

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Auto & General Insurance Company

AGI01QW:

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:

By way of background, Auto & General Insurance Company Ltd (**AGIC**) issues and underwrites general insurance products including travel insurance. Auto & General Services (**AGS**) is authorised by AGIC pursuant to a binder agreement to enter into, amend or cancel insurance policies, and administer claims, on behalf of AGIC. Travel insurance products are sold through AGIC's flagship insurance brand, Budget Direct and also white labelled for sale by retail partners, such as ING.

On 18 March 2020, in response to advice from the Australian Government and the upgrading of Smart Traveller advisory levels due to COVID-19, AGIC decided to temporarily suspend the sale of all new travel insurance policies for both domestic and international destinations, effective immediately. AGIC is also processing and issuing refunds on travel insurance policies where customers have requested them outside of the standard 14-day cooling off period.

AGIC remains committed to continue providing travel insurance to Australians in the near future and continues to monitor the advice from the Australian Government in relation to both domestic and international travel in this regard. In light of the suspension of sale of new travel insurance policies, we provide AGIC's responses in relation to the position that would have been available to new customers immediately prior to the temporary suspension of sale on 18 March 2020.

(a) In responding to this and subsequent questions, it is assumed that the reference to "health insurance" means the overseas medical and hospital expenses benefits under a travel insurance policy rather than a private health insurance policy (AGIC does not issue private health insurance).

AGIC's travel insurance policy does not provide any cover (including overseas medical and hospital expenses cover) for destinations that are, at the time of purchase, already subject to a Level 4 – Do Not Travel warning issued by the Department of Foreign Affairs and Trade (DFAT) on the Smart Traveller website.

As a matter of prudent business operation, AGIC's practice is to where possible avoid selling new travel insurance policies to customers for travel to destinations which are already subject to a Level 4 warning; and AGIC does this by placing an embargo on sales of new policies to those destinations. For example, consumers have been unable to purchase AGIC travel insurance to some international destinations, such as Yemen and Libya, for a prolonged period due to their Do Not Travel status.

AGIC implemented an embargo on the sale of new policies for travel to China soon after the DFAT Smart Traveller alert was moved to Level 4 (due to COVID-19); and AGIC immediately suspended travel insurance sales to all destinations after the Australian Government's announcement relating to All International Destinations (Overseas) on 18 March 2020.

(b) AGIC's response is the same as provided to question (a) above, suffice to highlight that there is no specific benefit within AGIC travel insurance policies which relates to self-quarantine expenses, such as loss of income.

(c) AGIC's response is the same as provided to question (a) above.

(d) AGIC's travel insurance Product Disclosure Statement (**PDS**) contains a general exclusion, commonly referred to as a 'pandemic clause'. This precludes cover for *"Any claim directly or indirectly arising from an epidemic, pandemic or outbreak of an infectious disease, virus or condition, including any derivative or mutation of such disease, virus or condition, or the threat or perceived threat of any such epidemic, pandemic or outbreak."*

AGIC's travel insurance policy also contains a general exclusion, commonly referred to as a 'known event clause'. The Australian Financial Complaints Authority has confirmed that COVID-19 was classified as a 'known event' by most insurers between 21 to 31 January 2020. AGIC considers the relevant date to be 30 January 2020, the date on which the World Health Organisation declared COVID-19 to be a Public Health Emergency of International Concern for all countries, meaning that travel insurance policies purchased after that date do not provide cover for COVID-19-related claims.

Accordingly, for both the above reasons, where an AGIC travel insurance policy was purchased prior to the Level 4 warnings being extended to all countries (eg. 17 March 2020), it would still not provide cover for any claims resulting from COVID-19.

(e) AGIC's response is the same as provided to question (d) above, suffice to highlight that there is no specific benefit within AGIC travel insurance policies which relates to self-quarantine expenses, such as loss of income.

(f) AGIC's response is the same as provided to question (d) above. However, where the reason for cancelling or amending travel arrangements was unrelated to COVID-19 or a separate 'known event' and instead one of the reasons listed in the travel insurance PDS (eg. having to go to court to be a witness or to be on a jury) then cancellation and amendment fees are covered in accordance with the PDS.

Cancellation and amendment fees are also covered in the event that a destination is upgraded to a Level 4 warning before a customer's departure date, for a reason other than one which is covered by the 'pandemic clause' (COVID-19) or the 'known event clause', if they decided to cancel or cut a trip short because of the upgraded Smart Traveller warning.

(g) AGIC's response is the same as provided to question (d) above.

(h) AGIC's response is the same as provided to question (d) above, suffice to highlight that there is no specific benefit within AGIC travel insurance policies which relates to self-quarantine expenses, such as loss of income.

(i) AGIC's response is the same as provided to question (f) above.