

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS INSURANCE SECTOR

AIG Australia

AIG01QW:

Can you please provide information about inclusion in insurance products in the following circumstances **prior to a policy holder's departure**:

(a) The impact on accessing health insurance (i.e. costs for testing and hospital stays) for a policy holder that books international travel to a destination that already has a Smart Traveller advisory issued against it due to the outbreak of COVID-19.

(b) The impact on accessing travel insurance (i.e. costs incurred for self-quarantine) for a policy holder that books international travel to a destination that already has a Smart Traveller advisory issued against it due to the outbreak of COVID-19.

(c) The impact on accessing travel insurance (i.e. costs for rescheduling flights) for a policy holder that books international travel to a destination that already has a Smart Traveller advisory issued against it due to the outbreak of COVID-19.

(d) The impact on accessing health insurance (i.e. costs for testing and hospital stays) for a policy holder that books international travel to a destination that did not have a Smart Traveller advisory issued against it due to the outbreak of COVID-19 at the time of booking, but has subsequently done so.

(e) The impact on accessing travel insurance (i.e. costs incurred for self-quarantine) for a policy holder that books international travel to a destination that did not have a Smart Traveller advisory issued against it due to the outbreak of COVID-19 at the time of booking, but has subsequently done so.

(f) The impact on accessing travel insurance (i.e. costs for rescheduling flights) for a policy holder that books international travel to a destination that did not have a Smart Traveller advisory issued against it due to the outbreak of COVID-19 at the time of booking, but has subsequently done so.

(g) The impact on accessing health insurance (i.e. costs for testing and hospital stays) for a policy holder that books international travel to a destination that did not have a Smart Traveller advisory issued against it due to the outbreak of COVID-19 at the time of booking, and may do so in the future.

(h) The impact on accessing travel insurance (i.e. costs incurred for self-quarantine) for a policy holder that books international travel to a destination that did not have a Smart Traveller advisory issued against it due to the outbreak of COVID-19 at the time of booking, and may do so in the future.

(i) The impact on accessing travel insurance (i.e. costs for rescheduling flights) for a policy holder that books international travel to a destination that did not have a Smart Traveller advisory issued against it due to the outbreak of COVID-19 at the time of booking, and may do so in the future.

Answer:

General

AIG Australia is not a health insurer under the *Private Health Insurance Act 2007* (Cth) or related legislation. AIG Australia is a general insurer authorised under the *Insurance Act 1973* (Cth) to carry on general insurance business, including leisure and corporate travel insurance products. Accordingly, AIG Australia does not issue health insurance.

Each question includes a scenario relating to a Smart Traveller advisory. The Smart Traveller website lists four “advice levels”, namely:

- Level 1 - Exercise normal safety precautions,
- Level 2 - Exercise a high degree of caution,
- Level 3 - Reconsider your need to travel,
- Level 4 - Do not travel.

AIG Australia’s understanding is that every international country will have an advice level at any one time.

However, the scenarios do not refer to a specific Smart Traveller advice level or to all of the factors AIG Australia takes into account in assessing travel insurance claims. In practice, AIG Australia assesses each policy holder’s travel insurance claim according to the product terms and conditions and all of the individual circumstances of the policy holder’s claim.

Other factors typically include the reasons for any recent increase in Smart Traveller advice level (rather than just the prevailing level) and the policy holder’s awareness of known risks at the time of purchase of the insurance product and their ability to take precautions to avoid them.

Question (a)

This question relates to **health insurance** coverage in respect of a policy holder’s **testing and hospital costs prior to the policy holder’s departure** on international travel.

Testing and hospital costs prior to the policy holder's departure are for medical and hospital services provided in and incurred in Australia. As AIG Australia is not a private health insurer, AIG Australia's international travel insurance products consequently are not legally permitted to cover, and therefore exclude, these costs.

The policy holder's international destination and its Smart Traveller advice level are not a factor in this.

Question (b)

This question relates to **travel insurance** coverage in respect of a policy holder's **self-quarantine** costs **prior to the policy holder's departure** on international travel.

Self-quarantine costs such as Australian accommodation or similar costs prior to the policy holder's departure are for services provided and incurred in Australia. As the travel has not commenced, these costs are outside the coverage of international travel insurance. In some cases, the costs may also constitute Australian medical or hospital costs and the answer to question (a) will also apply.

The policy holder's international destination and its Smart Traveller advice level are not a factor in this.

Question (c)

This question relates to **travel insurance** coverage in respect of a policy holder's **flight rescheduling** costs **prior to the policy holder's departure** on international travel.

AIG Australia travel insurance products typically provide coverage for cancellation fees, lost deposits and similar costs even prior to a policy holder's departure, subject to the terms, conditions and exclusions of the product. Coverage for any particular claim depends on the product and the circumstances of the policy holder's claim, together with when the policy holder purchased the product.

In the scenario, at the time of booking, the destination already has a Smart Traveller advisory against it due to the outbreak of COVID-19.

The advice level is only one factor, but it has clearly been increased due to COVID-19 risks at the time of booking. Accordingly, one or more exclusions in the insurance product are likely to be relevant, including because the policy holder is likely to have purchased the insurance product at or after the time of booking and with awareness of these COVID-19 risks.

Question (d)

This question relates to **health insurance** coverage in respect of a policy holder's **testing and hospital** costs **prior to the policy holder's departure** on international travel.

Please refer to answer (a) above.

Question (e)

This question relates to **travel insurance** coverage in respect of a policy holder's **self-quarantine** costs **prior to the policy holder's departure** on international travel.

Please refer to answer (b) above.

Question (f)

This question relates to **travel insurance** coverage in respect of a policy holder's **flight rescheduling** costs **prior to the policy holder's departure** on international travel.

AIG Australia travel insurance products typically provide coverage for cancellation fees, lost deposits and similar costs even prior to a policy holder's departure, subject to the terms, conditions and exclusions of the product. Coverage for any particular claim depends on the product and the circumstances of the policy holder's claim, together with when the policy holder purchased the product.

In the scenario, at the time of booking the destination did not have a Smart Traveller advisory against it due to the outbreak of COVID-19 but has subsequently done so.

The advice level is only one factor, but it has clearly increased due to COVID-19 risks after the time of booking but still prior to departure. One or more exclusions in the insurance product may be applicable, and relevant factors include when the policy holder purchased the insurance product and their awareness of COVID-19 risks at that time.

Question (g)

This question relates to **health insurance** coverage in respect of a policy holder's **testing and hospital** costs **prior to the policy holder's departure** on international travel.

Please refer to answer (a) above.

Question (h)

This question relates to **travel insurance** coverage in respect of a policy holder's **self-quarantine** costs **prior to the policy holder's departure** on international travel.

Please refer to answer (b) above.

Question (i)

This question relates to **travel insurance** coverage in respect of a policy holder's **flight rescheduling** costs **prior to the policy holder's departure** on international travel.

AIG Australia travel insurance products typically provide coverage for cancellation fees, lost deposits and similar costs even prior to a policy holder's departure, subject to the terms, conditions and exclusions of the product. Coverage for any particular claim depends on the product and the circumstances of the policy holder's claim, together with when the policy holder purchased the product.

In the scenario, at the time of booking the destination did not have a Smart Traveller advisory against it due to the outbreak of COVID-19 and may do so in future.

The advice level is only one factor, but in this scenario, it has not been increased due to COVID-19 at the time of booking. Accordingly, the advice level by itself may not be a factor to consideration of the claim, unless there are other circumstances relevant to the individual policy holder's decision to book at that time. However, the scenario does state that the advice level may increase due to COVID-19 risks in future (but prior to departure). If and when this occurs, other factors such as timing of the increase in advice level and purchase of the insurance product may become relevant.