

Signposting to travel insurance for consumers with medical conditions

Policy Statement

PS20/3

February 2020

This relates to

Consultation Paper 19/23
which is available on our website at
www.fca.org.uk/publications

Telephone:

020 7066 1000

Email:

Signpostingtotravelinsurance@fca.org.uk

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1 Summary

- 1.1** We have found that some consumers with pre-existing medical conditions (PEMCs) face problems navigating the travel insurance market and finding affordable cover for their conditions. Some are declined cover, offered cover with exclusions for their PEMCs, or offered what they see as unaffordable premiums. To address this, we are introducing new signposting rules and guidance designed to help these consumers better navigate the travel insurance market and get better outcomes.

Who this affects

- 1.2** This will affect:
- all firms that offer retail travel insurance, including insurers, Lloyd's managing agents, intermediaries and appointed representatives
 - banks that offer packaged bank accounts which include travel insurance
 - insurance industry trade associations
 - charities, particularly medical charities
 - consumer organisations
 - consumers, primarily those with PEMCs

The wider context of this policy statement

- 1.3** In June 2017, we issued a [Call for Input \(CfI\)](#) to get more evidence about the problems consumers with, or recovering from, cancer have when buying travel insurance.
- 1.4** In July 2018, we published a [Feedback Statement](#) which outlined the response to the CfI. This indicated that consumers with more serious PEMCs (including, but not only, cancer) can struggle to find firms that can provide affordable cover for their PEMCs. Consumers often give up their search after their first, unsuccessful, attempt. In some cases, this is because firms decline their application for travel insurance. In others, consumers are offered a policy with exclusions for PEMCs, or at what they consider to be an unreasonably high premium.

Our consultation

- 1.5** In July 2019, we [consulted](#) on new requirements for firms to signpost certain consumers with PEMCs to a directory of travel insurance firms that are willing and able to cover consumers with more serious PEMCs. We also consulted on new guidance to clarify firms' obligations when providing travel insurance to customers with PEMCs.

How it links to our objectives

Consumer protection

- 1.6** Our changes are intended to help more consumers with PEMCs to access affordable insurance that covers their conditions. Our aim is to achieve this by making it easier to find relevant information and specialist insurance providers. This should make it more likely that they can get insurance at an affordable price.

Market integrity

- 1.7** Our changes aim to increase consumer confidence and trust in the travel insurance market. More consumers should find it easier to find appropriate insurance cover for their PEMCs, and have a less frustrating experience doing so.

Wider effects of the changes

- 1.8** Our changes may also promote competition between travel insurance firms by improving consumer access and awareness, increasing consumers' ability to shop around, and likelihood of doing so.

What we are changing

- 1.9** Our changes will:
- require firms to signpost certain consumers with PEMCs to a directory of specialist providers
 - introduce guidance for firms selling travel insurance policies excluding PEMCs that they should tell consumers whether, and how, PEMC exclusions can be removed
 - introduce guidance for firms reminding them to assess the risk associated with medical conditions and calculate medical condition premiums using reliable information that is relevant to the assessment of the risk
- 1.10** Our changes aim to increase consumer confidence and trust in the travel insurance market by reducing the number of:
- consumers who feel frustrated and unable to navigate the market
 - uninsured consumers, who currently face a choice of not travelling or risk incurring significant costs, including medical bills, abroad
 - consumers with PEMCs who are paying too much for travel insurance

Summary of feedback and our response

- 1.11** We received 37 responses to the consultation from a range of stakeholders, including both mainstream and more specialist insurance firms, trade bodies, medical screening companies, charities, consumer organisations and price comparison websites (PCWs).
- 1.12** Respondents broadly agreed with the concept of signposting. However, most opposed the proposal to signpost all consumers who faced additional costs because of their condition (a PEMC loading). Respondents argued that this would capture too many consumers, many of whom would not benefit from being signposted to providers that specialise in covering individuals with more serious medical conditions. We have listened to the feedback and set out our revised approach to signposting in chapter 2.

- 1.13** Stakeholders agreed with our proposal to help create a publicly available directory of specialist providers. We have been working closely with the Money and Pensions Service (MaPS) who are setting up a directory that meets our criteria. There is more detail on this in chapter 4. Our requirements do not prevent other organisations from establishing similar directories. If this happens, firms can meet our requirements by signposting consumers to any other directory that also meets our criteria.
- 1.14** Stakeholders also raised concerns over the proposed implementation period of 3 months. Industry stakeholders told us that it would be difficult to make the required changes in this period, particularly given other regulatory changes. Having considered this feedback, we have extended the implementation period to 9 months. However, firms will be required to include the details of the directory on their website within 30 days of becoming aware of the directory going live. We expect the MaPS directory to be completed by Summer 2020.
- 1.15** There was overwhelming agreement with the proposed additional guidance to address both exclusions and high premiums. We are proceeding with these proposals.
- 1.16** Respondents also raised queries and concerns over several smaller issues. These included how to avoid consumers being referred back to the directory after they have already used it, whether the wording used in the notification should be prescribed, concerns over splitting joint policies and how to incorporate alternative signposting options. We discuss our response to these issues in chapter 2.
- 1.17** The instrument at Appendix 1 has changed from the draft instrument proposed in the Consultation Paper. The changes are outlined in more detail within this paper.

Equality and diversity considerations

- 1.18** We have considered the equality and diversity issues arising from the new rules outlined in this Policy Statement.
- 1.19** Consumers are classed as 'disabled' under the Equality Act 2010 if they have a physical or mental impairment that has a 'substantial' and 'long-term' adverse effect on their ability to carry out normal day-to-day activities.
- 1.20** The changes in this paper are designed to improve access to travel insurance products for consumers who have, or have had, PEMCs. This will include consumers who are classed as disabled under the Equality Act 2010, as well as many consumers with PEMCs that are not considered a disability under the Act.
- 1.21** As well as the changes to the Handbook, we are working to improve consumers' experience of the market in other ways. We have been working with MaPS to create a landing page to their directory, which will contain important information for consumers with PEMCs looking to buy travel insurance. The directory will feature information boxes and pop-ups that display more information to consumers at relevant points in their journey.
- 1.22** Stakeholders have previously raised concerns with the wording used in the medical screening process and initial trigger questions to consumers. Charities and consumer organisations highlighted that consumers often felt confused with the process.

These stakeholders have helped to highlight where explanatory information would help, and that simple changes to wording would make the process less distressing for consumers.

- 1.23** We have convened a working group - including charities, consumer organisations and industry representatives - to discuss the medical screening process, learn from consumer insights and make improvements. This will help firms make the process smoother, less confusing and less distressing for consumers.
- 1.24** Overall, we consider that the changes will positively affect the groups with protected characteristics under the Equality Act 2010. However, we recognise that there is a risk that the directory could be difficult to understand for some consumers who use it, many of whom will be vulnerable. This could be due to the complexity of the language or the amount of information shown. We will work with MaPS to minimise this risk when developing the directory.

Next steps

What you need to do next

- 1.25** If your firm is affected by the changes, you will be required to include details of the directory on your website within 30 days of becoming aware of the directory going live, and we expect you to have implemented all other new requirements by 5 November 2020.
- 1.26** We expect MaPS to provide further information about the application process for firms wishing to be included in its directory by the end of February 2020.

What we will do next

- 1.27** We will continue to support MaPS as they work to create their directory. This is expected to be completed by Summer 2020.
- 1.28** Alongside the directory, we will continue to work with MaPS to develop the landing page to the directory which will provide consumers with further information about travel insurance for people with more serious PEMCs.
- 1.29** We will re-convene the working group looking at the medical screening wording to discuss next steps. We expect to see changes by Summer 2020.

Measuring success

- 1.30** We will monitor firms' compliance with the new rules and guidance as part of our ongoing supervision of firms and will act if we have cause for concern.

Post implementation review

- 1.31** In 12-18 months, once the market has embedded the new rules and guidance, we plan to conduct a post-implementation review to assess whether our intervention has delivered the desired outcomes. We will evaluate the effectiveness of the trigger points for signposting, the use of the directory and consumer outcomes.

- 1.32** We will gather both qualitative and quantitative data from a range of sources. We will gather qualitative data from consumer research, feedback forms on the directory and from our charity and consumer-facing stakeholders. We will consider using the next round of our Financial Lives Survey to gather insights on how easily consumers with PEMCs are accessing travel insurance. MaPS will also be able to share quantitative data from the directory with us, for example, showing the number of customers that use the site and where they are directed.

2 Signposting

2.1 In this chapter, we set out the feedback to our signposting proposals and our response. Respondents provided feedback which fell within general themes, rather than answering specific questions, and we have used the same thematic structure below.

Our proposal

2.2 We proposed requiring all firms to give details of a directory to consumers that notify, or have previously notified, a firm of a PEMC, in the following circumstances:

- **Declines:** Where a consumer is declined or otherwise not offered cover, or has their cover cancelled mid-term, due to a PEMC.
- **Exclusions:** Where a consumer is offered cover with an exclusion for a PEMC that cannot be removed.
- **Additional premiums:** Where a consumer is offered cover with a PEMC loading to their base premium due to their PEMC.

2.3 Our proposal stated that the directory must meet set criteria that will be outlined in the Handbook. We also proposed working with MaPS to develop a suitable directory. This is covered in more detail in chapter 4.

2.4 The requirements would apply across all types of consumer journey (online, telephone or by other means) and to all firms providing or distributing retail travel insurance to consumers in the UK.¹

Declines & Exclusions

Stakeholder response

2.5 All stakeholders agreed with the concept of a signposting requirement. 28 respondents agreed with both the 'declines' and 'exclusions' triggers, 1 respondent disagreed with these triggers and a further 8 did not comment.

Our response

We will proceed with the proposed trigger points for declines and exclusions.

¹ Subject to any Directive restrictions

Additional Premiums

Stakeholder response

- 2.6** 21 respondents disagreed with our proposed approach, 8 agreed and 8 did not comment.
- 2.7** Stakeholders said that providing all customers with a PEMC loading with the directory information could result in:
- Firms signposting large numbers of consumers who would not benefit from using the directory.
 - Confusion for consumers who might feel that they should shop around despite having a very small loading to their premium.
 - Wasting consumers' time shopping around when they are unlikely to benefit.
 - Increased pressure on the specialist providers on the directory. These providers would have to deal with applications from large numbers of customers for whom they may not be able to offer better deals. This would result in increased costs, which would ultimately likely be passed on to consumers.
- 2.8** Stakeholders suggested a more targeted approach would achieve better outcomes for consumers.

Our response

We have considered this feedback carefully. We have also engaged further with a range of stakeholders to understand better their views on this aspect of our proposals.

Having done so, we have decided to proceed with a modified approach to this part of our proposal. We are introducing rules that require firms to signpost consumers to the directory, where a customer has a PEMC loading of £100 or more. This should be provided at the point the firm gives a quotation, on renewal of the policy, at point of providing an annual eligibility statement, or if a mid-term adjustment results in a new quotation. We have set out our rationale for this change of approach below.

When we consulted on this part of our proposals we considered it was difficult to identify a trigger point that is:

- proportionate for firms to implement and
- which maximises the likelihood that the consumers receiving the notification are the ones most likely to benefit from shopping around, i.e. those most likely to get a better quote if they shop around in the specialist market

In our consultation paper, we outlined various possible threshold options. We have revisited these and still consider they involve significant challenges. For example, a threshold based on a:

- Medical screening score – is problematic in a market where there is no standard approach to medical screening;
- Total premium amount – might result in the disclosure being made to customers whose premiums were high for reasons other than their PEMC.

However, we believe that a threshold based on a customer's PEMC loading avoids some of these problems. We believe that most firms in the market should be able to quantify the amount of loading for the PEMC. In line with our consultation proposals, if a firm cannot quantify the amount of the PEMC loading, they must signpost all customers with a PEMC to the directory.

Consumers are likely to benefit from shopping around when the potential saving they can get by using the specialist market is greater than the 'cost' to them of the additional effort spent shopping around and switching.

With this in mind, we developed a hypothesis for setting the threshold based on the available evidence, including:

- Consumers with more serious PEMCs could save around 40% by switching to a specialist provider. This is an estimated average saving based on data from 1 large PCW, which has signposted consumers with very high premiums to specialist providers. We have assumed that the 40% saving is likely to be driven wholly by a reduction in the PEMC loading on the policy.
- Consumer research suggests that for other retail insurance products, consumers, on average, switch providers where they can achieve a saving of at least £40.
- Consumer decisions to shop around are likely to be influenced by how easily they can identify other providers' offerings and any costs from changing to another provider.

This suggests that if we set the threshold at a PEMC loading of £100 or more, consumers that get the disclosure have the potential to make a 40% saving. This results in a saving of £40, which they might view as worth their time in shopping around.

We tested our thinking with a range of stakeholders to confirm whether this approach was reasonable and might achieve the desired outcome. Based on these conversations, we estimate this will capture approximately 1% of travel insurance consumers. This is in line with the data we set out in our Cost-Benefit Analysis (CBA), which suggested that around 1.1% of consumers have a more serious PEMC, so are likely to face a high price from mainstream firms. We are confident that our CBA figure of 1.1% is reliable. This is based on several conversations with firms and trade bodies over time to establish the level of medical risk rating scores above which our proposals would most help consumers. We then collected data from a medical screening company on the number of consumers whose medical risk scores are above that level. This data showed us that 1.1% of consumers receive a medical screening score above a level where they are likely to have a more

serious medical condition, and so would be likely to benefit from the signposting notification.

We also tested the level of threshold with a sample of firms, including mainstream insurers, specialist providers and PCWs. These firms suggested a threshold ranging from £60 - £500 total premium; with the mean amount being £250. However, firms gave their suggested threshold in terms of total premium, rather than PEMC loading. This suggests that our threshold is reasonably aligned with the market's view, although, we have set the threshold towards the lower end of the ranges that firms suggested.

We know that setting this type of threshold is challenging and that the market is likely to change over time. We therefore propose to revisit the threshold as part of the post-implementation review in 12-18 months. If we find that the level of the threshold is causing too many or too few consumers with a PEMC to be referred to the directory, we will consider consulting on adjusting the threshold.

We recognise that we have set the threshold using limited evidence and in part using evidence relating to other general insurance products. We have considered whether it would be more appropriate to carry out further data requests to test further whether the threshold captures all relevant consumers. On balance, we have decided not to do this for the following reasons:

- In our CBA we estimated that between 338,000 and 376,000 consumers a year potentially get given a high premium and could benefit from signposting. We have decided to proceed with our proposals in as short a time period as we feel is reasonable to minimise further unnecessary harm. Any time spent gathering further data would risk prolonging the harm for these potentially vulnerable consumers. We think the benefit of acting now therefore outweighs the potential, but unknown, benefits of refining the threshold further based on more accurate data.
- We also consider that our post-implementation review should identify any changes to the threshold needed to further prevent consumer harm.
- Our chosen threshold is in line with our CBA estimate (according to the testing we have carried out) that around 1.1% of customers would be most likely to benefit from our proposals.

Insurance intermediaries, including PCWs

Stakeholder response

- 2.9** Some stakeholders asked us to clarify how our proposals apply to insurance intermediaries, including PCWs. Respondents said that it was unclear whether insurance intermediaries should signpost where just one provider met the trigger points, or when all quotes provided met one of the trigger points.

Our response

We have listened to feedback and will make a change to the Handbook (see ICOBS 6A.4.8R) to clarify that, for insurance intermediaries, the requirement only applies where all providers fall into at least one of the following categories:

- they decline to quote or
- they offer cover with exclusions that cannot be removed or
- the quote provided is above the threshold

If an intermediary does not know if a premium has £100 or more PEMC loading, they must notify the consumer of the directory. We would therefore expect that there is a positive incentive for providers to make distributors aware of whether the PEMC loading threshold has been triggered.

Avoiding the 'loop' for specialist providers

Stakeholder response

- 2.10** Respondents raised concerns that our draft rules would require specialist providers on the directory to signpost customers back to the directory when they gave a quote. There is a risk that if a consumer has already been through the directory, they would find themselves going around in circles.

Our response

We recognise this concern, and have altered the requirement. If a firm listed on the directory is offering a consumer a quote, and is aware that the consumer has already been through the directory whilst searching for this particular policy, the firm is not required to signpost back to the directory. If the firm declines to provide a quote, or offers cover only with an exclusion, the requirement remains the same and the firm must signpost the consumer back to the directory. Firms should always consider what is in the customer's best interests. For example, the consumer may also find it helpful to be referred back to the directory if they say they are unsatisfied with the premium quoted.

Renewals

Stakeholder response

2.11 Stakeholders asked us to clarify how our proposals apply to renewals of annual policies.

Our response

For annual policyholders, at point of renewal, firms should consider whether the policy meets any of the trigger points outlined in ICOBS 6A.4.6R and provide the directory information, if required.

If the policy excludes cover for customers with PEMCs, then the firm should inform the consumer whether, and how, the exclusion can be removed from the policy. If the exclusion cannot be removed, or the exclusion is removed and the PEMC loading for the new policy is above the threshold, the firm must notify the consumer of the directory in their annual renewal notice, as per ICOBS 6.5.1AG.

Existing signposting arrangements

Stakeholder response

2.12 Some stakeholders said there were already existing services that would meet the needs of consumers with PEMCs. They argued that we should amend our signposting requirement so that firms can satisfy it if they give consumers details of one of the following: a directory that meets our criteria, or a suitable provider, or an alternative service such as the British Insurance Brokers' Association (BIBA) 'Find Insurance' service.

Our response

In our consultation, we stressed that our proposed rules would not prevent any existing signposting arrangements from continuing, provided they comply with our rules and guidance and competition law. However, our policy objective is to ensure that consumers in certain circumstances are provided with a minimum level of information to help them shop around and get a better deal.

We have considered whether we should amend our rules so that this minimum standard could be satisfied by signposting arrangements to other providers or services. This would require us to be confident that these alternatives could achieve the same outcomes as the proposed directory. We are not persuaded that existing alternative signposting arrangements offer the same neutrality and outcomes for consumers and so do not believe that this approach would be appropriate.

We have been working with MaPS to create a directory that meets our criteria, as there are currently none that exist in the market. If another organisation creates a directory that meets our criteria, firms could meet our requirements by signposting to that directory instead. BIBA has indicated that they would like to develop their 'Find Insurance' service to meet our criteria for a directory.

It is important that any further directories are neutral. As such, following consultation, we have changed the wording of the directory criteria to ensure that directories do not give preferential treatment to insurance providers, for example based on membership to any specific association or other commercial arrangement (see the Glossary of definitions for a 'medical cover firm directory' included as part of the legal instrument at Appendix 1).

Notification wording and joint policies

Stakeholder response

- 2.13** Respondents had a range of views on whether we should prescribe the wording of the notification. Some stakeholders suggested that it would be helpful to provide guidance for firms on what the notification should tell a consumer. They felt this would help to ensure consistent messaging and reduce the risk that some firms might discourage consumers from shopping around.
- 2.14** Stakeholders also raised concerns about circumstances where several people apply for cover under a single policy, but only one of them has a PEMC. In such cases, the firm providing a quote might be required to provide details of the directory of specialist providers to the person applying for the joint cover.
- 2.15** These consumers would then be faced with a choice which could affect the level of cancellation cover available. Most joint travel insurance policies provide cancellation cover to all customers on the policy if one of them needs to cancel. However, if the consumers take out separate policies, they might not all be covered for a cancellation claim if one of them falls ill and they need to cancel the trip. The example below illustrates the point.

Example:

A group of friends (Mr X, Ms Y and Mr Z) are going on holiday together and decide to buy a joint travel insurance policy. Mr Z has a serious PEMC. They are quoted £200 for their policy, of which £150 is an additional loading due to Mr Z's PEMC. They receive the signposting notification giving them details of the directory.

The group of friends now has the choice to:

- a. split the policies, with Mr Z buying an individual policy through a specialist, and Mr X and Ms Y buying a joint policy with a mainstream provider, or
- b. buy a joint policy together (either through a specialist or a mainstream provider)

Mr Z becomes very ill a week before they are due to take their trip, and the group of friends decide to cancel the whole trip. How the group of friends decided to buy their insurance is likely to affect their cancellation claim.

If the party chose option (a), Mr X and Ms Y may not be covered for the cancellation of their trip. Mr X and Ms Y may be unable to recover their costs, and so lose money for cancelling the trip.

If, however, the party all decided to stick together and bought a joint policy, they are more likely to all be covered for the cancellation.

Our response

We agree that it is important that consumers get information about the directory which is clear and understandable. However, we also know that firms need flexibility to adapt the disclosure to their sales process, which might include existing signposting arrangements. They also need to reflect the consumer's circumstances. The notification should give the right information in the right way to help consumers in their journey, and ensure that they are made aware of any wider considerations, such as when buying joint policies. Firms are reminded that our existing rules and guidance continue to apply, including PROD 4 and ICOBS 2.5.-1R. We also want to ensure that consumers are not discouraged from using the directory.

ICOBS 6A.4.5R will state that the firm must, in a prominent, clear and accurate manner:

- give the customer the contact details of the medical cover firm directory, including phone number and website
- explain the potential benefits of accessing the medical cover firm directory and any other relevant considerations
- state the purpose of the directory

We will add additional guidance at ICOBS 6A.4.7G to clarify our expectations of firms. This guidance will state that the notification should:

- tell the consumer why they are receiving it
- not discourage consumers from using the directory
- otherwise comply with existing principles and rules, including Principles 6 (Treating Customers Fairly), 7 (Clear, Fair and Not Misleading) and 8 (Conflicts of Interest)

The guidance will also give an example of a relevant consideration. This could be where multiple consumers have applied for a joint policy and should consider the consequences of splitting the group to buy separate policies.

We will also work with MaPS to consider how their directory might highlight any relevant considerations to enable consumers to make informed decisions, for example what to do when individuals with PEMCs are travelling with others who do not have PEMCs.

Paper copies

Stakeholder response

2.16 Stakeholders raised concerns over the requirement to produce paper copies of the directory for consumers unable to access the internet. They were concerned that this would require them to give paper copies to a large number of consumers, so increasing costs.

Our response

In our consultation ([CP 19/23](#)) we proposed that firms must provide the signposting information in accordance with ICOBS 4.1A. This allows firms to provide the disclosure in any non-paper format that meets the glossary definition of a durable medium. The notification need only be provided on paper if a customer requests this (ICOBS 4.1A.3R).

A firm could, for example, provide the disclosure on the phone or through a pop-up box and at the same time send the consumer the information by email, in accordance with ICOBS 4.1A.

We have listened to feedback and amended ICOBS 6A.4.5R so that the firm must give the phone number for a directory that meets our criteria at the point of signposting, in addition to the website. Therefore, if a consumer cannot access the internet, they will be provided with the phone number and will be able to access the call centre for the directory for further assistance.

Implementation Period

Stakeholder response

- 2.17** Stakeholders raised concerns over the proposed implementation period of 3 months. Industry stakeholders told us that it would be difficult to deliver the required changes in this period, particularly given other regulatory changes.
- 2.18** Two firms agreed that 3 months to implement changes was achievable, while 6 firms suggested a minimum of 6 months was required. One firm suggested at least 9 months, a further 5 firms suggested 12 months and 2 firms said 18 months were needed to implement changes.

Our response

We recognise that, in the wider context, these changes are likely to take longer than the implementation period originally proposed. However, we are balancing this against the consumer harm in the market. So, we are extending the implementation period to 9 months, with the requirements coming into effect on 5 November 2020.

In addition, within 30 days of becoming aware of the directory being publicly available, we will require firms to have the contact details of the directory on their website. We expect the directory hosted by MaPS to be completed by Summer 2020.

3 Additional Guidance

- 3.1** In this chapter, we set out the feedback to our proposals on our additional guidance and our response.

Exclusions

- 3.2** Some insurers offer policies with exclusions for PEMCs. However, these exclusions can often be removed if the customer provides further information and possibly pays an additional premium. We proposed additional guidance that, when a firm sells a policy with an exclusion for a PEMC, the firm should tell the consumer whether the exclusion can be removed from the policy (in whole or in part). If the exclusion can be removed, firms should ensure the consumer knows how they can do this. This applies to new and existing customers. Existing customers should get this information in their renewal notice or annual packaged bank account (PBA) eligibility statement.

Stakeholder response

- 3.3** Stakeholders unanimously agreed with this proposed additional guidance.

Our response

This additional guidance will be implemented as proposed.

High premiums

- 3.4** We proposed to introduce guidance for firms on the assessment of medical condition risk. Firms should assess the risk associated with medical conditions and calculate medical condition premiums using reliable information that is relevant to the assessment of the risk. Firms also need to consider their obligations under the Equality Act 2010.
- 3.5** Before offering a policy with a very high premium, a firm should take all reasonable steps to consider whether:
- the nature of the medical screening or assessment process might not be sufficient to provide reliable information which is relevant to the assessment of the risk associated with the particular medical condition; or
 - the high premium is intended to indicate an unwillingness to accept the risk by the insurer; or
 - the high premium is due to the medical condition falling outside of the insurer's risk appetite or the target market.

- 3.6** Where this is the case, offering a quote may mislead the consumer and/or result in them not being treated honestly, fairly and in their best interests. Instead, firms should consider whether it would be more appropriate not to offer a quote for the risk, explain the reasons why to the consumer and give them the details of the medical cover firm directory.

Stakeholder response

- 3.7** Stakeholders agreed with this additional guidance. Many felt that this alone would address the current concerns about the market. It would prevent consumers being charged very expensive premiums when the insurer cannot accurately assess the risk, which can cause consumers frustration and mistrust and may lead to them travelling uninsured. Consumers' frustrations are often largely due to disproportionately high premiums which do not accurately reflect their risk. Stakeholders felt that this guidance would address this and significantly reduce the consumer harm.

Our response

We recognise that this additional guidance will have an impact on the market, however we do not agree with the view expressed that this guidance alone (without the wider signposting intervention) is sufficient to address our concerns with the market. We will only see the effects of this when the new rules and guidance are fully implemented and embedded. We will look to evaluate the impact in 12-18 months' time.

This additional guidance will be implemented as proposed.

4 Directory

Our proposal

- 4.1** We proposed that firms be required to signpost to a directory, which listed providers that specialise in covering consumers with more serious medical conditions. We proposed that the directory must:
- a.** list firms that provide or arrange travel insurance policies that cover more serious medical conditions
 - b.** show enough information about each firm so that consumers can make an informed initial choice about which might meet their needs
 - c.** verify the details listed on the directory and keep the information up to date
 - d.** not prevent firms from being listed based on any membership of any association.
- 4.2** We are working with MaPS to create a directory that meets our criteria.

Stakeholder response

- 4.3** Stakeholders overwhelmingly agreed that a directory would be a valuable resource for both firms and consumers. The majority of stakeholders welcomed us working with MaPS to create an independent directory.
- 4.4** Many stakeholders asked how the directory would be set up and run. They particularly asked about whether the directory would be supported by a call centre for those that may struggle to use the website.
- 4.5** BIBA suggested that they would be willing to create an alternative directory that meets our criteria, and would be keen for firms to signpost to their service.

Our response

Our rules will require firms to signpost customers to a directory which lists providers that are willing and able to provide policies for consumers with more serious PEMCs. We have been working with both MaPS and our key stakeholders to develop a suitable directory that meets our criteria, as one does not already exist. Together with MaPS, we have set up working groups to contribute to building and developing the directory, enabling stakeholders to contribute to the design. This is a continuous process, allowing MaPS to build in stakeholder feedback as well as feedback from user testing.

The directory hosted by MaPS will be able to filter providers based on factors such as age, destination and duration of trip. Consumers will be shown information about all providers listed on the directory that may be able to help, based on these filters. The consumer can then decide which of the filtered providers they wish to contact.

Our rules do not prevent other organisations from creating alternative directories, and we are aware that BIBA would be keen to develop their

'Find Insurance' service to meet our criteria. Should BIBA do so, firms would have a choice of directories to signpost consumers to, or could give them details of both.

The MaPS directory will primarily be an online tool, although their call centre staff will be able to help consumers use the directory. If a consumer needs further help or advice, MaPS aim to join up with other services and will be able to transfer consumers to another service where appropriate.

We will further clarify that the operator of the directory should have adequate systems and processes in place to keep the information up-to-date. Firms and senior managers are reminded that the FCA may have regard to whether firms have dealt with regulatory bodies such as MaPS openly and cooperatively when assessing a firm's suitability (or the fitness and propriety of senior managers, as applicable).

Through discussions with stakeholders, it became evident that a change in wording was required to ensure that the directory is restricted to firms that specialise in covering medical conditions. As such, we will amend the definition of a medical cover firm directory (see the Glossary of definitions for a 'medical cover firm directory' included as part of the legal instrument at Appendix 1) to ensure that the directory only lists firms that provide or arrange travel insurance policies that cover more serious medical conditions, and is not wider than this. This ensures that the directory benefits consumers with more serious medical conditions, and is limited to the firms that are most likely to be able to help them.

We will make an amendment to the definition of the directory, to ensure neutrality. A directory must not prevent firms from being listed, nor from being listed on an equal basis, based on any membership of any association, or other commercial arrangement.

Consumer Information

- 4.6** In the Feedback Statement, we committed to work with our stakeholders to improve the provision of consumer information on travel insurance for people with PEMCs.
- 4.7** We know that there is a wealth of information and educational material for consumers that has been produced by charities, consumer organisations, industry and the Foreign and Commonwealth Office (FCO).
- 4.8** We have been working with MaPS to build a landing page and educational prompts throughout the directory that will help consumers, providing information at the relevant points throughout the journey and referring to other sources where necessary.
- 4.9** The landing page will feature relevant information on travel insurance for consumers with PEMCs, and will provide a source of information for consumers. This landing page content will be provided in several different formats, such as a downloadable guide and a short video, to cater for different consumer needs.

5 Cost Benefit Analysis

5.1 In CP19/23, at Annex 2, we included a CBA of our proposed rules, as required by the Financial Services and Markets Act 2000 (amended by the Financial Services Act 2012).

Stakeholder response

5.2 Most respondents had no significant comments on our CBA; however, we received the following feedback:

- Some respondents said that costs would be higher than those considered within our CBA and our proposals would result in a longer customer journey. However, they did not provide detailed estimates of any increased costs.
- Some respondents stated that we had overestimated potential benefits. Again, they did not provide detailed evidence to support this position or propose alternative estimates.
- One firm noted that requiring firms to provide the directory disclosure to all customers with a PEMC loading would result in significant costs.

Our response

Where respondents did not provide evidence to support their concerns on our estimates of costs and benefits we were not able to carry out further analysis.

In light of the feedback received to the overall consultation, we have made changes to our proposals in the consultation paper. We have introduced a requirement for firms to signpost consumers to the directory where a customer has a PEMC loading of £100 or more. We believe this more effectively targets the consumers who are likely to benefit from signposting. We consider below the impact on our estimates of one-off and ongoing costs and benefits.

One-off and ongoing costs

5.3 The change means that some, but not all, consumers with PEMCs that result in an additional loading will be signposted to the directory. We estimate that firms will face similar initial one-off costs of system changes with lower ongoing costs.

5.4 We believe this reduced scope will not materially change firms' costs as reported in the initial CBA. We expect the changes will:

- marginally reduce ongoing communication costs for firms as fewer consumers will be signposted. However, we consider the reduction will be small and the original cost estimates in the CBA are therefore sufficiently developed without further analysis or estimation;
- not materially change the estimated IT costs provided in the initial CBA, as the change of policy is unlikely to materially affect the IT systems change requirements from those where the firms have to signpost all customers with PEMCs that result

an additional loading. When engaging with a sample group of stakeholders none raised concerns that this change of approach would materially affect the costs of IT system changes.

Benefits

- 5.5** The benefit calculation is not expected to change as a result of the introduction of the threshold. While some consumers will not be signposted under the changes, those consumers are likely to have less serious PEMCs. When we calculated the benefits under the CBA, the consumers expected to benefit from the proposals were those with more serious PEMCs, which we estimated to be around 1.1% of consumers. The new threshold will continue to benefit those consumers. Consumers with a PEMC loading of less than £100 would typically realise small benefits from being signposted to and being served by specialist providers, and therefore are less likely to take any action as a result of signposting. Benefits to these consumers were not included in our calculation of benefits under the CBA. So, we do not envisage any material change to the estimated average and overall benefits.
- 5.6** To summarise, we do not think these changes materially affect the overall benefits and costs of implementation and there will be no material change to our CBA estimates. Therefore, the CBA from our consultation paper is unchanged.

Annex 1

List of non-confidential respondents

Association of British Insurers (ABI)

Age UK

AllClear Travel Insurance

Ancile Insurance Group

Association of Travel Insurance Intermediaries (ATII)

Avanti Travel Insurance

Aviva

AXA

BGL Group

BIBA

Chartered Insurance Institute

CLIC Sargent

Co-op Group

Direct Line Group

Fairer Finance

Financial Services Consumer Panel (FSCP)

International Travel and Healthcare

Law Society of Scotland

Macmillan Cancer Support

Medical Travel Compared

Mental Health UK

Money & Mental Health Policy Institute

Moneysupermarket.com

National Aids Trust

National Kidney Foundation

PJ Hayman

Royal Sun Alliance

Saga

Scope

Staysure

Travel and Medical Insurance Services (TAMIS)

Tangiers Insurance Services

The Idol

The Money Charity

Which?

Annex 2

Abbreviations used in this paper

BIBA	British Insurance Brokers' Association
CBA	Cost-Benefit Analysis
EU	European Union
FCA	Financial Conduct Authority
MaPS	Money and Pensions Service
PCW	Price-comparison website
PEMC	Pre-existing medical condition
UK	United Kingdom



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Appendix 1

Made rules (legal instrument)

INSURANCE: CONDUCT OF BUSINESS SOURCEBOOK (ACCESS TO TRAVEL INSURANCE) INSTRUMENT 2020

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers);
 - (c) section 139A (Power of the FCA to give guidance); and
 - (2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on:
- (1) 1 June 2020 for Annex A and Part 1 of Annex B; and
 - (2) 5 November 2020 for the remainder of the instrument.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Insurance: Conduct of Business sourcebook (ICOBS) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Insurance: Conduct of Business Sourcebook (Access to Travel Insurance) Instrument 2020.

By order of the Board
30 January 2020

Annex A

Amendments to the Glossary of definitions

Insert the following new definitions in the appropriate alphabetical positions. The text is not underlined.

<i>medical condition exclusion</i>	an exclusion in respect of one or more medical conditions.
<i>medical condition premium</i>	the total amount of premium relating to the risk associated with one or more specific medical conditions.
<i>medical cover firm directory</i>	<p>a publicly available directory:</p> <ul style="list-style-type: none"> (a) that only lists <i>firms</i> that provide or arrange <i>travel insurance policies</i> that cover more serious medical conditions; (b) that does not: <ul style="list-style-type: none"> (i) prevent <i>firms</i> from being listed; (ii) encourage <i>consumers</i> to select any <i>firm</i> over any other <i>firm</i>; or (iii) otherwise prefer any <i>firm</i>, <p>based on any membership of any association or other commercial arrangement;</p> (c) that provides detailed information about each listed <i>firm</i>, including: <ul style="list-style-type: none"> (i) the name and contact details, including telephone number and website, of the <i>firm</i>; (ii) any specific medical conditions the <i>firm</i> specialises in covering; (iii) any specific medical conditions that the <i>firm</i> is likely not to cover, where relevant; (iv) any age limits; (v) whether the <i>firm</i> can discuss medical conditions with <i>consumers</i> by phone; (vi) whether the <i>firm</i> can offer cover to <i>consumers</i> who are currently undergoing treatment;

(vii) whether the *firm* can offer cover to *consumers* with a terminal prognosis;

(d) operated by a *person* who has verified the accuracy of the information in (a) and has adequate systems and processes in place to keep the information in (a) and (c) up-to-date.

travel insurance policy

(in *ICOBS* 6.1.7-AG, *ICOBS* 6.5.1AG and *ICOBS* 6A.4 (Travel insurance and medical conditions)) a *non-investment insurance contract* which covers risks connected with travelling or the making of travel arrangements, including *connected travel insurance contracts*.

Annex B

Amendments to the Insurance: Conduct of Business sourcebook (ICOBS)

In this Annex underlining indicates new text, unless otherwise stated.

Part 1: Comes into force on 1 June 2020

1 Annex Application (see ICOBS 1.1.2R)

1

...

Part 2: What?

Modifications to the general application rule according to type of firm		
...		
<u>5</u>		<u>Travel insurance contracts</u>
<u>5.1</u>	<u>R</u>	<u>The provisions in ICOBS 6.1.7-AG, ICOBS 6.5.1AG and ICOBS 6A.4 also apply to <i>incoming firms</i> that provide <i>cross border services</i> other than:</u>
		(1) <u>an <i>incoming firm</i> in respect of that part of its business that is carried on as an <i>electronic commerce activity</i> from another <i>EEA State</i>; or</u>
		(2) <u>an <i>incoming firm</i> where the <i>state of the risk</i> is an <i>EEA State</i> to the extent that the <i>EEA State</i> in question imposes measures of like effect.</u>

...

Insert the following new section, *ICOBS 6A.4*, after *ICOBS 6A.3* (Cross-selling). The text is not underlined.

6A.4 Travel insurance and medical conditions

Application

6A.4.1 R This section applies in relation to a *travel insurance policy*, which is not:

- (1) a *group policy*; or
- (2) a *policy* entered into by a *commercial customer*.

Purpose

6A.4.2 G The purpose of this section is to improve access for *consumers* to *travel insurance policies* that include cover for more serious medical conditions.

Medical cover firm directory

- 6A.4.3 R (1) A *firm* must include the details of a *medical cover firm directory* on the page of its website where it markets *travel insurance policies*.
- (2) The information required by (1) must:
- (a) be provided in a prominent, clear and accurate manner; and
 - (b) include the contact details of the *medical cover firm directory*, including its telephone number and a link to its website;
- (3) The obligations in (1) and (2) apply 30 calendar days from the date on which the *firm* becomes aware (or ought reasonably to have become aware) of a publicly available directory that meets the requirements of a *medical cover firm directory*.

6A.4.4 G The *FCA's* website contains a list of those directories which it considers to be *medical cover firm directories*.

Part 2: Comes into force on 5 November 2020

Amend the following as shown.

5 Identifying client needs and advising

5.1 General

...

Eligibility to claim benefits: policies arranged as part of a packaged bank account

...

5.1.3C R ...

- (3) The statement (provided under *ICOBS 5.1.3CR(1)*) must not:
- (a) include any information other than that provided in accordance with this *rule*, *ICOBS 6.1.7-AG(2)*, *ICOBS 6A.4.5R(1)* and *ICOBS 6A.4.7G*; or

...

...

6 Product information

6.1 Providing product information to customers: general

...

Appropriate information regarding medical condition exclusions in travel insurance policies

- 6.1.7-A G (1) This guidance is relevant to a *firm* when it provides a *consumer* with:
- (a) a quotation for a *travel insurance policy*; or
 - (b) a statement (provided under *ICOBS 5.1.3CR(1)*) in respect of a *travel insurance policy* included in a *packaged bank account*.
- (2) At the same time as it provides the information in (1), the *firm* should:
- (a) disclose to the *consumer* whether any *medical condition exclusion* can be removed from the *policy* (in whole or in part); and
 - (b) if so, how, and the terms on which it can be removed.
- (3) *Firms* are also reminded of their obligations in *ICOBS 5.2.2BR* to ensure the *policy* proposed is consistent with the *consumer's* insurance demands and needs.

Appropriate information for commercial customers

6.1.7A G ...

...

6.5 Renewals

Renewals

6.5.1 R ...

- 6.5.1A G (1) When a *firm* proposes to a *consumer* the renewal of a *travel insurance policy*, the *firm* should at the same time:
- (a) disclose to the *consumer* whether any *medical condition exclusion* can be removed from the *policy* (in whole or in part); and

(b) if so, how, and the terms on which it can be removed.

(2) Firms are reminded of their obligations in:

(a) ICOBS 6A.4.5R, where one or more of the circumstances set out in ICOBS 6A.4.6R applies in respect of the policy proposed on renewal; and

(b) ICOBS 5.2.2BR to ensure the policy proposed is consistent with the consumer's insurance demands and needs.

...

Insert the following new text after ICOBS 6A.4.4G. The text is not underlined.

6A.4 Travel insurance and medical conditions

...

6A.4.4 G ...

Additional pre-contract information for the consumer

6A.4.5 R (1) Where one or more circumstances set out in *ICOBS 6A.4.6R* applies, the *firm* that is responsible for communicating with the *consumer* under this sourcebook, must also communicate to the *consumer*:

(a) the contact details, including telephone number and website, of the *medical cover firm directory*;

(b) the purpose of the *medical cover firm directory*; and

(c) the potential benefits of accessing the *medical cover firm directory* and any other relevant considerations.

(2) The *firm* must communicate the information in (1):

(a) in a manner that is prominent, clear and accurate; and

(b) in accordance with *ICOBS 4.1A*.

The circumstances

6A.4.6 R The circumstances for the purposes of *ICOBS 6A.4.5R* are where a *firm*:

(1) declines, or otherwise does not offer, a *consumer* a quotation due

(wholly or partly) to a medical condition;

- (2) cancels a *consumer's policy* due (wholly or partly) to a medical condition;
- (3) offers a *policy* with a *medical condition exclusion* which cannot be removed from the *policy*;
- (4) offers a *policy* with a *medical condition premium* of £100 or more; and/or
- (5) offers a *policy* in respect of which the *medical condition premium* is not known.

Content of communication

- 6A.4.7 G (1) When describing the purpose and potential benefits of accessing the *medical cover firm directory*, the communication provided to *consumers* pursuant to *ICOBS* 6A.4.5R should:
- (a) tell the *consumer* why they are receiving the communication;
 - (b) taken as a whole, not discourage the *consumer* from using the directory; and
 - (c) otherwise be the result of careful consideration by the *firm* of *consumer* needs and expectations in light of the requirements of relevant *principles* and *rules*, including *Principles* 6, 7 and 8.
- (2) An example of a relevant consideration (referred to in *ICOBS* 6A.4.5R(1)(c)) is where multiple *consumers* have applied for a joint travel insurance *policy* from the *firm* and should consider the consequences of purchasing separate *travel insurance policies*.

Exception: multiple policies

- 6A.4.8 R A *firm* need not comply with *ICOBS* 6A.4.5R where it is contemporaneously able to communicate an offer to a *consumer* of a *travel insurance policy* in respect of which none of the circumstances set out in *ICOBS* 6A.4.6R apply.

Exception: consumer has already accessed the medical cover firm directory

- 6A.4.9 R A *firm* need not comply with *ICOBS* 6A.4.5R where all the following conditions are met:
- (1) the *firm* is listed on a *medical cover firm directory*;
 - (2) the *firm* is aware that the *consumer* has already accessed the *medical cover firm directory* in respect of the same risk; and
 - (3) only *ICOBS* 6A.4.6R (4) applies.

- 6A.4.1 R A *firm* must not rely on the exception in *ICOBS* 6A.4.8R or *ICOBS* 6A.4.9R
0 where it would still be in the *consumer's* best interests to provide the communication under *ICOBS* 6A.4.5R.
- 6A.4.1 G An example of where it may be in the *consumer's* best interests to provide
1 the communication is where the *consumer* has expressed dissatisfaction to the *firm* with the quote provided.
- 6A.4.1 G (1) Whether a *firm* has responsibility for communicating with the
2 *consumer* under this section will depend on the *rules* in this sourcebook applicable to the relevant circumstances, and the language of relevant provisions in this section should be construed accordingly. See, for example, *ICOBS* 5.1.3CR (Packaged bank accounts), *ICOBS* 6.-1R (Producing and providing product information), *ICOBS* 6.1 (Providing product information to customers) and *ICOBS* 6.5 (Renewals).
- (2) Guidance on the application of these requirements to an *insurer* that is an *incoming firm* can be found at *ICOBS* 1 Annex 1 (Part 2) 5.1R.
- (3) *Firms* with *appointed representatives* are reminded that the effect of s39(4) of the *Act* is that where the *appointed representative* carries out the relevant activity, the *firm* must ensure that the *appointed representative* complies with the relevant provision (see *SUP* 12.3.1G).

Assessment of medical condition risk

- 6A.4.1 G (1) *Firms* should assess the risk associated with medical conditions and
3 calculate *medical condition premiums* by reference to reliable information that is relevant to the assessment of the risk. *Firms* which do not do this may communicate unclear, unfair or misleading price information to *consumers* and so risk breaching *Principles* 2, 6 and/or 7, and *ICOBS* 2.2.2R and/or *ICOBS* 2.5-1R. *Firms* also need to consider their obligations under the Equality Act 2010.
- (2) *Firms* are also reminded of their obligations in *PROD* 4.2 or 4.3 to identify and distribute *travel insurance policies* to the target market.
- (3) Prior to a *firm* offering a *policy* with a very high *medical condition premium*, the *firm* should take all reasonable steps to consider whether:
- (a) the nature of the medical screening or assessment process is insufficient to provide reliable information which is relevant to the assessment of the risk associated with the particular medical condition;
 - (b) the high premium is intended to indicate an unwillingness to accept the risk by the *insurer*; or
 - (c) the high premium is due to the medical condition falling outside of the *insurer's* risk appetite or the target market for the

product.

- (4) Where this is the case, offering a quote may mislead the *consumer* and/or result in them not being treated honestly, fairly and professionally in their best interests. A *firm* should consider instead whether it would be more appropriate not to offer a quote for the risk, explain the reason/s why not to the *consumer* and provide them with the details of the *medical cover firm directory* under *ICOBS 6A.4.5R*.

