

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

INSURANCE SECTOR

Australian Financial Complaints Authority

AFC01QON – JULY UPDATE

Mr Locke: I would say that no matters have yet gone through to an ombudsman or an adjudicator for a determination. There are matters that will have resolved between the parties. In many cases with travel insurance, pandemic is excluded. For most travel insurance policies, people are not covered. Where they are coming to us, we're able to quickly have a look at the policy and explain the exclusions in respect of that. In most policies that is actually pretty clear. But it hasn't stopped people coming to us in the first instance. I'm happy to take on notice a more detailed response to the question that you raised, Chair, but I know that we have not had any matters that have yet worked through to an ombudsman or an adjudicator for a determination.

CHAIR: What I might put on effective notice is that if you could, perhaps by the end of next month and then for every month for the following six months, just give us an update on basic data around that, that would be very useful. We have asked similar things of APRA related to banking—the banks have done it for APRA, but we will get that data, as well as for other financial institutions like the banks, for regular updates. That would be helpful, in terms of matters resolved and also the method of resolution over the next little while.

Mr Locke: I'd be very happy to do that.

Answer:

Provision of Reports to the Committee

The Committee has requested that AFCA supply a monthly report on travel insurance complaints and insights. Statistics and insights up to 30 April 2020 have been provided in our response to the Committee's questions on notice dated 18 May 2020.

The following provides our report for the period ending 31 July 2020. We will continue to provide monthly reports until the end of October 2020, as per the following schedule.

Report Date	Delivered by	Completed? To be provided (TBP)
May Report	Friday, 5 June	Yes
June Report	Wednesday, 8 July	Yes
July Report	Friday, 7 August	Yes
August Report	Monday, 7 September	TBP
September Report	Wednesday, 7 October	TBP
October Report	Friday, 6 November	TBP

1 January 2020 to 31 July 2020 Report

COVID-19-related travel insurance complaints as of 31 July 2020

Between 1 January 2020 and 31 July 2020, AFCA received 2,168 travel insurance complaints relating to COVID-19. A total of 62% (1351) of these complaints have so far been resolved with approximately \$704,430 in compensation obtained by consumers.

In the month of July, AFCA received a total of 526 new travel insurance complaints and of these 44 have so far resolved. The total number of travel complaints resolved for the month of July was 580.

Complaint insights

Insights this month include that:

- Claim declines are now moving more towards policy exclusions (for instance pandemic/epidemic), and where insurers say consumers have not established a valid claim
- There is growing discussion about 'known event' dates and what knowledge consumers had about COVID-19 at the time they entered into their travel insurance contract.
- There is discussion as to whether the pandemic is a natural disaster within the terms of a policy, where the policy does not define natural disaster.

Other issues relating to travel insurance complaints have again remained reasonably consistent, with the following themes:

- Cancellation of travel plans
- Changes to travel plans
- High number of complainants directly coming to AFCA first (bypassing IDR)

- Refunds of premiums following cancellation of travel
- Most denial-of-claims matters are from people seeking advice from the insurer whether to cancel trip/flights and were unhappy with the response
- Claims insurers didn't warn of possible pandemic exclusions at policy inception or started the pandemic date earlier than WHO declared date
- Delays in claims handling, and quality of service provided.