel insurance can be bought along with the week's groceries or is often given away 'free' to induce the purchase of other products, is travel insurance being under-valued by travellers and under-sold by businesses?

15. What exactly IS important and valuable to the traveller ... the cheapest policy or comprehensive cover, essential insurance or a freebie?

16. MAMMA would like to shift the emphasis of discussions within the travel industry towards what the traveller actually needs – a flexible, fully comprehensive travel insurance policy available for everyone.

MAMMA's Proposal – TRAUMA TRAVEL INSURANCE (Tti)

17. The scenarios of people going missing, being murdered, parental child abduction, forced marriages, terrorist attacks, arrest, bodies being returned to the UK minus various organs and so on may seem quite different. Yet, there are many similar factors which exacerbate the traumas such as:

- Extended distance from the UK
- Language barriers
- Cultural differences
- Political sensitivities
- Different or non existent legal frame works
- War or civil unrest
- Corruption
- No reliable police force
- Poor communication

18. There is little or no insurance provision within existing travel insurance policies which can provide for the sort of help the traveller and his/her family need to cope with these traumatic events. There is certainly little ‘peace of mind’.

19. Nothing can prevent these darker aspects of Life, but help should be given to the victim or his/her family to deal with them. Adequate insurance to include support for these sorts of traumatic events can be achieved through Trauma travel insurance.

20. TRAUMA TRAVEL INSURANCE would have NO exclusions and would include provision for medical costs, repatriation in cases of accidents, illness or death no matter how caused, investigation of crime, disappearances, abductions, legal representation on arrest/trial, family support such as additional travel costs and translation facilities.

21. This can be achieved by making Trauma travel insurance the basic mandatory requirement of all travel insurance contracts.

22. As the FCO advises all travellers to take out travel insurance, it is incumbent on HMG to ensure, through legislation, that travel insurance is CAPABLE of fulfilling a protective and supportive role for ALL British citizens irrespective of age, health or incident whenever they leave the UK.

23. Legislation to make Trauma travel insurance compulsory would mean all British travellers would have the benefit of this base level insurance cover.

24. It is suggested that Tti should not be subject to insurance tax premium or Value Added Tax.

25. Additionally, traditional, insurable elements such as:

- Lost Luggage
- Lost passport/money
- Delayed or cancelled travel arrangements
- Travel Agent/Tour Operator failure
- Life insurance
- Disability insurance
- Transport provider failure ... etc

could be made available on an optional basis – opt in and opt out – depending on consumers' needs. This would increase consumer choice and market differentiation.

26. The end result would be a truly comprehensive travel insurance package available to all Britons who leave the UK.

Benefits of Trauma travel insurance

27. Tti would be the mechanism to fund an independent support system analogous to the UK's statutory services.

28. For the first time, ALL travellers would be protected against contingencies not previously covered and yet are more essential than insurance for inconveniences such as lost luggage or delayed flights.

29. Every Briton who leaves the UK is 'at risk'. Tti means everyone contributes to a service that potentially may benefit each and every person at some point in time.

30. Tti's simplicity of NO exclusions would reduce consumer confusion whilst confidence in insurance and the support available would be enhanced.

31. Tti would not place a burden on general taxation or erode business profit margins. Cost would be directly paid by the consumer.

32. Tti would reduce the increasing number of calls for help on British Embassies and Consulates.

33. Tti would have a 'knock on' effect by helping families in the UK deal with traumatic incidents which have occurred abroad in a much more effective and compassionate³ way. At present, the consequence of coping with overseas traumas by UK residents is a 'hidden' but real cost to society.

34. Tti negates the impact of any government declaring an incident as 'terrorism based'. This categorisation presently invalidates many insurance policies. Why something happened or who is responsible becomes an irrelevant issue from an insurance perspective. What is important is dealing with the incident equitably.

35. Tti, if made compulsory, would effectively increase the insurance industry's sales through all outlets.

³ National Audit Office's Report: 'Review of Experiences of United Kingdom Nationals Affected by the Indian Ocean Tsunami' highlighted the need for 'empathetic' responses to traumas.

36. Tti would not affect competitiveness within the travel insurance market but could have the effect of reducing costs in several other travel related areas.

37. Tti with the addition of optional insurance to cover airline failure negates the need for ATOL bonding. Dismantling the ATOL system would reduce many operators' costs enabling a greater level playing field within the travel industry on a world wide basis.

Conclusion

38. With the greatest respect to the views expressed in evidence given to HM Treasury's Travel Insurance Review, MAMMA believes that priority must be given to the needs of the traveller.

39. A completely fresh approach on what to include within travel insurance in an increasingly volatile world market is required. This will determine how to provide the traveller with appropriate and effective consumer protection along with 'peace of mind'.

40. All parties with a vested interest in the promotion of safe travel abroad must work together to make comprehensive travel insurance a reality thereby benefiting travellers, businesses and HMG alike.

MAMMA's proposal for mandatory Trauma travel insurance is a starting point.

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22 February 2007

www.mamma.org.uk

HMG	Her Majesty's Government
FCO	Foreign & Commonwealth Office
EU	European Union
CAA	Civil Aviation Authority
ATOL	Air Traffic Operators' Licence
FTO	Federation of Tour Operators
OFT	Office of Fair Trading
ABTA	Association of British Travel Agents
ATIPAC	Air Travel Insolvency Protection Advisory Committee
Tti	Trauma Travel Insurance