

moneyadvice**scotland**

Scotland's Money Charity

RESPONSE

Financial Conduct Authority: Call for input on access to insurance

About Money Advice Scotland

Money Advice Scotland is Scotland's Money Charity.

We are the national umbrella organisation in Scotland which promotes and champions financial inclusion and the development of free and impartial money advice.

Our mission is to be the driving force towards financial wellbeing for the people of Scotland.

Background

We welcome the FCA's focus on the challenges faced by consumers with cancer or other long-term health conditions when accessing travel insurance. While we are not an insurance firm, we are equipped to offer insight from the perspective of an organisation with the remit of improving financial wellbeing for the people of Scotland. We also offer first-hand experience of the challenges people with cancer (and their relatives) face when attempting to access travel insurance.

Difficulty navigating the market

Consumers can be unaware that specialist providers are available for people with cancer or long-term illnesses. If consumers are digitally excluded, then the options are restricted still further.

The process of going to a series of individual providers is onerous. This can also be distressing when the same story explaining the illness is required to be repeated over and over again, often covering extremely personal information. This seems to be another example of putting the responsibility on the consumer to understand

complex financial products and shop around effectively, rather than ensuring that sufficient protections are put in place to prevent consumers from detriment.

The amount of detail to be completed during the questionnaire phase can feel excessive, but still more so if this process is to be repeated with one provider after another. The questions are also easily misinterpreted or unduly opaque. For example, one provider may ask whether a patient is taking “strong painkillers” but that term is perhaps overly relative. This leads to concerns about whether questions are being completed accurately. We are of the view that this process could be simplified by the requirement to complete a single common tool on one occasion that can be reviewed by any number of providers.

Cost of insurance

The high cost of the premium is often not related to the risks associated with the illness. For example, in our experience, a firm offered a travel insurance policy that excluded cover for lost luggage despite this bearing no connection to the illness. Further, it is often unclear what is covered by a policy until the key facts documents is received and only at that stage is it apparent that certain conditions are excluded. This appears to undermine the FCA’s outcomes for fair treatment of consumers which call on firms to strive to ensure that consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.

The cost of travel insurance can eclipse the cost of the holiday itself. In our experience, the cost of insuring a seven-night trip in Europe was more than £3,000. In the circumstances, this prompted the consumer to take the chance and travel uninsured. However, this adds uncertainty and anxiety to an experience that should be an enjoyable one.

Research from Macmillan shows that four out of five people with cancer are on average £570 per month worse off. As an organisation, we work to propose policy interventions to tackle the poverty premium – the additional costs incurred by low income households when accessing essential goods and services. There are parallels here whereby vulnerable consumers are subject to additional costs out with their control.

Transparency of pricing

Consumers are often unaware what to expect from policy quotes (other than that it is likely to be very expensive). Without this benchmark, it is difficult to discern whether the quote provided is proportionate. With that in mind, it would be helpful for guidance to be made available to consumers that enhances transparency around the cost of travel insurance premiums.

Being declined cover

Even before being declined cover, consumers can face long waiting times for a quote. Again, the impact of being repeatedly declined cover by not one but several providers should not be downplayed.

For the person with cancer, it can also feel that the illness is preventing a partner or family members from going on holiday. We are aware of examples where consumers have cancelled holidays after being unable to secure adequate cover. As well as the clear emotional impact, this action also can cause financial detriment.

General comments

As noted at the outset, we welcome the FCA's interest in this area. Macmillan note that there are now 2.5m people in the UK living with cancer – an increase of 400,000 in five years. What's more, people are now living longer after cancer, with the number of people alive five or more years from initial diagnosis predicted to more than double to 2.7 million between 2010 and 2030.

It is imperative that people who live with or have recovered from these serious illnesses do not continue to pay a disproportionate premium long into the future. We look forward to the recommendations that arise from the call for input that we hope will improve outcomes for vulnerable consumers.