

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

INSURANCE SECTOR

Insurance Council of Australia

ICA06QON: There was a report in the Financial Review a month ago saying that travel insurance complaints reported to AFCA had soared, giving the example of a couple, Alexandra Raine and Gabriel Christensen, who were denied a claim for losses relating to a skiing holiday on the basis that their decision ought to have anticipated the pandemic. That was despite the fact that they paid for the insurance before the World Health Organization declared COVID-19 a pandemic. Have you spoken to some of your members that offer travel insurance about this issue—the question of whether travellers should have anticipated that COVID-19 related claims would be excluded? It seems like a loophole that some of your members are trying to drive a truck through.

Mr Whelan: I can't go to the specifics of that particular claim, but pandemics are a broad exclusion in policies. As far as I'm aware that claim would have been denied on the basis of that particular blanket exclusion. I can't go into the details of that particular instance, but I'm happy to take anything further on that on notice.

[Proof Hansard, 3 June 2020, Insurance sector, p. 14.]

Answer:

The Insurance Council acknowledges that there are a large number of travel insurance related disputes presently with AFCA.

Many insurance policies contain a standing exclusion for claims related to pandemics. Under this type of policy all claims relating to a pandemic, regardless of the time of purchase or time of claim, would be denied.

Other policies do not contain a standing exclusion relating to pandemics, instead relying on a 'known event' construction. Under this type of policy any person purchasing a policy before the insurer publicly announces that a known event exclusion will apply, can rely upon their policy to make claims relating to, in this case, the pandemic event. If a policyholder purchases a policy after the known event declaration is published by the insurer, any claims relating to a pandemic would likely be denied.