

 Manager
Insurance Team
Financial System Division
The Treasury
Langton Crescent
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Attn: Manager
Submission: Reforms to the sale of add-on insurance products

Introduction

- Fast Cover Travel Insurance was founded in 2010. It only sells travel insurance through its website or over the phone. It does not sell any other insurance lines or products.
- Feedback is provided in relation to the add-on insurance 'Travel Insurance' and 'Rental Vehicle Excess Insurance' only.
- We provide feedback as we are travellers ourselves and have the consumers interests at the centre of everything we do.

About Fast Cover

In 2010, Fast Cover was created with the vision of providing quality travel insurance that not only offered the cover travellers actually need, but that was also simple and easy to understand.

We completed extensive research to work out the best way to achieve that vision and then got to work:

- Making sure our website was user-friendly.
- Ensuring the information was easy to read and understand.
- Making the quote and purchase process as fast and simple as possible, while highlighting the information consumers need to make an informed decision.

We also understood that sometimes travellers preferred to talk to a real person, so we offer phone, email and chat so they can easily get in touch with us.

Fast Cover has sold over 200,000 travel insurance policies since 2010.

Request for Feedback 1 – Suggested Tiers

Please provide evidence as to why a particular type of add-on insurance product should reside in a particular tier.

Airlines

Suggested Tier

Tier 1

Example 1 – Poor value for consumers

The following prices show that airlines are charging unreasonably high and opportunistic prices for add-on travel insurance in their check out process. This is especially evident for family policies where they price 2 to 4 times the price of online travel insurance providers for a comparable product.

Figure 1: Bali 8 days

Single policy adult aged 44; Family policy adults aged 44 & 35, children aged 9 and 7.

| | Company | Single policy | Family policy |
|---|---|---------------|---------------|
| Airline add-on travel insurance | Qantas add-on travel insurance | \$105.00 | \$210.00 |
| | Virgin add-on travel insurance | \$68.57 | \$274.28 |
| | Jetstar add-on travel insurance "Premium" | \$116.95 | \$467.80 |
| Online travel insurance providers whose primary product is travel insurance | Fast Cover Comprehensive | \$44.99 | \$89.98 |
| | 1Cover Comprehensive | \$50.38 | \$90.79 |
| | Insure and Go Comprehensive | \$54.73 | \$98.52 |

Prices were collected on 24/9/19.

Figure 2: USA 14 days

Single policy adult aged 44; Family policy adults aged 44 & 35, children aged 9 and 7.

| | Company | Single policy | Family policy |
|--|--------------------------------|---------------|---------------|
| Airline add-on travel insurance | Qantas add-on travel insurance | \$252.00 | \$504.00 |
| | Virgin add-on travel insurance | \$129.15 | \$516.60 |
| Online travel insurance providers whose primary product is insurance | Fast Cover Comprehensive | \$83.99 | \$168.99 |
| | Zoom Comprehensive | \$99.32 | \$187.26 |
| | Virgin Money Comprehensive | \$94.69 | \$184.64 |

Prices collected on 24/9/19.

Example 2 – Poor value for consumers

Figure 3. Rex Airlines Purchase Path

| |
|---|
| <p>OPTIONAL TRAVEL INSURANCE For customer support free call 1800 766 950</p> <p>Rex Trip Protect covers you for certain unforeseen circumstances including:</p> <ul style="list-style-type: none">✓ Missed connecting flight due to delay or cancellation of your Rex flight✓ Forfeited pre-paid hotel accommodation expenses due to delay or cancellation of your Rex flight✓ Forfeited Rex flight due to unforeseen circumstances outside your control✓ REX checked luggage for loss, accidental damage or delays while within Rex control <p>See Summary of Benefits and Exclusions for details.</p> <p>Read the Combined Financial Services Guide, Policy Wording & Product Disclosure Statement PDS to decide if this product is right for you. More important information about this insurance offer is available at www.rextravelinsurance.com</p> <p>Purchase REX Trip Protect for all eligible persons in this booking for \$0 ? (includes all relevant duties and taxes)</p> <p style="text-align: center;"><input type="radio"/> Yes <input type="radio"/> No</p> <p>Regional Express Holdings Limited ABN 18 099 547 270 AR 320136 (REX) promotes this product and CHUBB Insurance Limited ABN 23 001 642 020 AFSL No. 239687 (CHUBB) insures this product. REX and CHUBB provide general advice only and do not consider your objectives, financial situation or needs.</p> |
|---|

Figure 4. Rex Airlines [Summary of benefits](#) excerpt

2. REX Checked Luggage and Personal Effects

Cover for replacing REX checked luggage lost or stolen for accidentally damaged items, including:

- Luggage
- Spectacles
- Personal Effects

Note that there are some circumstances that we will not cover, for details refer to the exclusions outlined in section 2 and in General Exclusions in the PDS.

This ‘Optional Travel Insurance’ appears to provide cover for circumstances that a consumer would ordinarily be covered for by an airline automatically without having to purchase a policy such as lost, stolen or damaged luggage by the airline.

Example 3 – Pressure Selling

The following screen shot is taken from the Qantas check out. It shows the add-on travel insurance offer.

Figure 5 – Qantas purchase path

The screenshot shows a step in the Qantas check-out process where travel insurance is offered as an add-on. On the left, there's a small icon of an umbrella under rain. The text reads:

Protect your trip with Qantas Travel Insurance

Qantas Frequent Flyers can earn Qantas Points on selected policies.

Some children are entitled to free cover. To get free cover for a child over 11, you should buy your insurance from [qantas.com/travellinginsurance](#). You should also buy your insurance from [qantas.com/travellinginsurance](#) if you need cover for [someone over 68](#), an [existing medical condition](#) or a child under 12 who is not entitled to free cover; or you don't need cover for everyone in your group. Travel insurance policies are managed by nib Travel Services (Australia) Pty Limited ABN 81 115 932 173 AFSL 308461 (nib). Qantas (AR 261363) is an authorised representative of nib. You should consider the Product Disclosure Statement (PDS) and your personal circumstances before buying travel insurance.

On the right, it says "Prices are per passenger" and describes the offer as "International Travel Insurance for passengers 69 years of age or under". It states that it's comprehensive cover for a single trip, plus 1 point per \$1 spent, with T&Cs apply and a link to "Summary of benefits". A radio button is selected next to the price "\$105.00 AUD". Below this, there's a section about accepting the cover, listing several points. At the bottom, another radio button is available for "No, I don't want to insure my trip". At the very bottom, it shows "Due \$210.00 AUD".

In our view this does not give the consumer anywhere near enough information about the product to make an informed decision.

- It does not explain clearly what the consumer is buying.
- It does not offer a phone number to call to have the product explained by an expert.
- It does not offer a rich list of frequently asked questions that consumers can use to get quick answers.
- It does not show the policy excess, if any.
- It does not inform the consumer of their right to a 14-day cooling off period.
- Only one insurance option is provided.

Most airlines offering add-on travel insurance use a system very similar to the above with the same problems as the above.

In our experience consumers do not read the PDS so it is very important to present the main policy benefits along with options to suit their needs and call out the 14-day cooling off period.

Example 4 – Poor value for consumers

The price of travel insurance in Figure 5 for an 18 or 69 year old is the same, whereas the risk to the insurer is quite different. In this instance the 69 year old is possibly receiving a reasonable price, but the 18 year in the travel insurance market can ordinarily get a much better price than a 69 year old from the same insurer.

Online Booking Sites

There are a number of providers whose primary product is travel including flights, hotels, car hire etc. and travel insurance is used as an add-on insurance within the purchase path.

Suggested Tier

Tier 1

Example 1 - High risk of underinsurance

Figure 6 – Last Minute flight purchase path

Protect this trip

IMPORTANT: Please review and update your residency to view travel protection products that you are eligible to purchase.

I'm a resident of NSW, Australia [Change](#)

Select an option*



Yes, I need the **Cancellation Plan** (Travellers are **75 years of age and below**)

AU\$87
per person



Up to AU\$10,500 if you cancel or postpone this booking for covered reasons

24/7 worldwide emergency and pre-travel assistance advice

[View Combined Product Disclosure Statement](#)

or



Yes, I need the **Protection Plan** (Travellers are **65 years old and below**)

AU\$131
per person

Up to AU\$10,500 if you cancel or postpone this booking for covered reasons 24/7 worldwide emergency and pre-travel assistance advice

Emergency medical expenses up to:

- AU\$1,410,000 for hospitalization and medical expenses
- AU\$493,000 for evacuation and repatriation
- For domestic trips, coverage is for injuries only

Additional protection for this booking up to:

- AU\$3,500 for baggage loss
- AU\$420 for trip delays due to covered reasons
- AU\$10,500 for trip interruption due to covered reasons

[View Combined Product Disclosure Statement](#)

- Offering a “Cancellation Plan” that has no overseas medical cover which could leave the consumer potentially underinsured when travelling overseas.
- Not providing a solution to consumers over 75 and 65 years of age respectively.

Figure 7. [Webjet](#) purchase path

Do you want to add Webjet Travel Insurance?^

Buy Comprehensive (Plan A) travel insurance now for only AUD \$131.70 and benefit from overseas emergency assistance, medical and hospital coverage, cancellation and luggage protection*.

By selecting Comprehensive (Plan A) travel insurance you agree to receive the combined Product Disclosure Statement and Financial Services Guide made available via this link, you confirm you have read it and understood it, and you agree to your personal information being collected, used and disclosed as set out in the Allianz Global Assistance [Privacy Notice](#).

Please note: Not all plans may be available through this purchase path. There are other travel insurance options available through our [Travel Insurance](#) page.

Yes, I'd like to buy Comprehensive travel insurance and confirm that:

- all travellers are Resident of Australia; and
- you are purchasing this policy before all travellers commence the Journey (see definition of 'Journey' in the PDS); and
- the journey commences and ends in Australia

I confirm that all passengers are 75 years or under.

- Not providing a solution to consumers over 75 years of age respectively.

Travel Agents

Suggested Tier

Tier 1

Example 1 – Poor value for consumers

Figures 8 and 9 show the significant difference in opportunistic pricing of travel insurance by Flight Centre compared to insurance companies in the market. The below pricing examples demonstrate consumers can be paying 45% or more on a popular trip such as 8 days Bali or 14 days USA.

Figure 8: Bali 8 days

Single policy adult aged 44; Family policy adults aged 44 & 35, children aged 9 and 7.

| | Company | Single policy | Family policy |
|---|-----------------------------|---------------|---------------|
| Travel Agent add-on travel insurance | Flight Centre Plan I | \$66.00 | \$132.00 |
| Online travel insurance providers whose primary product is travel insurance | Fast Cover Comprehensive | \$44.99 | \$89.98 |
| | 1Cover Comprehensive | \$50.38 | \$90.79 |
| | Insure and Go Comprehensive | \$54.73 | \$98.52 |

Prices were collected on 30/9/19.

Figure 9: USA 14 days

Single policy adult aged 44; Family policy adults aged 44 & 35, children aged 9 and 7.

| | Company | Single policy | Family policy |
|--|----------------------------|---------------|---------------|
| Travel Agent add-on travel insurance | Flight Centre Plan I | \$150.00 | \$300.00 |
| Online travel insurance providers whose primary product is insurance | Fast Cover Comprehensive | \$83.99 | \$168.99 |
| | Zoom Comprehensive | \$99.32 | \$187.26 |
| | Virgin Money Comprehensive | \$94.69 | \$184.64 |

Prices collected on 30/9/19.

Concern 1 - Pressure selling

Travel agents are regarded as travel experts. This is very different to being a travel insurance expert. Travel is their core skill, insurance is not and they are likely to be perceived by the consumer as insurance experts when they are not. The consumer needs adequate time to do their own research and should not face any pressure when it comes to insurance.

Credit Cards

Suggested Tier

Tier 1

Example 1 – Risk of not being insured at all

Consumers may assume they have travel insurance when they do not. As an example of this the [HSBC Platinum Qantas Credit Card](#) which advertises “Complimentary International Travel Insurance” but on page 33 of their [PDS](#) it states that the cardholder only has travel insurance if at least 90% of their “return travel ticket” has been charged to the “accountholder’s card account”. There is a very high risk that the card holder is not aware of this condition and could travel assuming they have cover when in fact they have no cover due to not meeting this condition.

Concern 1 – High risk of underinsurance

Many consumers assume that because their credit card has travel insurance, they are covered. Typically, credit card insurance underinsures consumers in the following ways:

1. Products can have lower limits and less benefits than standalone products.
2. They don't offer a choice of policy or the ability to customise for specific activities e.g. adventure activities or snow sports.
3. They do not offer cover for any Pre-existing medical conditions.
4. The length of the cover is limited and cannot be extended.
5. In many cases it is hard to find the PDS for credit card travel insurance.
6. In many cases it is hard to find a number to call to ask questions about the travel insurance on credit cards and when the Credit Card company is called it takes several transfers to get to someone who can answer questions about the complimentary travel insurance.

Concern 2 – Poor value for consumers

Whilst they often come at no charge, this is poor value for customers if they do not provide the level of cover one may require for an overseas trip.

Retailers

We believe the insurance industry should be protected from general retailers selling insurance products whose Primary Product is not in the travel industry for the good of the consumer.

Suggested Tier

They should not qualify for any Tier and should not be permitted to sell insurance in the same way protections are granted to the pharmacy industry for the health and safety of consumers.

Example 1 – Pressure selling

Kogan, Priceline, Woolworths

1. There are several companies who have entered the travel insurance market and selling travel insurance as an add-on product to their primary product offering.
2. Whilst these are not an add-on insurance product to a relevant product, they could be considered even more risky being sold by a company who is not selling any related travel products.

Rental Vehicle Companies

Suggested Tier

Tier 1

Example 1 – Poor value to consumers

Buying a standalone domestic travel insurance policy that includes rental vehicle excess insurance can prove much greater value to the consumer.

Figure 10: Cost of covering a \$5,000 rental vehicle excess for a 5 day car rental

| Company | Cost | Included benefits | |
|---|----------|--|------------------------------------|
| Fast Cover Travel Insurance Domestic Plus policy \$200 excess | \$35.99 | Rental vehicle excess cover Cancellation cover Luggage cover | Standalone insurance company |
| Fast Cover Travel Insurance Domestic Plus policy \$0 excess | \$70.89 | Rental vehicle excess cover Cancellation cover Luggage cover | Standalone insurance company |
| | | | |
| Europcar \$550 excess | \$129.79 | Rental vehicle excess cover only | Rental vehicle company |
| Europcar \$0 excess | \$163.94 | Rental vehicle excess cover only | Rental vehicle company |

Prices collected on 27/9/19.

The above table shows that buying rental vehicle excess cover as an add-on product from a rental vehicle company is 2-3 times more expensive for a lower level of cover representing extremely poor value for consumers.

Concern 1 - Pressure selling

Rental vehicle excess insurance is generally sold when you arrive to pick up your vehicle and consumers are scared into thinking that they are going to have to pay up to \$5,000 excess if they have an accident.

Rental vehicle products seem have been designed to maximise the likelihood that a consumer will buy their excess waiving add-on product. Most consumers would not be comfortable assuming a \$5,000 liability and therefore make a snap uniformed decision to buy the excess waiving add-on.

This is clearly pressure selling.

Request for Feedback 2 – Triggers

Please provide feedback on how this trigger would correspond to your current business practices in selling add-on insurance products.

Travel Agents

Concern 1 – Pressure selling

Due to the nature of the proposed 4 day deferral trigger, it will have little to no impact on Travel Agents current businesses practices. They won't need to change practices much or at all to accommodate a 4 day deferral. Your efforts will effectively result in no change to industry practices and will not result in better outcomes for consumers.

The current problem isn't with Travel Agents trying to sell travel insurance when flights or a cruise is booked (the first financial commitment), it's when it is sneaked in and bundled up with the hotels, car hire, and tours etc. Consideration and financial commitment for these items is days or weeks after the first financial commitment, the proposed trigger.

Whilst a 4 day deferral in principle is a good idea, we believe a trigger of the first financial commitment would be ineffective in achieving your desired impact due to the period of the typical travel agent purchase process (Figure 11) already exceeding 4 days.

This is because the travel agent sales process is made up of two primary product phases and they are generally sold at different times over a period of days and weeks.

1. **Primary Product Phase 1** – Flights or ocean cruise
2. **Primary Product Phase 2** – Hotels, bus tours, river cruise, train tickets (e.g. Eurostar), airport transfers, car hire, tickets to monuments etc.

Figure 11: Typical travel agent purchase process

| | |
|--------------------|--|
| Day 1 | Consumer visits travel agent, find suitable flights and make a deposit to hold the flights (Primary Product Phase 1). Consumer given brochures and options for their holiday and told, have a think about it, come in and see me next week and we'll finalise everything then. |
| Day 2 to 7 | Documents, receipts, flight itinerary etc are emailed, posted or picked up from travel agent. Travel agent researches hotels, tours, transfers, river cruises, tickets to monuments etc (Primary Product Phase 2) and presents to consumer. |
| Day 7 to 30 | Consumer reviews 'Primary Product Phase 2' options. |

Comments

- We believe it would be wrong to assume the Primary Product purchase decision has been completed and the consumer is in a position to consider travel insurance after 4 days. A 4 day deferral period will be over whilst the customer is still in the 'Primary selling period'.
- As a consumer has already made a deposit for the flights, a 4 day deferral will mean a consumer is presented with travel insurance before or alongside Primary Products Phase 2 products. Consumers will be pressured into purchasing travel insurance at this stage, when they are more focussed, as they should be on:

- Researching, considering and booking their accommodation or tours or river cruise which are serious decisions.
 - The costs of Primary Product Phase 2 are more than likely to be a greater financial commitment than their initial flight financial commitment as the cost of a River Cruise or accommodation for a couple of weeks will be greater than the flight cost (initial financial commitment).
- A 4 day deferral will be open to abuse. Travel Agents if they need to, will find a way around it such as:
 - Pressuring consumers into a deposit
 - Creating a fully refundable \$50 holding deposit when they book a flight or cruise on an initial consultation.
 - Lengthen the sales process to 4 days when required by holding back tour confirmations so they can bundle in add-on travel insurance and meet the 4 day deferral.
- Travel insurance will remain an ‘add-on insurance’ simply lumped in with ‘Primary Product 2’ and not be a standalone product. Consumers will still not have the opportunity to consider their options.
- The deferral period should only commence once all Primary Product Phase 1 and Primary Product Phase 2 travel products have had financial commitment and NOT just when a flight, cruise or a general deposit is received.

Conclusion

We cannot say this strongly enough, a 4 day deferral for Travel Agents will not change the current business practices of travel agents in the way they sell add-on travel insurance and **will fail to improve outcomes for consumers.**

Airlines

Concern 1: Pressure selling

All airlines selling add-on insurance at the same time as selling their primary product does not provide an opportunity for the consumer to consider other travel insurance providers in the market who may offer better products and/or pricing.

Concern 2: High risk of underinsurance

A link to a PDS is not enough for a consumer to make an informed decision. We know most consumers do not read the PDS and we have addressed this by having a rich set of FAQs along with relevant information at every step in the process.

Online Booking Sites

Example 1: Pressure selling

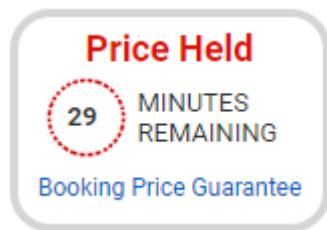
www.webjet.com.au

1. Travel insurance is in the purchase path of the primary product and ‘bundling’ products into the same transaction does not realistically permit time or a situation where both the primary product and travel insurance add-on can be considered in isolation.

- Furthermore, in Figure 12 you can see a “Price Held” countdown timer which puts an absolute limit of 30 minutes for the consumer to investigate, compare and decide on the travel insurance product and complete the purchase of both the Primary Product and Travel Insurance.

To give the consumer a reasonable opportunity to compare and understand travel insurance for their particular circumstances, these businesses will need to change their business practices by removing add-on travel insurance from the purchase path.

Figure 12: Limited consideration period



Rental Vehicle Companies

Example 5: Pressure selling

Rental Vehicle Excess Insurance can be sold during the Primary Sale or after the Primary Sale period. A 4 day deferral is not going to change the business practices in selling add-on insurance as a 4 day deferral would of already lapsed by the time the consumer picks up their vehicle.

Figure 13. Typical Rental Vehicle Excess Insurance add-on sale process

| | |
|---------------|--|
| Step 1 | A consumer turns up to pick up their rental vehicle and presents themselves at the counter. |
| Step 2 | At this stage they are presented with multiple page contracts which they need to read and sign. |
| Step 3 | The consumer is presented with Rental Vehicle excess insurance. |
| Step 4 | The consumer must inspect the vehicle for any damage, mark up damage and sign off on the vehicles condition. |

During this entire process, the consumer is generally trying to rush the process to get out of the pick-up location to start their trip to wherever they are driving to that day. They are hardly in the mindset to be considering anything other than the Primary Product.

Whilst the consumer may have already paid for the primary product possibly weeks ahead of time, a consumer does not have the opportunity in this situation to consider the add-on insurance. It is not reasonable to expect the average consumer to say excuse me for 15 minutes, stop the pick-up, signing the contract and inspection process and then go and research other rental vehicle excess insurance options by comparing options on their mobile phone or phoning companies for quotes.

Conclusion

A 4 day deferral in regards to Rental Vehicle Excess insurance will have no impact on Rental Companies business practices and there will be **no improved outcome for consumers**.

Contact and Discussion

I would like to thank The Treasury for the opportunity to provide a submission. I am passionate about the consumer and making insurance simpler for them to understand and will make myself available for further discussion about how best this initiative can be implemented for the consumers benefit.

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