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Which?, 2 Marylebone Road, London, NW1 4DF

Date: 13 September 2019

Response to: FCA 'Signposting to travel insurance for consumers with medical conditions'

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## Consultation Response

### **FCA consultation on 'Signposting to travel insurance for consumers with medical conditions'**

Which? welcomes the FCA's proposals on signposting to travel insurance for consumers with medical conditions. For many years we have highlighted the challenges faced by people with medical conditions in securing reasonably priced travel insurance. Unreasonable premiums and difficulties finding a suitable policy can lead to people travelling without declaring their full medical history (4% of members admitted to this), travelling without travel insurance in place at all (3%) or even cancelling a trip (1%).<sup>1</sup>

Which? strongly supports the FCA's proposal to require firms to signpost consumers to a new Money and Pensions Service directory of firms specialising in travel insurance for people with pre-existing medical conditions. Major brands tend to use similar approaches to medical screening and underwriting, especially when they quote via comparison sites. Specialised firms can be difficult to find for a person's particular circumstances. While many insurers already suggest alternatives when they are unable to offer cover, typically from the British Insurance Brokers' Association (Biba), this does not always lead to better value cover (see appendix).

The FCA's proposed requirements to signpost to the new directory rightly apply to price comparison websites and packaged bank accounts. These two channels account for a significant share of the market, and consumers with medical conditions very often struggle to secure adequate cover when purchasing travel insurance via these routes. Specialist insurers for people with pre-existing medical conditions are often not listed on comparison sites, and packaged bank accounts very often exclude pre-existing medical conditions entirely.

We support the FCA's proposals for consumers to be signposted to the directory in cases where they have been declined for cover, quoted for cover but with an exclusion for a pre-existing medical condition, or if they have been offered cover with an additional loading to their base premium due to their medical condition. All three issues are prevalent for people with medical conditions. We surveyed 10,495 Which? members about buying travel insurance in November 2018. 64% said they have declared a pre-existing medical condition when doing so. A quarter (23%) said they have faced inflated premiums, and 20% could only find policies that excluded all claims related to their condition.<sup>2</sup>

While consumers could benefit from getting further quotes in each of these three scenarios, signposting where there is an additional loading to the base premium will need the most monitoring by the FCA. Consumers could be signposted where they have been quoted a very small increase to their premium. While this transparency could be important, it could potentially prompt consumers to spend considerable extra time shopping around via firms on the directory

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<sup>1</sup> Cavaglieri, Chiara (2018), 'The travel insurance lottery', *Which? Money*, March 2019, pp.8-13

<sup>2</sup> Cavaglieri, Chiara (2018), 'The travel insurance lottery', *Which? Money*, March 2019, pp.8-13

without finding a better premium, or it might lead consumers to only consider firms on the directory when they might be able to find equal or better value elsewhere on the mainstream market. The FCA should keep under review whether a higher bar should be introduced to trigger the signposting requirement for additional loadings, such as loadings above a certain threshold.

We agree strongly with the FCA's proposal to clarify the obligations on firms to make consumers aware if they are able to remove the medical exclusions applied to their policies. Understanding of exclusions is generally low. A third (36%) of members in our survey felt that insurers are unclear about what they do and don't want customers to declare – rising to 41% for those who have previously declared cancer when buying travel cover.<sup>3</sup> We have also conducted research asking participants to review the terms and conditions for three travel insurance brands and then to answer questions on the policies. Participants found 'when to report changes in health' the hardest question to answer for two out of the three brands.<sup>4</sup>

We also support the FCA's proposal to clarify firms' obligations to consider whether not providing quote would be more appropriate than offering a very high premium. We have found examples of extremely high and inappropriate quotes being offered to consumers, particularly on comparison sites. We agree with the FCA that this can be misleading to consumers.

In addition, Which? recommends that the FCA should:

- Use data to determine which firms are listed on the directory, rather than other factors such as firms self-declaring their suitability. For example, the FCA could use data on the proportion of customers with pre-existing medical conditions that a firm covers for different scenarios.
- Continually review whether customers with pre-existing medical conditions are getting better prices via firms on the directory than with other insurers.
- Set out under what circumstances firms would be removed from the directory.
- Prescribe the wording that firms use for signposting as well as guidance on how this should be presented, since firms do not have strong incentives to signpost consumers to their competitors.
- Review how firms approach signposting and how effective this is, including how the take-up of the directory among consumers differs depending on the firm that provided the signposting.

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<sup>3</sup> Cavaglieri, Chiara (2018), 'The travel insurance lottery', *Which? Money*, March 2019, pp.8-13

<sup>4</sup> Sobers, Dean and Josh Robbins (2018), 'The insurance small print that leaves readers lost', *Which? Money*, November 2018, pp.10-15

## **Appendix - Which? March 2019 investigation into travel insurance quotes across a comparison site, a BIBA-recommended specialist and another specialist**

Which? compared costs across a leading comparison site, a specialist recommended by Biba, and a brand that uses a screening system called Protectif. Our quotes were based on seven fictional medical profiles – all of women aged 58 declaring a form of cancer that had been treated within the past one to five years.

For a week in France, the Protectif brand offered the cheapest cover for five of the seven fictional women, with prices ranging from £16.54 to £40.18. On average, the comparison site quotes were 107% higher. Even the cheapest quotes from the comparison site meant premiums doubled for three of our fictional travellers. The Biba recommendation was the most expensive in each case.

We also observed how swiftly premiums can become prohibitive. Switching our answer to 'yes' when asked if the cancer had previously relapsed, for example, meant the cheapest comparison site quote for acute myeloid leukaemia jumped by 392% (from £99.12 to £487.38), while the Biba recommendation was only able to offer a policy where all claims related to the declared condition were excluded.

Premiums are particularly steep if you are still receiving or awaiting treatment. When we used a major comparison site and changed one of our answers to declare that there was further treatment planned for uterine cancer, quotes increased by 296% (£27.09 to £107.40). And when we said, 'I am currently being monitored to see if I need treatment in the future', quotes for someone declaring kidney cancer increased by 164% (from £41.72 to £109.95)

### **About Which?**

Which? is the largest consumer organisation in the UK with more than 1.3 million members and supporters. We operate as an independent, a-political, social enterprise working for all consumers. We are funded solely by our commercial ventures and receive no government money, public donations, or other fundraising income. Which?'s mission is to make individuals as powerful as the organisations they have to deal with in their daily lives, by empowering them to make informed decisions and by campaigning to make people's lives fairer, simpler and safer.

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