

Call for Input on Access to Insurance

Feedback Statement

FS18/1

June 2018



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1 Overview



'While not necessarily vulnerable, some consumers can find that they are inadvertently excluded from participating in financial services due to their specific characteristics or circumstances, or that firms actively do not wish to service them due to the perceived risk that they represent. When a consumer faces barriers accessing financial services this undermines their ability to take responsibility for their own financial security, which in turn potentially damages their longer-term wellbeing'.

Our Future Approach to Consumers (2017)

Introduction

- 1.1** We have heard concerns about people with pre-existing medical conditions (PEMCs) obtaining affordable travel insurance. These concerns arose in our previous work on vulnerability and access (in particular our Occasional Papers on [Access](#) and [Vulnerability](#)).
- 1.2** We issued a Call for Input (Cfi) in June 2017 to gather more evidence and decide how best to address these issues in order to bring about a positive outcome for consumers. We focused in particular on those consumers with, or recovering from, cancer. We expected that our findings would be mirrored for other PEMCs and other protection products.
- 1.3** We received a high level of interest with 64 written responses from large insurers, trade bodies, specialist providers and consumer organisations. The most notable response was from individual consumers, with many taking the time to write to us about their personal experiences. We thank those people for writing to us and for providing valuable insight into the difficulties some consumers are experiencing in getting travel insurance.
- 1.4** The responses have informed our views on this issue and what further action we believe is needed. This report provides a summary of the key themes from the responses, engagement and roundtables, and outlines the next steps. We believe these, if implemented effectively, will be of real significant benefit to consumers.

Who this is relevant to

- 1.5** This paper will be of interest both to people who have or have had cancer or other PEMCs, and to consumer organisations that represent them.

1.6 It will also be of interest to:

- insurers that provide travel insurance, either directly or through intermediaries
- intermediaries
- trade bodies representing travel insurance providers

Key points

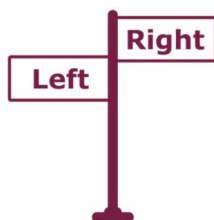
1.7 Most stakeholders accepted that it could be difficult for consumers who have, or have had, cancer to find affordable travel insurance. There were differing views as to why this is the case. There are a number of complexities, for instance, to assessing the various risk factors in combination with ever-evolving medical screening tools.

1.8 The responses showed that the travel insurance market appears to be segmented between mainstream and specialist providers. Mainstream providers had a limited appetite to insure more serious medical conditions. Specialist providers were prepared to insure consumers with these conditions even with terminal diagnoses. There were also responses that highlighted premiums quoted by these specialist providers were usually, in some cases with more granular medical risk assessments, lower than the mainstream providers. Consumers often were unaware of the lower premiums offered by specialist providers.

1.9 The responses to our Cfi questions raised three main interrelated themes in relation to why this was happening:



Pricing – there is a lack of transparency around how premiums are calculated and the risk factors that drive quotes. This makes it difficult for consumers to understand whether the quote is a true reflection of their condition.



Signposting – the lack of high quality information on options available to consumers after they receive a high quote or have been refused cover. This can, incorrectly, cause consumers to assume that they are uninsurable.



Consumer understanding – the general lack of understanding reported by both consumers and firms around insurance terminology and the risk factors that are considered by providers when calculating the premium. The lack of consumer awareness about their options and difficulties in finding competitive insurance that is appropriate for their medical condition.

1.10 We are following up on these 3 main themes, and are proposing actions that we believe will result in genuinely meaningful change for these consumers. We will be holding industry stakeholder roundtables to encourage industry-led signposting reforms. Our aim is to help consumers with more serious PEMCs to find specialist travel insurance providers. This signposting service will also provide links to coordinated consumer education/information. We believe this will improve product awareness in this market, so that consumers can make more informed choices. We will continue work on pricing practices in retail general insurance. We will publish more details of the scope of this work shortly. We plan to feed the findings of the Cfl work into the debate part of this work. This will help us assess whether we need to act to ensure future insurance pricing practices support a market that works well for its consumers.

1.11 We provide more details on the further work we will be pursuing in the 'Next Steps' section. Below we highlight the main actions for the travel insurance industry and the areas we cover in this paper:

Actions	Reminders
<ul style="list-style-type: none">• We are directing the industry to implement a new signposting service with input from consumer organisations• We set out what we consider to be the most important characteristics for this signposting service• We will assemble stakeholders to find the best means of improving the provision of consumer information in this market	<ul style="list-style-type: none">• We highlight that providers should consider the needs of their consumers• We remind firms that they should be aware of all their obligations under the Equality Act• We refer to FCA requirements to provide timely information to consumers so they can make an informed decision• We highlight firms' responsibilities to write terms clearly and transparently

2 The personal experiences of consumers



'Once you had declared a medical condition they have a standard format of questions, the same for each insurer, which didn't take in to account the current general fitness and well-being of the applicant... Once you answered 'yes' as to whether your condition was terminal, they refused to go any further.'

Consumer respondent

- 2.1** A total of 21 consumers responded to our CfI. These personal experiences were extremely valuable and we appreciate that providing an account of these often very challenging situations must be difficult.
- 2.2** Our [Financial Lives Survey 2017](#) found that 24% of all UK adults have a physical or mental health condition(s) lasting 12 months or more. Not all this group will find it hard to get travel insurance. But there are still a significant number of consumers who might not be able to find an affordable quote or get cover.
- 2.3** Many consumers described feeling discriminated against by insurers because of their condition.
- 2.4** Some were confused and frustrated by how someone else with a similar medical condition, got travel insurance, whilst they were unable to buy cover.
- 2.5** Many consumers also felt the questions asked were often not relevant to their condition or set arbitrary criteria. For example, they were asked if they had 'attended a hospital or clinic as an out-patient or in-patient in the last two years.' They argued that their answers to these questions did not necessarily mean that they presented a higher risk to the insurer.
- 2.6** There was a gap expressed by consumers between the medical consultants' advice stating they were medically fit to travel and the insurers' risk assessment. Many consumers would describe their cancer as being completely under control through medication. In their view they should not be seen as an unnecessarily higher risk to insurers.
- 2.7** These issues can result in what can often be a lengthy, distressing search for consumers, during a period of vulnerability.
- 2.8** We have received responses from charities that the questions consumers often face can be 'intrusive'. By this they often mean having to answer seemingly unnecessary or irrelevant questions about their health. These are felt to be sometimes handled bluntly and insensitively by frontline staff.
- 2.9** Providers should be considerate of the needs of their consumers and be empathetic in their responses. We highlighted in '[Our Future Approach to Consumers](#)' that 'we... expect [firms] to exercise extra care where consumers may be vulnerable.' We provided

several practical tips in our Practitioners' Pack to assist in beginning to address the needs of consumers in vulnerable circumstances.

Consumer story 1

I am an 'otherwise' healthy 58 year old woman in full-time employment. I am physically active and generally do not take any sickness leave from work. I have annual medical checks.

I had skin cancer diagnosed 6 and a 1/2 years ago. I underwent an initial operation to remove an irregular and very small – we are talking 2mm across - 'freckle', which was then confirmed as cancerous.

A second operation followed within 5 weeks to remove a greater area and depth of skin, which was confirmed as cancer-free. I then returned to the specialist for regular check-ups over a 5 year period and was determined as cancer-free in December 2015. This treatment was provided by the NHS.

I had the equivalent to 2 weeks maximum off work in total following the first and second operations.

Since December 2015, I have attempted to gain travel insurance by declaring the condition, but have not had any quotes returned to me from various on-line sites. I have thereby left my insurance with my bank as part of the account add-on, but realise that it would not give me cover relating to my pre-existing medical condition.

I am confident that I will not 'relapse', and if I was to find any further troublesome freckles, I would have these checked out via a GP recommendation and not during a trip abroad. If I required any further treatment, this would not lead to me cancelling any planned holiday or travel arrangements.

Consumer story 2

This is my own personal history where I have had low grade bladder cancer for the last 5 and half years. It has cost me dearly in travel insurance costs eg American trip for 6 days cost me £450. Yet I have no ongoing treatment requirements just regular check-ups every 6 months with the last 3 being clear. If a small growth is found I have an operation to have it removed with the last operation April 2016 and that is it.

I do not understand why I am charged very high premiums every time I travel abroad as my cancer history does not necessitate any medication or treatment and has no impact on my daily life.

My horror would be at a time of need for any emergency medical treatment (nothing to do with my cancer) to find that I do not have a quality insurer to make any claim run smoothly.

My other query would be how long I have to disclose my cancer history? I really need an underwriter who would actually 'underwrite' rather than me just have to lump it and accept the high cost of travel insurance as a further issue with my cancer history.

3 Feedback and themes



'Financial services need to be able to adapt to the changing circumstances that real life throws at people'.

Our Future Approach to Consumers (2017)

- 3.1** To understand the key challenges in this area, we asked a total of 19 questions on issues ranging from medical screening processes to how firms demonstrate compliance with the Equality Act 2010.
- 3.2** These were designed to help us understand in particular:
- the challenges consumers who have, or have had, cancer face in accessing the travel insurance market and in finding suitable travel insurance
 - the issues in providing travel insurance for consumers who have, or have had, cancer
- 3.3** Responses to the Cfi, including feedback from individual meetings and roundtables, tended to fall into three main themes:

Pricing

- 3.4** Consumer groups and charities suggested that there were 'excessively high premiums' and a 'significant variation in pricing' between mainstream and specialist providers. This posed a significant risk to vulnerable consumers. Firms felt they used medical screening tools within their pricing 'to reflect the potential increased medical risk presented by consumers with a medical history'. Their view was that a 'very small number of individuals [will be] out of scope of a firm's risk appetite.'
- 3.5** Cancer is a complex area to underwrite. Consumers feel there is inadequate transparency about how premiums are calculated and the way risk factors into insurers' decision making. There is a lack of consistency in insurers' assumptions around terms like 'remission' and what it means to be 'cancer free'. This can create a lack of consistency for consumers, making it harder for them to compare quotes.
- 3.6** There is also variation in the medical screening tools used by some mainstream and specialist firms to assess the risk of each PEMC. Verisk (previously known as Healix) is used by approximately 71% of the firms that responded to our Cfi (17 out of 24 firms). Two use Protectif, two others use TAMIS/MAGENTA, and two offer a bespoke one-to-one medical screening service. One firm bypasses the medical screening tool and accepts 'fit to travel' notes from GPs instead. This is what the industry originally used before medical screening tools were introduced.
- 3.7** Several responses highlighted that the development of Verisk has enabled insurers to assess risk more accurately. This has allowed them to provide cover for a larger proportion of consumers using the travel insurance market. Other responses suggested that this does not yet provide a sufficiently granular assessment of risk for

those with more serious conditions. Some consumers could also fall outside of the routine question sets used during the screening process.

- 3.8** Others respondents felt that a bespoke screening tool would be better for the most serious medical conditions. These are often offered by specialist and by some mainstream providers. They felt standard medical screening was sometimes not appropriate for their needs. Respondents felt there was a lack of distinction made between medical or repatriation risk and cancellation risk. We understand that some screening tools already offer the ability to supply cover that excludes cancellation. Verisk will be offering this in the next version of their tool.
- 3.9** There was felt to be a lack of transparency in pricing for the assessment of medical screening tools of different PEMCs. This may not be necessarily risk-reflective of the consumer's illness. Some respondents highlighted a lack of transparency in how providers assess the consumer's medical risk combined with other risks (eg destination and duration of trip). They felt it was unclear how this affects the premium they offer (if indeed they decide to offer cover at all).
- 3.10** As well as medical risk there are a number of other risk factors that contribute towards the quoted premium:
- destination
 - age
 - duration
 - cover levels & excess
 - cancellation risk (i.e. the likelihood of the consumer cancelling their holiday)
 - post code
 - number of people to be insured
 - departure month
- 3.11** Some respondents raised the transparency of Insurance Premium Tax (IPT). They questioned why consumers with PEMCs, who are generally quoted higher premiums than other consumers, are still required to pay an extra 20% in tax. Respondents explained that this seemed like an unnecessary financial burden on higher risk consumers. They felt there should an exemption for consumers with certain PEMCs. This is an issue not within our remit so we have provided this feedback directly to HM Treasury, who set IPT.
- Equality Act and pricing**
- 3.12** We asked providers to explain how their pricing systems and practices complied with their obligations under the Equality Act 2010. The Equality Act makes it unlawful for firms to discriminate against people who have (or had) a disability (including cancer). There is an exception allowed from one of the requirements where the discrimination is objectively justifiable, and the information being relied upon to justify it is from a source on which it is reasonable to rely and also that it is reasonable to do that.



- 3.13** There were differing responses from providers on how they were complying with the Equality Act. Most explained that they generally avoided discrimination by using the same process for all medical conditions. They based decisions on the risk that a condition presents, rather than the condition itself. They also provide equal opportunities to undergo a medical screening.
- 3.14** Some providers explained that they used regularly updated medical screening tools to assess the risk and then produce a premium. They considered this to be reasonable given that claims data and medical research indicate higher risk to certain PEMCs. They therefore considered it was reasonable to charge higher premiums or to choose not to insure certain risks.
- 3.15** We did not ask providers to send us the supporting evidence for their explanations. Most providers were aware of their obligations under the Equality Act, the disability exception for insurance and what the relevant tests are. Firms must know all of their obligations under the Equality Act, including indirect discrimination and making reasonable adjustments. We feel firms could examine whether their approach is reasonable in the circumstances. They could consider the possibility of indirect discrimination in their processes and make reasonable adjustments to avoid this. If we believe that firms are not applying the above tests correctly we will work with the Equalities Commission, and conduct further investigations. We believe that firms would not be meeting our obligations, including the Principles for Business, in not complying with the Equality Act.
- 3.16** Several respondents highlighted that there was broad read-across to other protection insurance. There were concerns about unfair high premiums and about how consumers with PEMCs were treated when attempting to buy critical illness and income protection. These respondents contended that those consumers who sat outside of the standard risk profile were not being treated fairly. Some consumers were not able to find cover and those that did were offered it at an inflated price. Consumer journeys would be very different when attempting to obtain products such as critical illness and income protection, as opposed to travel insurance, with the former more likely to be advised sales. In this case the consumer would be less likely to be searching for the product themselves.
- 3.17** We discuss how we intend to address these areas of read-across to other protection products in our 'Next Steps' section.

Signposting

- 3.18** Specialist providers exist in the market. For example, approximately 100 British Insurance Brokers' Association (BIBA) brokers advise that they can place travel insurance for specialist cancer cases (either directly or through another broker). However, consumers can face complicated and frustrating journeys trying to find them. There is no obvious single source of trusted information available about specialist providers or where to go to find them. Consumers therefore can face significant challenges navigating the market. We refer to ways to help consumers navigate the market as 'signposting'.
- 3.19** Some respondents provided positive feedback regarding existing signposting services, such as the BIBA's 'Find a Broker Service'. This service identifies brokers that may be

suitable for consumers who are struggling to obtain various types of insurance. Many respondents explained that BIBA's service was helping consumers to know where to look in the market. They also highlighted the voluntary agreement between BIBA, the Association of British Insurers (ABI) and the Government. This covers access to insurance for older consumers. Some respondents have suggested that this agreement should be extended to include PEMCs.

- 3.20** However, several respondents explained this current signposting does not adequately separate specialist from general travel insurers. They also believe consumer awareness of these signposting services is relatively low. The consumer journey can be varied when initially attempting to take out travel insurance. They often try charities, the Money Advice Service (MAS), price comparison websites (PCWs), BIBA, the ABI, packaged bank accounts, directly with an insurer or broker – with this variation there can be inconsistency with signposting. We also found signposting to specialists was worse using PCWs. The PCWs are not members of the ABI or BIBA and do not always signpost services for consumers struggling to obtain travel insurance.
- 3.21** Our Financial Lives Survey found that 76% of respondents¹ used a PCW when comparing different single trip travel insurance from different providers. It is clear that this is an extremely popular consumer route to obtain travel insurance.
- 3.22** Some respondents highlighted that outcomes or feedback from the signposting or referral process were not consistently monitored. They felt this should be done more effectively so that lists of insurers can be updated. Respondents considered that insurers should be removed from the signposting list if consumers with PEMCs have been referred to them, and then find they do not offer specialist cover.
- 3.23** Some raised the lack of effective signposting from charities. They highlighted that many charities chose not to signpost through fear of reputational risk to their organisation. Several firms suggested that charities should take a more proactive approach to signposting. Others felt that charities have limited resource and that these signposting lists would need constant reviewing to keep them up to date.
- 3.24** Signposting was also mentioned as a benefit for consumers who were quoted a disproportionately high premium compared to a similar person without a PEMC. Some respondents felt consumers may accept a significantly higher quote from a mainstream provider because they were unaware, through a lack of signposting, that specialist provision could supply more affordable offer of cover.
- 3.25** Several firms suggested that regulation should allow signposting to be provided, without the firm having to follow FCA requirements for advised sales. We consider it possible to have effective signposting without the firms concerned giving regulated advice.

Consumer understanding

- 3.26** Respondents highlighted a number of areas where consumer understanding was low. One of these is understanding how additional risk factors (eg destination and duration of the consumer's holiday) are considered in combination with the medical

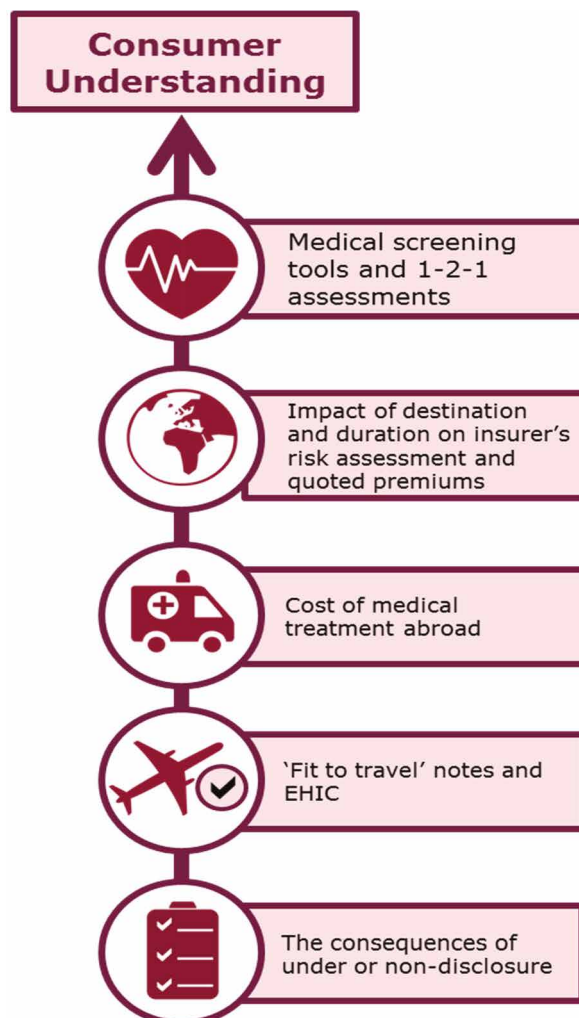
¹ Who had taken out, renewed or switched less than 3 years ago and who had shopped around for their single trip travel insurance.

risk score for PEMCs to produce an overall risk assessment. In Figure 1 we highlight a number of areas where increased consumer knowledge would contribute to a better understanding of travel insurance.

3.27 Other areas of low consumer understanding were:

- awareness of the cost of medical treatment abroad (particularly in countries such as USA where it is expensive)
- the consequences of under or non-disclosure
- how to interpret 'fit to travel' notes
- European Health Insurance Cards (EHIC) and what they cover

Figure 1: Consumer understanding and education



3.28 One respondent suggested that the FCA should test consumers' ability to understand exclusions. If it finds that consumers do not understand the information presented to them, then the FCA should experiment with different ways in which firms could present information. The FCA is continuing its work regarding Smarter Consumer Communications. This work provides examples of effective communications approaches that firms are taking. It also encourages the industry to work together to

develop consistent terminology and reduce the use of complex language and jargon in the general insurance sector.

- 3.29** There were some specific suggestions in the responses to the CFI to improve consumer understanding of exclusions. These included highlighting exclusions at the start of policy documents, and writing policy documents in plainer language. Other suggestions included providing examples of claims that would be excluded (which are tailored to the condition being disclosed). Respondents suggested greater clarity on the exclusions of travel insurance as part of a packaged bank account, and encouragement to read policy documents. We believe these are all sensible suggestions for firms to consider adopting in their delivery of consumer information.
- 3.30** Firms must ensure that their terms are written clearly and are not unfair under the Consumer Rights Act 2015 (CRA). Specifically, that terms need to be sufficiently transparent. We have powers under the CRA, as well as under the Financial Services and Markets Act 2000 (FSMA). If we can achieve the same level of consumer protection, we may act under FSMA instead of under the CRA. Firms also have an obligation to act fairly, through our Principles for Businesses. In particular Principles 6 and 7 will be relevant here.
- 3.31** The FCA's webpages on [unfair contract terms](#) contain content to help firms consider the fairness of their consumer contracts. We draw firms' attention to the recommendation on our website that firms regularly review their contract terms for fairness and transparency. The Competition and Markets Authority, which takes a leading role in the regulation of unfair terms, has published detailed [guidance](#) for all firms in all sectors.
- 3.32** We also remind firms that FCA rules in the Insurance: Conduct of Business sourcebook (ICOBS) require them to provide appropriate and timely information to consumers. This is to allow consumers to make an informed decision when buying general insurance products.² We highlighted the potential for consumer harm from firms failing to meet the requirement in our '[General Insurance Add-Ons Market Study – Remedies](#)' under our information provision remedy. If firms do not comply with these requirements we will consider taking action.
- 3.33** Respondents also provided more general suggestions for improving consumer understanding, which were:
- more extensive consumer education to be provided by charities, the FCA, The Financial Ombudsman Service and MAS
 - that the wording used in policies is outdated and no longer relevant – the FCA should work to simplify point of sale information
 - increase GPs' understanding of the complexities of travel insurance
 - more prominent information on the cost of medical claims abroad
 - improve awareness of the 'value' of a travel insurance product (ie that it can help you avoid large medical costs abroad)

2 ICOBS 6.1.5R



- the importance of keeping medical screening up-to-date (especially via insurance provided through packaged bank accounts)
- the use of the EHIC, specifically that it needs to be renewed

3.34 The perceived 'value' of travel insurance was raised by firms in their responses. They suggested that consumers mistakenly related the value of travel insurance to the cost of their holiday, and not the potential medical expenses cost of falling ill whilst travelling.

3.35 Some respondents highlighted a lack of understanding of what cover the EHIC provides, and that it needs to be renewed. For example, the EHIC does not cover consumers for the cost of medical treatment on a cruise ship holiday. Consumers will only be covered for the cost of 'state-provided healthcare that is medically necessary before [their] planned date of return.' Brexit negotiations regarding the EHIC are still ongoing and if agreement cannot be reached the ABI have suggested that this could gradually increase travel insurance premiums by 20%. This could have a particularly detrimental impact on consumers with PEMCs, who already face high premiums.

3.36 Some respondents suggested running targeted consumer awareness campaigns to improve the understanding of travel insurance. We note that several organisations have improved the content on their travel insurance webpages already. The Foreign and Commonwealth Office (FCO) launched a campaign about travel insurance. The campaign encouraged particular age groups (18 to 24 and over 55s) to 'think about the importance of travel insurance', using the hashtag #TravelAware and webpage. Firms, such as Travel Insurance Facilities Plc have launched similar consumer awareness initiatives; theirs is called 'Travel Insurance Explained'. This aims to improve consumer understanding in this area. We mention in our 'Next Steps' section how these campaigns can be used and potentially be more integrated in the consumer buying process for travel insurance.

4 Next steps

- 4.1** We are taking action on each of the main themes, as outlined below, and believe we can produce real positive change for consumers in this market as a result.

Pricing action

- 4.2** The FCA has announced in our Business Plan 2018/19 that we will continue work on pricing practices in retail general insurance, the scope of which will be published in due course. We plan to feed the findings of the Cfl work into the debate part of this work, which will focus on assessing whether we need to act to ensure future insurance pricing practices support a market that works well for its consumers. We consider this work will lead to some real long-term positive outcomes across the market for general insurance.

Signposting action

- 4.3** More specifically in the travel insurance market we are convinced that better signposting would have a positive impact, greatly improving consumers' ability to get affordable cover. There are specialist providers doing more granular medical risk assessments with more experience dealing with consumers with particular PEMCs. They provide largely more affordable cover for those with more specialist risks. The principal problem is that consumers find it difficult to access the specialist market. Therefore we have decided to instigate a reform of the current signposting arrangements in this sector.
- 4.4** Specialist providers are at present crowded out of the advertising market, unable to compete with the high-cost and high-visibility campaigns of mainstream providers.
- 4.5** As a result, consumers with specialist needs usually make first contact with a mainstream provider who may not be able to meet their needs. These consumers may never discover the offers available from potentially more suitable and more affordable specialist providers.
- 4.6** To rectify this we will convene a series of roundtable meetings with key industry stakeholders, with the intention of creating a new signposting service. This will redirect consumers to specialist providers quickly and seamlessly from all insurance providers and distributors (including direct providers, PCWs, brokers, and travel agent intermediaries).
- 4.7** We will initially pilot this in the travel insurance market. Following the pilot we will analyse the results and consider whether it could include other types of general insurance.
- 4.8** This approach will strike the appropriate balance between using formal regulatory interventions and our convening power. Our 'TechSprint' events have been a good



example of this. These events have brought together participants from across and outside of financial services to develop technology-based ideas to address specific industry challenges. We believe that, in this case, by using our convening³ power firms and other stakeholders can resolve this issue and improve outcomes for consumers, without the need for formal regulatory intervention.

- 4.9** We plan to agree this new signposting service as an industry-led initiative with input from consumer organisations.
- 4.10** We believe that the most effective bodies to operate and govern this service would be a mixture of trade bodies, PCWs, providers, with input from charities. This service should be represented and governed by a range of various stakeholders, so that it can produce a balanced outcome for consumers.
- 4.11** Our key objective for the initial sessions will be to agree governance arrangements for the new service with industry and stakeholders.
- 4.12** We are encouraged by the initial favourable feedback on this approach. In particular from BIBA, who in their 2018 Manifesto, called 'for the market to create a new universal signposting solution for consumers who struggle to obtain insurance.'
- 4.13** We would like to see this service in operation by Spring 2019. We appreciate that this is dependent on a number of factors. Firms will need to make systems changes and these may take time to implement. We will therefore keep progress under review. We plan to evaluate the service, once live, after a year to 18 months in order to assess its effectiveness (see Figure 3 for suggested timeline).
- 4.14** Several respondents highlighted the current regulatory burden on firms to comply with recent changes, such as the General Data Protection Regulations (GDPR) and the Insurance Distribution Directive (IDD). We appreciate this will be an added strain on the industry to produce this signposting service. We feel the intervention is necessary and the measures outlined will improve things greatly for consumers struggling to get travel insurance.

How signposting could work

- 4.15** We are keen to work with stakeholders to create and implement this signposting service which we believe can be of particular benefit. However, we have set out some key characteristics of the signposting service below, which we feel are important to ensure the effectiveness of this remedy and the positive benefits to consumers.
- 4.16** Where they are unable to offer a quote to consumers with PEMCs, we envisage that all firms distributing travel insurance will supply a 'warm' decline. This would be a communication explaining why no quote could be offered and providing the consumer with further assistance to obtain cover. The warm decline would refer the consumer to the newly-established signpost service. It is important that whenever a consumer is unable to get cover they receive a warm decline. This should apply to direct insurers, PCWs, travel agents and brokers as well as across distribution channels including online, face-to-face and by phone. It is designed to prevent consumers believing they are "uninsurable" when they have searched for cover and are outright declined.

³ In 'Our Mission' we explained that 'we consider whether the market will fix itself without the use of formal regulatory tools. We also use convening powers which help the regulator and firms to come together to resolve an issue, without the need for formal regulatory intervention. This approach can be cost effective and add value.'

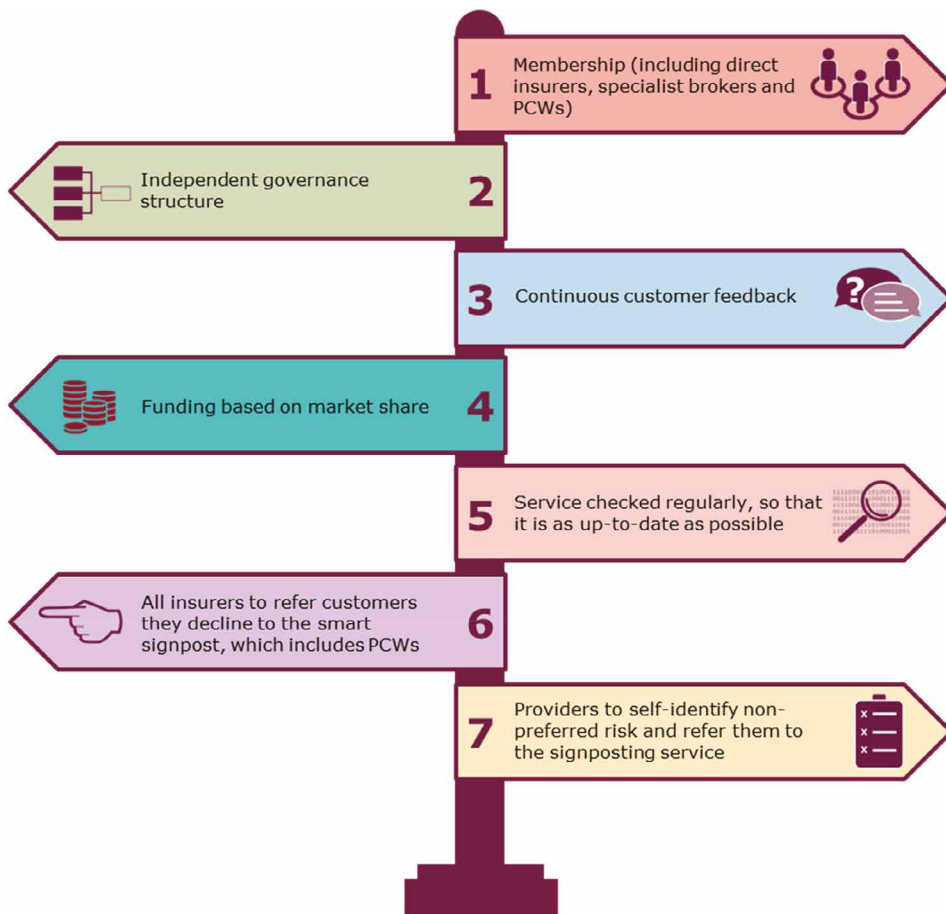
- 4.17** There is another group of consumers who can be offered cover from mainstream providers but at a significantly higher price. They have been the subject of much of the consumer organisations' feedback. For these consumers, whom the mainstream industry considers higher risk, the potential is also there to direct them to a specialist provider.
- 4.18** To address this potential harm we propose two additional nudges to be introduced into the sales journey.
- 4.19** The first would occur when any consumer highlights they have a PEMC. This would trigger an 'early warning notice', which would mention the signposting service. It would let the consumer know about this service and suggest there may be an alternative to the quote they eventually receive, if they are not satisfied. We have received feedback that consumers often experience frustration at completing the medical questions, only to be informed they need to go somewhere else and repeat the same process. This notice helps to reduce the burden on the consumer and save them repeatedly completing the same questions about their PEMC(s).
- 4.20** The second nudge would occur where the firm is willing to offer cover but at a comparatively high price. Firms would voluntarily provide the consumer a soft-referral by offering the quote. They would also tell the consumer they may be able to get a better quote from a specialist provider via the signposting service. Firms could apply a simple rule to trigger this referral such as a flat multiple of the average premium, or a flat premium amount over which referrals are made. Or they could develop a more sophisticated approach based upon their risk appetite. We will be discussing these options with firms and other industry stakeholders.
- Characteristics of the signposting service**
- 4.21** Membership of the new service will allow for members to include direct insurers, specialist brokers and PCWs. It is important that all providers are involved in this signposting service. The current signposting services in the insurance sector are limited to brokers or members of particular trade bodies. This means that sections of the market were excluded from these services. For this new signposting service to be truly representative we would expect the membership to include all organisations offering travel insurance.
- 4.22** There are varying views on how to help consumers get travel insurance, and much experience that can be used to design workable remedies. An independent governance structure, allowing input from consumer organisations and charities, would best represent the consumers it is trying to assist. Charities, such as Macmillan, can contribute consumers' personal experiences. This will help shape these services.
- 4.23** Many respondents suggested that consumers were currently being directed to 'specialist' providers. They subsequently discovered that this provider was not able to supply this service. Using consumer feedback will help keep the list of specialist providers accurate and useful. The governing body and the FCA would need to assess the effectiveness of this remedy. Continuous consumer feedback is crucial to evaluating whether this is working for consumers struggling to obtain travel insurance. This could be a simple follow-up email sent to consumers after they have used the signposting service, asking if they managed to obtain cover. The service would record the number of consumers that have used the signposting service. It would also record the number who managed to obtain cover after they used the service. We would not include any further qualitative feedback at this stage, to avoid any unnecessary burden



to the consumer. We intend to revisit this service and possibly expand the scope to include other areas where consumers are struggling to obtain insurance.

- 4.24** We received feedback that consumer acquisition costs are very high in the insurance market. This market dynamic can crowd-out smaller specialist providers who cannot afford such large scale advertising, especially as their target market is a small part of the overall insurance market. This reduces the visibility of specialist offers and increases the search costs for consumers with specialist coverage needs. Therefore, funding should be based on market share rather than solely on a fee-for-referral structure.
- 4.25** The current fee-for-referral funding model of the BIBA find a broker service places the cost of re-directing specialist consumers wholly upon specialist providers. In turn, this is likely to further increase the premiums paid by specialist consumers.
- 4.26** We propose that the signposting service should be primarily funded by all insurance market participants based on their current market share. It could be partially supplemented by a small fee for successful referrals to specialist providers. This will more accurately reflect the current market dynamics and account for the effect that expensive mainstream advertising campaigns have on capturing and arguably misdirecting consumers with specialist needs.
- 4.27** In discussions with stakeholders we have heard the suggestion that a funding model based on market-share could be viewed as 'paying to advertise a competitors' product'. In our view this suggestion does not properly account for the current specialist risk consumer journey and current advertising market dynamics. Mainstream providers have invested to encourage consumers to contact them in the first instance. So it is appropriate for mainstream providers to bear a small cost to ensure these consumers have a seamless journey to appropriate cover.

Figure 2: Signposting service



Consumer understanding action

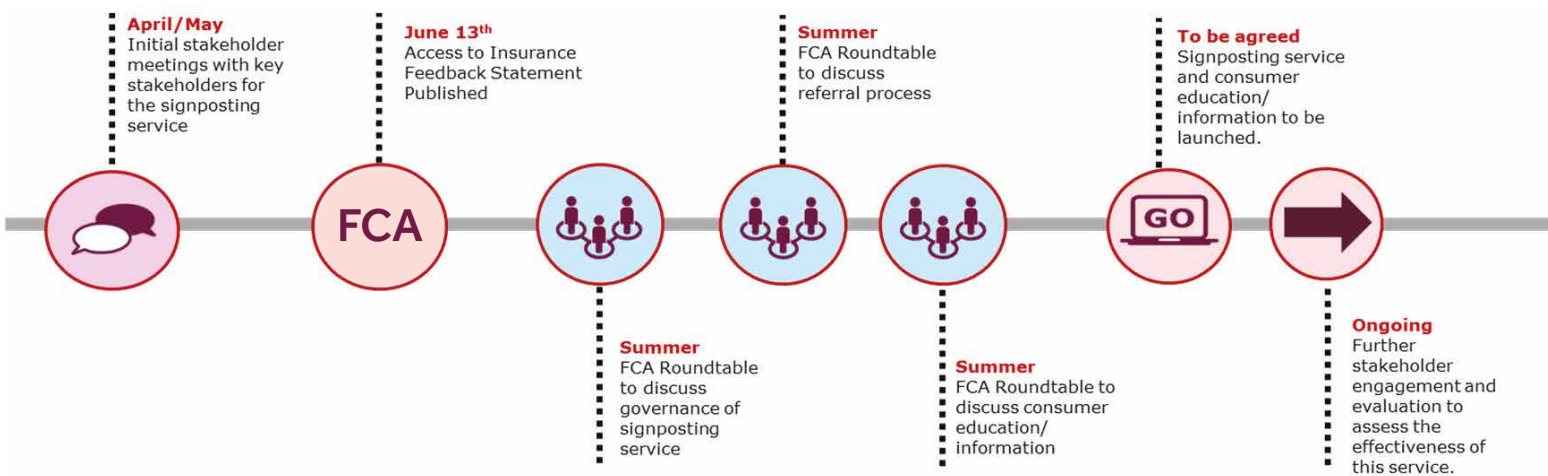
- 4.28** There are still several areas where consumer understanding about travel insurance is low. This may be because campaigns to improve consumer understanding are not fully integrated into the consumer journey to obtain travel insurance. We will be convening a separate group of interested parties, including firms, trade bodies and consumer groups, to improve consumer information in this market and how best to direct consumers to this information.
- 4.29** We envisage that the new signposting service will provide consumers with greater awareness and information to improve understanding.
- 4.30** There are already a number of consumer awareness and education webpages about travel insurance, such as the ABI's [Travel Guide](#) and their [Insurance Experiments](#) initiative, the MAS's webpage on '[Buying insurance if you're ill or disabled](#)' and the Foreign & Commonwealth Office also have [guidance](#) on this topic.
- 4.31** The signposting service could direct consumers to this information in innovative ways to ensure that the content is engaging. This information could explain common misunderstandings, like how providers assess risk, what the EHIC covers, and estimated costs of medical treatment abroad compared by country. This integration and channelling of this educational content into the consumer journey will look to

improve consumer awareness. It will provide relevant content in a timely manner when at most benefit to the consumer.

4.32 We hope that the engagement with stakeholders will continue to be positive. We will continue to evaluate this service, both in terms of signposting and consumer information. We will judge once it has been implemented whether formal regulatory interventions are necessary.

4.33 We look forward to the continued engagement with industry and stakeholders in the formation of this service and feel that this will allow consumers to make informed choices and obtain cover from specialist providers.

Figure 3: Timeline for Next Steps



Annex 1

List of non-confidential respondents

Bought By Many

Moneysupermarket Group

Moneysworth Ltd

AXA UK

Bupa

UK General Insurance Ltd

Ageas

MAPFRE Asistencia

P J Hayman & Company Ltd

Swiss Re Services Ltd

Freedom Insurance Services Ltd

AllClear Insurance Services Ltd

Collinson Group

International Travel and Healthcare Ltd

Cura Financial Services

Alea Risk

Holiday Extras Ltd

David J Miller Insurance Brokers Ltd

J Gosling (Insurance Brokers) Ltd

Breast Cancer Care

Macmillan Cancer Support

Money and Mental Health

Lymphoma Association

National AIDS Trust



CLIC Sargent

Scope

Association of British Insurers

Lloyd's Market Association

British Insurance Brokers' Association

Investment & Life Assurance Group

Association of Travel Insurance Intermediaries

Financial Inclusion Commission

Financial Services Consumer Panel

Money Advice Scotland

Verisk (previously known as Healix)

Annex 2

Abbreviations used in this paper

ABI	Association of British Insurers
BIBA	British Insurance Brokers' Association
CFI	Call for Input
CRA	Consumer Rights Act 2015
EHIC	European Health Insurance Cards
FCA	Financial Conduct Authority
FCO	Foreign & Commonwealth Office
FS	Feedback Statement
FSMA	Financial Services and Markets Act 2000
GDPR	General Data Protection Regulations
GP	General Practitioner (Doctor)
ICOBS	Insurance Conduct Of Business Sourcebook
IDD	Insurance Distribution Directive
IPT	Insurance Premium Tax
MAS	Money Advice Service
PCWs	Price Comparison Websites
PEMCs	Pre-Existing Medical Conditions

We have developed this Feedback Statement in the context of the existing UK and EU regulatory framework. The Government has made clear that it will continue to implement and apply EU law until the UK has left the EU. We will keep the proposals under review to assess whether any amendments may be required in the event of changes in the UK regulatory framework in the future.

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